Project: **Annual Improvements—2010–2012 cycle**

Topic: **Issues that the Committee recommends should not lead to amendments within the scope of the *Annual Improvements* process**

## Introduction

1. At its meetings in September 2010, November 2010 and January 2011, the IFRS Interpretations Committee (the Committee) reviewed a selection of issues for potential resolution through the *Annual Improvements* process for 2010-2012.

2. The Committee tentatively decided to recommend that the Board should not proceed with five of those issues through the *Annual Improvements* process.

3. This paper discusses the following five issues:

   (a) IFRS 3 *Business Combinations* and IAS 39 *Financial Instruments: Recognition and Measurement*—hedging the foreign exchange risk in a business combination;

   (b) IFRS 3 *Business Combinations*—settlement of a pre-existing relationship between the acquirer and the acquiree;

   (c) IAS 8 *Accounting policies, Changes in accounting Estimates and Errors*—hierarchy of guidance to select an accounting policy;

   (d) IAS 36 *Impairment of Assets*—accounting for impairment testing of goodwill when non-controlling interests are recognised; and

   (e) IAS 41 *Agriculture*—Illustrative Examples—presentation of revenue in the profit or loss account.

This paper has been prepared by the technical staff of the IFRS Foundation for discussion at a public meeting of the IASB.

The views expressed in this paper are those of the staff preparing the paper. They do not purport to represent the views of any individual members of the IASB.

Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS—only the IFRS Interpretations Committee or the IASB can make such a determination.

The tentative decisions made by the IASB at its public meetings are reported in IASB *Update*. Official pronouncements of the IASB, including Discussion Papers, Exposure Drafts, IFRSs and Interpretations are published only after it has completed its full due process, including appropriate public consultation and formal voting procedures.

## Purpose of this paper

4. The objective of this paper is to:

   (a) present background information for these issues and give an overview of our analysis of the issues,

   (b) explain the rationale for the Committee's decision to recommend that the Board should not amend the relevant standards through the *Annual Improvements*, and

   (c) ask for the Board's agreement with the Committee's recommendation.

## IFRS 3 *Business Combinations* and IAS 39 *Financial Instruments: Recognition and Measurement*—hedging the foreign exchange risk in a business combination

### *Background information*

5. In January 2011, the Committee analysed a request to clarify whether gains or losses arising from hedging the risk of changes in the amount of the consideration paid in a business combination, where such changes would be due to movements in foreign exchange rates, would qualify as being part of the consideration transferred in accordance with paragraph 37 of IFRS 3 (revised 2008).

6. The submitter states that under the previous version of IFRS 3 *Business Combinations* (issued 2004), if the acquisition price of the business combination was hedged, the effect of hedging the risk of movements in foreign exchange rates was typically included in the cost of the acquisition. The impact of the hedge was therefore, typically reflected in goodwill, after the cost was allocated to the fair value of the identifiable assets and liabilities.

7. The submitter claims that the new version of IFRS 3 (as revised in 2008) does not specifically state in its paragraph 37 whether the consideration transferred in a business combination can include the gain or loss arising from the hedging transaction and thinks that it would not be possible to achieve hedge accounting under IFRS 3 (revised 2008), because:

(a) there is greater focus on the fair value of the consideration transferred to the selling shareholders;

(b) all acquisition-related costs are recognised as expenses; and

(c) the hedge transaction is undertaken with a party other than the selling shareholder.

***Summary of the staff's analysis***

8. The following is a summary of the analysis presented to the Committee in January 2011. Our full analysis was set out in Agenda Paper 4, which can be found on the public website, and includes the text of the original submission.

9. The analysis of the requirements in IAS 39 for hedge accounting shows that gains and losses arising from hedging the risk of changes in the amount of the consideration paid could adjust the initial cost of the acquired assets or liabilities in a business combination.

10. Paragraph AG98 of IAS 39 allows an entity to hedge the movements in foreign currency exchange rates for a hedged item that is a firm commitment to enter into a business combination, as follows [emphasis added]:

> AG98 '**A firm commitment to acquire a business in a business combination cannot be a hedged item, except for foreign exchange risk**, because the other risks being hedged cannot be specifically identified and measured. These other risks are general business risks.'

11. In addition, paragraph 87 of IAS 39 allows a hedge of the foreign currency risk of a firm commitment to be accounted for as a fair value hedge or as a cash flow hedge.

12. Paragraph 94 of IAS 39 permits adjustments to the asset or liability that result from the entity meeting the firm commitment in a fair value hedge. We noted that the basis adjustment made to the hedged item is after other applicable IFRSs have been applied in accounting for the hedged item.

13. In accordance with paragraph 95 of IAS 39, a cash flow hedge shall be accounted as follows:

(a) the **effective portion** of the gain or loss on the hedging instrument (in accordance with paragraph 88) shall be recognised in other comprehensive income (OCI); and

(b) the **ineffective portion** of the gain or loss on the hedging instrument shall be recognised in profit or loss.

14. In accordance with paragraph 98 of IAS 39, if a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, as will happen when acquiring a business in a business combination, then the entity will have an accounting policy option that must be applied thereafter to all such hedges of forecast transactions:

    (a) the same accounting as for recognition of a financial asset or financial liability (as provided in paragraph 97 of IAS 39)—any gain or loss on the hedging instrument that was previously recognised in OCI is reclassified into profit or loss in the same period(s) in which the non-financial asset or liability affects profit or loss; or,

    (b) apply a 'basis adjustment' of the acquired non-financial asset or liability in the business combination—the gain or loss on the hedging instrument that was previously recognised in OCI is removed from equity and is included in the 'initial cost or other carrying amount of the asset or liability'(ie acquired non-financial asset or liability).

15. We concluded that:

    (a) IAS 39's hedge accounting requirements can be applied in addition to IFRS 3's requirements; they are not contradictory.

    (b) Paragraph AG98 of IAS 39 allows an entity to hedge the movements in foreign exchange rates for a hedged item that is a firm commitment to enter into a business combination.

    (c) IAS 39 provides general guidance for hedge accounting. If a hedge of the foreign currency risk of a firm commitment is accounted for as:

        (i) a fair value hedge, the subsequent cumulative change in the fair value of the firm commitment is recognised as an asset or

liability with a corresponding gain or loss recognised in profit or loss, followed by an adjustment of the initial carrying amount of the asset or liability that results when meeting the firm commitment; or

(ii) a cash flow hedge, the hedging effects can either be deferred in OCI and subsequently reclassified into profit or loss, or deferred in OCI, followed by a 'basis adjustment', depending on the accounting policy chosen by the entity,

16. The 'basis adjustment' provides for the adjustment of the initial cost of the acquired asset or liability of the business combination. This adjustment will become part of goodwill in a business combination, after the application of the guidance in IFRS 3 (2008), because goodwill is calculated as a residual in accordance with paragraph 32 of IFRS 3 (2008).

### *Interpretations Committee's recommendation to the Board*

17. The Committee agreed with the staff's analysis and recommendation and concluded that the requirements in IAS 39 provide sufficient guidance and that this guidance should be applied in addition to the guidance in IFRS 3 when accounting for a business combination.

18. Consequently, the Committee recommend that the Board should not address this issue through Annual Improvements.

### *Question to the Board*

| Question 1 Interpretations Committee's recommendation |
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| Does the Board agree with the Committee's recommendation not to propose an amendment through Annual Improvements for this issue? |

## IFRS 3 *Business Combinations*—settlement of a pre-existing relationship between the acquirer and the acquiree

### *Background information*

19. The Committee received a request asking for a clarification of the guidance that applies to the settlement at the date of a business combination of a relationship between the acquirer and the acquiree that existed prior to a business combination.

20. The request raised a concern about divergent interpretations of the guidance set out in paragraph B52 of IFRS 3 as to whether the relationship is part of goodwill or should instead be recognised as a separate intragroup relationship intangible asset arising from the business combination.

### *Summary of the staff's analysis*

21. The following is a summary of the analysis presented at the Committee in November 2010. Our full analysis was set out in Agenda paper 15, which can be found on the public website.

22. The following views were identified:

    (a) View A1: the relationship should be recognised separately from goodwill even though it is an intragroup relationship.

    (b) View A2: the relationship should be recognised separately from goodwill only to the extent that it is an intangible asset of the group post-combination.

23. Proponents of view A1 argue that, from the market's perspective, the relationship is an intangible asset that still exists post-combination and that can be measured separately as an identifiable intangible asset of the business combination. They believe that the business combination settles only the potential 'off-market' part of the relationship.

24. Those who support view A2 are of the opinion that, because the purpose of consolidated financial information is to present the effect of the business combination from the group's perspective, any intragroup relationship should be eliminated as a result of the consolidation process.

25. In addition, in support of view A2, we noted that the illustrative example IE56 for IFRS 3 concludes that the 'at-market' component of the contract is part of goodwill; the 'off-market' component is recognised in profit or loss.

***Interpretations Committee's recommendation to the Board***

26. The Committee agreed with the consolidation principle that any intragroup relationship should be eliminated as a result of the consolidation process. They also noted that the Illustrative Example IE56 to IFRS 3 is clear that the 'at-market' component of a pre-existing relationship that is not a reacquired right is included in goodwill following the business combination.
27. Consequently, the Committee concluded that it did not expect that significant diversity would arise in practice.
28. The Committee therefore recommends that the Board should not proceed with an annual improvement to address this issue.

***Question to the Board***

| **Question 2—Interpretations Committee's recommendation** |
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| Does the Board agree with the Committee's recommendation not to propose an amendment through Annual Improvements to address this issue? |

## IAS 8 *Accounting policies, Changes in accounting Estimates and Errors*—hierarchy of guidance to select an accounting policy

***Background information***

29. In January 2011, the Committee considered a request to clarify the guidance in IAS 8 regarding the use of management's judgement in developing and applying accounting policies when a particular event, transaction or other condition is not specifically addressed by IFRSs.
30. The request specifically asked for clarification, when applying the IAS 8 hierarchy, on whether management is required to incorporate into an accounting policy:

(a) *only certain aspects* of the treatment prescribed by IFRSs for similar transactions that management judges necessary to produce information that is relevant and reliable; or,

(b) *all aspects* of the treatment prescribed by IFRSs for similar transactions, regardless of the existence of a potential impact upon the relevance and reliability of the information presented.

***Summary of the staff's analysis***

31. The following is a summary of the analysis presented at the Committee in January 2011. Our full analysis was set out in Agenda paper 5, which can be found on the public website.

32. We observed that the requirements in paragraphs 10-12 of IAS 8 give management guidance on developing accounting policies in the absence of a specific IFRS dealing with a certain transaction. In our view:

    (a) paragraph 10 sets out the **principle** that management should develop and apply an accounting policy that results in reliable and relevant information; and

    (b) paragraphs 11 and 12 outline the **process** by which management develops accounting policies in accordance with paragraph 10. Under this process, accounting policies are developed by judging all the sources that can be taken into consideration in the IAS 8 hierarchy, including making **analogies** for similar transactions when appropriate as stated in paragraph 11(a) of IAS 8.

33. The submission raised specific questions concerning whether only certain aspects, or all aspects, of an IFRS that is being analogised to should be included in the accounting policy being developed.

34. We are of the view that this will depend on the nature of the specific transaction or event for which the accounting policy is being developed. The overriding objective will be that the accounting policy produces relevant and reliable information, as described in paragraph 10(a)-(b) of IAS 8.

***Interpretations Committee's recommendation to the Board***

35. The Committee agreed with the staff's analysis and recommendation and concluded that the guidance in IAS 8 requires the use of management's judgement in applying all aspects of the IFRS that are being analogised to and that are relevant to the particular issue. The Committee concluded that the process for developing accounting policies by analogy does not need to be clarified in paragraphs 10–12 of IAS 8 because the current guidance is sufficient.

36. Consequently, the Committee recommends that the Board should not address this issue through Annual Improvements.

***Question to the Board***

| **Question 3—Interpretations Committee's recommendation** |
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| Does the Board agree with the Committee's recommendation not to propose an amendment through *Annual Improvements* for this issue? |

## IAS 36 *Impairment of Assets*—accounting for impairment testing of goodwill when non-controlling interests are recognised

***Background information***

37. The Committee received the following three requests relating to how an entity accounts for impairment testing of goodwill when a non-controlling interest (NCI) is recognised:

    (a) What are the requirements for calculating the 'gross up' of the carrying amount of goodwill when partial goodwill is recognised because NCI is measured on a proportionate share basis?

    (b) How should impairment losses be allocated between the parent and NCI?

    (c) How should goodwill be reallocated between NCI and controlling interests after a change in a parent's ownership interest in a subsidiary that does not result in a loss of control?

38. These three issues arise in situations when:

(a) both NCI and non-present ownership interests ('NPOI') exist and NCI is measured on a proportionate share rather than fair value basis; or

(b) goodwill is allocated between the parent and NCI on a basis that is not in proportion to the percentage of equity owned by the parent and the NCI shareholders (eg because of the existence of a control premium); or

(c) there are subsequent changes in ownership between the parent and NCI shareholders, but the parent maintains control.

39. The requests focused on the guidance in Appendix C of IAS 36 relating to the impairment testing of cash-generating units (CGUs) with goodwill and NCI. It identified concerns in applying that guidance, including complexities that Illustrative Example 7A in IAS 36 does not address.

### *Summary of the staff's analysis*

40. The following is a summary of the analysis presented to the Committee in September 2010. Our full analysis was set out in Agenda paper 10, which can be found on the public website.

41. We analysed the different situations described in paragraphs 38 and 39 above and we assessed the application of the existing principles and illustrative examples in IAS 36 and IFRS 3 to those situations. Those principles are reproduced below for ease of reference.

#### *Key principles in IFRSs relating to these issues*

42. The key principles, and exceptions to those principles, in IFRSs relating to the issues addressed are reproduced below for ease of reference:

**IFRS 3 *Business Combinations***

**Measurement principle**

***Principle 1***

The fair value measurement principle as set out in paragraph 18 of IFRS 3

18 The acquirer shall measure the identifiable assets acquired and the liabilities assumed at their acquisition-date *fair values.* [emphasis added]

***Exception 1***

Measurement of NCI on a proportionate share basis as set out in paragraph 19 of IFRS 3

19 For each business combination, the acquirer shall measure at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at either:

(a) fair value; or

(b) *the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets*. [emphasis added]

### Non-controlling interest in an acquiree

***Exception 2***

Impact of a control premium/minority discount as set out in paragraph B45 of IFRS 3

B45 The fair values of the acquirer's interest in the acquiree and the non-controlling interest on a per-share basis might differ. *The main difference is likely to be the inclusion of a control premium in the per-share fair value of the acquirer's interest in the acquiree or, conversely, the inclusion of a discount for lack of control (also referred to as a minority discount) in the per-share fair value of the non-controlling interest.* [emphasis added]

### Measurement of non-controlling interest (NCI)

***Exception 3***

Recognition of NPOI as set out in paragraph IE44D of IFRS 3

IE44D Paragraph 19 of IFRS 3 states that for each business combination, the acquirer shall *measure at the acquisition date components of non-controlling interest in the acquiree that are present ownership interests* and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation *at either fair value or the present ownership instruments' proportionate share* in the acquiree's recognised amounts of the identifiable net assets. *All other components of non-controlling interest must be measured at their acquisition-date fair value,* unless another measurement basis is required by IFRSs. [emphasis added]

## IAS 36 *Impairment of Assets*

### Allocating an impairment loss

***Principle 2***

Goodwill gross up to include unrecognised NCI goodwill as set out in paragraph C4 of IAS 36

C4 *If an entity measures non-controlling interests as its proportionate interest* in the net identifiable assets of a subsidiary at the acquisition

> date, rather than at fair value, goodwill attributable to non-controlling interests is included in the recoverable amount of the related cash-generating unit but is not recognised in the parent's consolidated financial statements. As a consequence, *an entity shall gross up the carrying amount of goodwill allocated to the unit to include the goodwill attributable to the non-controlling interest.* This adjusted carrying amount is then compared with the recoverable amount of the unit to determine whether the cash-generating unit is impaired. [emphasis added]

***Principle 3***

Allocation of impairment loss on the same basis as that on which profit or loss is allocated as set out in paragraph C6 of IAS 36

> C6 If a subsidiary, or part of a subsidiary, with a non-controlling interest is itself a cash-generating unit, *the impairment loss is allocated between the parent and the non-controlling interest on the same basis as that on which profit or loss is allocated.* [emphasis added]

***Principle 4***

Allocation of impairment loss between recognised and unrecognised goodwill as set out in paragraph C8 of IAS 36

> C8 If an impairment loss attributable to a non-controlling interest relates to goodwill that is not recognised in the parent's consolidated financial statements (see paragraph C4), that impairment is not recognised as a goodwill impairment loss. In such cases, only the impairment loss relating to the goodwill that is allocated to the parent is recognised as a goodwill impairment loss. [emphasis added]

43. The analysis of the implications of applying the literature to the situations described in the requests is presented separately for IFRS 3 and for IAS 36 in the following paragraphs.

*IFRS 3*

Principle 1—the fair value measurement principle

44. We observed that *Principle 1* is defined in a clear manner and does not give rise to any of the issues discussed in this agenda paper.

Exception 1—measurement of NCI on a proportionate share basis

45. We noted that ***Exception 1***, which permits entities to measure NCI on a proportionate share, rather than on a fair value basis, was introduced by the Board when IFRS 3 was revised.

46. Although ***Exception 1*** does create practical implementation issues, the rationale in paragraphs IFRS 3.BC212-BC216 makes it difficult for the Committee to recommend that the Board should consider further amendments to this exception to address some of the issues noted in this agenda paper.

Exception 2—impact of a control premium/minority discount

47. In our opinion, ***Exception 2*** leads to practical implementation issues. However, although we have characterised this as an exception in this agenda paper, we think that it is based on a reasonable principle that should be considered in applying IFRS 3 (we think that it is appropriate to consider the impact of control premiums when accounting for a business combination).

48. Consequently, we did not recommend that the Committee should propose that the Board should make amendments to ***Exception 2***.

Exception 3—recognition of NPOI

49. IFRS 3 (revised) also expanded the definition of minority interest, when redefining it as NCI, to include NPOI such as options and warrants.

50. We think that ***Exception 3*** does introduce additional complexity, as partly highlighted in the Committee's discussions on the guidance provided on the measurement of NCI in the 2008-2010 Annual Improvements.

51. This improvement clarified that the proportionate share approach to measuring NCI identified in paragraph 19 of IFRS 3 is only applicable to present ownership interests that entitle holders to a proportionate share of the entity's net assets in the event of liquidation.

52. However, we did not recommend that the Committee should propose that the Board should amend ***Exception 3*** further because of the recent annual improvement.

Staff conclusion

53. We concluded that the Committee should recommend that the Board consider addressing those concerns as part of the post-implementation review of IFRS 3.

*IAS 36*

Principle 2—goodwill gross up to include unrecognised NCI goodwill

54. We noted that ***Principle 2***, as currently written, can be interpreted in a broad manner. We therefore noted that the principle allows different methodologies to be used to approach the goodwill gross up when:

    (a) both NCI, measured on a proportionate share, rather than on a fair value basis, and NPOI exist; or

    (b) goodwill is allocated between the parent and NCI on a basis that is not in proportion to the percentage of equity owned by the parent and the NCI shareholders (eg because of a control premium); or

    (c) there are subsequent changes in ownership between the parent and NCI shareholders, but the parent maintains control.

55. Consequently, we noted that ***Principle 2*** provides constituents with appropriate flexibility to perform the goodwill gross up in a manner that best reflects the specific facts and circumstances of the relationship between the parent and the subsidiary.

56. In addition, we noted that any amendment to this principle, for example to provide more specific 'rules-based' guidance, might have significant implications for the application of other principles relating to the impairment of CGUs with goodwill and NCI.

Principle 3—allocation of impairment loss on the same basis as that on which profit or loss is allocated

57. We noted that ***Principle 3***, as currently worded, can be interpreted by some to be very narrow, requiring that goodwill impairment losses must always be allocated between the parent and NCI on the same basis as profit or loss.

58. We noted through our analysis that broader application of this principle would improve financial reporting. This broader application would reflect the notion that other approaches to allocating goodwill impairment losses, for example to reflect the impact of NPOI and control premiums, are in accordance with the principles of IAS 36 in reflecting the substance of the impairment loss.

Principle 4—allocation of impairment loss between recognised and unrecognised goodwill

59. Similarly as with ***Principle 2***, we noted that ***Principle 4***, as currently worded, can be interpreted in a broad manner.

60. Consequently, we noted that ***Principle 4*** also provides constituents with the flexibility to perform an appropriate allocation of the impairment loss between recognised and unrecognised goodwill following a change in the parent's ownership interest. Such an allocation can be carried out in a manner that best reflects the specific facts and circumstances of the relationship between the parent and the subsidiary.

61. In addition, we noted that any amendment to this principle, for example to provide more specific guidance, could be interpreted to be outside the scope of Annual Improvements because of the implications that it has for establishing principles relating to the:

    (a) treatment of goodwill when there are subsequent changes in ownership between the parent and NCI shareholders; and

    (b) principles for allocating goodwill between the parent and NCI and determining what goodwill should be allocated.

Example 7A in IAS 36

62. The issues raised in the request also highlight concerns that constituents have with Example 7A in IAS 36.

63. These concerns primarily relate to whether the 'mechanical approach' to impairment testing in Example 7A should be applied in all situations in which CGUs that have goodwill and NCI; for example, when the following situations exist:

    (a) NPOI exists;

    (b) control premiums and minority discounts are recognised at the acquisition date; or

    (c) there are changes in the parent's ownership interest in a subsidiary that do not result in loss of control.

64. We noted that the Illustrative Example was not intended to require that this mechanical approach should always applied when applying the guidance in Appendix C of IAS 36.

Staff conclusion

65. We recommended that the Committee should propose that the Board should amend ***Principle 3*** through Annual Improvements. This amendment would require allocation of the impairment loss on the same basis as that on which profit or loss is allocated, unless an alternative allocation basis would better reflect the substance of the impairment loss.

66. We also recommended that the Committee should propose that the Board should amend Example 7A in IAS 36 through Annual Improvements. This amendment would clarify that it provides an illustrative example, but not the only method, of how the guidance in Appendix C of IAS 36 should be applied.

***Interpretations Committee's recommendation to the Board***

67. The Committee disagreed that changes should be made through Annual Improvements, because of concerns relating to possible unintended consequences of making such changes.

68. Consequently, the Committee recommends that the Board should not proceed to propose an amendment through Annual Improvements to address these issues. However, the Committee recommends that the Board should consider the implication of these issues as part of the IFRS 3 post-implementation review.

***Question to the Board***

| **Question 4—Interpretations Committee's recommendation** |
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| Does the Board agree with the Committee's recommendations not to propose an amendment through Annual Improvements to address the issue? |

## IAS 41 *Agriculture*—Illustrative Examples—presentation of revenue in the profit or loss account

### *Background information*

69. In October 2010, the Committee received a request to clarify the disclosure requirements as reflected in Illustrative Example 1 of IAS 41 *Agriculture*.

70. The submission asserted that the Illustrative Example 1 of the standard is unclear in its presentation in the statement of comprehensive income, and that this lack of clarity has resulted in divergence in practice. We understood from the submission that some constituents following the example omit revenue from their statement of comprehensive income, and that there may be confusion around separating out revenue and fair value movements. The submission requested that the Committee should consider amending the example to clarify the presentation required.

### *Summary of the staff's analysis*

71. The following is a summary of the analysis presented to the Interpretations Committee in November 2010. Our full analysis was set out in Agenda paper 14, which that can be found on the public website.

72. Paragraphs A1 and A2 of the Illustrative Examples of IAS 41 state the following with respect to Example 1:

> 'A1 Example 1 illustrates how the disclosure requirements of this Standard might be put into practice for a dairy farming entity. This Standard encourages the separation of the change in fair value less costs to sell of an entity's biological assets into physical change and price change. That separation is reflected in Example 1.
>
> A2 The financial statements in Example 1 do not conform to all of the disclosure and presentation requirements of other Standards. Other approaches to presentation and disclosure may also be appropriate.'

73. We do not think that Example 1 was intended to be a complete illustration of the presentation and disclosure of all the figures included in the example. It was designed to illustrate specific principles in the standard, as stated in paragraph A2 above.

74. However, the submission asserted that the example is being used by constituents as providing guidance that is more comprehensive than was intended, and that diversity is resulting in the way that the principles of IAS 41 are applied.

***Interpretations Committee's recommendation to the Board***

75. The Committee agreed with the staff that the example was not meant to depict all of the disclosures that might be required in a complete set of financial statements, and that this fact is already explained in the introduction to Example 1. The Committee noted that amending the example would be a matter of providing additional application guidance.

76. The Committee therefore recommends that the Board should not address this issue through Annual Improvements.

***Question to the Board***

| **Question 5—Interpretations Committee's recommendation** |
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| Does the Board agree with the Committee's recommendations not to propose an amendment through Annual Improvements to address the issue? |