



IFRS implementation current issues

Global Preparers Forum, Agenda paper 3
12 November 2012

Michael Stewart
Director of Implementation Activities

The views expressed in this presentation are those of the presenter,
not necessarily those of the IASB or IFRS Foundation

- Current activity
 - Draft Interpretations
 - Levies
 - Put options written over non-controlling interests
 - Narrow-scope Amendments
 - Equity accounting – share of other changes in net assets
 - Equity accounting – gain recognition: transfer of assets between investor and investee
 - Purchase of interest in joint operation
 - Revenue-based depreciation methods
 - Annual Improvements
 - Work In Progress, including agenda decisions

- Current agenda topics & work in progress
 - Pensions: Contribution-based promises (revisit D9)
 - Contingent pricing of PPE and Intangibles
 - Disclosure requirements about assessment of going concern
 - Pensions: Measurement of Defined Benefit Obligation for plans with employee contributions
 - Classification of cash flows
 - Definition of a business

Pensions: Contribution-based promises (revisit D9)

- Two issues under consideration:
 - (1) Defined benefit plans with a guaranteed return on contributions – valuation mismatch when the expected return on plan assets used to project forward benefit differs from discount rate used to calculate present value of benefit
 - (2) Plans with a benefit that is the ‘higher of’ guaranteed return on contributions and the actual return on specified assets – IAS 19 doesn’t give guidance on valuing such an option
- Draft interpretation under development

Contingent pricing of PPE and intangibles

5

- Issue: Asset purchased but amount payable to vendor is variable
- How to account for variable element of price:
 - Recognise liability when asset received?
 - If yes, at what value?
 - Recognise liability at later date, eg when contingency resolved?
- Does contingent element of price form part of cost of asset?
- Are changes in liability recognised as adjustments to cost of asset?
 - Accretion of discount
 - Revisions in estimate of amount payable

Disclosure requirements about assessment of going concern

- IAS 1 requires disclosure of material uncertainties about ability to continue as a going concern
- Issue: Lack of clarity in guidance has led to diversity in practice.
- Questions considered:
 - When should an entity disclose information about uncertainties related to ability to continue as a going concern?
 - What is the objective of those disclosures, and what should be required?

Pensions: Measurement of Defined Benefit Obligation for plans with e'ee contributions

- Amendments to IAS 19 in 2011 require:
 - Employee contributions reduce service cost or reduce remeasurements
 - Employee contributions should be attributed to periods of service on a straight-line basis if back-end loaded
- Issues:
 - (1) do amendments change measurement of net defined benefit obligation for all plans with e'ee contributions?
 - Concern when salary growth rate > discount rate
 - (2) unclear about when e'ee contributions are back-end loaded (% basis or value basis)
 - (3) how to implement accounting requirements for e'ee contributions

- IAS 7 requires cash flows classified as operating, investing or financing
- Issue: lack of clarity / potentially conflicting guidance on how to classify
- Primary principle in IAS 7:
 - Classify cash flows in accordance with the nature of the activity in a manner that is most appropriate to the business of the entity
- Interpretations Committee is seeking to clarify definitions of operating, investing and financing cash flows

Definition of a business

- Issue: Acquisition of a “single asset”, with obligation to provide associated processes
 - Eg purchase investment property with existing tenants, and obligation to provide maintenance, cleaning and security services
- Does this single asset, with the associated obligations, represent a business?
 - Consequences for recognition of:
 - Goodwill
 - Deferred tax
 - Transaction costs
 - Contingent consideration

IFRS interpretations processes and application

The views expressed in this presentation are those of the presenter,
not necessarily those of the IASB or IFRS Foundation

The IFRS Interpretations Committee:

- Interpretative body of the IASB
- 14 members plus non-voting chair
- Experienced practitioners in the day-to-day application of IFRSs
 - Variety of countries and professional backgrounds
- Mandate:
 - To review widespread accounting issues on current IFRSs and to provide authoritative guidance (IFRICs) on those issues

The IFRS Interpretations Committee: What it does

- Seeks possible solutions to questions:
 - Develop an Interpretation
 - Change existing standards
 - Annual Improvements project
 - Undertake narrow-scope project on behalf of IASB
 - Recommend implementation guidance
 - Explain via Committee agenda decision
 - Reason for not adding to the Committee's agenda

Questions or comments?

Expressions of individual views by members of the IASB and its staff are encouraged. The views expressed in this presentation are those of the presenter. Official positions of the IASB on accounting matters are determined only after extensive due process and deliberation.

