

# AGENDA PAPER

IFRS Foundation Trustees' meeting—Due Process Oversight Committee

Singapore

11-12 January 2012

Agenda ref 3Dii-appendix 2

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**Updating the IASB's procedures in response to the DPOC protocol: Transition guidance (proposed amendments to IFRS 10)**

# Due Process Summary

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|         |   |
|---------|---|
| Project | <b>Transition Guidance (Proposed amendments to IFRS 10)</b> |
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|-------------------------------|------------------|
| Date summary was last revised | 20 December 2011 |
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## Overview and next steps

In September 2011 the IFRS Interpretations Committee discussed requests for clarifications to IFRS 10 transition guidance that it had received. The Committee recommended that the Board should amend IFRS 10 to address this matter.

In November 2011 the Board discussed the issue and proposed amendments to the guidance to clarify its intentions when the standard was published.

The Board published an exposure draft in December 2011 and is now in the comment period. Comments are due by 21 March 2012.

This report sets out how the Board has met its due process requirements.

PRO FORMA EXAMPLE

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## **Adding the project to the IASB work plan**

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### **Background**

#### **Public discussions**

##### **IFRS Interpretations Committee**

After receiving requests to clarify the transition guidance in IFRS 10, the Interpretations Committee discussed the issue at its September 2011 meeting. However, rather than addressing the issue through an annual improvement, the Interpretations Committee recommended that the Board should amend IFRS 10 separately.

(Source: [IFRS 10 Transitional requirements: 'Meaning of the date of initial application'](#))

##### **IASB**

The Board discussed the issue at its November 2011 meeting and agreed that addressing the requests for clarifications would be helpful to constituents.

## **Development and publication of the exposure draft**

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#### **Public discussions**

At its November 2011 meeting, the IASB discussed clarifying the transition requirements by adding a definition for the term 'date of initial application' as well as situations in which transition relief exists. These amendments were essentially just clarifications of the Board's intent when issuing the IFRS in May 2011.

(Source: [IFRS 10 Transitional requirements: 'Meaning of the date of initial application'](#))

#### **Publication of the exposure draft**

On 2 December 2011 the staff notified the Due Process Oversight Committee by email of its intention to ask the Board for a shorter than normal comment period. The Board discussed this at its December 2011 meeting and voted unanimously to shorten the comment period to 90 days, ending on 21 March 2012. The Board did so on the basis that the document was short, the matter was urgent and there was likely to be broad consensus on the topic.

The amendments are essentially clarifications of the Board's intentions when IFRS 10 was issued and the optimal solution incorporates providing these clarifications as early as possible and aligning the effective date with that of IFRS 10.

(Source: [Amendments to the Transition Guidance in IFRS 10: 'Comment period for the exposure draft'](#))

#### **Board approval**

The Board completed its deliberations in November 2011 and asked the staff to begin the ballot process.

The exposure draft had one pre-ballot draft, circulated on 29 November 2011, with comments due by 2 December 2011.

The ballot draft was circulated on 7 December 2011 and the Board balloted on 12 December 2011. There was no post-ballot draft.

## Publication

On 20 December 2011 the IASB published for public comment proposals to improve the reporting of lease contracts in the exposure draft *Transition Guidance (Proposed amendments to IFRS 10)*.

| <b>DPOC Protocol</b>  |                              |  |   |  |
|---|------------------------------|--|---|--|
| <b>Stage 4: Development and publication of an exposure draft</b>  |                              |  |   |  |
| <p><b>General IASB requirements:</b> <i>Publication of an exposure draft is a mandatory due process. Irrespective of whether the IASB has published a discussion paper, an exposure draft is the IASB's main vehicle for formally consulting the public. Unlike a discussion paper, an exposure draft sets out a specific proposal in the form of a proposed IFRS (or amendment to an IFRS). Its development is based on the consideration of issues included in staff research and recommendations, as well as comments received on any discussion paper. Suggestions by the IFRS AC, working groups and accounting standard-setters and arising from public education sessions are also taken into account. It is generally available for a period of 120 days for comment.</i></p> |                              |  |   |  |
| <p><b>DPOC objective:</b> To satisfy the DPOC that the process for developing an exposure draft was extensive, and the IASB appropriately considers the need to re-expose changes before finalizing a standard. The DPOC responds as necessary to comments received on the due process followed by the IASB in developing and publishing an exposure draft and in responding to comments received.</p>  |                              |  |   |  |
| <b>Transparency: due process requirements and optional steps</b>  |                              |  |   |  |
| <b>Step</b>   | <b>Required<br/>Optional</b> | <b>Metrics or evidence</b>   | <b>Protocol for and evidence<br/>provided to DPOC</b>   | <b>Board actions</b>   |
| Board meetings held in public, with papers available for observers  | Required                     | Meetings held to discuss topic.<br>Project website contains a full description with up-to-date information on the project.<br>Meeting papers posted in a timely fashion. | Members of the IASB discuss with DPOC progress on major projects, in relation to the due process being conducted.,<br>DPOC reviews comments from interested parties on IASB due process as appropriate. | Project discussed at two Board meetings between November and December 2011.  |
| Consultation with IFRS Advisory Council has occurred.   | Required                     | Discussions with the IFRS Advisory Council on topic.   | DPOC meets with the Advisory Council to understand perspectives of stakeholders on due process of IASB.<br>IFRS Advisory Council Chair invited to Trustees' meetings and meetings of DPOC               | Narrow scope amendment referred to the Board by the IFRS Interpretations Committee. Discussion with IFRS AC deemed unnecessary.  |
| Exposure draft published to invite public comment, with appropriate comment period.   | Required                     | IASB sets comment period for response.<br>Any period outside the normal comment period requires explanation from IASB to DPOC, and subsequent approval.                  | DPOC receives notice of any change in comment period length and approval if required.   | The exposure draft was published in December 2011 and the document had a 90-day comment period.<br><br>The DPOC was notified and gave approval for this shortened comment period before it was |

|   |                            |  |   |   |
|---|----------------------------|--|---|---|
|   |                            |  |   | discussed at the December 2011 meeting. |
| Working groups used, if formed                  | Optional                   | Number of working group meetings, and evidence of substantive involvement in issues<br><br>Working Group review of draft exposure draft  | DPOC receives report of working group activity from IASB.   | NA                                      |
| Field work undertaken in analysing proposals    | Optional                   | IASB describes approach taken on field visits/tests<br><br>IASB explains why it does not believe field testing warranted, if that is the preferred path<br><br>Number of field tests | DPOC to review the IASB's explanation if field test is deemed by IASB as not required and have the opportunity to discuss the explanation with IASB<br><br>DPOC receives a report on field testing activities and how findings have been taken into consideration by IASB | NA                                      |
| [Preliminary effect analyses published with ED] | [Required—this not agreed] | ISSUE TO BE CONSIDERED   | DPOC review with IASB process for conducting and conclusions of effect analysis   | NA                                      |

**Full and fair consideration of the perspectives of those affected by IFRSs globally: consultation**

| <i>Step</i>  | <i>Require Optional</i> | <i>Metrics or evidence</i>  | <i>Protocol for and evidence provided to DPOC</i>   | <i>Board actions</i>    |
|--|-------------------------|---|---|-------------------------|
| Press release to announce publication of exposure draft.   | Optional                | Press release published<br><br>Media coverage   | DPOC receives a copy of the press release   | Press release published |
| Outreach meetings with a broad range of stakeholders, with special effort for investors  | Optional                | Number of meetings held and location<br><br>Evidence of specific targeted efforts for investors | DPOC receives a report on outreach activities and IASB reviews with DPOC outreach plan for the ED and its approach to the optional steps to ensure extensive outreach and public consultation | NA                      |
| Webcasts and podcasts to provide interested parties with high level updates or other useful information about specific projects. | Optional                | Number of and participation in webcasts   | DPOC receives a report on outreach activities   | NA                      |
| Public discussions with representative groups.   | Optional                | Number of discussions held  | DPOC receives a report on outreach activities   | NA                      |
| Online survey to generate evidence in support of or against a particular approach.   | Optional                | Number and results of surveys   | DPOC receives a report on outreach activities   | NA                      |
| Regional discussion forums, where possible, with national standard-setters and with the IASB.                                    | Optional                | Schedule of meetings held in these forums   | DPOC receives a report on outreach activities DPOC receives a report on outreach activities   | NA                      |

|   |          |                                 |   |    |
|---|----------|---------------------------------|---|----|
| Round tables between external participants and members of the IASB.                             | Optional | Number of meetings held         | DPOC receives a report on outreach activities | NA |
| Snapshot document to explain the rationale and basic concepts included in the discussion paper. | Optional | Snapshot posted on IASB website | DPOC receives a report on outreach activities | NA |

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## **Development and publication of the IFRS**

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### **Consideration of feedback on the exposure draft**

[As per previous sections. Additional information would be provided about the Feedback statement, Effect analysis, XBRL taxonomy update and educational activities.]

### **Post-implementation review**

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Not applicable—narrow scope exception.

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## Appendix A: Meeting details

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Development of the exposure draft

The Board discussed the project at the following meetings, as preparation for the development of the discussion paper:

### Interpretations Committee meetings

| <b>Date of meeting</b> | <b>IFRS IC Agenda Number</b> | <b>Title of Document</b>   |
|------------------------|------------------------------|--|
| September 2011         | 12                           | New items for initial consideration: IFRS 10 Transitional requirements |

### IASB meetings

| <b>Date of meeting</b> | <b>IASB Agenda Number</b> | <b>Title of Document</b>                   |
|------------------------|---------------------------|--|
| November 2011          | 3                         | Meaning of the date of initial application |
| December 2011          | 2                         | Comment period for the exposure draft      |