

STAFF PAPER

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IASB Meeting

Project	2011 Agenda Consultation		
Paper topic	Comment letter summary—priorities of standards-level projects		
CONTACT(S)	Natasha Dara	ndara@ifrs.org	+44 (0)20 7246 6919
	April Pitman	apitman@ifrs.org	+44 (0)20 7246 6492

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Background

1. This paper is part of a series that summarises the feedback received in response to the Board's request for views *Agenda Consultation 2011* (the RFV). The RFV was published for public comment in July 2011; the comment period ended on 30 November 2011. The summary is based on the staff's preliminary analysis of the comment letters.
2. This paper should be read in conjunction with 5A *Comment letter summary*.
3. The Board received 245 comment letters, but it should be noted that percentages referenced in the pie charts in this paper refer only to the respective pools of respondents who chose to address that topic.
4. The Board received letters from standard-setters, preparers, users, and other groups from all regions. See paragraphs 8-13 of AP 5A for a full analysis of comment letter respondents by geographical region and type of respondent.
5. Generally, the geographical locations and types of respondents were evenly spread within each project. However, the staff noted a number of similar responses in Asia and Oceania that requested that IAS 41 *Agriculture* be treated as a high priority. Another area where responses seemed geography-based was rate-regulated activities. Many of these respondents were based in Canada. For more details on the distribution of the populations, see individual project summaries in this paper.

6. This paper addresses the responses to Questions 2, 2(a) and 2(b), which ask what respondents think is the most pressing need of financial reporting and what priorities should be given to individual standard-level projects. The questions in the Request for Views are reproduced in full in Appendix A of AP 5A.
7. The structure of this paper is organised as follows:
 - (a) The most pressing financial reporting needs
 - (b) The six projects most often cited as ‘high priority’ and why
 - (c) The six projects most often cited as ‘low priority’ or ‘to be removed’ from the agenda and why
 - (d) Comment summaries for the remaining projects.
8. This paper does not include any staff recommendations and the Board will not be asked to make any technical decisions at this meeting.

The most pressing financial reporting needs

7. Many respondents believe that the most pressing financial reporting need is to maintain IFRSs by updating specific topics within the conceptual framework and conducting post-implementation reviews. These respondents believe that if the IASB were to address the fundamental issues in the conceptual framework, many projects would be resolved as a result, or could be amended at the same time.
8. The majority of respondents who expressed a view voiced concerns that the completion of the four current projects, Financial Instruments, Insurance, Leases and Revenue Recognition would be likely to occupy the next three years of the Board’s time. Consequently, they urge the IASB to focus only on the completion of these projects.
9. Most respondents also state that the completion of the conceptual framework is required to lay a solid foundation for future standards. They believe that the conceptual framework should be continuously updated.
10. This work can be done while still completing the current projects. After noting this caveat of only reactivating/undertaking other projects upon completion of these top-priority projects, some respondents did proceed to prioritise the list of projects in the Appendix C of the RFV. Others think that any and all other

projects should be deferred until after the completion of Financial Instruments, Insurance, Leases, Revenue Recognition and the Conceptual Framework.

Project priorities

11. Projects could be prioritised as ‘high,’ ‘medium,’ ‘low’ or ‘remove from agenda’. Some respondents assigned a priority to all projects. Other respondents only assigned priorities to a small number of projects. The following table is indicative of this ranking by comment letter respondents, but a quantitative analysis of the results is not possible because of the varying level of categorisation made by each respondent.

Project	Total number of letters that addressed this topic	High priority	Medium priority	Low/ Remove from agenda
Other comprehensive income	91	68	13	10
Business combinations between entities under common control	68	39	14	15
Agriculture	61	36	10	15
Rate-regulated activities	57	31	6	20
Extractive activities	62	31	10	21
Emissions trading schemes	55	27	11	17
Financial instruments with characteristics of equity	54	25	12	17
Discount rate	61	25	17	19
Post-employment benefits (including pensions)	58	21	11	26
Intangible assets	54	19	12	23
Income taxes	46	13	10	23
Foreign currency translation	43	10	13	20
Equity method of accounting	41	10	9	22
Inflation accounting (revisions to IAS 29)	35	6	6	23
Islamic (Shariah-compliant) transactions and instruments	37	6	4	27
Interim reporting	32	1	6	25
Share-based payment	40	7	3	30
Earnings per share	43	5	7	31
Government grants	41	3	6	32
Liabilities – amendments to IAS 37	61	17	8	36
Financial statement presentation – excluding consideration of other comprehensive income	66	20	9	37
Country-by-country reporting	53	3	0	50

High-priority projects

12. The six projects that were most often cited as high priority were:
- a) Other comprehensive income and performance reporting;
 - b) Business combinations between entities under common control;
 - c) Agriculture, particularly bearer biological assets;
 - d) Rate-regulated activities;
 - e) Extractive activities; and
 - f) Emissions trading schemes.

Other comprehensive income and performance reporting

13. The majority of respondents who cited this project as a high priority did so because they believe that clarifications in this area are necessary. The three biggest requests for clarification were in regard to:
- conceptual and practical issues about what constitutes ‘performance’ and what exactly comprises OCI;
 - the principle underlying the distinction between profit/loss and OCI; and
 - recycling.
14. Many respondents believe that this issue should be addressed within the context of the conceptual framework.
15. Some respondents believe that this project should be a high priority because it cuts across a number of IFRSs.

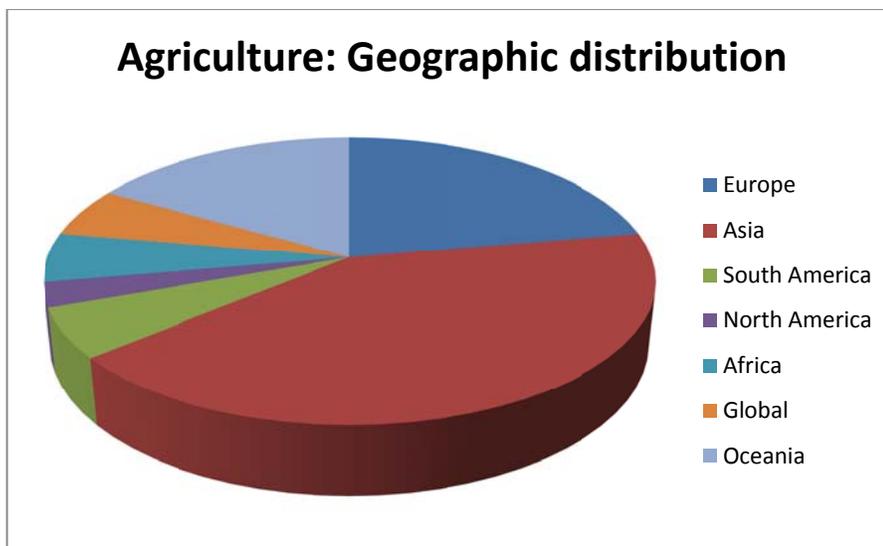
Business combinations between entities under common control

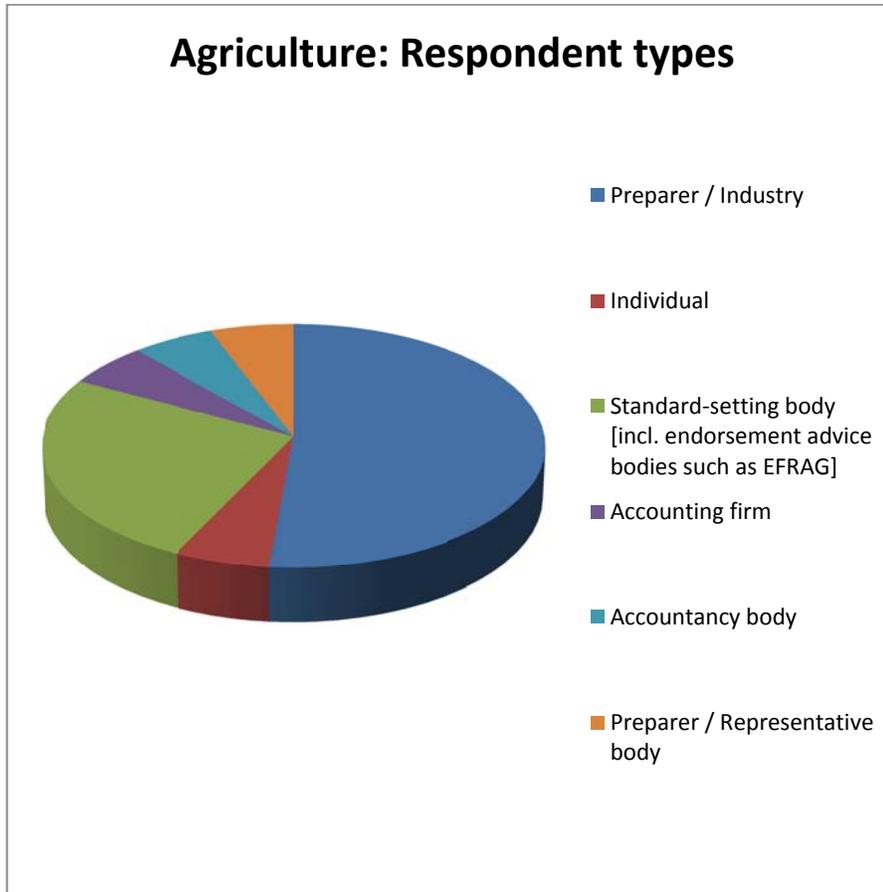
16. The majority of respondents who cited this project as a high priority believe that guidance is needed to clarify the accounting for common control transactions and reconcile the different characteristics of mergers and restructures around the world, because there is diversity in practice at present. While some believe that this could be resolved in a narrow-scope project, others believe a comprehensive project might be necessary, depending upon how the Board chooses to proceed with the project. There is, at present, a lack of authoritative guidance.

17. The staff are aware of EFRAG’s recent discussion paper, published in October 2011, *Accounting for Business Combinations under Common Control*, which addresses this topic. The discussion paper is also referenced by some respondents as a starting point for the project.
18. A few respondents think the project is a candidate for removal from the agenda because revision is unnecessary.

Agriculture, particularly bearer biological assets

19. 42% of respondents who are in favour of this project are from Asia, particularly Malaysia. 57% of respondents who are in favour of this project are preparers. The majority of respondents who cited this project as a high priority note their agreement with the research done by the AOSSG and Malaysian Accounting Standards Board and with their proposals for amendment. Respondents believe that these proposals are highly developed. These respondents believe that the project would require only a limited-scope improvement, and consequently, only minimal resources would be required.

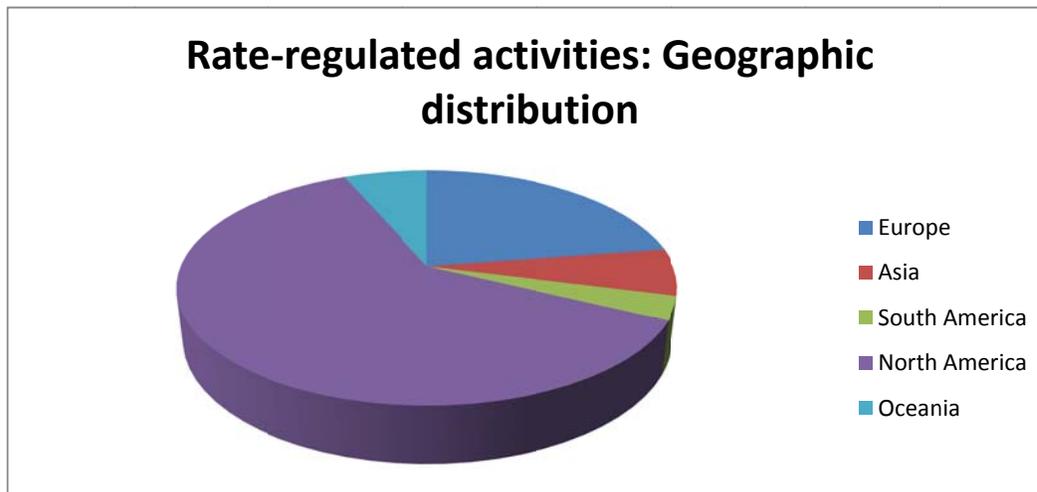




20. Those not in favour of this project do not think that it is necessary or believe that the topic is industry-specific.
21. Even respondents who give the project a low-priority with regards to their own entity note that the topic may be important to other industries and regions and that a narrow-scope revision, possibly via a post-implementation review, seems sensible.

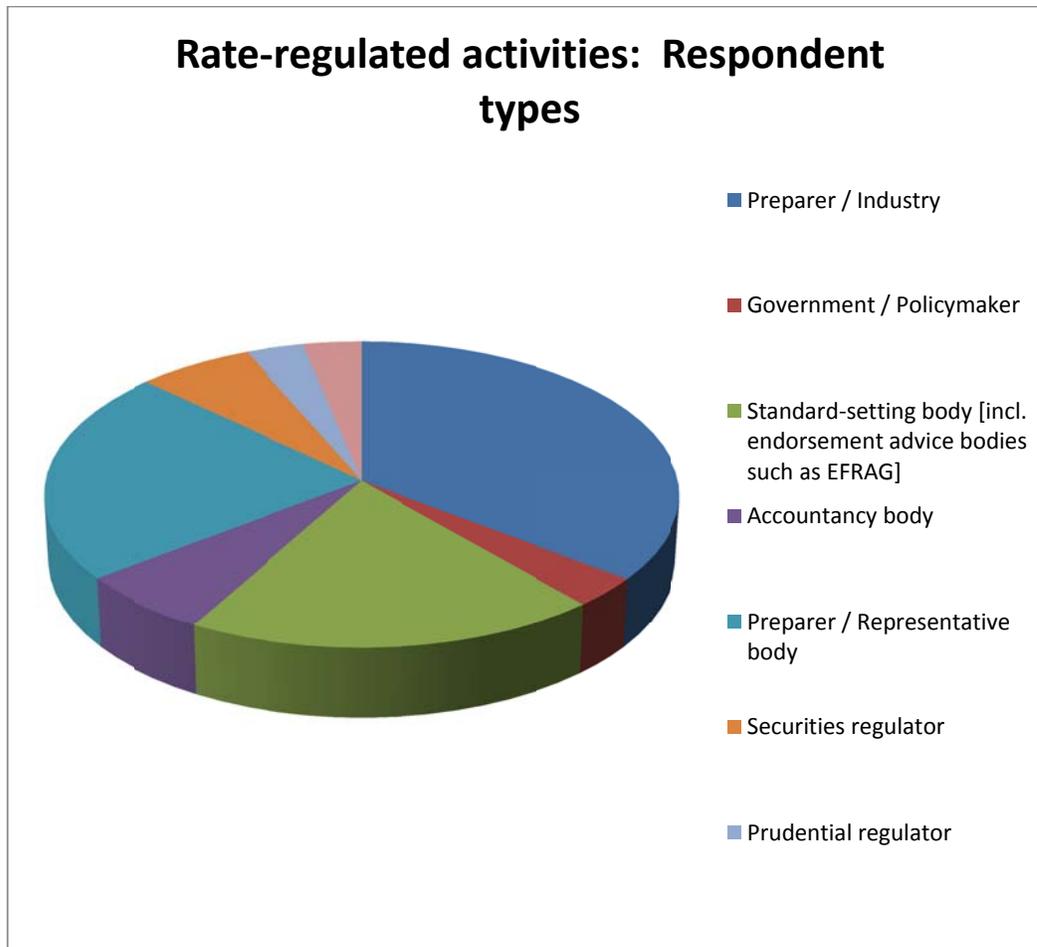
Rate-regulated activities

As demonstrated in the pie chart below, many of the letters come from one geographical region, Canada, which has a number of companies in this industry. Canada adopted IFRSs in 2011, but qualifying entities with rate-regulated activities were given the option to defer adoption until 2012.¹ There were also concerns about lack of guidance for rate-regulated activities from other regions of the world as indicated in the graph below.



¹ [Adoption of IFRSs by Entities with Rate-regulated Activities — Amendment to Introduction to Part I](#)

22. Although the majority of the requests for guidance for rate-regulated activities come from preparers, there were also a number of requests from standard-setters and accountancy bodies.



23. Some respondents think that the issue of rate-regulated assets and liabilities could only be addressed after the establishment of definitions of ‘asset’ and ‘liability’ in the conceptual framework. In addition, some respondents think that the issue could be grouped with extractives and emissions trading schemes, for example, and that all of these topics should be addressed under the intangible assets project.
24. A few respondents believe the urgency is jurisdiction-specific and should be left to national standard-setters to address. These respondents believe that rate-regulated assets and liabilities should be recognised when they meet the conceptual framework definition of ‘asset’ or ‘liability’ and that a separate standard is not needed.

Extractive activities

25. A project team of national standard-setters from Australia, Canada, Norway and South Africa undertook a research project on extractive activities. The IASB published the team's discussion paper, *Extractive Activities*, in April 2010 and received an analysis of the comments letters in October 2010.
26. Respondents believe that this project would be a resource-intensive, comprehensive project, but that it is necessary because of the current lack of guidance and resulting diversity in practice. They also remind the Board, however, that there are highly developed proposals in the discussion paper. Although many respondents in the standard-setting, accounting and regulatory groups prioritise extractive activities, there are mixed views from preparer entities within the extractives industry about diversity in practice and the need for a standard. Generally, non-preparer respondents are in favour of change.
27. Among the preparers, the ones who consider there to be diversity in practice are predominantly mining companies. The preparers who do not consider there to be diversity in practice are predominantly oil companies.
28. Those not in favour of adding the project to the agenda believe that:
- The project is not urgent and that it would be better addressed after work has been completed on the conceptual framework.
 - The project is unnecessary, because some believe there is not currently diversity in practice and the proposals in the 2010 discussion paper are no better than current practices.
 - The topic should be addressed under a project about intangible assets.
 - Issues that may arise can be dealt with by the IFRS Interpretations Committee or through application guidance.
 - This is an industry-specific issue that should not be addressed in its own IFRS. There should instead be guidance on how the established principles of IFRSs should be applied to this sector, because it is specifically excluded from other standards.
- Some entities also request that any further work on this topic be done in co-ordination with the FASB and the SEC.
29. Those in favour of the project gave the following reasons:

- There is a gap in the IFRS literature for this topic, which creates diversity in practice.
- The extractives industry forms an important part of international capital markets and national economies, therefore, guidance is necessary.

Emissions trading schemes

30. Those in favour of this project say that it is not an area specifically covered by IFRSs, leading to a gap in the literature, which, in turn, leads to diversity in practice. There is a call for consistency and coherence in how the assets and liabilities in emissions trading schemes should be recognised and measured.
31. Guidance is necessary, especially with the upcoming EU Emissions Trading Schemes permission for allowances to be auctioned, beginning in 2013.
32. Other respondents group this project with rate-regulated and extractive activities and think that these projects should all be considered under the wider umbrellas of either intangible assets or the conceptual framework. They believe that it can be addressed through the conceptual framework by way of ‘asset’ and ‘liability’ definitions.
33. Some respondents think that emissions trading schemes should be addressed with government grants, because some elements of these schemes meet the definition of government grants. Others think that it should be addressed either after the conceptual framework, or in conjunction with it.

Low-priority projects

The six projects that were most often cited as being of low priority or that should be removed from the agenda were:

1. Country-by-country reporting;
2. Financial statement presentation—excluding consideration of other comprehensive income;
3. Liabilities—amendments to IAS 37;
4. Government grants;
5. Earnings per share; and
6. Share-based payment.

Country-by-country reporting

34. Of the 53 respondents who commented on this project, 94 per cent believe that this project is of low priority. These respondents provided the following reasons:
- Although an improvement in transparency is needed, respondents are unsure that such a standard would provide useful information for capital markets. Most of those who gave this response also think that country-by-country reporting should be dealt with in regulatory reporting requirements.
 - Many others, although they did not cite the project as a role for regulators, did say that they do not believe that this project is appropriate for the IASB, because the IASB is not a political body. In addition, country-by-country reporting is seen by some as inappropriate for general purpose financial statements.
 - Some others think that the project is not justifiable on cost-benefit grounds.
35. A few respondents think that the IASB should consider this topic in conjunction with the geographical analysis component of the post-implementation review of IFRS 8 *Operating Segments*.

Financial statement presentation—excluding consideration of other comprehensive income

36. Respondents who are not in favour of adding this topic to the agenda give the following reasons:
- The costs of finishing this project at this point outweigh the benefits.
 - The focus should be on clarifying OCI and defining ‘performance’ and other elements of the financial statements.
 - Disaggregation is a materiality issue. A reduction in disclosures would be more useful to users of financial statements.
 - Financial statement presentation should not be addressed until there is a stable platform in financial reporting. For now, time should be allowed to understand and implement new standards. Introducing new financial statement presentation requirements will only complicate the process.

37. Those in favour of the project, however, think that improvements to financial statement presentation could greatly improve understanding and comparability of financial statements. In addition, these respondents believe that the topic is suitable for adding to the agenda because its outcome affects a large number of companies.
38. Those in favour of the project say that narrow-scope improvements to better present, for example, net debt or maturity schedules, would be welcome, but that modifications to the overall primary financial statements would not be supported.

Liabilities—amendments to IAS 37

39. The majority of respondents on this topic believe that it is of low priority or should be removed from the agenda.

Reasons cited are:

- The current standard, IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* works well and does not need to be changed.
 - The proposals made in both 2005 and 2010 were met with resistance and the project has not progressed at all.
 - The conceptual framework should be completed first, in order to have a definition of ‘liability’ as a starting point.
40. The respondents who do favour adding this project to the agenda believe that:
- The project could have a limited scope.
 - Improvements to this standard could greatly improve understanding and comparability of financial statements.
 - The topic is suitable for adding to the agenda because its outcome affects a large number of companies.
 - The lack of clarity in terms of a measurement objective results in diversity in practice.
41. In addition, respondents ask the IASB to consider consistency with other IFRSs when it comes to addressing recognition criteria in a potential new standard.

Government grants

42. The majority of respondents who commented on this project deem it to be a low-priority project or one that should be removed from the agenda. They note that the current standard works reasonably well in practice and that a project would not be resource-efficient, because the topic affects only a small group of constituents.
43. The few respondents who are in favour of adding this project to the agenda believe that the current standard is outdated and in need of revision.

Earnings per share

44. The majority of respondents to this topic believe that the guidance could be simplified but that it is not a top priority at the moment. Some believe that it should be addressed within the context of the conceptual framework. Others believe that the current guidance is sufficient.
45. The few respondents who are in favour of adding this project to the agenda would like a simplification in the calculation of earnings per share. One respondent requests a re-evaluation of inclusion of OCI in the calculation, while another requests a more standardised approach that takes potential dilutive effects into consideration.

Share-based payment

46. The majority of respondents who commented on this topic believe that the number of requests that the IFRS Interpretations Committee has received are an indication of how complex and difficult to apply the current requirements are. They do believe, however, that a narrow-scope improvement, possibly through a post-implementation review, would be sufficient to address the implementation issues. Despite acknowledging the difficulties in application, two respondents note their belief that the current standard is still operational. A few other respondents believe that the current requirements are sufficient.
47. The few respondents who are in favour of adding this project to the agenda believe that, given the research already undertaken by national standard-setters, the IASB should consider this research and aim to alleviate the complexity and lack of clarity in this IFRS.

Other projects

Financial instruments with characteristics of equity

48. The most common comment given on this topic is that it should be addressed through the conceptual framework, specifically, what constitutes ‘equity.’ One respondent raises the question of ‘unit of account’ and whether it is appropriate to split an instrument into debt and equity components. Some respondents also think that it should be addressed within the context of IFRS 9 *Financial Instruments*.
49. Other respondents do not believe that new guidance is necessary.

Discount rate

50. Although most comments on this topic think that the IASB should clarify discount rate definition, determination and application, some think it should be a priority, while others do not.
51. Those in favour of this project note that although current IFRSs have guidance on discount rates, this guidance varies from standard to standard. Those respondents believe that this guidance has no uniformity in the criteria for selection and use of the rates. With these points in mind, respondents believe that consistent guidance should be developed in order to ensure consistent application. Common principles would be helpful; and measurement principles underlying the selection of the discount rate methodology are needed.
52. Some respondents believe that this project should be a high priority because it relates to a number of IFRSs.
53. Those opposed to this project said that approaches can and should vary between countries and companies, based on factors relevant to the entity; for example, what information is publicly available or what the functional currency is. Some respondents are concerned that a project may result in a rule-based approach to discount rates, while others note that current guidance, although spread out, is sufficient. Others think that the IASB should focus on other projects instead.

Post-employment benefits (including pensions)

54. Many respondents believe that this is a complex area, and current requirements need to be updated in a comprehensive project, but most believe that this should be a project for the long-term agenda of the IASB, not a high priority for the next three years.
55. Others believe that the current requirements are sufficient, and that a revision is unnecessary because of recent revisions in 2011.
56. Some respondents believe that a distinction between liabilities and provisions in the conceptual framework is a necessary precursor for this project's reactivation.

Intangible assets

57. Some respondents believe that the Board should first consider the conceptual framework, specifically, what the terms 'asset' and liability' encompass, before tackling this project.
58. Many respondents believe that one or more of the following projects should be considered under a wider project on intangible assets: emissions trading schemes, extractive activities and rate-regulated activities.
59. Many respondents feel that this project is important, because some respondents believe:
 - Goodwill should be depreciated;
 - There are inconsistencies in the recognition of an asset between purchased and internally generated intangible assets; and
 - That development costs should be capitalised or recognised as an expense.
60. They believe that it is a relevant topic because of the increasing importance of intangible assets in the world market and that an update is due, because IAS 38 is out of date.
61. Other respondents believe an assessment by way of a post-implementation review would be sufficient. Still others believe that a review is unnecessary and would not be an efficient use of the Board's time at this point.

Income taxes

62. Many respondents who commented on this topic believe that the current standard is complex and unclear, and that a comprehensive project is in order. Some respondents say that difficulties arise because of different tax laws in different jurisdictions. Some respondents feel that because this comprehensive project would be time- and resource-intensive, it should be undertaken in the future.
63. One respondent suggests preliminary delegation of the topic to a committee for fundamental review. Other respondents say that it should be embarked upon only after the distinction between liabilities and provisions is made in the conceptual framework.
64. Some respondents believe that a narrow-scope improvement to address inconsistencies and provide additional guidance on uncertain tax positions would be sufficient.
65. On the other hand, a few respondents feel that a revision is not necessary and that current requirements are sufficient, or that the project should not be continued with because of a lack of progress in previous years.

Foreign currency translation

66. About half of the respondents who commented on this topic believe that it is of high to medium priority, a significant number of which come from Asia. The other half consider it to be a low priority, because current IAS 21 is sufficient. Although most respondents who favour adding this project to the agenda feel that a narrow-scope improvement, possibly through a post-implementation review of IAS 21 would be sufficient, a few respondents think a comprehensive project is necessary.
67. In general, proponents for the topic feel that:
 - Current IAS 21 can be simplified.
 - Implementation issues can be addressed and guidance for rare circumstances can be provided.
 - The accounting consequences of changes in exchange rates need to be addressed.

- There are problems in determining the functional currency to reflect the economics of the situation, and this can be a significant cost to preparers.
 - There is a need to address its implications on recycling via the OCI project.
68. At the Board's request, a group of national standard-setters led by the Korea Accounting Standards Board has been exploring this issue.

Equity method of accounting

69. Respondents to this topic had questions both on when and how to apply equity method accounting.
70. Countries in the Latin American region request a narrow-scope improvement to restore the option of using the equity method for separate financial statements. This request is due to the corporate law in many countries requiring listed companies to present individual financial statements in accordance with local regulation and accounting policies, by which investments in subsidiaries, jointly controlled entities and associates must be accounted for under the equity method. The addition of an option would eliminate the need for these companies to produce two sets of statements.
71. Other proponents for this project suggest:

Improvements in the presentation of the investor's share of the investee's profit or loss;
Clarifications to how significant influence over financial and operating policies is defined and applied;

Simplification of requirements; and

Consideration in conjunction with the scope of consolidated financial statements as well as accounting for joint associates, in the respective post-implementation reviews.

1. A few respondents believe that a revision is unnecessary.

Inflation accounting (revisions to IAS 29)

2. About half of the respondents who commented on this topic do not feel that a revision is necessary because current IAS 29 works well. The other half of respondents feel that inflation accounting is a high priority and that there is a need for comprehensive review, because the current IAS 29 is too difficult to apply.

3. Some respondents think that IFRSs should address circumstances of high, (but not hyper-) inflation, perhaps through amendments to IAS 29. For example, the Group of Latin-american Accounting Standard Setters suggest amending the requirement to an annual inflation rate of 10 per cent, instead of a cumulative inflation rate of 100 per cent over 3 years.

Islamic (Shariah-compliant) transactions and instruments

4. Those in favour of this project believe that more importance needs to be given to the needs of emerging economies. Others say that the lack of guidance leads to inconsistent application on Shariah-compliant transactions across the world.
5. Those not in favour of this project believe that the topic affects only a small group of constituents and that resources could be better used on other urgent cross-industry projects.
6. Some question whether the IASB is the most suitable organisation to develop guidance in this area and suggest it is a role for an organisation with relevant practical experience.
7. Some preliminary research has been done by the IASB's Director of International Activities, and some suggest that the IASB should conduct further research and form an advisory group to discuss the topic.

Interim reporting

8. Respondents in favour of the project think that better guidance in this area, specifically, how the reports should be issued and how frequently, is necessary because it affects a large number of companies and will improve the comparability of financial statements.
9. Respondents not in favour believe that the requirements should be the same as for annual reports. They believe that the issue is whether or not remeasurements should be done at every interim period, but believe that this should be addressed within the conceptual framework. Respondents are not in favour of these interim remeasurements because they believe that the remeasurements are impracticable and costly.

10. While some respondents believe that the current standard works and therefore is not a top priority, others believe that it should be updated and clarified in order to provide investors with better, more useful information.

Presentation and disclosure standard

11. The majority of respondents believe that an outline that provides guiding principles around disclosures as part of its own framework or as part of the conceptual framework would be better than a separate IFRS.
12. A few respondents believe, however, that if presentation and disclosure are to be excluded from the conceptual framework, then they should be evaluated in the context of a separate standard.
13. They believe that a revision is necessary to increase the relevance, usability and comparability of financial statement disclosures.
14. Many believe that there are excessive requirements for disclosures and that the IASB should be more wary of disclosure overlap and usefulness to users of financial statements when issuing disclosure requirements with each individual standard.
15. Other concerns include the importance of materiality to disclosures, the cost-benefit assessment for preparers and the need for the requirements to be addressed within the context of the conceptual framework.
16. Some respondents believe that this project should be a high priority because it relates to a number of IFRSs.