

STAFF PAPER

22 April – 25 April 2014

IASB Meeting

Project	Administrative session		
Paper topic	Review of the IFRS Interpretations Committee's activity		
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This paper has been prepared by the staff of the IFRS Foundation for discussion at a public meeting of the IASB and does not represent the views of the IASB or any individual member of the IASB. Comments on the application of IFRSs do not purport to set out acceptable or unacceptable application of IFRSs. Technical decisions are made in public and reported in IASB *Update*.

Objective of this paper

1. This paper gives an overview of the IFRS Interpretations Committee's (the 'Interpretations Committee') activities over recent years. It highlights the numbers and types of activities undertaken and shows how those activities have been evolving. This paper was presented to the Interpretations Committee at its March 2014 meeting.

Introduction

2. The IASB and the Interpretations Committee are responsible for the maintenance of IFRS. Issues could include the identification of divergent practices that have emerged for accounting for particular transactions, cases of doubt about the appropriate accounting treatment for a particular circumstance or concerns expressed by investors about poorly specified disclosure requirements.
3. The objectives of the Interpretations Committee are to:
 - (a) interpret the application of IFRS;
 - (b) provide timely guidance on financial reporting issues that are not specifically addressed in IFRS; and

- (c) undertake other tasks at the request of the IASB.
4. The IASB and the Interpretations Committee share a common view on the role that the Interpretations Committee should play: both bodies see the Interpretations Committee as working in partnership with the IASB to give guidance that responds to the implementation needs of those applying IFRS.

Summary of the Interpretations Committee’s activities in 2013

5. The following table shows the number of issues considered in connection with the main areas in which the Interpretations Committee has been involved since 2009.

Table 1: Key figures summary (number of issues)

	2013	2012	2011	2010	2009
Interpretations issued (including draft Interpretations)	1	2	1	1	2
Agenda decisions published in the <i>IFRIC Update</i>	16	9	10	20	28
subtotal	17	11	11	20	30
Issues recommended for inclusion in annual improvements	12	12	8	22	2
Issues with recommendations not to be added to annual improvements	6	4	8	15	-
subtotal	18	16	16	37⁽¹⁾	2⁽²⁾
Issues recommended for narrow-scope amendments—new issues	7	4	1	3	1
Issues recommended for narrow-scope amendments—redeliberations	5	-	-	-	-
Total	47	31	28	60	33
<i>Of which are new issues (rather than redeliberations of previously discussed and exposed issues)</i>	32	21	27		
Work in progress	18	17			

- (1) During 2010, the Interpretations Committee deliberated issues corresponding to three different cycles: finalisation of 2008–2010 cycle (12 confirmed and four rejected), proposal of 2009–2011 cycle (six confirmed and five rejected) and proposal of 2010–2012 cycle (four confirmed and six rejected). This explains the high number of issues discussed during 2010. The 2008–2010 cycle was concluded in May 2010 with the publication of amendments to seven Standards.
- (2) In January 2010 the Interpretations Committee took on the additional role of reviewing proposed amendments for annual improvements. This explains why very few issues were recommended for inclusion in Annual Improvements in 2009.

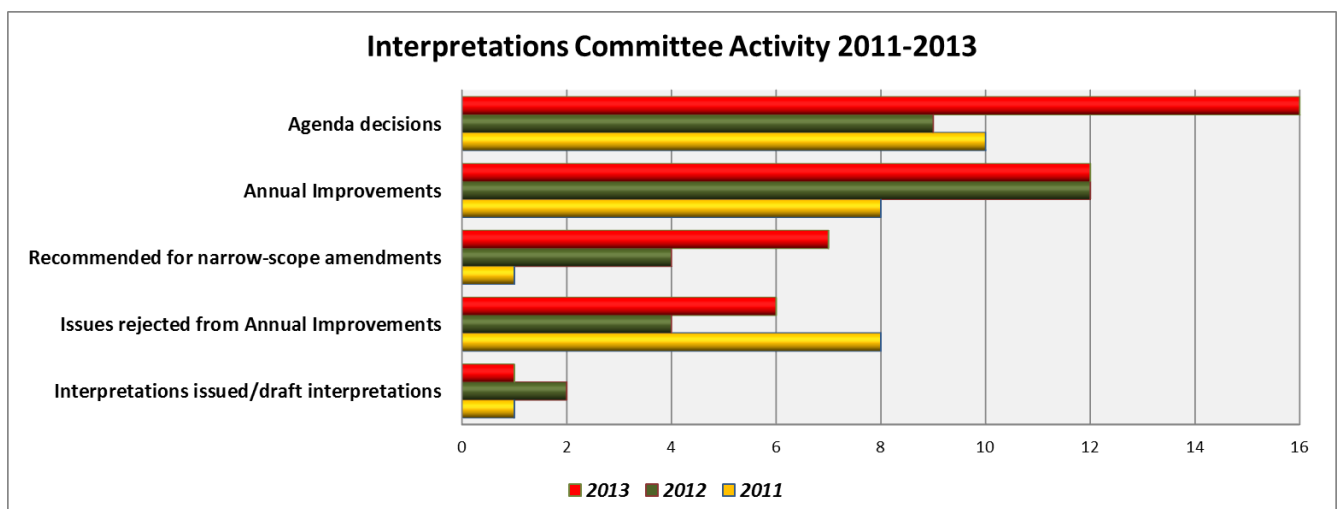
6. A total of 47 issues have been considered by the Interpretations Committee during 2013. Of these, 32 are new issues, 15 are re-deliberations of issues previously discussed and exposed, including one that is an issue that was published as an Interpretation. In 2013 the Interpretations Committee discussed 52 per cent more issues (11 more) than in 2012.
7. The Interpretations Committee deals with issues predominantly through annual improvements and agenda decisions, with 78 per cent of the new issues being dealt with in this way.
8. The number of agenda decisions issued is at a comparable level in 2013 to that seen in 2012, with half (50 per cent) of new issues considered being rejected (2012: 43 per cent). However, of the 16 agenda decisions published in 2013, the Interpretations Committee was able to give its technical conclusions on 12 of those issues (2012: eight), thus providing assistance to those affected. This is consistent with the conclusions of the Trustees' review of the Interpretations Committee in which it was identified that the Interpretations Committee should describe its view in an agenda decision when it is able to do so.
9. The Interpretations Committee has recommended that four of the new issues considered in 2013 be addressed in annual improvements¹. This number of new issues (considered and accepted) is comparable to 2012 (three issues in 2012) but is a reduction in the number of new issues considered and accepted compared with 2011 (eight issues).
10. There has been an increase in the use of narrow scope amendments in 2012 and 2013 compared with earlier years but this use remains at a low level. The increase in 2012 and 2013 compared with earlier years has occurred since the completion of the Trustee's review of the Interpretations Committee's activities, which recommended that the Interpretations Committee should include narrow scope amendments as part of its main activities. The number of new issues recommended for narrow-scope amendments this year (7) has increased from last

¹ The Interpretations Committee also considered five other new issues for annual improvements but these issues were rejected.

year (4), however, four of the issues recommended this year relate to the same standard. Consequently these four proposed amendments are being presented to the IASB as a single package; this is intended to assist stakeholders in responding as well as demonstrating that we have considered the potential interaction of the amendments as well as the consistency of the decisions underpinning each proposed amendment. The Interpretations Committee has also taken on a role of reviewing comments received on the narrow scope amendments Exposure Drafts.

11. The use of Interpretations to address issues remains low.
12. Approximately a third of the Interpretations Committee’s total activities in 2013 have related to the redeliberations of comments received on annual improvements and narrow scope amendments Exposure Drafts. This level of activity is dependent on the timing of the publication of different the Exposure Drafts for the different cycles of annual improvements, which has varied over recent years.
13. Half of the issues included within the Interpretations Committee’s work in progress represent tentative agenda decisions awaiting redeliberation.
14. The following chart illustrates the work of the Interpretations Committee over the past three years:

Table 2: Summary of the Interpretations Committee’s activities



Interpretations issued

15. In 2013 the Interpretations Committee issued IFRIC 21 *Levies*.

Agenda decisions

16. During 2013, **sixteen** agenda decisions (ie final decisions) have been published in the *IFRIC Update*.
17. The following table shows the reasons given in the agenda decisions for not taking the issues onto the agenda.

Table 3: Reasons for not taking issues to the Interpretations Committee's agenda

	2013	2012	2011	2010	2009
Not widespread or not diversity in practice	1	0	2	1	6
Financial reporting will not be improved	-	-	-	-	-
Can be resolved within the confines of existing IFRSs	9	7	4	6	6
The scope of the issue is not narrow and consensus will not be reached on a timely basis	4	1	-	2	0
Part of an IASB project and/or will be addressed in a forthcoming Standard	2	1	4	6	8
Post-implementation Review - criterion	-	-	-	1	1
Application guidance, not in the scope of the Interpretations Committee's activities ⁽¹⁾	-	-	-	4	7
Total agenda decisions (final)	16	9	10	20	28

⁽¹⁾ This reason is no longer part of the Interpretations Committee's agenda criteria.

18. In cases in which the Interpretations Committee has concluded that current guidance is sufficient, it has also given its views on the application of the Standards.
19. A list of agenda decisions published in the IFRIC Update in 2013 is presented in **Appendix A** of this paper.

Annual improvements

20. The following table provides an analysis of issues considered for annual improvements:

Table 4: Summary of issues proposed and rejected for annual improvements

	2013	2012	2011
Issues considered and accepted for annual improvements	4	3	8
Redeliberations - issues confirmed for annual improvements	8	9	-
<i>Total issues discussed and included/confirmed for annual improvements</i>	12	12	8
Issues considered and rejected for annual improvements	5	3	8
Redeliberations - issues rejected for annual improvements	1	1	-
<i>Total issues discussed and rejected from annual improvements</i>	6	4	8
TOTAL	18	16	16

21. During 2013:

- (a) **eight** proposed annual improvements previously published in an Exposure Draft (**four** in the **2010–2012 cycle** and **four** in the **2011–2013 cycle**) were finalised in 2013².
- (b) **Four** issues (affecting five Standards) were recommended to be added to the **2012–2014 cycle**.

² The 2010-2012 annual improvements final publication also included IFRS 13 *Fair Value Measurement* (short-term receivables and payables) discussed by the IASB only and two amendments on IFRS 8 *Operating Segments* (aggregation of operating segments and reconciliation of the total of the reportable segments; assets to the entity's assets) discussed by the Interpretations Committee in the last quarter of 2012.

Table 5: Issues proposed for annual improvements

2010–2012 cycle— recommended for finalisation (published in December 2013)*	2011–2013 cycle— recommended for finalisation (published in December 2013)	2012–2014 cycle— Exposure Draft (published in December 2013)
IAS 16 <i>Property, Plant and Equipment</i> and IAS 38 <i>Intangible Assets—Revaluation method</i> —proportionate restatement of accumulated depreciation (discussed January 2013)	IAS 40 <i>Investment Property</i> —clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property (discussed May 2013)	IAS 19 <i>Employee Benefits—Discount rate</i> —regional market issue (discussed July 2013)
IAS 24 <i>Related Party Disclosure</i> —key Management personnel (discussed January 2013)	IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i> —meaning of effective IFRSs (discussed May 2013)	IAS 34 <i>Interim Financial Reporting</i> —disclosure of information "elsewhere in the interim financial report" (discussed November 2012)
IFRS 2 <i>Share-based Payment</i> —definition of vesting condition (discussed January 2013)	IFRS 3 <i>Business Combinations</i> —scope exceptions for joint ventures (discussed May 2013)	IFRS 5 <i>Non-current Assets held for Sale and Discontinued Operations</i> —change of disposal method (discussed May 2013)
IFRS 3 <i>Business Combinations</i> —accounting for contingent consideration in a business combination (discussed March 2013)	IFRS 13 <i>Fair Value Measurement</i> —Scope of paragraph 52 (portfolio exception) (discussed May 2013)	IFRS 7 <i>Financial Instruments: Disclosures</i> —Transfers of Financial Assets (Amendments to IFRS 7)—servicing agreements (discussed May 2013)
		IFRS 7 <i>Financial Instruments: Disclosures</i> —applicability of the amendments to IFRS 7 to condensed interim financial statements (discussed July 2013)

22. The following six issues were considered for annual improvements but were recommended not to be finalised for the following reasons:

Table 6: Issues proposed for annual improvements that were not finalised

Analysed as part of the Disclosures Initiative project	Rejected by the Interpretations Committee	Transferred to the IASB	Accepted by the Interpretations Committee but rejected by the IASB
IAS 1—current/non-current classification of liabilities (January 2013)*[this issue belongs to the 2010-2012 cycle]	IAS 7—Interest paid that is capitalised (March 2013)	IFRS 3—mandatory purchases of non-controlling interests in business combinations (March 2013)	IAS 7—classification of expenditures in the statement of cash flows (March 2013)
IAS 1—presentation of items of other comprehensive income arising from equity-accounted investments (July 2013)	IAS 7—definitions of operating, investing and financing activities (March 2013)		

Narrow-scope amendments

23. The Interpretations Committee’s work on narrow-scope amendments can be summarised as follows:

Table 7: Summary of issues proposed for narrow scope amendments and redeliberations

	2013	2012	2011
Issues proposed and confirmed for narrow scope amendments	7	4	1
Redeliberations—for narrow scope amendments*	5	-	-
<i>Total issues discussed</i>	12	4	1

24. The following table provides an analysis of the Interpretations Committee’s activity in 2013 on narrow scope amendments:

Table 8: Summary of issues analysed as narrow scope amendments (2013)

<i>Issues confirmed by the IC and by the IASB</i>			
<i>Finalisation in 2013</i>	<i>Finalisation in 2014</i>	<i>Exposure Draft will be published in 2014</i>	<i>Issues to be confirmed by the IASB</i>
(1) Measurement of the net defined benefit obligation (DBO) for post-employment benefit plans with employee contributions (Amendments to IAS 19) (2) Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)	(1) Sales or contributions of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28) ; (2) Acquisition of an interest in a Joint Operation (Amendment to IFRS 11) (3) Clarification of Acceptable Methods of Depreciation and Amortisation (Amendment to IAS 16 and IAS 38) (4) Equity method of accounting: Share of Other Net Assets Changes (Amendment to IAS 28) .	Elimination of gains arising from ‘downstream’ transactions (Amendment to IAS 28)	Proposed Amendments to IFRS 2 : (1) Share-based payment awards settled net of tax withholdings (2) Modification of a share-based payment from cash-settled to equity-settled (3) Accounting for share-based payment transactions in which manner of settlement is contingent on a future event that is outside the control of both entity and counterparty (4) Measurement of cash-settled share-based payment transactions that include a performance condition

Work in progress at the end of 2013

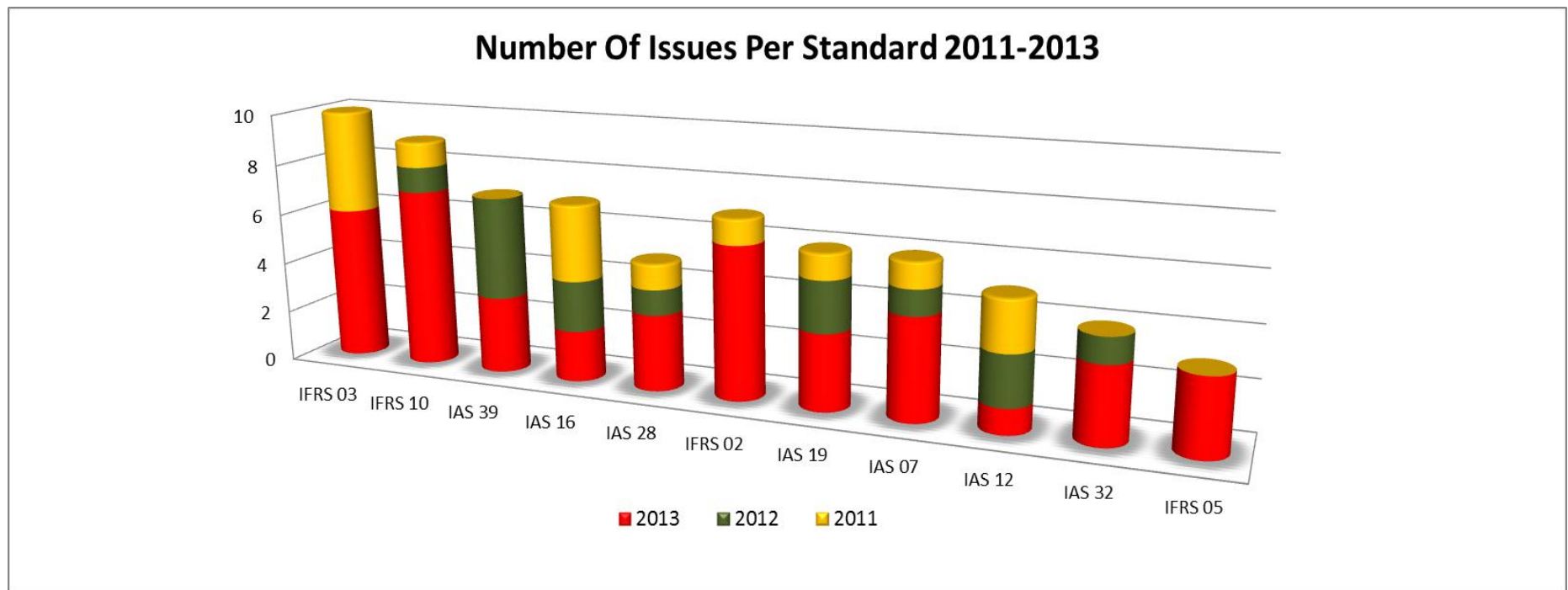
25. At the end of 2013, **18** issues were in progress. A list of these issues is shown in **Appendix B** of this paper.

Issues on hold

26. The following are issues derived from submissions that the Interpretations Committee will discuss again at a future meeting but has decided to temporarily suspend work:
- (a) **IAS 2 *Inventories*—long-term prepayments for inventory supply contracts.** In February 2012, the IASB asked the Interpretations Committee to consider addressing the diversity in accounting for this issue by clarifying the purchaser's accounting through an Interpretation. The staff will prepare a paper to be presented at a future Interpretations Committee meeting, which will consider the result of the IASB's redeliberations on the revised Exposure draft [*Revenue from Contracts with Customers*](#). The new IFRS is expected to be issued in quarter 2, 2014.
 - (b) **IAS 39 *Financial Instruments: Recognition and Measurement*—income and expenses arising on financial instruments with a negative yield**—presentation in the statement of comprehensive income. In January 2013, the Interpretations Committee decided to refrain from finalising the tentative agenda decision proposed for this issue, until the IASB has completed its redeliberations on the Exposure Draft [*Classification and Measurement: Limited Amendments to IFRS 9*](#). The completed IFRS 9 is expected to be issued in quarter 2, 2014.
 - (c) **IAS 16 *Property, Plant and Equipment* —variable payments for the separate acquisition of PPE and intangible assets.** At the July 2013 meeting, the IASB decided that it would reconsider the accounting for variable payments for the acquisition of tangible or intangible assets after the proposals in the Exposure Draft [*Leases*](#) have been redeliberated. These redeliberations are currently ongoing.

Number of issues analysed per Standard

27. The following chart shows the number of issues that have been raised by Standard in the past three years. The chart shows the eleven standards that were most frequently the subject of a submission in 2011 –2013.



Some observations on the analysis of issues by Standard:

- ✓ IFRS 3 *Business Combinations*: We note that the IASB is currently performing a Post-implementation Review (PIR) of IFRS 3. One of the main areas of focus is on the definition of a business. The Interpretations Committee's work on this area was an important input to the first phase of the PIR.
- ✓ IFRS 10 *Consolidated Financial Statements* was issued in 2011 to replace IAS 27. In 2012 IFRS 10 was amended by the *Investment Entities* amendment. Almost half of the issues raised relate to questions on the investment entities amendment.
- ✓ IAS 39 *Financial Instruments: Recognition and Measurement*: Several of the issues discussed by the Interpretations Committee related to the financial crisis, including 3 issues related to accounting for investments in government bonds and an issue relating to novation of derivatives under changes to securities regulations. IAS 39 is in the process of being replaced by IFRS 9 *Financial Instruments*.
- ✓ IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*. One of the issues discussed lead to the narrow scope amendment on the *Clarification of Acceptable Methods of Depreciation and Amortisation*. The submission relating to variable payments for the purchase of PPE or intangible assets is on hold pending progress on the leases project.
- ✓ IFRS 2 *Share-based Payment*: These issues include some older issues that the Interpretations Committee asked to look at again; originally the Interpretations Committee had thought that the IASB might undertake a post-implementation review of IFRS 2, but there is currently no plan for such a review.
- ✓ IAS 7 *Statement of Cash Flows*. During 2012 and 2013 the Interpretations Committee discussed some specific requests regarding the classification of cash flows. This led to a review of past requests relating to IAS 7 which are also included in these statistics. Having considered these different issues, Interpretations Committee thought that amendments to IAS 7 on a piecemeal basis would not be appropriate and decided not to proceed with proposals for amendment.
- ✓ IAS 19 *Employee Benefits*: This standard was revised in 2011. Some of the requests received relate to the implementation of those revisions. The effects of the financial crisis on bond markets prompted a submission relating to the discount rates that should be used for discounting pension liabilities.

Question to the IASB

Question to the IASB

1. Does the IASB have any questions about the Interpretations Committee's activities during 2013?

Appendix A—Agenda decisions

A1. The following table shows the agenda decisions that were finalised by the Interpretations Committee and published in the *IFRIC Update* during 2013.

Standard	Topic	Published
IAS 7 Cash Flow Statements	Identification of cash equivalents	May 2013
IAS 10 Events after the Reporting Period	Reissuing previously issued financial statements	May 2013
IAS 19 Employee Benefits	Pre-tax or post-tax discount rate	July 2013
IAS 19 Employee Benefits	Actuarial assumptions: discount rate	Nov 2013
IAS 27 Consolidated and Separate Financial Statements and IFRS 10 Consolidated Financial Statements	Non-cash acquisition of a non-controlling interest by a controlling shareholder in the consolidated financial statements	Jan 2013
IAS 28 Investments in Associates and Joint Ventures	Associates and common control	May 2013
IAS 28 Investment in Associates and Joint Ventures	Impairment of investments in associates in separate financial statements	Jan 2013
IAS 32 Financial Instruments: Presentation	Classification of financial instruments that give the issuer the contractual right to choose the form of settlement	Sep 2013
IAS 41 Agriculture	Valuation of biological assets using a residual method	March 2013
IFRS 2 Share-based Payments	Timing of the recognition of intercompany payments	May 2013
IFRS 3 Business Combinations	Accounting for reverse acquisitions that do not constitute a business	March 2013
IFRS 3 Business Combinations	Continuing employment	Jan 2013
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations	Classification in conjunction with a planned initial public offering (IPO), but to which the prospectus has not been approved by the securities regulator	Sep 2013
IFRS 10 Consolidated Financial Statements	Effect of protective rights on an assessment of control	Sep 2013
IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements	Transition provisions in respect of impairment, foreign exchange and borrowing costs	Nov 2013
IFRS 10 Consolidated Financial Statements	Classification of puttable instruments that are non-controlling interests	Nov 2013

Appendix B—Work in progress at 31 December 2013

B1. The following table shows the issues included as part of the Interpretations Committee’s work in progress at 31 December 2013.

Current agenda:

IAS 19 Employee Benefits	<i>Employee benefit plans with a guaranteed return on contributions or notional contributions</i>
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Tentative agenda decisions:

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	Distinction between a change in an accounting policy and a change in an accounting estimate (<i>comment period ended 20 January 2014</i>)
IAS 17 Leases	Meaning of ‘incremental costs’ (<i>comment period ended 20 January 2014</i>)
IAS 29 Financial Reporting in Hyperinflationary Economies	Applicability of the concept of financial capital maintenance defined in terms of constant purchasing power units (<i>comment period ended 20 November 2013</i>)
IAS 32 Financial Instruments: Presentation	Classification of a financial instrument that is mandatorily convertible into a variable number of shares (subject to a cap and a floor) but gives the issuer the option to settle by delivering the maximum (fixed) number of shares (<i>comment period ended 25 September 2013</i>)
IAS 32 Financial Instruments: Presentation and IAS 39 Financial Instruments: Recognition and Measurement	Classification of a financial instrument that is mandatorily convertible into a variable number of shares upon a contingent ‘non-viability’ event (<i>comment period ended 25 September 2013</i>)
IAS 39 Financial Instruments: Recognition and Measurement	Accounting for term-structured repo transaction (<i>comment period ended 20 January 2014</i>)
IFRS 2 Share-based Payment	Price difference between the institutional offer price and the retail offer price for shares in an initial public offering (<i>comment period ended 20 January 2014</i>)
IFRS 10 Consolidated Financial Statements	Investment entities amendments—the definition of investment-related services or activities (<i>comment period ended 20 January 2014</i>)
IFRIC 21 Levies	Identification of a present obligation to pay a levy that is subject to a pro rata activity threshold as well as an annual activity threshold (<i>comment period ended 20 January 2014</i>)

Other work in progress:

IAS 12 <i>Income Taxes</i>	Recognition of deferred tax for a single asset in a corporate wrapper
IAS 12 <i>Income Taxes</i>	Recognition and measurement of deferred tax assets when an entity is loss-making
IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	Reversal of impairment losses relating to goodwill recognised for a disposal group
IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	Write-down of a disposal group
IFRS 10 <i>Consolidated Financial Statements</i>	Investment entity subsidiary that provides investment-related services
IFRS 10 <i>Consolidated Financial Statements</i>	The interaction between the investment entity amendments and the exemption from preparing consolidated financial statements requirements in IFRS 10
IFRS 11 <i>Joint Arrangements</i>	Analysis of implementation issues ³

³ The Interpretations Committee decided not to address the issue on *Acquisition of control over a joint operation* as part of a separate project but to consider it together with other issues that were raised with the Interpretations Committee in relation to joint arrangements.