AGENDA PAPER

IFRS Foundation Trustees' meeting—Due Process Oversight Committee

Hong Kong	22 January 2013	Agenda paper	3C(i)

Memorandum

To: Scott Evans, Chairman—Due Process Oversight Committee

From: Sue Lloyd

Date: 14 January 2013

Re: Update on technical activities

Overview

In 2013 the IASB will continue to be occupied with the completion of the four major projects being undertaken jointly with the FASB: Financial Instruments, Revenue Recognition, Leases, and Insurance Contracts.

As discussed in our October 2012 meeting, in response to the comments received on the Agenda Consultation, we have also begun work on a Conceptual Framework project, on limited amendments to IAS 41 *Agriculture* (in relation to bearer biological assets) and on a project on Rate-regulated Activities.

Due process

A list of Board papers on due process issues since the October 2012 meeting is attached in Appendix A to this paper. We have not received any new reports on due process issues or complaints. As agreed in 2012, in the future we will post any reports received on the website as they are submitted. In addition, as requested by the DPOC, a list of papers that were posted after the IASB paper posting deadline is attached in Appendix B to this paper.

Agenda Paper 2B for the public Trustee Meeting provides an update of the IASB technical projects. Below is a summary of the status of the projects currently under way with a focus on due process considerations.

Financial Instruments

IFRS 9—Classification and Measurement (limited amendments)

As discussed in previous meetings, the IASB agreed to make limited amendments to the classification and measurement requirements for financial instruments in IFRS 9 *Financial Instruments*. These amendments were intended to:

- further align the IASB and FASB classification models;
- address some of the insurance community's concerns concerning the interaction with accounting for insurance contracts; and
- clarify the existing classification and measurement requirements for financial assets.

As previously discussed, we also received requests from stakeholders to make available as soon as possible the revised treatment of 'own credit' for financial liabilities in IFRS 9. These amendments improve the usefulness of financial statements by removing volatility in profit or loss caused by changes in the fair value of an entity's liabilities that is attributable to changes in their own credit risk. Those changes would instead be recorded in OCI.

In November 2012 we published an Exposure Draft *Classification and Measurement: Limited Amendments to IFRS 9* (Proposed amendments to IFRS 9 (2010)). The Exposure Draft has a comment period of 120 days. The Exposure Draft proposes the following limited amendments to the classification and measurement requirements for financial instruments:

- the addition of application guidance to the contractual cash flow characteristics criteria (while maintaining the IFRS 9 definition of a hold-to-collect business model);
- the use of an Other Comprehensive Income (OCI) remeasurement for eligible debt investments; and
- proposals to accelerate the 'own credit' requirements so that, once IFRS 9 is finalised, an entity can elect to apply the 'own credit' requirements for financial liabilities before the rest of IFRS 9.

The FASB plans to issue an Exposure Draft on the classification and measurement of financial instruments in the first quarter of 2013. While the exposure drafts will reflect joint decisions made by the boards, given the different stage of development of our projects (the IASB is revising IFRS 9 whereas the FASB is proposing completely new guidance), the documents will not be identical.

We will undertake outreach during the comment period, which ends 28 March 2013. Upon completion of these consultations we will redeliberate the proposals with a view to completing this project, along with the other phases of IFRS 9, in 2013.

Impairment

This is probably the most important part of our project to overhaul the accounting for financial instruments. The objective of the Impairment project is to increase the usefulness of financial statements subject to impairment[1] by improving the transparency of information about the credit quality of financial assets, and improving the timeliness of recognition of expected losses.

As previously discussed, in July 2012 the FASB decided to explore a different approach—one still based on expected losses, but in which **all** lifetime expected losses are recognised for all loans from initial recognition. The IASB does not support the recognition of full lifetime expected losses when a loan is first recognised, and continues to prefer a model that will result in lifetime losses only being recognised once a loan deteriorates and a true economic loss results.

Following the FASB's decision to pursue a different impairment model (referred to as the Current Expected Credit Loss Model or CECL), the IASB undertook additional outreach with stakeholders about the current "three-bucket" model. A majority of those involved in the outreach (including users of financial statements) agreed that it was appropriate to differentiate the allowances on loans that have deteriorated from those that have not. However, the IASB was asked to clarify when a loan is considered to have deteriorated to a point where life time losses should be recognised (the lifetime criteria).

At the November 2012 meeting, in response to feedback received during our outreach over August and September, the IASB agreed to clarify and simplify the lifetime criteria. The revised lifetime criterion would require recognition of lifetime expected losses when there has been significant deterioration in credit quality since initial recognition. For loans that are investment grade on origination the lifetime criterion would be considered satisfied if those assets fall below investment grade.

Impairment is currently a hot topic with stakeholders in many regions[2] and is the subject of intense scrutiny. It is also of specific interest to both the Financial Stability Board and the G20. We are under intense pressure to finalise the project as quickly as possible and ideally, on a converged basis.

The IASB is aware of the importance of publishing an Exposure Draft as soon as possible. In December 2012 the IASB agreed that the due process requirements to begin the balloting process had been met[3]. The current plan is to publish an Exposure Draft the first quarter of 2013. There will be a 120-day comment period. The IASB agreed that to supplement the formal comment letter process during the comment period it will also undertake field work to

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[1] We refer to all financial assets subject to impairment as "loans" in the Impairment section of this paper for ease of discussion.

[2] For example, the UK Parliamentary Commission on Banking Standards and some UK investors.

[3] See Agenda Paper 5B: *Financial Instruments: Impairment: Due process considerations: Re-exposure Draft* attached to this report

test the operationality of the proposals and to understand the change in allowance balances in different economic scenarios for different product types.

In late December 2012 the FASB published their own Exposure Draft on impairment. The FASB's comment period ends on 30 April 2013. Despite the difficulties the two boards have experienced trying to find a common approach, our respective stakeholders still have a strong desire for us to achieve a common solution. The IASB continues to have an open line of communication with the FASB and will to discuss developments as the boards move forward. The comment periods should have some overlap and the boards will consider public comments on both approaches during redeliberations. The aim is to finalise the impairment requirements in 2013.

Hedge Accounting

The objective of this project is to improve hedge accounting by more closely aligning it with a company's risk management activities, thereby improving financial reporting. As previously discussed, the Hedge Accounting phase of the Financial Instruments project is not a joint project. However, the FASB sought comments from its stakeholders on the IASB's Hedge Accounting Exposure Draft and will consider these in conjunction with feedback on its own proposals when it recommences its hedge accounting deliberations.

As mentioned at the previous meeting, in September 2012 we posted a Review Draft on our website of the forthcoming hedge accounting requirements that will be added to IFRS 9. The IASB was not seeking comments on the Review Draft, but made it available to allow interested parties to familiarise themselves with the document and to provide the IASB with the opportunity to undertake an extended fatal flaw process. The purpose of the Review Draft was essentially to improve the clarity of the draft and to ensure it would operate as intended. We did not request that letters be formally submitted so those who have provided comments have not been told that their letters will be posted publicly. We do not intend that the letters be posted on the website (to do so we would in fact need to obtain the writers' permission).

The staff will summarise the key issues raised on the Review Draft in the January 2013 IASB meeting, therefore these issues will be set out in a (public) Board paper. The staff will also provide the IASB with a paper confirming that all due process steps have been complied with and will ask the IASB for permission to proceed to a final Standard. The IASB intends to finalise the Hedge Accounting requirements in the first quarter of 2013.

Accounting for macro hedging

The IASB continues its public discussion of accounting for portfolio hedges. As noted in the last meeting, we will first publish a Discussion Paper before moving on to an Exposure Draft. In the interim, the fair value interest rate portfolio hedge accounting requirements in IAS 39

Financial Instruments: Recognition and Measurement will be retained, enabling entities using those requirements to continue to do so until any new model is put in place. We are aiming to publish the Discussion Paper during 2013.

Offsetting financial instruments-disclosures

In December 2011, the boards issued converged offsetting requirements *(Disclosures-Offsetting Financial Assets and Financial Liabilities* (Amendments to IFRS 7) for the IASB (and Update 2011-11 for the FASB). These requirements are effective 1 January 2013.

As a result of feedback received from some of its stakeholders, in November 2012 the FASB published proposed amendments to the scope of its related offsetting disclosure requirements. At the November 2012 IASB meeting the IASB staff provided an update on feedback received from the FASB stakeholders and the FASB's proposed amendments. The staff indicated that the IASB should not consider amending the scope of its disclosures because the current scope meets the objective of the disclosures. The IASB was not asked to make any decisions – however they did not propose making any changes to the disclosure requirements.

In January 2013 the FASB discussed the feedback received on its proposals and agreed to move forward with amendments to the scope of its offsetting disclosure requirements. Since the FASB has proposed amendments to their disclosures we have received numerous questions from our stakeholders asking whether we intend to make similar changes. The IASB does not have any plans to amend the scope of the disclosures at this time.

Leases

Lease obligations are widely considered to be a significant source of off balance sheet financing. The objective of the Leases project is to improve financial reporting by lessors and lessees, in particular by recognising leases on the balance sheet.

This is a joint project with the FASB. As noted in our last meeting, the discussions on the Leases project are now complete, and both boards have agreed to re-expose the revised proposals for a common Leases Standard.

The boards aim to issue exposure drafts in the first quarter of 2013. The boards have agreed to a 120-day comment period. During the comment period, the boards plan to conduct additional outreach with users of financial statements and with entities that undertake lease activities.

Revenue Recognition

The objective of this project is to improve financial reporting by creating a revenue recognition Standard that clarifies principles that can be applied consistently across various transactions, industries and capital markets. The project applies to all contracts with customers (except leases, financial instruments and insurance contracts).

This is also a joint project with the FASB. In December 2012 the boards completed their substantive redeliberations of the recognition and measurement principles in the 2011 Exposure Draft. Companies in the telecommunications industry have expressed concerns about the change in practice that could result from applying the proposed revenue model to typical mobile phone contracts. In December the boards also discussed this in detail. The staff provided an extensive analysis of the application of the model to such contracts and alternative approaches that could be undertaken, but ultimately the boards tentatively decided that an exception to the general model should be *not* created. The remaining topics, including scope, disclosure and transition, will be redeliberated in early 2013 and the boards aim to issue a final Standard in mid-2013.

Insurance Contracts

The objective of this project is to eliminate inconsistencies and weaknesses in existing practice by replacing IFRS 4 *Insurance Contracts* and to provide a single principle-based Standard to account for all insurance contracts.

While the boards are working together on the Insurance Contracts project we have reached different decisions on several basic matters. For example, while both boards have agreed to measure the insurance liability using a current measure of the estimated costs to fulfil the obligation, the boards have reached different decisions on several aspects of the model, including recognition of changes in estimates, the inclusion of a risk margin in the measurement of the liability and the treatment of acquisition costs.

As noted in October, in 2012 the IASB decided that, based on the feedback received on the original Exposure Draft and the subsequent decisions made during redeliberations, it would re-expose its proposals. However, due to the importance of this project, and in view of the extensive debate the IASB has undertaken over the years, feedback will only be sought on five key matters where there have been significant changes to the proposals in the 2010 Exposure Draft. The IASB hopes that doing so will avoid further undue delay in finalising a much-needed Standard for insurance contracts. The IASB aims to issue this Exposure Draft in the first half of 2013.

Investment Entities

On 31 October 2012 the IASB issued *Investment Entities* (Amendments to IFRS 10, IFRS 11 and IAS 27). The amendments introduce an exception that will require investment entities to measure their subsidiaries at fair value through profit or loss rather than consolidating them. The effective date is 1 January 2014 with early application permitted.

The Investment Entity deliberations were mainly carried out jointly with the FASB. However, the FASB is addressing the accounting for investment entities more broadly than the IASB, whose focus was solely on an exemption from consolidation. Consequently, the boards' final requirements will be similar but not identical. The FASB have not yet published their requirements.

The Conceptual Framework

As discussed in October 2012, in response to the comments received on the 2011 Agenda Consultation, in late 2012 we began work on a Conceptual Framework project. Restarting work on the *Conceptual Framework* received overwhelming support from respondents to the IASB's agenda consultation in 2011. Consequently, the IASB agreed to restart this project in September 2012.

The IASB uses the *Conceptual Framework* to develop IFRSs. We have agreed that the Conceptual Framework project will focus on the following: Reporting entity, Elements of financial statements (including recognition and derecognition), Measurement, Presentation and disclosure. We also agreed that the work should be towards a single Discussion Paper, rather than separate Discussion Papers for each area. This Conceptual Framework project will build on the work previously done before the project was paused in 2010. As part of that work, the IASB completed chapters on the objective of financial reporting and qualitative characteristics of useful information.

A Discussion Paper is targeted for the second half of 2013. Once the formation of Accounting Standards Advisory Forum is final we expect it to play an important role advising us on the Conceptual Framework project. This will be helpful in providing us with input into the project at an early stage. The IASB is currently assessing whether it would also benefit from establishing a separate consultative group for the Conceptual Framework project.

Rate-regulated Activities

Rate regulation is a restriction in the setting of prices that can be charged to customers for services or products. It is generally imposed by regulatory bodies or governments when an entity has a monopoly or a dominant market position that gives it excessive market power. It is widespread and significantly affects the economic environment of rate-regulated entities. Some national GAAP provides specific guidance on this matter, but there is no equivalent guidance in IFRSs.

As previously discussed, in response to the 2011 Agenda Consultation, the IASB agreed to start a research project for Rate-regulated Activities. The IASB had previously undertaken a Rate-regulated Activities project in 2008–2010. This was not completed due to other priorities and the divergent views and feedback received, which raised complex and fundamental issues at a conceptual level.

The objective of the Rate-regulated Activities research project is to develop a Discussion Paper to consider whether rate regulation creates assets or liabilities in addition to those already recognised in accordance with IFRS for non-rate-regulated activities. If so, the project will also consider how such assets and liabilities should be accounted for and whether (or how) IFRSs should be amended.

In October 2012, we discussed this project with the Advisory Council. The Advisory Council discussed stakeholders' requests for interim guidance until a more comprehensive solution is developed. This is especially relevant for jurisdictions that have significant rate-regulated entities and perceive the lack of IFRS guidance in this area to be a major barrier to adoption of our Standards. In December 2012, the IASB agreed to develop an Exposure Draft for an interim Standard that would:

1. permit 'grandfathering' of existing recognition and measurement policies for those entities that currently recognise "regulatory assets" or "regulatory liabilities" in accordance with their local accounting requirements;
2. require that such regulatory account balances are identified and presented as separate line items in the financial statements with additional disclosure requirements; and
3. contain some impairment test requirements (as is currently required in the interim Standard IFRS 6 *Exploration for and Evaluation of Mineral Resources)*.

The IASB made it clear that the interim Standard for Rate-regulated Activities must not delay the completion of the main project and does not in any way prejudge the outcome of that project. The Exposure Draft is targeted for the first half of 2013.

In December 2012 the IASB also discussed the issues proposed to be addressed in the Discussion Paper and decided that a formal consultative group should be formed for the project because of the specialist nature of the subject and the need for industry expertise. The IASB aims to issue the Discussion Paper in the second half of 2013.

Narrow-scope projects

Recently published Exposure Drafts

IFRS 11—Acquisition of an interest in a joint operation

In December 2012 the IASB published the Exposure Draft *Acquisition of an Interest in a Joint Operation*–Proposed amendment to IFRS 11. The Exposure Draft proposes adding guidance to IFRS 11 *Joint Arrangements* on the accounting for an interest in a joint operation when that joint operation includes a business. There is currently diversity in practice when applying the requirements in IAS 31 *Interests in Joint Ventures* and there is concern that the diversity will continue when IFRS 11 comes into effect in 2013. The issue originated from a submission to the Interpretations Committee, which proposed additional guidance to the

IASB. In November 2012 the IASB agreed that it had complied with all due process requirements to date[4]. The final amendment is targeted for the fourth quarter of 2013.

IAS 16 and IAS 38—Clarification of acceptable methods of depreciation and amortisation

In December 2012 the IASB published the Exposure Draft *Clarification of Acceptable Methods of Depreciation and Amortisation*–Proposed amendments to IAS 16 and IAS 38. The issue originated from a submission to the IFRS Interpretations Committee, which proposed amendments to the IASB. This issue was originally intended to be included in the Annual Improvements 2011-2013 Exposure Draft. Although our due process only requires a 90-day comment period for Annual Improvements, due to the significance of the issue for some stakeholders the IASB decided to prepare a separate Exposure Draft with a 120-day comment period. This decision was consistent with the recommendation of the DPOC (as discussed at the October 2012 meeting).

IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* establish the principles for the depreciation and amortisation for property, plant and equipment and intangible assets, respectively. These Standards permit an entity to select the method of depreciation or amortisation that most closely reflects the expected pattern of consumption of the expected future economic benefits embodied in the asset. The Exposure Draft proposes clarifying that certain methods should not be used when calculating the depreciation or amortisation of items of property, plant and equipment or intangible assets. The final amendment is targeted for the third quarter of 2013.

IAS 28—Equity method: share of other net asset changes

In November 2012 the IASB published the Exposure Draft *Equity Method: Share of Other Net Asset Changes*–Proposed amendments to IAS 28. The proposed amendments provide additional guidance on how an investor should account for its share of the changes in the net assets of an associate (or joint venture) that are not recognised in profit or loss or OCI of the associate (so-called 'other net asset changes'). There is currently diversity in practice in this area of accounting. The issue originated from a submission to the Interpretations Committee, which recommended that the IASB amend the Standard. In October 2012 the IASB agreed that it had complied with all due process requirements to date.[5] The final amendment is targeted for the third quarter of 2013.

[4] See Agenda Paper 6B: *Acquisition of an Interest in a Joint Operation (Proposed amendments to IFRS 11* Joint Arrangements*) - Summary of Due Process* as attached to this report.

[5] See Agenda Paper 9A: *Due Process: Equity method: share of other net asset changes (Amendments to IAS 28* Investments in Associates and Joint Ventures*)* as submitted to the DPOC in October 2012.

IFRS 10 and IAS 28—Sales or contributions of assets between an investor and its associate or joint venture

In December 2012 the IASB published the Exposure Draft *Sales or Contributions of Assets Between an Investor and its Associate or Joint Venture*-Proposed amendments to IFRS 10 and IAS 28. The proposals would address the acknowledged inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. There is currently diversity in practice in this area of accounting arising from a long-standing conflict in IFRS requirements. The issue originated from a submission to the Interpretations Committee, which proposed the amendments to the IASB. In November 2012 the IASB agreed that it had complied with all due process requirements to date[6]. The final amendment is targeted for the third quarter of 2013.

New narrow scope projects

IAS 41—Bearer biological assets

As discussed in the last meeting, in response to the 2011 Agenda Consultation, the IASB agreed to develop a limited scope project for amending IAS 41 *Agriculture* (in relation to bearer biological assets). Bearer biological assets include grape vines and oil palms. The operation of mature bearer biological assets is seen by many as similar to that of manufacturing and, consequently, they believe that such assets should be accounted for in accordance with the requirements in IAS 16 rather than in IAS 41.

In December 2012 the IASB decided to develop a cost-based model for bearer biological assets that are plants. If livestock is included within the scope of the amendment to IAS 41, use of a cost model becomes more complex. Furthermore, concerns raised by respondents relate to bearer crops, not livestock. The IASB tentatively decided that plants would be defined as bearer biological assets if they have no consumable attributes. This means they can only be used in the production or supply of agricultural produce (so there is no alternative use other than use as bearer assets).

The IASB will next discuss whether there is any need for measurement exemptions, and will also discuss unit of account, additional disclosure requirements if a cost model is used, and transitional provisions for this project. The IASB previously decided that because of the research that has already been undertaken by a national standard-setter, a Discussion Paper

[6] See Agenda Paper 6A: *Accounting for the sale or contribution of assets between an investor and its associate or joint venture (Proposed amendments to IFRS 10 and IAS 28) - Summary of Due Process followed* as attached to this report.

would not be necessary for this project. Therefore, the IASB aims to publish an Exposure Draft in the first half of 2013.

IAS 12—Recognition of deferred tax assets for unrealised losses

The objective of this project is to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The issue originated from a submission to the Interpretations Committee. In order to resolve the significant diversity in practice, the Interpretations Committee recommended to the IASB that it should clarify the accounting in IAS 12 *Income Taxes*. This project was originally intended to be included in the Annual Improvements 2010-2012 Exposure Draft but because the project is of a broader scope than Annual Improvements, a decision was made to prepare a separate Exposure Draft. The Exposure Draft is targeted for the fourth quarter of 2013.

IAS 36—Recoverable amount disclosures for non-financial assets

This project is essentially proposing an amendment to IAS 36 *Impairment of Assets* that arose from a drafting error in the consequential amendments arising from IFRS 13 *Fair Value Measurement.* In developing IFRS 13, the IASB amended IAS 36 to require disclosure of information about the recoverable amount of impaired assets. It has come to the IASB's attention that the amendments cause the requirement to apply more broadly than intended (ie for all significant amounts of goodwill or intangible assets allocated to a cash generating unit rather than just those that have material impairment losses or impairment reversals during the period)[7]. Therefore, objective of this narrow-scope project is to amend the disclosure requirements in IAS 36 with regard to the measurement of the recoverable amount of impaired assets that were made as a consequence of issuing IFRS 13.

We aim to publish an Exposure Draft in mid-January 2013 proposing amendments to IAS 36 that would clarify the IASB's intention with the disclosure requirements. The comment period will be 60 days due to the nature of the amendments and the fact that the mandatory effective date of the disclosure requirements is 1 January 2013. This comment period was discussed and agreed with the DPOC on the conference call of 11 December 2012.

IAS 27 —Separate financial statements (equity method)

When an entity prepares separate financial statements it has the choice of measuring investments in subsidiaries, joint ventures and associates at cost or at fair value. Corporate law in some countries requires listed entities to present separate financial statements using the equity method of accounting to measure these investments. Consequently, entities in those countries must currently prepare two sets of financial statements.

[7] The narrower scope is in fact correctly reflected in the Basis for Conclusions to IAS 36.

Feedback received from the 2011 Agenda Consultation indicated there was strong support from stakeholders in those countries affected, particularly from Latin America, for us to address this issue. Until 2005 the option of using the equity method to measure such investments was permitted—it had been removed as part of the IASB's improvements project, in 2005, to reduce the number of options available. The IASB understands that allowing this option would probably reduce compliance costs without a loss of information.

As a result the IASB agreed to consider a proposal to amend IAS 27 *Separate Financial Statements* to restore this option to use the equity method of accounting and to clarify some matters related to balances with subsidiaries and joint arrangements. We aim to publish an Exposure Draft in the first half of 2013.

Annual Improvements

Annual Improvements 2010–2012

The 2010–2012 Annual Improvements Exposure Draft was published in May 2012. The Interpretations Committee discussed the comments received on some of these annual improvements in November 2012, and will discuss the comments received on the remaining issues in January 2013. The recommendations from the Interpretations Committee on how to finalise these issues will be presented to the IASB in the first quarter of 2013. We are targeting issuing the final requirements in the second quarter of 2013.

Annual Improvements 2011–2013

The 2011–2013 Annual Improvements Exposure Draft was published in November 2012. In October 2012 the IASB agreed that it had complied with all due process requirements to date[8]. A summary of the comment letters received will be presented to the Interpretations Committee in May 2013. We are targeting issuing the final requirements in the third quarter of 2013.

Annual Improvements 2012–2014

The Interpretations Committee has so far identified two potential issues for inclusion in the Exposure Draft for the 2012–2014 cycle of Annual Improvements; these will be presented to the IASB for its agreement in the first half of 2013. The IASB expects to publish the 2012-2014 Exposure Draft in the third quarter of 2013.

[8] See Agenda Paper 9B: *Due Process:* Annual Improvements to IFRSs 2011-2013 cycle as submitted to the DPOC in October 2012.

Interpretations

Levies charged by public authorities on entities that operate in a specific market

In May 2012 the Interpretations Committee published a draft Interpretation that proposed clarifications for the point at which a liability to pay certain levies should be recognised. A summary of the comment letters received was presented to the Interpretations Committee in November 2012. A final Interpretation is targeted for the second quarter of 2013.

Put options written on non-controlling interests

In May 2012 the Interpretations Committee published a draft Interpretation proposing clarifications to the accounting for puts over non-controlling interests. The comment period ended in October 2012. Feedback on the draft Interpretation will be discussed at the January 2013 meeting of the Interpretations Committee.

Education initiative

Fair value measurement—educational material

The Education Initiative is developing educational material, with the assistance of a valuation expert group, to support IFRS 13. During the development of IFRS 13, we received feedback about the challenges of applying the fair value measurement principles in jurisdictions with less developed capital markets, such as emerging and transition economies. However, we also noted that the concerns raised were not specific to such jurisdictions and that all entities applying our Standards would benefit from educational material to accompany IFRS 13. The material will cover the application of the principles in IFRS 13 across a number of topics. These topics will be published in individual chapters as they are completed. The material is non-authoritative. In December 2012 the Foundation issued the first chapter of this educational material. This chapter covers the application of the principles in IFRS 13 when measuring the fair value of unquoted equity instruments within the scope of IFRS 9.

Consistent with the new due process handbook (paragraph 6.45) this material was reviewed by a member of the technical staff, a member of the editorial staff and three Board members[9].

Joint Arrangements—educational material

IFRS 11 was issued in May 2011 as part of our suite of new Standards addressing consolidation and joint arrangements. IFRS 11 requires an entity that is a party to a joint arrangement to account for its involvement with the joint arrangement on the basis of its rights and obligations. There is a reasonable degree of judgement required in making the

[9] It was actually reviewed by four Board members.

assessments needed to apply the Standard. In response to requests for guidance in this area, we are in the process of developing educational material to assist those making the judgments required in order to apply the principles in IFRS 11. This education material will be published in the first quarter of 2013.

IFRS for SMEs—training material

In December 2012 the Foundation posted on its website a new module of its training material on the *IFRS for SMEs: Module 9 Consolidated and Separate Financial Statements* (Module 9).

Module 9 covers Section 9 of the *IFRS for SMEs—Consolidated and Separate Financial Statements,* which defines the circumstances in which an entity presents consolidated financial statements and the procedures for preparing those statements. It also includes guidance on separate financial statements and combined financial statements.

IFRS for SMEs

Comprehensive Review 2012–2014

As previously discussed, when the IASB issued the *International Financial Reporting Standard for Small and Medium-sized Entities* (*IFRS for SMEs*) in July 2009, it stated that it would undertake an initial comprehensive review of the Standard. This review would allow the IASB to assess the first two years' experience in implementing the Standard and consider whether there is a need for any amendments. In mid-2012 the IASB issued a Request for Information seeking public views on whether there is a need to make any amendments to the *IFRS for SMEs*. The deadline for responses was 30 November 2012. The SME Implementation Group (SMEIG) will meet to discuss public responses to the Request for Information in February 2013 and develop a list of specific recommendations to the IASB for amendments to the *IFRS for SMEs.*

The IASB expects to publish an Exposure Draft of the proposals in mid-2013, depending on the comments received and the possible amendments to the Standard.

Guidance for micro-sized entities

In 2012 it was also decided that guidance should be developed to help micro-sized entities apply *IFRS for SMEs*. The SMEIG has been working with the staff in developing the guidance and will approve a final draft to be sent to the IASB for review. The IASB staff expect to publish this guidance in early 2013.

Post-implementation review (PIR)

In June 2012 the IASB published for comment a Request for Information (RFI) on the effect of implementing IFRS 8 *Operating Segments*. The RFI has a 120-day comment period. During the comment period the staff co-ordinated outreach and evidence-gathering events with various stakeholder groups, including investor groups, national accounting standard-setters and other regional bodies and securities regulators. The next discussions of the PIR of IFRS 8 will be in early 2013 when the topic will be the analysis of comment letters received in response to the RFI.

The IASB expects to apply the experience gained from its first PIR to inform its planning for the PIR of IFRS 3 *Business Combinations* later in 2013.

Appendix A to AP3C(i)

List of late postings since the Trustees' October 2012 meeting

Project/Agenda Paper	**Notes**
December 2012 Board papers (posting deadline 5 December)	
Revenue Recognition Agenda Paper 7C: *Effect of the revenue recognition model on some bundled arrangements*	Posted 10 December
IFRS 13 *Fair Value Measurement* Agenda Paper 11A: *IAS 36* Impairment of Assets *narrow-scope amendment– Recoverable amount disclosures*—*Annual Improvements 2010– 2012*	Posted 13 December – this was a short supplementary paper to clarify the interaction of Agenda Paper 11 with a proposed Annual Improvement amending the same paragraph of IAS 36.

Appendix B to AP3C(i)

List of due process papers since the Trustees' October 2012 meeting

Project/Agenda Paper
December 2012 Board papers **Financial Instruments: Impairment-Exposure Draft** • Agenda Paper 5B: *Financial Instruments: Impairment: Due process considerations: Re-exposure Draft* [Attached in Appendix C]
November 2012 Board papers **Narrow-scope Amendments-Exposure Drafts** • Agenda Paper 6A: *Accounting for the sale or contribution of assets between an investor and its associate or joint venture (Proposed amendments to IFRS 10 and IAS 28) - Summary of Due Process followed* [Attached in Appendix C] • Agenda Paper 6B: *Acquisition of an Interest in a Joint Operation (Proposed amendments to IFRS 11* Joint Arrangements*) - Summary of Due Process* [Attached in Appendix C]
October 2012 Board papers **Narrow-scope Amendment-Exposure Draft** • Agenda Paper 9A: *Due Process: Equity method: share of other net asset changes (Amendments to IAS 28* Investments in Associates and Joint Ventures*)* [Previously circulated to the Trustees] **Annual Improvements-Exposure Draft** • Agenda Paper 9B: *Due Process:* Annual Improvements to IFRSs 2011-2013 cycle [Previously circulated to the Trustees]

Appendix C to AP3C(i)

Due process papers from the November and December 2012 Board meetings

STAFF PAPER

14 December 2012

REG IASB Meeting

Project	Financial Instruments: Impairment		
Paper topic	Due process considerations: Re-exposure Draft		
CONTACT(S)	Tiernan Ketchum	tketchum@ifrs.org	+44 (0)20 7246 6937
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Introduction

1. In November 2012, the IASB finalised its technical discussions on developing the current impairment proposals. This paper analyses the IASB's compliance with its due process requirements and considers if the IASB should proceed to publish a re-exposure document for the impairment project. In doing so, it will cover:
   (a) the background of the impairment project;
   (b) the major technical proposals;
   (c) compliance with due process requirements; and
   (d) the staff's view on whether compliance was achieved.
2. The IASB's due process requirements, as put forth in the *IFRS Foundation Due Process Handbook* (updated as of 8 May 2012), describe the mandatory and optional steps to be taken before the publication of an IASB document. In considering an Exposure Draft (ED), the objective of due process is to ensure that the IASB is satisfied that it has undertaken sufficient consultation and analysis in developing the ED.

Project background

3. The impairment project is part of our broader project to improve the accounting for financial instruments by replacing IAS 39 *Financial Instruments: Recognition and Measurement*.

4. In March 2008 the IASB published for comment the discussion paper *Reducing Complexity in Reporting Financial Instruments*, which asked for responses on measuring financial instruments not measured at fair value and the accounting for impairment losses. Comments on the discussion paper indicated varying preferences for impairment models. After considering these responses, the IASB published a *Request for Information* in June 2009 that solicited feedback on the feasibility of an expected cash flow (ECF) approach. Many respondents to the *Request for Information* expressed agreement with the conceptual merit of the ECF approach; however, many stated that it would impose significant operational challenges. The IASB acknowledged those concerns, but concluded that it should proceed with the ECF approach.

5. In November 2009 the first Exposure Draft *Financial Instruments: Amortised Cost and Impairment* was published with responses requested by 30 June 2010. During the comment period the IASB established an Expert Advisory Panel to consider the operational considerations of the ECF approach. The panel's summary findings and proposed solutions were presented in June 2010.

6. As a result of concerns surrounding the operational complexities of the original ED, the IASB decided to further refine the impairment model to address those operational concerns while retaining the concepts of the original exposure draft as much as possible. At the same time, because of the importance of convergence, the IASB and the FASB started working on the impairment project jointly. The joint project culminated in the January 2011 publication of the Supplementary Document (SD) *Financial Instruments: Impairment* which sought to incorporate both the objective of the IASB's original ED and the FASB's May 2010 ED *Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities.*

7. In April 2011 the staff presented a preliminary SD comment letter analysis to the boards. The staff noted in the May 2011 board meeting that feedback on the SD was geographically split, with those in the US generally preferring the FASB approach and respondents elsewhere preferring the IASB approach. The most common and consistent message we received was that the IASB and FASB must reach a common solution. In May 2011 the staff presented to the boards an analysis of four different ways forward—the first two either exclusively the IASB's (time proportionate) or FASB's (foreseeable future floor) SD approach, the third the joint SD approach, and the fourth the development of a new alternative.

8. The boards rejected the first three approaches (the SD or specific portions of the SD) in favour of developing a new alternative—the three bucket model.

9. In July 2012 the IASB and FASB finished deliberations on all joint matters on the general framework of the three bucket model. In August 2012, based on feedback received from US constituents, the FASB decided to diverge from the joint three bucket model and explore an alternative that (a) did not use a dual-measurement approach and (b) reflected all credit risk in a portfolio at each measurement date. The IASB chose to continue proceeding with the three bucket model.

10. The IASB and staff conducted additional outreach during the development of the three bucket model, focusing on the tentative decisions. Matters raised during those meetings were reported to the IASB on a timely basis and reflected in the staff analysis during the deliberations. The outreach has been composed of written correspondence, conference calls, and face-to-face meetings with representatives of:

    (a) major accounting firms;

    (b) international and regional banks, insurers, and financial institutions;

    (c) users including industrial entities, investment firms, and consultancies;

    (d) regulators and government agencies;

    (e) user forums, non-profit organisations, and discussion groups.

11. In August and September 2012, the IASB staff had more detailed discussions with the aforementioned groups, including undertaking discussions based on an initial draft of the proposed model:

(a) to receive feedback on whether the three-bucket model would be operational; and

(b) to receive feedback on whether the three-bucket model or a lifetime day one loss model provides more useful information.

12. A summary of feedback received was presented in the October 2012 IASB meeting. Overall, the majority of respondents, including users of financial statements, supported an impairment model that distinguishes assets that have deteriorated from those that have not. However, additional clarification was requested on determining when lifetime losses would be recognised. A few participants in the outreach questioned the conceptual merits of the model in the absence of convergence and noted they would prefer the IASB to reconsider the SD based only on the IASB objective or the expected cash flow model in the original IASB ED.

13. During the November 2012 IASB meeting the IASB agreed to clarify the lifetime loss criteria and its assessment in order to address issues raised during the recent outreach. In that meeting, the IASB also decided to proceed with the three bucket model instead of reconsidering the SD. The basis for this decision was primarily the information content and responsiveness to credit deterioration in the three bucket model.

Major technical proposals

14. The main technical issues and respective proposals for the re-exposure draft are as follows:

15. **Scope:** An entity would apply the proposals in the new exposure draft to:

(a) financial assets measured at amortised cost under IFRS 9 *Financial Instruments*;

(b) financial assets measured at [fair value through other comprehensive income] under [draft Amendments to IFRS 9 *Financial Instruments* (2010)];

(c) loan commitments, except for loan commitments that are accounted for at fair value through profit or loss under IFRS 9;

(d) financial guarantee contracts to which IFRS 9 is applied and that are not accounted for at fair value through profit or loss; and

(e) the measurement of the impairment allowance for lease receivables within the scope of IAS 17 Leases [or for the right to receive lease payments under [draft] IFRS X Leases].

16. **The expected loss model:** The current impairment model in IAS 39 is an incurred loss model. The incurred loss model has been criticised for many reasons, and these criticisms were brought to the forefront as a result of the global financial crisis. The IASB considered alternative approaches (i.e. modifying the incurred loss model)[1], but decided to propose an expected loss model in the original ED. The specific proposals in respect to the timing of recognition of expected credit losses have changed through the various redeliberations of the impairment project; however, all proposals have been fundamentally based on an expected loss model.

17. **The use of a dual measurement approach:** Many respondents raised concerns about the cost of implementing proposals in the original ED—specifically the requirement to determine and track the credit adjusted effective interest rate and changes in estimates of expected cash flows. To address this the IASB decided to separate (decouple) the measurement of the impairment allowance from the determination of the credit adjusted interest rate so that the asset and the allowance for expected credit losses would be measured separately using the contractual effective interest rate (ie not the credit adjusted rate). In addition, a distinction between initial loss expectations and changes in the estimates was no longer used. As a consequence of these simplifications, the IASB decided to split the recognition of the full expected credit losses into two measurement approaches which are the following in the three bucket model:

(a) 12 month expected losses; and

(b) lifetime expected losses.

18. **The criterion for recognition of lifetime expected losses:** The IASB has decided that an entity must measure lifetime expected loss if there has been significant

[1] Financial Crisis Advisory Group (which held meetings from January 2009 to July 2009), March 2008 discussion paper, and June 2009 Request for Information.

deterioration in credit quality since initial recognition (taking in consideration the term of the asset and the original credit quality).

19. In addition, the current proposals provide an exception to the assessment of lifetime expected losses for high quality assets by requiring the recognition of lifetime losses when assets deteriorate below “investment grade”.[2]

20. Advantages of this approach include that the deterioration in credit risk for both high quality and low quality assets will be relevant (thereby providing important information content for users of financial statement), and that tracking for changes in credit quality will not be required for assets above “investment grade”.

21. **Purchased credit impaired (PCI) assets:** The scope and the treatment of PCI assets remains unchanged from IAS 39. For these assets lifetime expected losses are included in the estimated cash flows when computing the effective interest rate on initial recognition, and subsequent changes in lifetime losses are recognised in profit and loss.

22. **The simplified approach for trade and lease receivables:** The IASB has decided to provide a simplified approach for measuring trade and lease receivables at lifetime expected losses. This provides operational relief by removing the requirements to track credit migration and the difficulty of calculating 12-month expected losses on assets with longer maturities.

23. **Disclosure requirements:** To aid understanding of application, and to assist in comparability, disclosures will accompany the model. Those disclosures will be less extensive for entities applying the simplified approach for trade and lease receivables.

Analysis of compliance with due process

24. The formal due process procedures for the IASB specify mandatory, non-mandatory and other optional steps in the standard-setting process. This section analyses how the IASB has complied with the due process requirements set out in these categories.

[2] Any references to rating grades in this paper are for the purpose of facilitating discussion. The proposals will not rely on this terminology in isolation.

Mandatory steps

IASB meetings held in public, with papers available for observers. All decisions are made in public sessions

25. Following the original Exposure Draft, the IASB has held public meetings on the impairment project from July 2010 to this meeting. Staff papers for these meetings have been posted on the website prior to meeting dates. All of the tentative decisions have been made in those public meetings, and summaries of the tentative decisions reached were posted on the website after each meeting.

Exposing for public comment a draft of any proposed new IFRS or proposed amendment to an IFRS – with minimum comment periods

26. The IASB published the Exposure Draft ED/2009/12 *Financial Instruments: Amortised Cost and Impairment* ('the ED') on 5 November 2009. The ED had a comment period ending on 30 June 2010. Due to the proposed changes to impairment accounting being quite substantial and having far reaching operational considerations, the comment period was extended to eight months in order to give respondents adequate time to understand the proposal and provide feedback. The ED included a Basis for Conclusions and was approved for publication by thirteen of the fifteen board members.

27. The IASB published a joint supplement to the ED on 31 January 2011, *Financial Instruments: Impairment* ('the SD'). The SD had a comment period ending on 1 April 2011. Because the scope of the SD was limited to open portfolios and built on the original ED, the boards believed 60 days to be a sufficient comment period. The SD included a Basis for Conclusions, but did not incorporate a page on formal IASB approval or dissenting opinions.

28. In Agenda Paper 5C from this meeting, the staff will ask the IASB for permission to publish a re-exposure draft for the impairment model for public comment with a 120 day comment period.

Considering in a timely manner those comment letters received on proposals

29. The IASB received a total of 193 comment letters on the original exposure draft. A comment letter summary was presented to the board in July 2010, covering the 149

letters received by the 30 June 2010 comment letter deadline. Any additional key points in comment letters received after that meeting were to be communicated to the board in a later meeting.

30. The boards received 214 comment letters on the supplementary document.[3] A comment letter summary was presented to the board in April 2011, covering the 180 comment letters received by the 1 April 2011 comment letter deadline. Any additional issues in comment letters received after that date were to be communicated in later board papers.

Reporting to the Advisory Council on major projects

31. The impairment project has been addressed in ongoing discussions with the Advisory Council as a regular part of the work plan update. In addition, it has been discussed specifically during the November 2010 and February 2012 meetings.[4] During discussions, the Advisory Council has had the opportunity to ask questions or provide commentary about the project.

Considering whether the proposals should be exposed again

32. The staff considered feedback and comment letters on the supplementary document to the original ED during the April 2011 and May 2011 board meetings. As a result of this analysis, and to enhance the possibility of achieving convergence, the boards decided to pursue an alternative impairment model. The IASB has decided to proceed with the current proposals, in absence of convergence, as a result of feedback received from constituents that showed favour for an impairment model that distinguishes assets that have deteriorated from those that have not. The staff analyse the re-exposure process and request permission to re-expose in Agenda Paper 5C.

Analysis of likely effects of the forthcoming IFRS

33. An effect analysis will be included in the Re-exposure Draft as part of the Basis for Conclusions. Appendix B of this paper discusses the due process requirements of an effect analysis and considerations for the impairment project.

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[3] The FASB website currently lists 216 total letters, however one letter from the American Bankers Association is for the three bucket model and two letters from BDO are effectively identical.

[4] The three bucket model was discussed in February 2012.

Drafting quality assurance steps are adequate

34. The Translations and XBRL teams will be included in the review process before the re-exposure draft is issued.

Non-mandatory steps

Publishing a discussion document (eg a discussion paper) before an exposure draft is developed

35. In March 2008 the IASB published for comment the discussion paper *Reducing Complexity in Reporting Financial Instruments*, which asked for responses on measuring financial instruments not measured at fair value and the accounting for impairment losses. A comment letter summary was presented to the board in October 2008, covering the 157 comment letters received by the 19 September 2008 comment letter deadline. In March 2009 the staff presented another analysis of the total 162 comment letters received.

36. The IASB published a *Request for Information* in June 2009 that solicited feedback on the feasibility of an expected cash flow (ECF) approach. A total of 89 comment letters were received, and an analysis of 79 of these received to date was presented to the board in September 2009.

Establishing consultative groups or other types of specialist advisory groups

37. A panel of credit risk experts, the Expert Advisory Panel (EAP), was established to advise the IASB on the operational implications of applying the proposals in the IASB's original Exposure Draft. The panel's summary findings and proposed solutions were presented in June 2010. As of this meeting, some of the members of the EAP haves continued to provide input on the operational implications of the current proposals.

38. The IASB created a Financial Instruments Working Group (FIWG) in 2004 to address issues related to financial instruments projects. The working group is composed of preparers, users and auditors who have contributed to the impairment project during its deliberations. The FIWG met to discuss the three bucket model in August 2011.

39. The IASB also, jointly with the US FASB, formed a Financial Crisis Advisory Group that met six times from January to July 2009 to deliberate on accounting issues recognised as a result of the global financial crisis. Among the major issues discussed were delayed recognition of impairment and the incurred loss model.

Holding public hearings

40. The impairment project has been discussed with the Capital Markets Advisory Committee (formerly Analyst Representative Group) during various meetings in London. It has also been considered in meetings with the Global Preparers Forum, an independent body of members with extensive experience in financial reporting. Meeting papers and audio webcasts are available for these meetings on the IASB's website.

Undertaking fieldwork

41. The IASB has not considered it necessary to undertake formal field tests before the publication of the current proposals. The IASB thinks that this is not necessary because sufficient input has been received through the following channels:

    (a) formal feedback through comment letters to the ED and SD; and

    (b) extensive outreach activities during the exposure and redeliberation periods (discussed further in the next section), including impact assessments by various organisations which indicated the impact the proposals would have.

42. However, the IASB intends to undertake some fieldwork in conjunction with the exposure process. We believe that this will be best achieved by working closely with a small number of institutions in different jurisdictions. The primary objective of the fieldwork would be to assess and illustrate the benefits of the dual measurement approach, i.e. how faithfully the three bucket model represents expected credit losses in different scenarios (e.g. under different economic circumstances and/or portfolio stages). In addition, the IASB will solicit views on the cost and operability of the proposals. While it will not be possible to understand fully the impact on allowance balances–nor should this be the primary role of an accounting standard setter–we will also seek to understand the directional impact on allowance balances compared with IAS 39 today.

Other optional steps

43. Throughout the impairment project, the IASB has performed a significant amount of outreach and consultation with constituents in order to understand concerns and inform constituents of the project's progression. IASB members and staff have:

    (a) held a large number of meetings with individuals and groups of auditors, industry representatives, preparers, regulators, standard-setters, and users of financial statements;

    (b) maintained lines of communication with industry groups, regulators, and national standard-setters;

    (c) appeared at public events to exchange views with constituents.

44. Other consultative steps, such as webcasts and podcasts, are documented in Appendix A.

Considerations for the redeliberation period of the re-exposure draft

45. The IASB has considered many views in the development and selection of the proposed three bucket impairment model for re-exposure. Constituents will have the opportunity during the comment period (discussed in AP 5C of this meeting) to respond to the proposed model. In addition to analysing received comments, the IASB will continue to perform further outreach and fieldwork to ensure that full and fair consultation is achieved. The IASB will consider if other consultative steps should be performed before finalising the impairment model.

Summary

46. In the staff's view the IASB has complied with the requirements of the *IFRS Foundation Due Process Handbook* in the development of the current impairment model, and the project is ready to start the balloting process. In Agenda Paper 5C the staff request permission to begin the balloting process for the Re-exposure Draft.

Questions for the IASB
Does the IASB agree with the staff's view that due process requirements have been met? Are there any further due process steps that the IASB thinks are necessary before beginning the balloting process?

Appendix A: Development and publication of an exposure draft for an IFRS, practice guidance or *Conceptual Framework* chapter

Step	**Required/ Optional**	**Metrics or evidence**	**Protocol for and evidence provided to DPOC**	**Action**
IASB meetings held in public, with papers available for observers. All decisions are made in public session	Required	Meetings held to discuss topic Project website contains a full description with up-to-date information on the project 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 DPOC reviews comments from interested parties on IASB due process as appropriate	**IASB meetings** Following the ED, the IASB has held public meetings on the impairment project from July 2010 to now. **Project website** A project page has been in place over the course of the project. The website is currently being updated as part of a comprehensive website reconstruction. It is on track to be up-to-date in due course. **Meeting papers** Staff papers for meetings have been posted on the website prior to meeting dates
Formal consultation with the Trustees and the Advisory Council	Required	Discussions with the Advisory Council on topic	DPOC meets with the Advisory Council to understand perspectives of stakeholders on due process of IASB Advisory Council chair invited to Trustees' meetings and meetings of DPOC	**Advisory council** The impairment project has been part of specific and ongoing discussions with the Advisory council on a regular basis. **Trustees** The impairment project has been addressed in meetings with, and reports to, the Trustees.
Analysis of likely effects of the forthcoming IFRS or major amendment, for example, costs or ongoing associated costs	Required	Publication of effect analysis	IASB reviews with DPOC results of effect analysis and how it has considered such findings in proposed IFRS IASB provides a copy of the effect analysis to the DPOC at the point of standard's publication	An effect analysis will be included in the re-exposure draft as part of the Basis for Conclusions. Appendix B of this paper discusses the requirements of an effect analysis and considerations for the impairment project.
Consultative groups utilised, if formed	Optional	Number of consultative group meetings, and evidence of substantive involvement in issues Consultative group review of draft exposure draft	DPOC receives report of consultative group activity from IASB	The Financial Instruments Working Group discussed impairment in August 2011. The IASB has formally consulted on the ECF model with the Expert Advisory Panel.

Step	Required/ Optional	Metrics or evidence	Protocol for and evidence provided to DPOC	Action
Fieldwork undertaken in analysing proposals	Optional	IASB describes approach taken on fieldwork IASB explains why it does not believe fieldwork is warranted, if that is the preferred path Number of field tests	If fieldwork is deemed by the IASB as not required, DPOC to review and discuss the explanation with IASB DPOC receives a report on fieldwork activities and how findings have been taken into consideration by IASB	The IASB has not considered it necessary to undertake formal field tests to this point.
Outreach meetings with a broad range of stakeholders, with special effort for investors	Optional	Number of meetings held and venues documented Evidence of specific targeted efforts for investors	DPOC receives a report on outreach activities and reviews, with the IASB, the outreach plan for the ED and its approach to the optional steps to ensure extensive outreach and public consultation	Throughout the impairment project, the IASB has performed a significant amount of outreach and consultation with constituents in order to understand concerns and inform constituents of the project's progression. IASB members and staff have: (a) held a large number of meetings with individuals and groups of auditors, industry representatives, preparers, regulators, standard-setters, and users; (b) maintained lines of communication with industry groups, regulators, and national standard-setters; (c) appeared at public events to exchange views with constituents.
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	The IASB has had eight webcasts and one podcast on the various stages of the impairment project.
Public discussions with representative groups	Optional	Number of discussions held	DPOC receives a report on outreach activities	The impairment project has been discussed with the Capital Markets Advisory Committee and Global Preparers Forum during various meetings in London.
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	The staff did not consider it necessary to undertake online surveys.

Step	Required/ Optional	Metrics or evidence	Protocol for and evidence provided to DPOC	Action
IASB hosts regional discussion forums, where possible, with national standard-setters	Optional	Schedule of meetings held in these forums	DPOC receives a report on outreach activities	The IASB has not considered it necessary to hold regional discussion forums during the development of the three bucket model.
Round-table meetings between external participants and members of the IASB	Optional	Number of meetings held	DPOC receives a report on outreach activities	The IASB has not considered it necessary to hold round-table meetings during the development of the three bucket model.
Drafting quality assurance steps are adequate	Required	Translations team included in review process	DPOC receives summary report on due process steps followed before an exposure draft is issued	To be completed in due course.
Drafting quality assurance steps are adequate	Required	XBRL team included in review process	DPOC receives summary report on due process steps followed before an exposure draft is issued	To be completed in due course.
Drafting quality assurance steps are adequate	Optional	External reviewers used to review drafts and comments collected and considered by the IASB	DPOC receives summary report on due process steps followed before an exposure draft is issued, including the extent to which external reviewers have been used in the drafting process	To be completed in due course.
Drafting quality assurance steps are adequate	Optional	Review draft made available to members of IFASS and comments collected and considered by the IASB	DPOC receives summary report on due process steps followed before an exposure draft is issued	The staff do not consider this step necessary.
Drafting quality assurance steps are adequate	Optional	Review draft posted on project website	DPOC receives summary report on due process steps followed before an exposure draft is issued	To be completed in due course.
Due process steps reviewed by IASB	Required	Summary of all due process steps discussed by the IASB before an IFRS is issued	DPOC receives summary report on due process steps followed before an exposure draft is issued	This paper provides a summary for IASB discussion on the due process steps taken in this project.
Exposure draft has appropriate comment period	Required	IASB sets comment period for response 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	In Agenda Paper 5C from this meeting, the staff recommend a comment period of 120 days.
Press release to announce publication of exposure draft	Optional	Press release published Media coverage	DPOC informed of the release of the exposure draft	To be completed in due course.
Snapshot document to explain the rationale and basic concepts included in the exposure draft	Optional	Snapshot posted on IFRS Foundation website	DPOC receives a report on outreach activities Snapshot sent to DPOC members	To be completed in due course.

Step	Required/ Optional	Metrics or evidence	Protocol for and evidence provided to DPOC	Action
Exposure draft published	Required	Exposure draft posted on IFRS Foundation website	DPOC informed of the release of the exposure draft	To be completed in due course.

Appendix B: Analysis of the effects of this Re-exposure Draft

47. The IASB is committed to assessing and sharing knowledge about the likely costs of implementing proposed new requirements and the likely ongoing associated costs and benefits of each new IFRS—the costs and benefits are collectively referred to as 'effects'. The IASB gains insight on the likely effects of the proposals for new or revised IFRSs through its formal exposure of proposals and through its fieldwork, analysis and consultations with relevant parties through outreach activities.

48. The IASB has considered the costs and benefits of the proposals comprehensively in reaching its conclusions. However, because the impairment project is still at the stage where the staff are seeking permission to re-expose proposals and begin the balloting process, the effect analysis contained in this document is a summary and is less comprehensive than what will be published as part of the IASB's Basis for Conclusions on the Exposure Draft.

49. In evaluating the likely effects of the proposed impairment approach, the IASB should consider the following factors:

    (a) how the proposed impairment approach is likely to affect how activities are reported in the financial statements of those applying IFRSs;

    (b) how the proposals improve the comparability of financial information between different reporting periods for an individual entity and between different entities in a particular reporting period;

    (c) how the proposals will improve the quality of the financial information and its usefulness in assessing the future cash flows of an entity;

    (d) the benefit of better economic decision-making as a result of improved financial reporting;

    (e) the likely effect on compliance costs for preparers, both on initial application and on an ongoing basis; and

    (f) how the likely costs of analysis for users (including the costs of extracting data, identifying how the data has been measured and adjusting data for the purposes of including them in, for example, a valuation model) are affected.

50. An analysis of the likely effects for each of the aforementioned factors will be included in the Re-exposure Draft as a part of the Basis for Conclusions. The analysis will consider:

    (a) timing of recognising credit losses;

    (b) the operational impacts of the proposed approach (including the impact on systems, processes and internal controls); and

    (c) usefulness and relevance of information to be provided through the proposed disclosure requirements.

51. The staff note that although the effect analysis may consider the directional impact of the proposed approach on the net carrying amount of financial assets at amortised cost, it is not intended to provide an indication of the magnitude of the impact. This is because the calculation of overall magnitude will require entities to implement necessary system changes that will require a significant amount of time and effort.

Benefits of the three bucket model

52. In the staff's view, the IASB's original ED *Amortised Cost and Impairment* published in November 2009 best reflected the economic phenomenon of expected credit losses. The benefits of the three bucket model can therefore be expressed in terms of how closely it faithfully represents the economic phenomenon of expected credit losses consistent with the original ED.

53. As mentioned in the major technical proposals, the three bucket model is based on a dual measurement approach. This in effect converts the original ED to a tiered approach in which an entity recognises lifetime expected credit losses if they meet credit quality and deterioration criteria, and 12-month expected losses otherwise. The initial recognition of the 12 months expected losses and the timely recognition of lifetime expected losses will better reflect expected credit losses by minimising the overstatements and understatements of expected losses compared to the original ED.

54. The advantage of this approach is that the timing of recognition of expected losses is more responsive to deterioration in credit quality. Thus the three bucket model results in a more timely recognition of lifetime expected losses than the current requirements of IAS 39.

Costs of a dual measurement approach as applied in the three bucket model

55. It is complex and costly to calculate lifetime expected losses. In addition, the costs resulting from the three bucket model are caused by the complexities involved with:

(a) tracking assets for assessing the deterioration criterion and the difficulty of making that assessment; and

(b) calculating 12-month expected losses.

56. The IASB addressed interested parties' concerns regarding the clarity of the lifetime loss criterion in the November 2012 meeting. Notwithstanding those clarifications, the three bucket model will require an assessment to be made of when lifetime losses are required to be recognised. That assessment will increase the complexity and cost of implementing the proposals.

57. Participants in recent outreach have noted that the costs of applying the deterioration criterion vary depending on how entities segment their portfolios. An entity may, for example, segment its portfolios based on credit quality at origination and assess deterioration by means of comparing subsequent changes back to original credit quality. Costs would therefore fluctuate depending on the diversity of initial credit quality and the sophistication of risk management systems.

58. In addition, the IASB has sought to address some concerns about the difficulties of applying the model by acknowledging the role of delinquency information in applying the model and in proposing that lifetime losses need not be recognised on investment grade assets.

59. The IASB has addressed the above difficulties for non-financial institutions and other entities through the proposed simplified approach for trade and trade receivables. This approach reduces cost and complexity by removing the need to:

(a) calculate 12-month expected losses for assets with a longer maturity; and

(b) track credit migration on these instruments.

60. The assessment of credit risk inherently involves a significant amount of subjectivity, and therefore reduces the verifiability and comparability of reported amounts. This inevitably passes on costs of analysis to users. This has been mitigated to some extent by expanding disclosure requirements to provide users with information regarding the

inputs, assumptions and techniques used to assess the criterion for recognition of lifetime expected losses and the measurement of 12-months and lifetime expected losses.

STAFF PAPER

November 2012

IASB Meeting

Project	**Accounting for the sale or contribution of assets between an investor and its associate or joint venture (Proposed amendments to IFRS 10 and IAS 28)**
Paper topic	Summary of due process followed

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Introduction and purpose

1. In September 2012 the IASB tentatively decided to publish an exposure draft proposing amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*. These amendments are intended to clarify the accounting for the sale or contribution of assets between an investor and its associate or joint venture. The balloting process of Exposure Draft *Accounting for the sale or contribution of assets between an investor and its associate or joint venture* (Proposed amendments to IFRS 10 and IAS 28) (the Exposure Draft) is underway and publication scheduled for December 2012.

2. The purpose of this paper is to:

   (a) provide the IASB with a brief summary of the proposed amendments ; and

   (b) explain the steps in the due process the IASB has taken before the publication of the Exposure Draft (see Appendix A) and ask the IASB to confirm that it is satisfied that it has complied with the due process requirements to date.

Summary of the proposals

3. The objective of the proposed amendments is to address issues related to the changes made in IAS 27 (2008) *Consolidated and Separate Financial Statements* as part of the Business combinations project. According to IAS 27, if a parent loses control of a subsidiary, it derecognises the assets and liabilities of that subsidiary, recognises any investment retained in the former subsidiary at fair value and recognises a gain or loss in profit or loss. As a result, the gain or loss includes any gain or loss corresponding to the difference between the fair value of the retained investment in the former subsidiary and its carrying amount at the date when control is lost.

4. While IAS 27 provides general guidance on the loss of control of a subsidiary (including cases in which the investor retains joint control of, or significant influence over the investee), some constituents noted that this guidance appears to conflict with the gain or loss guidance in SIC-13 *Jointly Controlled Entities—Non-Monetary Contributions by Venturers*. SIC-13 restricts the gain or loss resulting from the contribution of a non-monetary asset to a jointly controlled entity in exchange for an equity interest in the jointly controlled entity to the extent of the interests attributable to the unrelated equity holders in the jointly controlled entity. The conflict identified is that IAS 27 requires a full gain or loss recognition on the loss of control of a subsidiary, whereas SIC-13 requires a partial gain or loss recognition in transactions between an investor and its associate or joint venture.

5. When discussing this issue, the IASB observed that:

   (a) IFRS 10 supersedes IAS 27 and is effective for annual periods beginning on or after 1 January 2013;

   (b) IAS 28 (2011) supersedes both IAS 28 (2003) and SIC-13 and is also effective for annual periods beginning on or after 1 January 2013;

   (c) The conflict between the requirements in IAS 27 and SIC-13 will remain when IFRS 10 replaces IAS 27 and when SIC-13 will be withdrawn. In fact, the requirements in IFRS 10 on the accounting for the loss of control of a subsidiary are similar to the requirements in IAS

27. The requirements in SIC-13 are incorporated in IAS 28 (2011) and apply to the sale or contribution of assets to an associate or a joint venture in exchange for an equity interest in the associate or joint venture.

6. As a result, the IASB proposes to amend IAS 28 (2011) so that:

   (a) the current requirements regarding the partial gain or loss recognition for transactions between an investor and its associate or joint venture only apply to the gain or loss resulting from the sale or contribution of assets that do not constitute a business as defined in IFRS 3; and

   (b) the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognised in full.

7. The IASB also proposes to amend IFRS 10 so that the gain or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognised only to the extent of the unrelated investors' interests in the associate or joint venture. The consequence is that a full gain or loss would be recognised on the loss of control of a subsidiary that constitutes a business as defined in IFRS 3, including cases in which the investor retains joint control of, or significant influence over, the investee.

Confirmation of due process steps

8. In Appendix A we have summarised the due process steps we have taken in developing the Exposure Draft. For summarising these steps and thereby demonstrating that the IASB has met all the due process requirements to date, we used the reporting template 'Development and publication of an **exposure draft** for an IFRS, practice guidance or Conceptual Framework chapter' in 'Appendix 4—Due Process Protocol' of the draft of the revised Due Process Handbook .

Compliance with Due Process to date

9. We note that the required due process steps applicable so far at this stage in the due process have been completed, as documented in Appendix A.

Question for the IASB on compliance with Due Process
1. Is the IASB satisfied that all required Due Process steps applicable so far have been complied with?

Appendix A

Confirmation of Due Process Steps followed in the development of the Exposure Draft *Accounting for the sale or contribution of assets between an investor and its associate or joint venture* (Proposed amendments to IFRS 10 and IAS 28).

The following table sets out the due process steps followed by the IASB in the development of the Exposure Draft (prepared as at 7 November 2012):

Step	***Required/ Optional***	***Metrics or evidence***	***Protocol for and evidence provided to DPOC***	***Actions***
Board meetings held in public, with papers available for observers. All decisions are made in public session.	Required	Meetings held to discuss topic. Project Website contains a full description with up-to-date information on the project. 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. DPOC reviews comments from interested parties on IASB due process as appropriate.	This issue was discussed several times by both the IASB and the Interpretations Committee. The IASB tentatively decided at its September 2012 meeting to propose the amendments to IFRS 10 and IAS 28 as set out in the Exposure Draft. IASB Updates and IFRIC Updates were published after every IASB or Interpretations Committee meeting in which this issue was discussed. A Project Webpage was created after the September 2012 Interpretations Committee meeting.
Formal consultation with the Trustees and the IFRS Advisory Council	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. IFRS Advisory Council chair invited to Trustees' meetings and meetings of DPOC	This proposed amendment is part of the IASB's and the Interpretations Committee's work on maintenance of IFRSs. The issue relates to an inconsistency in IFRSs that is leading to diversity in practice. The proposed amendment is narrow in scope and occupies little of the IASB's time. Given the limited nature of the project and the narrow scope of the proposed amendments, the IASB does not undertake a separate consultation with the Advisory Council.
Analysis of likely effects of the forthcoming IFRS or major amendment, for example, costs or on-going associated costs.	Required	Publication of effect analysis	IASB reviews with DPOC results of effect analysis and how it has considered such findings in proposed IFRS. IASB provides a copy of the effect analysis to the DPOC at the point of standard's publication.	Given the narrow scope and the expected limited consequences of the proposed amendments, an effects analysis is not prepared.
Consultative groups	Optional	Number of consultative	DPOC receives report	N/A

Step	*Required/ Optional*	*Metrics or evidence*	*Protocol for and evidence provided to DPOC*	*Actions*
utilised, if formed		group meetings, and evidence of substantive involvement in issues Consultative group review of draft exposure draft	of consultative group activity from IASB.	
Fieldwork undertaken in analysing proposals	Optional	IASB describes approach taken on fieldwork IASB explains why it does not believe fieldwork is warranted, if that is the preferred path Number of field tests	DPOC to review the IASB's explanation if fieldwork is deemed by IASB as not required and have the opportunity to discuss the explanation with IASB DPOC receives a report on fieldwork activities and how findings have been taken into consideration by IASB	N/A
Outreach meetings with a broad range of stakeholders, with special effort for investors	Optional	Number of meetings held and location 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	N/A
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	N/A
Public discussions with representative groups.	Optional	Number of discussions held	DPOC receives a report on outreach activities	N/A
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	N/A
Regional discussion forums, where possible, with national standard-setters 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	N/A
Round-tables between external participants and members of the IASB.	Optional	Number of meetings held	DPOC receives a report on outreach activities	N/A
Drafting quality assurance steps are adequate	Required	Translations team included in review process.	DPOC receives summary report on due process steps before an exposure	Translations team has reviewed pre-ballot draft, and formatting changes will be made as a result of their review.

Step	*Required/ Optional*	*Metrics or evidence*	*Protocol for and evidence provided to DPOC*	*Actions*
			draft is issued.	
Drafting quality assurance steps are adequate	Required	XBRL team included in review process.	DPOC receives summary report on due process steps before an exposure draft is issued.	XBRL team has reviewed pre-ballot draft, and will also review ballot draft.
Drafting quality assurance steps are adequate	Optional	External reviewers used to review drafts and comments collected and considered by the IASB	DPOC receives summary report on due process steps before an exposure draft is issued, including the extent to which external reviewers have been used in the drafting process.	N/A
Drafting quality assurance steps are adequate	Optional	Review draft made available to members of IFASS and comments collected and considered by the IASB	DPOC receives summary report on due process steps before an exposure draft is issued.	N/A
Drafting quality assurance steps are adequate	Optional	Review draft posted on project website.	DPOC receives summary report on due process steps before an exposure draft is issued.	N/A
Due process steps reviewed by IASB	Required	Summary of all due process steps discussed by the Board before an IFRS is issued	DPOC receives summary report on due process steps before an exposure draft is issued.	This step will be met by this Staff Paper.
Exposure draft has appropriate comment period.	Required	IASB sets comment period for response. 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 IASB agreed at the September 2012 meeting that the standard comment period of 120 days will be used for this exposure draft.
Press release to announce publication of exposure draft.	Optional	Press release published Media coverage	DPOC informed of the release of the exposure draft.	Press release will be prepared and ready to be published with exposure draft.
Snapshot document to explain the rationale and basic concepts included in the exposure draft.	Optional	Snapshot posted on IASB Website	DPOC receives a report on outreach activities. Snapshot sent to DPOC members.	N/A
Exposure draft published	Required	Exposure draft posted on IASB website	DPOC informed of the release of the exposure draft.	Exposure draft will be made available on the public website on publication date.

STAFF PAPER

19–23 November 2012

IASB Meeting

IFRS IC meetings: July, Sep, Nov 2011 and Jan, Mar 2012

IASB: Sep 2012

Project	**Acquisition of an Interest in a Joint Operation (Proposed amendment to IFRS 11 *Joint Arrangements*)**
Paper topic	Summary of due process followed

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Introduction and purpose

1. In September 2012 the IASB tentatively decided to publish an Exposure Draft proposing an amendment to IFRS 11 *Joint Arrangements* and a consequential amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The proposed amendment is intended to add new guidance on the accounting for acquisitions of interests in joint operations as defined in IFRS 11 *Joint Arrangements* in circumstances in which the activity of the joint operation constitutes a business as defined in IFRS 3 *Business Combinations* (joint operations that are businesses).

2. The balloting process of the Exposure Draft *Acquisition of an Interest in a Joint Operation* (Proposed amendment to IFRS 11 *Joint Arrangements*) (the Exposure Draft), is under way and publication scheduled for December 2012.

3. The purpose of this paper is to:

   (a) provide the IASB with a brief summary of the proposed amendment; and

   (b) explain the steps in the due process that the IASB has taken before the publication of the Exposure Draft (see Appendix A) and ask the IASB to confirm that it is satisfied that it has complied with the due process requirements to date.

Summary of the proposals

4. IAS 31 *Interests in Joint Ventures* does not explicitly address the acquisition of interests in jointly controlled operations or assets in circumstances in which the activity of the jointly controlled operations or assets constitutes a business as defined in IFRS 3 (jointly controlled operations or assets that are businesses).

5. The same applies to joint operations that are businesses; IFRS 11 does not address the acquisition of interests in them either.

6. This lack of explicit guidance in IAS 31 has resulted in significant diversity in practice on the following issues:

   (a) the accounting for a **premium paid** in addition to the amount paid for identifiable net assets, eg a premium paid for synergies. Such a premium is either recognised as a separate asset, ie goodwill, or is allocated to the identifiable assets on the basis of their relative fair values;

   (b) the accounting for **deferred taxes**. Deferred tax assets and deferred tax liabilities arising from the initial recognition of assets and liabilities, except for deferred tax liabilities arising from the initial recognition of goodwill, are either recognised on the acquisition of the interests in the jointly controlled operations or assets that are a business, or not recognised because of the initial recognition exceptions in paragraphs 15 and 24 of IAS 12; and

   (c) the accounting for **acquisition-related costs**. They are either capitalised or recognised as an expense.

7. This issue was brought to the attention of the IFRS Interpretations Committee (the Interpretations Committee) in May 2011 and first discussed at its July 2011 meeting. The issue and possible solutions were discussed by the Interpretations Committee and the IASB at several meetings from July 2011 to September 2012. As a result of these discussions, the IASB tentatively decided to propose the amendment to IFRS 11 and the consequential amendment to IFRS 1 as set out in the Exposure Draft subject to ballot in order to prevent the significant diversity in practice from continuing after the adoption of IFRS 11.

8. The IASB proposes to amend IFRS 11 and IFRS 1 to require a joint operator that acquires an interest in a joint operation that is a business to apply the relevant principles of business combination accounting and related disclosure requirements in IFRS 3 and other Standards in accounting for the acquisition.

Confirmation of due process steps

9. In Appendix A we have summarised the due process steps that we have taken in developing the Exposure Draft. For summarising these steps and thereby demonstrating that the IASB has met all the due process requirements to date, we used the reporting template 'Development and publication of an **exposure draft** for an IFRS, practice guidance or Conceptual Framework chapter' in 'Appendix 4—Due Process Protocol' of the draft of the revised *Due Process Handbook*.

Compliance with due process to date

10. We note that the required due process steps applicable so far at this stage in the due process have been completed, as documented in Appendix A.

Question for the IASB on compliance with Due Process
Is the IASB satisfied that all required Due Process steps applicable so far have been complied with?

Appendix A

Confirmation of due process steps followed in the development of the Exposure Draft *Acquisition of an Interested in a Joint Operation* (Proposed amendment to IFRS 11 *Joint Arrangements*)

A1. The following table sets out the due process steps followed by the IASB in the development of the Exposure Draft (prepared as at 7 November 2012):

Step	*Required/ Optional*	*Metrics or evidence*	*Protocol for and evidence provided to DPOC*	*Actions*
Board meetings held in public, with papers available for observers. All decisions are made in public session.	Required	Meetings held to discuss topic. Project website contains a full description with up-to-date information on the project. 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. DPOC reviews comments from interested parties on IASB due process as appropriate.	This issue was discussed on the basis of publicly available agenda papers at the Interpretations Committee meetings in: • July 2011; • September 2011; • November 2011; • January 2011; and • March 2011. The Interpretations Committee webpages were updated by the staff after every meeting in which this issue was discussed. A project webpage was created after the September 2012 IASB meeting. The results of the discussions of the Interpretations Committee were also summarised in the *IFRIC Update* for each meeting. Afterwards, the IASB discussed the issue at its September 2012 meeting and decided to add this issue to its agenda and to propose the amendment to IFRS 11 and IFRS 1 as set out in the Exposure Draft.
Formal consultation with the Trustees and the IFRS Advisory Council	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. IFRS Advisory Council Chair invited to Trustees' meetings and meetings of DPOC	This proposed amendment is part of the IASB's and the Interpretations Committee's work on maintenance of IFRSs. The issue relates to a lack of guidance in IFRSs that is leading to significant diversity in practice. The proposed amendment is narrow in scope and occupies little of the IASB's time. Given the limited nature of the project and the narrow scope of the proposed amendment, the IASB does not undertake a separate consultation with the Advisory Council.

Step	*Required/ Optional*	*Metrics or evidence*	*Protocol for and evidence provided to DPOC*	*Actions*
Analysis of likely effects of the forthcoming IFRS or major amendment, for example, costs or on-going associated costs.	Required	Publication of effect analysis	IASB reviews with DPOC results of effect analysis and how it has considered such findings in proposed IFRS. IASB provides a copy of the effect analysis to the DPOC at the point of standard's publication.	Given the narrow scope and the expected limited consequences of the proposed amendment, an effects analysis is not prepared.
Consultative groups utilised, if formed	Optional	Number of consultative group meetings, and evidence of substantive involvement in issues Consultative group review of draft Exposure Draft	DPOC receives report of consultative group activity from IASB.	N/A
Fieldwork undertaken in analysing proposals	Optional	IASB describes approach taken on fieldwork IASB explains why it does not believe fieldwork is warranted, if that is the preferred path Number of field tests	DPOC to review the IASB's explanation if fieldwork is deemed by IASB as not required and have the opportunity to discuss the explanation with IASB DPOC receives a report on fieldwork activities and how findings have been taken into consideration by IASB	N/A
Outreach meetings with a broad range of stakeholders, with special effort for investors	Optional	Number of meetings held and location 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	The staff did conduct outreach with the IFASS group and interested parties, in particular preparers from extractive industries and large firms. The results from the outreach were discussed by the Interpretations Committee at its meeting in November 2011.
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	N/A
Public discussions with representative groups.	Optional	Number of discussions held	DPOC receives a report on outreach activities	N/A
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	N/A

Step	*Required/ Optional*	*Metrics or evidence*	*Protocol for and evidence provided to DPOC*	*Actions*
Regional discussion forums, where possible, with national standard-setters 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	N/A
Round tables between external participants and members of the IASB.	Optional	Number of meetings held	DPOC receives a report on outreach activities	N/A
Drafting quality assurance steps are adequate	Required	Translations team included in review process.	DPOC receives summary report on due process steps before an exposure draft is issued.	Translations team has reviewed and formatting changes will be made as a result of their review.
Drafting quality assurance steps are adequate	Required	XBRL team included in review process.	DPOC receives summary report on due process steps before an exposure draft is issued.	XBRL team reviewed pre-ballot draft, and will also review ballot draft
Drafting quality assurance steps are adequate	Optional	External reviewers used to review drafts and comments collected and considered by the IASB	DPOC receives summary report on due process steps before an Exposure Draft is issued, including the extent to which external reviewers have been used in the drafting process.	No fatal flaw review is done because: • it is an Exposure Draft; and • the drafting was already discussed with Interpreta-tions Committee members and IASB members in the course of the meetings when the issue was discussed.
Drafting quality assurance steps are adequate	Optional	Review draft made available to members of IFASS and comments collected and considered by the IASB	DPOC receives summary report on due process steps before an exposure draft is issued.	N/A
Drafting quality assurance steps are adequate	Optional	Review draft posted on project website.	DPOC receives summary report on due process steps before an exposure draft is issued.	N/A
Due process steps reviewed by IASB	Required	Summary of all due process steps discussed by the IASB before an IFRS is issued	DPOC receives summary report on due process steps before an exposure draft is issued.	This step will be met by this Staff Paper.
Exposure draft has appropriate comment period.	Required	IASB sets comment period for response. 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 IASB agreed at the September 2012 meeting that a comment period of not less than the standard comment period of 120 days will be used for this exposure draft.

Step	*Required/ Optional*	*Metrics or evidence*	*Protocol for and evidence provided to DPOC*	*Actions*
Press release to announce publication of exposure draft.	Optional	Press release published Media coverage	DPOC informed of the release of the exposure draft.	Press release will be prepared and will be ready to be published with Exposure Draft.
Snapshot document to explain the rationale and basic concepts included in the exposure draft.	Optional	Snapshot posted on IASB website	DPOC receives a report on outreach activities. Snapshot sent to DPOC members.	N/A
Exposure Draft published	Required	Exposure draft posted on IASB website	DPOC informed of the release of the exposure draft.	Exposure Draft will be made available on the public website on publication date.