

IFRIC Update

From the IFRS Interpretations Committee



January 2012

Welcome to the IFRIC Update

IFRIC Update is the newsletter of the IFRS Interpretations Committee and is published as a convenience to the IASB's constituents. All conclusions reported are tentative and may be changed or modified at future IFRS Interpretations Committee meetings.

Decisions become final only after the Interpretations Committee has taken a formal vote on an Interpretation or Draft Interpretation, which is confirmed by the IASB.

The Interpretations Committee met in London on 17 and 18 January 2012, when it discussed:

- Current agenda:
 - IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*— Levies charged for participation in a specific market (date of recognition of a liability)
 - IAS 32 *Financial Instruments: Presentation*— Put options written over non-controlling interests
 - IAS 2 *Inventories*— Long-term prepayments for inventory supply contracts
- IFRS Interpretations Committee agenda decisions
- Issues considered for *Annual Improvements*
- IFRS Interpretations Committee work in progress

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Future IFRS Interpretations Committee meetings

The next meetings are:
13 and 14 March 2012
15 and 16 May 2012
10 and 11 July 2012
18 and 19 September
2012
13 and 14 November
2012
Meeting dates, tentative
agendas and additional
details about the next meeting
will be posted to the IASB
[website](#) before the meeting.
Instructions for submitting
requests for Interpretations
are given on the IASB
[website here](#).

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Current agenda

The Interpretations Committee discussed the following issue, which is on its current agenda.

IAS 37 ***Provisions, Contingent Liabilities and Contingent Assets***—Levies charged for participation in a specific market (date of recognition of a liability)

The Interpretations Committee received a request to clarify whether, under certain circumstances, IFRIC 6 *Liabilities arising from participating in a specific market—Waste Electrical and Electronic Equipment* should be applied by analogy to identify the event that gives rise to a liability for other levies charged by public authorities for participation in a market on a specified date. The concern relates to when a liability should be recognised under IAS 37.

At the July 2011 meeting, the Committee decided to add this issue to its agenda with the aim of developing guidance.

At the November 2011 meeting, the Committee noted the following:

- An entity does not have a constructive obligation to pay a levy that arises from operating in a future period as a result of being economically compelled to continue operating in that future period.
- The preparation of financial statements on the going concern principle does not create a present obligation in accordance with IAS 37 and therefore does not lead to the recognition of a liability at a reporting date for levies that arise from operating in the future.
- The obligating event in accordance with IAS 37 is the last of the necessary events that is sufficient to create the present obligation when more than one event is required to create an obligation. Consequently, for example, the obligating event for a levy that is charged if the entity undertakes discrete activities both in the current and in the previous period is the activity in the latter period as identified by the legislation.
- The obligating event arises progressively if the activity that creates the present obligation occurs over a period of time. For example, a liability is recognised progressively if the obligating event as identified by the legislation is the generation of revenues over a period of time.
- The liability for the obligation to pay a levy gives rise to an expense, unless the levy is an exchange transaction in which the entity that pays the levy receives assets or future services in consideration for the payment of the levy.

At the January 2012 meeting, the Committee reviewed and agreed with some examples that illustrate the application of the principles identified above. The Committee also noted that, in accordance with IAS 34 *Interim Financial Reporting*, the same recognition principles should be applied in the interim financial statements as are applied in the annual financial statements.

The Committee tentatively decided to develop an interpretation on the accounting for levies charged by public authorities on entities that participate in a specific market. The consensus would be based on the principles identified above and would include illustrative examples.

With respect to levies that are due only if a minimum threshold is achieved, the Committee could not reach a consensus as to whether:

- The threshold is an obligating event (ie is a recognition criterion) and the liability should be recognised at a point in time only after the threshold is met; or
- the threshold is a measurement criterion and the liability should be recognised progressively as the entity generates revenue (if the threshold is expected to be met) in accordance with the fourth principle noted at the November 2011 meeting.

The Committee noted that IAS 34 provides some guidance on the accounting for tax liabilities within the scope of IAS 12 *Income Taxes* and contingent lease payments within the scope of IAS 17 *Leases*. The Committee decided to ask the Board whether the Board thinks that the rationale developed in these examples:

- only applies to interim financial statements or also applies to annual financial statements; and
- is consistent with the core principle of IAS 34 *Interim Financial Reporting* that the same recognition principles should be applied in both the annual and the interim financial statements.

At the March 2012 meeting, the Committee will consider the Board's feedback and discuss again the issue of levies that are due only if a threshold is passed.

The Committee also asked the staff to consult the Board on whether they think that the characteristics of the levies that would be within the scope of the interpretation are such that they would warrant special treatment. So far, the Committee considers that it is appropriate to treat them under IAS 37.

IAS 32 ***Financial Instruments: Presentation***—put options written over non-controlling interests

Over several meetings, the Interpretations Committee has discussed aspects of the accounting for put options written on non-controlling interests in the consolidated financial statements of the controlling shareholder ('NCI puts'). Constituents have expressed concerns about the diversity in accounting for

the subsequent measurement of the financial liability that is recognised for NCI puts.

The Committee discussed several possible short-term solutions and, in March 2011, it agreed that excluding NCI puts from IAS 32 through a narrow-scope amendment was a viable solution. The scope exclusion would change the measurement basis of NCI puts to the measurement that is used for other derivative contracts.

In September 2011 the Board decided not to proceed with the Committee's proposal to amend the scope of IAS 32. However, the Board asked the Committee to consider addressing the diversity in accounting, not by changing the measurement basis of the NCI puts, but by clarifying the accounting for subsequent changes in those liabilities.

In November 2011, the Committee confirmed that it was willing to consider this issue further and decided to take the issue back onto its agenda. It asked the staff to obtain clear guidance from the Board on how the Board would like the Committee to take the issue forward.

At its meeting in November 2011 the IASB voted to ask the Committee to analyse the following two issues:

- a. whether changes in the measurement of the NCI put should be recognised in profit or loss (P&L) or equity; and
- b. whether the clarification described in the bullet point above should be applied to only NCI puts or to both NCI puts and NCI forwards.

In response to the Board's request, the Committee discussed an analysis of the alternative views on those two issues. Acknowledging that the Board had decided not to pursue the Committee's preferred solution to exclude NCI puts from the scope of IAS 32, the Committee recommended that the Board should address the diversity in accounting by proposing to amend IAS 27 *Consolidated and Separate Financial Statements* and IFRS 10 *Consolidated Financial Statements* to clarify that all changes in the measurement of the NCI put must be recognised in P&L.

The Committee noted that paragraph 30 in IAS 27 and paragraph 23 in IFRS 10 give guidance on the accounting in circumstances when the respective ownership interests of the controlling shareholder and non-controlling interest shareholder change. The Committee also noted that the NCI put is a financial liability and its remeasurement does not change the respective ownership interests of the controlling shareholder or the non-controlling interest shareholder. Consequently, the Committee thinks that these two paragraphs are not relevant to the issues being considered. The Committee further noted that the clarification is consistent with the requirements for other derivatives written on an entity's own equity instruments.

However, the Committee asked the staff to consider whether its recommendation has any unintended consequences on related aspects of the accounting for NCI puts, including initial recognition of the NCI put or general consolidation mechanics.

The staff will present the analysis of the two issues, along with the Committee's comments and recommendation, to the Board at a future meeting and will ask the Board how it would like to proceed.

IAS 2 *Inventories*—Long-term prepayments for inventory supply contracts

The Interpretations Committee received a request seeking clarification on the accounting for long-term supply contracts of raw materials when the purchaser of the raw materials agrees to make prepayments to the supplier for the raw materials. The question is whether the purchaser/supplier should accrete interest on long-term prepayments by recognising interest income/expense, resulting in an increase of the cost of inventories/revenue.

The Committee observed that there is mixed practice on the issue submitted, and that current IFRSs do not provide clear guidance on this issue. However, the Committee noted that the exposure draft *Revenue from Contracts with Customers* published in November 2011 states that:

- in determining the transaction price, an entity should adjust the promised amount of consideration to reflect the time value of money if the contract has a financing component that is significant to the contract; and that
- the objective is to recognise revenue at an amount that reflects what the cash selling price

would have been if the customer had paid cash for the promised goods or services at the point that they are transferred to the customer.

Provided that the requirements on the time value of money are not changed in the final standard on revenue, this would apply in the seller's financial statements when prepayments are made. The Committee observed that considerations regarding accounting for the time value of money in the seller's financial statements are similar to those in the purchaser's financial statements.

The Committee decided to ask the Board whether it agrees with the Committee's observation, and, if so, whether there should be amendments made in the IFRS literature in order to align the purchaser's accounting with the seller's accounting. Provided that the Board agrees that the purchaser and the seller should address the time value of money in such contracts similarly and that the Committee should deal with this matter, the Committee would direct the staff to further analyse which standards should be amended if guidance were to be provided. The Committee would also direct the staff to prepare additional illustrative examples on the impact of accretion of interest on long term prepayments, both in the purchaser's financial statements and in the seller's financial statements, in situations that are more complex than those that were presented at the January meeting.

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IFRS Interpretations Committee agenda decisions

The following explanation is published for information only and does not change existing IFRS requirements. Committee agenda decisions are not Interpretations. Interpretations are determined only after extensive deliberation and due process, including a formal vote. Interpretations become final only when approved by the IASB.

IAS 19 **Employee Benefits**—Applying the definition of termination benefits to 'Altersteilzeit' plans

The Interpretations Committee received a request for guidance regarding the application of IAS 19 (2011) to 'Altersteilzeit' plans (ATZ plans) in Germany. ATZ plans are early retirement programmes designed to create an incentive for employees within a certain age group to smooth the transition from (full- or part-time) employment into retirement before the employees' legal retirement age. ATZ plans offer bonus payments to employees in exchange for a 50 per cent reduction in working hours. Their employment is terminated at the end of a required service period. The bonus payments are wholly conditional on the completion of the required service period. If employment ends before the required service is provided, the employees do not receive the bonus payments. ATZ plans typically operate over a period of one to six years. Eligibility for the benefit would be on the basis of the employee's age but would also typically include a past service requirement.

IAS 19 (2011) was the result of revisions issued in 2011 to IAS 19. These revisions, among other things, amended the guidance relating to termination benefits. Paragraph 8 of IAS 19 (2011) defines termination benefits as 'employee benefits provided in exchange for the termination of an employee's employment as a result of either:

- a. an entity's decision to terminate an employee's employment before the normal retirement date; or
- b. an employee's decision to accept an offer of benefits in exchange for the termination of employment.'

The Committee observed that ATZ plans have attributes of both required service and termination benefits. The Committee noted that the distinction between benefits provided in exchange for services and termination benefits should be based on:

- a. all the relevant facts and circumstances for each individual entity's offer of benefits under the plan considered;
- b. the indicators provided in paragraph 162 of IAS 19 (2011); and
- c. the definitions of the different categories of employee benefits in IAS 19 (2011).

The Committee noted that, in the fact pattern described above, consistently with paragraph 162(a) of IAS 19 (2011), the fact that the bonus payments are wholly conditional upon completion of an employee service over a period indicates that the benefits are in exchange for that service. They therefore do not meet the definition of termination benefits.

On the basis of the analysis described above, the Committee decided not to add the issue to its agenda.

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Issues considered for **Annual Improvements**

The Interpretations Committee assists the IASB in Annual Improvements by reviewing proposed improvements to IFRSs and making recommendations to the Board. Specifically, the Committee's involvement includes reviewing and deliberating issues for their inclusion in future exposure drafts of proposed Improvements to IFRSs and deliberating the comments received on the exposure drafts. When the Committee has reached consensus on an issue included in Annual Improvements, the recommendation (including finalisation of the proposed amendment or removal from Annual Improvements) will be presented to the Board for discussion, in a public meeting, before being finalised. Approved Improvements to IFRSs (including exposure drafts and final standards) are issued by the Board.

Annual Improvements 2009-2011 cycle—comment letter analysis

At its meeting in January 2012, the Committee deliberated upon the comments received on six proposed amendments that had been included in the exposure draft of proposed Improvements to IFRSs published in June 2011.

The Committee confirmed all six of the proposed amendments, subject to its final review of drafting changes, and submitted the proposed amendments to the Board for approval at a future Board meeting. Subject to that approval, the Board will include the amendments in the *Improvements to IFRSs* expected to be issued in the first half of 2012. The six confirmed proposed amendments were:

IFRS 1 **First-time Adoption of International Financial Reporting Standards**—Repeated application of IFRS 1

The Committee recommended that the Board should finalise the proposed amendment to clarify whether an entity that has applied IFRS 1 in a previous reporting period is required to apply IFRS 1 *First-time Adoption of International Financial Reporting Standards* when the entity's most recent previous annual financial statements do not contain an explicit and unreserved statement of compliance with IFRSs.

Having considered the comments received, the Committee decided to recommend that the Board:

- a. allow, rather than require, the repeated application of IFRS 1; and
- b. require an entity that has applied IFRS 1 in a previous reporting period to disclose:
 - i. the reason why the entity stopped applying IFRSs in the previous reporting period;
 - and
 - ii. the reason why it is resuming reporting in accordance with IFRSs.

If the entity does not elect to apply IFRS 1, it should apply IFRSs retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Estimates and Errors* (and in accordance with the transition provisions established for any new IFRSs that have become effective since the entity last applied IFRSs) as if the entity had never stopped applying IFRSs.

The Committee noted that, although the revisions to the proposed amendments are in response to the comments received, the proposed amendments now go further than the Board's original proposals.

IFRS 1 **First-time Adoption of International Financial Reporting Standards**—Clarification of borrowing costs exemption

The Committee recommended that the Board should finalise the proposed amendment to clarify the accounting for borrowing costs for which the commencement date for capitalisation is before the date of transition.

Having considered the comments received, the Committee recommended that the Board should clarify that when a first-time adopter applies the exemption in IFRS 1 for accounting for borrowing costs an entity shall:

- a. not restate the borrowing cost component that was capitalised under previous GAAP and included in the carrying amount of assets at the date of transition; and
- b. account for borrowing costs incurred on or after the date of transition in accordance with IAS 23 *Borrowing Costs* including those costs that have been incurred on qualifying assets already under construction at that date.

IAS 1 **Presentation of Financial Statements**—Comparatives in financial statements

The Committee recommended that the Board should finalise the proposed amendment to:

- a. clarify the requirements for providing comparative information when an entity provides financial statements beyond the minimum comparative information requirements; and
- b. address some aspects of the comparative requirements in specific cases in which an entity changes accounting policies, or makes retrospective restatements or reclassifications.

Comparative information requirements beyond minimum

The Committee recommended that the Board should finalise the proposed amendment to clarify that only one comparative period (the preceding period) is required for a complete set of financial statements. Presenting additional financial statement information, for example an additional statement of cash flows, is acceptable and must be accompanied by the related notes presented in accordance with IFRSs. Additional comparative information does not need to be presented in the form of a complete set of financial statements.

As part of its deliberations on the comments received, the Committee further recommended that the Board should clarify the rationale for distinguishing between the requirements for additional comparative information (ie for information not required by IFRSs) in contrast with the requirements for comparative information when an entity presents an additional statement of financial position as at the beginning of the preceding period.

Comparative requirements when an entity changes accounting policies, retrospective restatements or reclassifications

As part of its deliberations, the Committee recommended that the Board should finalise the proposed amendment to:

- a. clarify that an opening statement of financial position at the beginning of the preceding period is required to be presented when there is a change in accounting policy, a retrospective restatement or a reclassification; and
- b. no longer require related notes to this opening statement of financial position to be presented.

In addition, the Committee further recommended to the Board that it should require the presentation of that opening statement of financial position only if a change in an accounting policy, a retrospective restatement or a reclassification has a material effect upon the information in that statement of financial position.

IAS 16 **Property, Plant and Equipment**—Clarification of accounting for servicing equipment

The Committee recommended that the Board should finalise the proposed amendment to clarify that servicing equipment should be classified as property, plant and equipment when an entity expects to use it in more than one period and otherwise as inventory.

Having considered the comments received, the Committee further recommended to the Board that it should simplify the wording of the proposed amendment not making explicit reference to particular types of equipment and referring to the definitions of 'property, plant and equipment' and 'inventories'.

IAS 32 **Financial Instruments: Presentation**—Tax effect of distributions to holders of equity instruments

The Committee recommended that the Board should finalise the proposed amendment to amend IAS 32 to clarify that the income tax effect of both distributions to equity holders and transaction costs

relating to equity transactions should be accounted for in accordance with IAS 12 *Income Taxes*.

IAS 34 *Interim Financial Reporting*—Interim financial reporting and segment information for total segment assets

The Committee recommended that the Board should finalise the proposed amendment to clarify that disclosure of total segment assets for a particular reportable segment is required in interim financial reporting only when there has been a material change from the amount disclosed in the last annual financial statements for that segment and when the amounts are regularly provided to the chief operating decision maker.

In the light of the comments received, the Committee further recommended to the Board that it should include a similar requirement for the disclosure of 'total segment liabilities' for a particular reportable segment, to make this requirement consistent with the requirement in IFRS 8 *Operating Segments*. The Committee also recommended that the Board should require that the proposed amendment should apply retrospectively rather than prospectively.

Issues that are not recommended for addition to Annual Improvements

The Interpretations Committee deliberated two issues for consideration within Annual Improvements. The Committee decided to recommend that the Board should not add the following issues to Annual Improvements.

IAS 41 *Agriculture*—Disclosure of the components of changes in fair value and associated valuation techniques

The Interpretations Committee received a request to address an issue related to a disclosure paragraph of IAS 41 *Agriculture* and the implication that this disclosure may have on the valuation of some biological assets measured at fair value less costs to sell. Specifically, the submitter's concern is that the disclosure in paragraph 51 of IAS 41 may, in their view, be contributing to an unacceptable application of the market approach valuation technique for biological assets.

The Committee noted that paragraph 51 of IAS 41 addresses disclosures, not measurement, and that the guidance on measuring fair value is contained within IFRS 13 *Fair Value Measurement*, which is not affected by paragraph 51 of IAS 41.

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

The Committee also noted that the IFRS Foundation is planning to provide educational material to supplement IFRS 13 in the third quarter of 2012 and that this educational material is expected to include biological asset valuations as one of the topics.

IAS 33 *Earnings per Share*—Calculating earnings per share considering non-cumulative preference dividends

At its November 2011 meeting, the Interpretations Committee received a request to address an issue related to the calculation of basic earnings per share ('EPS') under IAS 33. Specifically, the submitter requested that the Committee should clarify the period in which a dividend on non-cumulative preference shares, which are classified as equity ('preference dividend'), should result in an adjustment to the EPS calculation. The request explained that the words 'declared in respect of the period' in paragraph 14(a) of IAS 33 are not clear as to when the dividends should be taken into account in order to calculate EPS.

At the November 2011 Committee meeting, the Committee noted that, for non-cumulative preference shares with participation features and that are classified as equity instruments, as described by the submitter, it is not relevant whether the dividends declared on the preference shares have been recognised in the financial statements for the purposes of calculating EPS, because the guidance in paragraph A14 of IAS 33 (as opposed to paragraph 14(a)) is the appropriate guidance.

However, the Committee noted that there may be other fact patterns, for example when no participating feature exists, or when there is a loss recorded for the period but a preference dividend is nevertheless declared, that may result in diversity in practice if the wording in paragraph 14(a) is unclear.

The Committee therefore directed the staff to:

- perform outreach to determine whether any current fact patterns exist in which the guidance in paragraph 14(a) applies; and
- to perform an analysis of whether the wording in IAS 33 may need to be clarified.

At this meeting, the Committee noted that, on the basis of the outreach, there are very few situations in practice where the application of paragraph 14(a) of IAS 33 was expected to be unclear. Consequently, the Committee decided to recommend that that Board not amend IAS 33 paragraph 14(a) through Annual Improvements because the issue is not widespread or prevalent.

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IFRS Interpretations Committee work in progress

IFRS 11 **Joint Arrangements**—Acquisition of interest in a joint operation

The Committee received a request to clarify the application of IFRS 3 *Business Combinations* by:

- joint operators for the acquisition of interests in joint operations as defined in IFRS 11; and
- venturers for the acquisition of interests in jointly controlled operations or assets as specified in IAS 31 *Interests in Joint Ventures*.

in circumstances where the activity of the joint operation or the activity of the jointly controlled operations or assets constitutes a business, as defined in IFRS 3.

The Committee observed that uncertainty exists in accounting for the acquisition of interests in joint operations and jointly controlled operations or assets in circumstances where the activity of the joint operation or the jointly controlled operations or assets constitutes a business as defined in IFRS 3, because of the lack of explicit guidance. Neither IFRS 11 nor IAS 31 explicitly addresses this issue, ie the lack of explicit accounting guidance does not result from the replacement of IAS 31 by IFRS 11. As a result of the lack of explicit guidance in IAS 31, significant diversity has arisen in practice and the Committee was concerned that diversity in practice will continue after the adoption of IFRS 11.

In order to reduce the observed diversity in practice, the Committee directed the staff to draft a recommendation of the Committee to the Board to add new guidance to IFRS 11 on the acquisition of an interest in a joint operation in circumstances where the activity of the joint operation constitutes a business as defined in IFRS 3. The Committee does not think that it is appropriate to add new guidance to IAS 31, because IFRS 11 will supersede IAS 31 from 2013. Notwithstanding the fact that the acquirer of an interest in a joint operation does not acquire control over the activity of the joint operation, the Committee noted that the most appropriate approach to account for such transactions is to apply the relevant principles of business combination accounting in IFRS 3 and other IFRSs. These principles include:

- measuring identifiable assets and liabilities at fair value with few exceptions;
- recognising deferred tax assets and deferred tax liabilities arising from the initial recognition of assets or liabilities, except for deferred tax liabilities arising from the initial recognition of goodwill; and
- recognising the residual as goodwill.

The Committee directed the staff to analyse how detailed the guidance should be. The staff will bring this analysis and a draft recommendation to a future Committee meeting.

The Committee decided that the accounting for the acquisition of additional interests in a joint operation that leads to the joint operator obtaining control of the joint operation should not be addressed.

IAS 28 **Investments in Associates and Joint Ventures**—Application of the equity method

when an associate's equity changes outside comprehensive income

The Interpretations Committee received a request to:

- a. correct an inconsistency between the requirements of paragraphs 2 and 11 of IAS 28 and IAS 1 *Presentation of Financial Statements* (revised 2007) regarding the description and application of the equity method. This inconsistency arose when IAS 1 made a consequential amendment to paragraph 11 of IAS 28 as part of the 2007 revision to IAS 1; and
- b. clarify the accounting for the investor's share of the other changes in the investee's net assets that are not the investor's share of the investee's profit or loss or other comprehensive income, or that are not distributions received. For example, clarify how to recognise the changes in net assets of an associate that result from the associate entering into a transaction with its subsidiary's non-controlling shareholders.

This issue was first discussed by the Committee in the March 2011 meeting and then again in the May 2011 meeting. In September 2011, the issue was presented to the Board and the Board asked if the Committee would reconsider the issue. At its November 2011 meeting, the Committee agreed to reconsider this issue as a result of the Board's request.

At this meeting, the Committee considered several fact patterns that illustrate the issue in an attempt to develop a principle that might be useful to the Board in considering whether and how to amend IAS 28.

The Committee tentatively agreed on the following principles:

- Where an investor's share ownership interest in the associate is reduced, whether directly or indirectly, the impact of the change should be recognised in profit and loss of the investor; and
- where an investor's share ownership interest in the associate increases, whether directly or indirectly, the impact of the change should be accounted for as an incremental purchase of the associate and should be recognised at cost.

The Committee directed the staff to further consider the accounting by the investor in the following situations with the aim of developing a principle that could be presented to the Board:

- equity settled share-based payments of the associate; and
- written call options issued by the associate for cash

This analysis will be presented at a future meeting.

IFRIC 12 **Service Concession Arrangements**—Payments made by an operator in a service concession arrangement

The Interpretations Committee received a request to address an issue that is related to certain contractual payments to be made by an operator under a service concession arrangement within the scope of IFRIC 12. Specifically, the submitter requested that the Committee should clarify in what circumstances (if any) those payments should:

- a. be recognised at the start of the concession as an asset with a liability to make the related payments; or
- b. be accounted for as executory in nature, to be recognised over the term of the concession arrangement.

This issue was first discussed by the Committee in its November 2011 meeting.

At this meeting, the Committee considered:

- if an asset is recognised, whether the asset could be classified as a financial asset based on the principle in IFRIC 12 regarding the financial asset model; and
- whether the arrangements represented the acquisition of an asset.

The Committee asked the staff to reconsider the issue and the way in which it should be addressed, focusing on the principles of IAS 18 and multiple element arrangements in order to identify what the payments from the operator represent, before considering whether the payments give rise to an asset.

The Committee noted that the type of service concession arrangement (whether it gives rise to the

recognition of an intangible asset, a financial asset, or a combination of the two) might affect the accounting for the payments made by the operator.

The issue will be considered further by the Committee at a future meeting.

SIC-13 *Jointly Controlled Entities—Non-Monetary Contributions by Venturers* and **IAS 28 *Investments in Associates and Joint Ventures*** (revised in 2011): Definition of the term 'non-monetary asset' in SIC 13 and IAS 28 (revised in 2011)

The Interpretations Committee received a request to clarify whether a business meets the definition of a 'non-monetary asset'. The question was asked in the context of identifying whether the requirements of SIC-13 *Jointly Controlled Entities Non-Monetary Contributions by Venturers* and IAS 28 *Investments in Associates and Joint Ventures* (revised in 2011) apply where a business is contributed to:

- a jointly controlled entity (JCE) as defined in IAS 31 *Interests in Joint Ventures*; or to:
- a joint venture (JV) as defined in IFRS 11 *Joint Arrangements*; or to:
- an associate

in exchange for an equity interest in that JCE/JV or associate.

The Committee noted that this matter is related to the issues arising from the acknowledged inconsistency between the requirements in IAS 27 *Consolidated and Separate Financial Statements* and SIC-13, in dealing with the loss of control of a subsidiary that is contributed to a JCE/JV or an associate. In its May 2011 *IFRIC Update*, the Committee noted that there are broader issues in relation to contributions to a JCE/JV or associate in general, and it therefore concluded that this matter would be best resolved by referring it to the Board as part of a broader project on equity accounting. The Committee acknowledges that this new submission proposes an alternative way of considering the matter but it continues to think that the best course of action would be to consider the matter as part of a broader Board project.

The Committee acknowledged, however, that the potential timing for the broader project is uncertain and so decided to ask the Board whether it wants the Committee to consider further the inconsistency between the requirements in IAS 27 and those in SIC 13. The Committee directed the staff to perform further preliminary analysis of what might be the ways in which the Board could address this matter and resolve the inconsistency noted. The staff will present the results of this analysis at the next meeting, so that the Committee can review them before it liaises with the Board.

Committee outstanding issues update

The Committee received a report on two new issues for consideration at a future meeting and on one outstanding issue. In addition to these three issues, the Committee was informed of two further issues that the staff expect to bring to a future meeting:

- in the context of rate-regulated activities, whether the customer base within a single regulatory regime could be considered as a single unit of account and whether, as a result, this could lead to the recognition of regulatory assets and liabilities; and
- how land use rights, including the right to cultivate or the right to build, should be accounted for; for example, as property plant and equipment, as an intangible asset, or as a leased asset in a lease agreement.

With the exception of those issues, all requests received and considered by the staff were discussed at this meeting.

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