

STAFF PAPER

27 February—2 March 2012

IASB Meeting

Project	Annual Improvements (2011-2013 cycle)		
Paper topic	Cover note		
CONTACT(S)	Michael Stewart	mstewart@ifrs.org	+44 (0)20 7246 6922
	Denise Durant	ddurant@ifrs.org	+44 (0)20 7246 6469
	Thomas Harzheim	tharzheim@ifrs.org	+44 (0)20 7246 0552

This paper has been prepared by the staff of the IFRS Foundation for discussion at a public meeting of the IASB and does not represent the views of the IASB or any individual member of the IASB. Comments on the application of IFRSs do not purport to set out acceptable or unacceptable application of IFRSs. Technical decisions are made in public and reported in IASB *Update*.

Introduction

1. This paper does the following:
 - (a) summarises the progress in the 2011-2013 cycle of the annual improvements process;
 - (b) provides an overview of the papers for the February 2012 meeting, together with a summary of the IFRS Interpretations Committee's recommendation to the Board; and
 - (c) describes the next steps towards publishing the exposure draft.

Progress report*Where we are in the process*

2. Each year the Board discusses and decides upon proposed improvements to IFRSs as they have arisen throughout the year. Issues dealt with in the process arise from matters raised by the IFRS Interpretations Committee (the Committee) and suggestions from staff or practitioners, and focus on areas of inconsistency in IFRSs or where clarification or wording is required.
3. In the third quarter of the year, an omnibus exposure draft of the collected proposals is published for public comment, with a comment period of 90 days.

After the Board has considered the comments received, it aims to issue the amendments in final form in the following second quarter, with an effective date of 1 January of the subsequent year.

4. From January 2010 on, the Committee has taken on an additional role of reviewing proposed amendments within the annual improvements process and making recommendations to the Board.
5. Currently, we are in the process of collecting proposals for the omnibus exposure draft to be published in the third quarter 2012 (called the 2011-2013 cycle).
6. Appendix A to this paper lists:
 - (a) the proposal that the Board has discussed for inclusion in the 2011-2013 cycle so far;
 - (b) the date of the Board discussions; and
 - (c) the outcome from these discussions.

Overview of papers for the February 2012 Board meeting

7. We will ask the Board at the February 2012 meeting to consider two issues for inclusion in the annual improvements project. If the Board agrees with the proposals, the intention is to include these proposed amendments in the 2011-2013 cycle.
8. The two papers for consideration are:
 - **Agenda paper 13A**: IFRS 3 *Business Combinations*—Scope exclusion for the formation of a joint venture
 - **Agenda paper 13B**: IFRS 3 *Business Combinations*—Definition of a business.

Scope exclusion for the formation of a joint venture

9. **Agenda paper 13A** for the February 2012 Board meeting addresses two questions:
 - (a) Should the scope exclusion in paragraph 2(a) of IFRS 3 (revised 2008) exclude the formation of all types of joint arrangements as defined in

IFRS 11 *Joint Arrangements* from the scope of IFRS 3 (revised 2008), or should it exclude only joint ventures?

- (b) Does the scope exclusion in paragraph 2(a) of IFRS 3 (revised 2008) apply to the financial statements of:
 - (i) the joint arrangement itself;
 - (ii) a party to the joint arrangement; or
 - (iii) both?
10. The Committee recommends to the Board that it should amend paragraph 2(a) of IFRS 3 (revised 2008) through the 2011-2013 cycle of the annual improvements process, to:
- (a) exclude the formation of all types of joint arrangements as defined in IFRS 11 from the scope of IFRS 3 (revised 2008); and
 - (b) clarify that paragraph 2(a) of IFRS 3 (revised 2008) only excludes the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself from the scope of IFRS 3 (revised 2008).

Definition of a business

11. **Agenda paper 13B** for the February 2012 Board meeting addresses the interrelationship between IFRS 3 and IAS 40 *Investment Property*, ie whether the acquisition of investment property can be a business combination.
12. The Committee recommends to the Board that it should amend IAS 40 to clarify that these two standards are not mutually exclusive. When property is acquired, an entity has to assess whether the acquisition meets the definition of a business combination as set out in Appendix A and paragraphs B5-B12 of IFRS 3, as well as whether the acquired asset or assets meet(s) the definition of investment property as set out in paragraph 5 of IAS 40.

Next steps

13. We will continue to collect proposals for the 2011-2013 cycle up to the third quarter of this year.

APPENDIX A—Issues considered for inclusion in the 2011-2013 cycle in previous Board meetings

IFRS	Issue	Date of Board Discussion	Outcome
IAS 7 <i>Statement of Cash Flows</i>	Classification of cash flows for an operator in a service concession arrangement within the scope of IFRIC 12 <i>Service Concession Arrangements</i>	27 January 2012	Issues referred back to the Committee to: <ul style="list-style-type: none"> - look collectively at these two issues, as well as all of the previous IAS 7 issues that the Committee has discussed regarding the classification of cash flows; and - consider whether these issues could be dealt with collectively.
	Classification of cash payments for deferred and contingent consideration arising from a business combination within the scope of IFRS 3 <i>Business Combinations</i>		