

## STAFF PAPER

March 2012

## IFRS Interpretations Committee Meeting

| Project     | Administrative session                            |
|-------------|---|
| Paper topic | IFRS Interpretations Committee's activity in 2011 |

This paper has been prepared by the staff of the IFRS Foundation for discussion at a public meeting of the IFRS Interpretations Committee. 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. Decisions made by the IFRS Interpretations Committee are reported in *IFRIC Update*. The approval of a final Interpretation by the Board is reported in *IASB Update*.

## Introduction

1. This paper is intended to provide an overview of the IFRS Interpretations Committee's activity from January 2008 to December 2011.
2. Since 2008, we have classified the on-going activity of the IFRS Interpretations Committee in the following two main roles:
  - (a) Interpretations and implementation activities; and
  - (b) Work performed on behalf of the Board.
3. Interpretations and implementation activities comprise issuing Interpretations as well as publishing Agenda Decisions in the *IFRIC Update*. Work performed on behalf of the Board comprises initiating discussions on and drafting of standalone amendments and annual improvements amendments to IFRSs (as part of separate Board projects).

## Key figures

4. The following table intends to demonstrate the number of issues considered in connection with the main areas in which the Committee has been involved since 2008, ie interpretive activity and work on behalf of the Board:

|  | <b>2011</b> | <b>2010</b> | <b>2009</b> | <b>2008</b> |
|--|-------------|-------------|-------------|-------------|
| <b>Interpretations activity</b>                                    | <b>11</b>   | <b>20</b>   | <b>30</b>   | <b>17</b>   |
| Interpretations issued   | 1           | 0           | 2           | 3           |
| Agenda Decisions published in the IFRIC Update                     | 10          | 20          | 28          | 14          |
| <b>On behalf of the Board</b>                                      | <b>16</b>   | <b>38</b>   | <b>3</b>    | <b>3</b>    |
| Issues recommended for inclusion in Annual Improvements            | 8           | 22          | 2           | 1           |
| Issues with recommendations not to be added in Annual Improvements | 7           | 13          | 0           | 0           |
| Standalone amendments  | 1           | 3           | 1           | 2           |
| <b>Total</b>   | <b>27</b>   | <b>58</b>   | <b>33</b>   | <b>20</b>   |

## Interpretations issued since 2008

5. Since 2008, 6 interpretations have been issued:

- (a) IFRIC 15 *Agreements for the Construction of Real Estate*;
- (b) IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*;
- (c) IFRIC 17 *Distributions of Non-cash Assets to Owners*;
- (d) IFRIC 18 *Transfers of Assets from Customers*;
- (e) IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*;
- (f) IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*.

## Agenda Decisions published in the IFRIC Update in 2011

6. In 2011, 10 Agenda Decisions have been published in the IFRIC Update:
  - (a) IFRS 2 *Share-based Payment*—share-based payment awards settled net of tax withholding;
  - (b) IFRS 3 *Business Combinations*—business combinations involving newly formed entities: factors affecting the identification of the acquirer;
  - (c) IFRS 3 *Business Combinations*—business combinations involving newly formed entities: business combinations under common control;
  - (d) IFRS 3 *Business Combinations*—acquirer in a reverse acquisition;
  - (e) IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*—application of the IAS 8 hierarchy;
  - (f) IAS 12 *Income Taxes*—rebuttable presumption to determine the manner of recovery;
  - (g) IAS 16 *Property, Plant and Equipment*—cost of testing;
  - (h) IAS 19 *Employee Benefits*—defined contribution plans with vesting conditions;
  - (i) IAS 27 *Consolidated and Separate Financial Statements*—group reorganisations in separate financial statements;
  - (j) IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*—inclusion of own credit risk in the discount rate.
7. It should be noted that 4 Agenda Decisions include a recommendation to the Board to consider the issue as part of a Board project.

8. The table below shows the reason given in the Agenda Decisions for not taking the issues onto the agenda.

|   | <b>2008</b> | <b>2009</b> | <b>2010</b> | <b>2011</b> |
|---|-------------|-------------|-------------|-------------|
| No significant diversity in practice - criteria (a) and (b)             | 5           | 6           | 1           | 2           |
| Current guidance is sufficient - criterion (c)                          | 2           | 6           | 6           | 4           |
| Application guidance, not in the scope of IC activities - criterion (d) | 2           | 7           | 4           | 0           |
| Absence of consensus on a timely basis - criterion (e)                  | 0           | 0           | 2           | 0           |
| Board project - criterion (f)   | 5           | 8           | 6           | 4           |
| Post-Implementation Review - criterion (f)                              | 0           | 1           | 1           | 0           |
| <b>Total Agenda Decisions</b>   | <b>14</b>   | <b>28</b>   | <b>20</b>   | <b>10</b>   |

### Work performed on behalf of the Board

9. During 2011, 16 issues were considered by the IFRS Interpretations Committee:

- (a) 8 issues were recommended for inclusion in Annual Improvements:

- (i) IFRS 3 *Business Combinations*—definition of a business;
- (ii) IFRS 3 *Business Combinations*—scope of exception for joint ventures;
- (iii) IFRS 8 *Operating Segments*—reconciliation of segment assets in IFRS 8;
- (iv) IAS 1 *Presentation of Financial Statements* – current/non-current classification of debt (roll-over agreements);
- (v) IAS 7 *Statement of Cash Flows*—classification of interest paid that is capitalised as part of the cost of an asset;

- (vi) IAS 16 *Property, Plant and Equipment*—revaluation model and proportionate restatement;
  - (vii) IAS 38 *Intangible Assets* and IFRIC 12 *Service Concession arrangements*—selection of amortisation method;
  - (viii) IFRIC 12 *Service Concession Arrangements*—presentation of cash flows for construction or upgrade services.
- (b) 7 issues were recommended not to be added to Annual Improvements:
- (i) IFRS 2 *Share-based Payment*—modification of a share-based payment from cash-settled to equity-settled;
  - (ii) IFRS 3 *Business Combinations* and IAS 39 *Financial Instruments: Recognition and Measurement*—hedging the foreign exchange risk in a business combination;
  - (iii) IFRS 8 *Operating Segments*—aggregation of operating segments and identification of the chief operating decision maker;
  - (iv) IAS 7 *Statement of Cash Flows*—classification of cash payments for deferred and contingent consideration;
  - (v) IAS 16 *Property, Plant and Equipment*—recognition of compensation when it ‘becomes receivable’;
  - (vi) IAS 27 *Consolidated and Separate Financial statements*—contributions to a jointly controlled entity or an associate;
  - (vii) IAS 28 *Investment in Associates*—equity method.
- (c) 1 issue was recommended for standalone amendment (as part of a separate Board project):
- (i) IFRS 10 *Consolidated Financial Statements*—transitional requirements, meaning of ‘the date of initial application’.

10. The table below provides a breakdown of issues considered for Annual Improvements by cycle:

|  | 2010      | 2011      |
|--|-----------|-----------|
| 2009-2011 cycle - issues considered and accepted for AIP     | 6         | 0         |
| 2010-2012 cycle - issues considered and accepted for AIP     | 4         | 4         |
| 2011-2013 cycle - issues considered and accepted for AIP     | 0         | 4         |
| 2008-2010 cycle - Redeliberations - issues confirmed for AIP | 12        | 0         |
| <b>Total issues considered for inclusion in AIP</b>          | <b>22</b> | <b>8</b>  |
| 2009-2011 cycle - issues considered and rejected for AIP     | 5         | 0         |
| 2010-2012 cycle - issues considered and rejected for AIP     | 4         | 6         |
| 2011-2013 cycle - issues considered and rejected for AIP     | 0         | 1         |
| 2008-2010 cycle - Redeliberations - issues rejected for AIP  | 4         | 0         |
| <b>Total issues rejected (non-AIP)</b>                       | <b>13</b> | <b>7</b>  |
| <b>Total</b>   | <b>35</b> | <b>15</b> |

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11. It should be noted that the redeliberation phase of the exposure draft for the 2009-2011 cycle of *Improvements to IFRS* took place in Q1 2012. The redeliberation phase of the exposure draft for the 2008-2010 cycle of *Improvements to IFRS* took place in 2010. This explains the difference in the number of issues discussed by the Committee in 2011 compared with 2010.

## Work in progress at year-end 2011

12. The Work in progress issues detailed below are not included in the statistics in the table in paragraph 4 of this paper. At the end of 2011, the following issues are in progress:

(a) On the agenda:

- (i) IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*—levies charged for participation in a market on a specified date;
- (ii) IAS 32 *Financial Instruments: Presentation*—NCI put options.

(b) Project deferred (previously on the agenda):

- (i) IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*—contingent pricing of PPE and intangible assets.

(c) Tentative agenda decisions:

- (i) IAS 19 *Employee Benefits*—Applying the definition of termination benefits to ‘Altersteilzeit’ plans.

(d) Work in progress:

- (i) IFRS 11 *Joint Arrangements*—Acquisition of interest in a joint operation;
- (ii) IAS 12 *Income Taxes*—Corporate wrapper;
- (iii) IAS 28 *Investments in Associates and Joint Ventures*—Application of the equity method;
- (iv) IAS 33 *Earnings per Share*—Calculating earnings per share considering non-cumulative preference dividends;
- (v) IFRIC 12 *Service Concession Arrangements*—Payments made by an operator in a service concession arrangement;
- (vi) IFRIC 15 *Agreements for the Construction of Real Estate*—Meaning of continuous transfer of control in real estate transactions.

13. At the end of 2010, 6 issues were in progress.