Summary note of the Accounting Standards Advisory Forum

Held on 4 and 5 December 2014 at the IASB offices, Cannon Street, London

This note is prepared by staff of the International Accounting Standards Board (IASB), and is a high level summary of the discussion that took place with the Accounting Standards Advisory Forum (ASAF). A full recording of the meeting is available on the IASB website.

ASAF members attending

Alexsandro Broedel Lopes	Group of Latin American Standard-Setters (GLASS)
Clement Chan	Asian-Oceanian Standard-Setters Group
Françoise Flores	European Financial Reporting Advisory Group
Russell Golden	Financial Accounting Standards Board (US)
Lu Jianqiao	Chinese Accounting Standards Committee
Liesel Knorr	Accounting Standards Committee of Germany
Roger Marshall	Financial Reporting Council (UK)
Ana Martinez-Pina	Instituto de Contabilidad y Auditoria de Cuentas (Spain)
Linda Mezon	Accounting Standards Board of Canada
Yukio Ono	Accounting Standards Board of Japan
Kris Peach	Australian Accounting Standards Board

Disclosure Initiative

Principles of Disclosure—cash flows

1. Andrew Lennard, from the UK Financial Reporting Council (FRC), provided ASAF members with an overview of issues relating to the statement of cash flows and related disclosures. The FRC's work will inform the discussion about the statement of cash flows that is planned to be included in the IASB's *Principles of Disclosure* Discussion Paper.

2. Some ASAF members suggested that the objective of the statement of cash flows needs to be identified. They consider that identifying the objective will help with answering questions about the statement of cash flows and with addressing problems relating to that statement. One ASAF member commented that the role of cash flow statements is primarily to supplement the financial information prepared on an accrual basis.

3. Some ASAF members suggested that the IASB should also undertake research into the statement of financial position and the statement(s) of profit or loss and other comprehensive income (OCI) at the same time as researching the statement of cash flows. They think that research into the statement of cash flows should not be undertaken in isolation because of the cross-cutting issues across those three statements; for example, classification of items.

4. There was some discussion by ASAF members about how particular transactions, such as purchase of property, plant and equipment, interest costs and rental income should be classified in the statement of cash flows. However, it was acknowledged by ASAF members that it is very difficult to classify these transactions; for example, it is difficult to differentiate and hence classify between the purchase of property, plant and equipment that is a replacement of assets to maintain current operations, compared with an investment in assets that expands an entity's operations.

Emissions Trading Schemes (ETS)

5. The IASB staff introduced the project, noting that it is still in the preliminary stages of research. ASAF members' views were sought on the scope of, and approach to, the project.

6. Prior to the ASAF meeting, the staff had sent a questionnaire to ASAF members asking for information about ETS operating in their respective jurisdictions, any accounting guidance in place and, in the absence of formal guidance, how the schemes are accounted for in practice.

7. ASAF members provided summaries of some of the schemes and accounting policies applied in countries in their region. The most common type of scheme is a cap and trade scheme. The cap and trade schemes described had many common features but there were some differences in the detailed mechanisms used. ASAF members emphasised the need to look for a principle-based approach to accounting that could deal with the variety of detailed mechanisms.

8. In addition, ASAF members highlighted other types of schemes designed to manage the level of emissions. These include schemes in which entities receive allowances in exchange for undertaking project-based activities that reduce emissions or undertaking forestry-related activities that sequester or absorb emissions. ASAF members suggested that the project should cover these activities and, therefore, suggested that the title of the project should be changed to reflect a wider scope.

9. Some ASAF members noted that, in a limited number of countries, there is formal accounting guidance available that addresses the accounting for emission trading or other emission management schemes. However, in many jurisdictions, there is no formal guidance available. Although the details of the formal guidance and the actual accounting practices applied vary widely, most result in similar accounting to the three approaches described in ASAF Agenda Paper 4C. In each case, the recognition and measurement policies applied to both the allowances, and the obligation to remit allowances equivalent to the volume of the regulated pollutants emitted, often avoid the accounting mismatches that resulted from the requirements of IFRIC 3 *Emission Rights* (withdrawn in 2005).

10. ASAF members noted the diversity in accounting policies that currently exists and acknowledged the need to develop an acceptable accounting approach. One member noted the importance of addressing the needs of users of financial statements and suggested that

identifying the relevant unit of account will be critical in developing an understandable accounting outcome. Many ASAF members noted the importance of recognising and measuring an appropriate liability. Many ASAF members supported the staff's proposal to focus on identifying and accounting for the overall economic effect of the scheme, instead of considering each component of the scheme separately. In addition, some ASAF members commented that it is important to consider how an entity's business activities are conducted in relation to its emission allowances (including whether they are held within the trading business) when developing the relevant accounting requirements. Any resulting accounting model developed should ensure that the overall effect is reflected in the 'bottom line' amounts reported in the financial statements. This could be achieved either by presenting the overall effect as a net amount or by using consistent recognition and measurement policies for the associated rights and obligations created by the schemes.

11. One ASAF member queried whether the issues around the recognition and measurement of liabilities and provisions (particularly those raised in the IFRIC 21 *Levies*) should be addressed before the questions relating to the obligations created in ETS. This member also noted that any guidance or requirements developed would need to address different business models, because some entities hold emission allowances for trading, while others hold them for settling their emission scheme obligations, and others hold them for a combination of trading and remitting.

Reporting the financial effects of rate regulation

12. The IASB staff noted that comments on the Discussion Paper (DP) *Reporting the Financial Effects of Rate Regulation* are due by 15 January 2015 and the staff plan to provide the IASB with an initial comment letter summary in February. ASAF members were invited to share their preliminary views on the DP and to take the opportunity to seek clarification from the staff of any issues related to the DP. In addition, a Financial Accounting Standards Board (FASB) representative provided a summary of the guidance in US GAAP to provide some background about why regulatory balances are recognised as assets and liabilities.

13. The FASB member noted that the legally binding 'regulatory compact' (the regulatory agreement) that exists between the supplier entity and the rate regulator establishes a combination of rights and obligations on both the entity and the rate regulator. It was noted that the enforceability of these rights and obligations has been established based on the application of the rate regulation over many years. In addition, there are many cases in which it has been tested in the courts, however the enforceability still requires transactions with customers, rather than with the regulator. The recoverability of regulatory assets and the reversal of regulatory liabilities that have been recognised in financial statements are, therefore, considered to have a high level of probability. This is because such regulatory balances are recognised only in a fairly narrow range of circumstances in which the regulatory

compact is sufficiently clear that the balances will be incorporated into future rate adjustments.

14. ASAF members raised many questions about how the rate regulation operates in the US and how it compares to the description of 'defined rate-regulation' in the DP. The FASB representative noted that the description in the DP captured many of the schemes in the US. He went on to note that, if the description of defined rate-regulation was used as the basis of scope criteria for any accounting requirements that might be developed as a result of this project, such a scope is likely to be tighter than the scope currently applied in US GAAP.

15. The EFRAG representative then provided a summary of EFRAG's preliminary views on the DP. EFRAG has been carrying out targeted outreach with users of the financial statements and thus focused on presenting the user views gathered so far. Feedback suggests that most users of financial statements that specialise in analysing rate-regulated entities would like to see the financial effects of rate-regulated activities reflected in recognition and measurement, not merely in the disclosure notes or management commentary. This is particularly so when the rate regulation has a direct impact on an entity's revenue, costs and financial position, as described in the DP.

16. EFRAG's preliminary view is that defined rate regulation, as described in the DP, is a good basis for starting to identify which features of rate-regulatory schemes lead to economic circumstances that create rights and obligations that distinguish rate-regulated activities from other commercial activities. This description does capture many of the rate regulatory schemes in Europe.

17. However, EFRAG believes that any enforceable rights and obligations that stem from the rate regulation mechanism are the most important elements for distinguishing the types of rate regulation that require recognition in the financial statements. Consequently, any subsequent description of the type of regulation that is intended to be within the scope of any accounting developed should focus more on the enforceable rights and obligations created by the regulatory framework. The other parts of the description, such as the limited demand risk due to the essential nature of the goods or services and the lack of effective competition, could be noted as supportive features or indicators.

18. ASAF members provided various comments. For example, one ASAF member noted that the consideration of asset and liability definitions in this project should be used to stress-test the developing definitions in the *Conceptual Framework* project. Other ASAF members agreed with EFRAG's preliminary view that the enforceability of rights and obligations is crucial to identify any assets and liabilities that might arise. In addition, defining the scope of rate regulation intended to be captured is critical.

Leases

19. The IASB staff presented an update on the status of the Leases project, including a summary of the most important tentative decisions reached to date during redeliberations. The IASB staff noted that the IASB and the FASB had discussed the definition of a lease at their October 2014 joint Board meeting. The paper for that meeting included suggestions made by EFRAG staff in a paper discussed at the ASAF meeting in September 2014.

20. Regarding the definition of a lease, the EFRAG representative expressed disappointment that the Boards had not explored further the EFRAG staff suggestion to align the guidance in the *Leases* Standard for separating lease and non-lease components with the guidance in IFRS 15 *Revenue from Contracts with Customers* for identifying separate performance obligations.

21. A number of ASAF members also expressed views on convergence between the IASB and the FASB on the project:

    (a) three members stated that convergence is critical to the project, indicating that the IASB and the FASB should discuss again their tentative decisions on the lessee accounting model.

    (b) the Chairman enquired if the FASB was considering reviewing its tentative decision. The FASB representative acknowledged that the FASB is not considering changing its tentative decision to adopt the IASB lessee accounting model. Accordingly, ASAF members were informed that any request for convergence should be viewed as a request for the IASB to change its current tentative decisions and adopt the FASB lessee accounting model.

    (c) in the light of this information, one member stated that convergence is critical, and clarified that that member was not in a position to say whether that member recommended that the IASB should change its current tentative decisions on the lessee accounting model.

    (d) two members expressed the view that, although convergence is important, achieving a higher quality solution is more important than achieving convergence. One member indicated that convergence is not critical to the project.

    (e) one member expressed the view that the profit or loss resulting from the IASB lessee model and the FASB lessee model is unlikely to be significantly different for a portfolio of leases.

Inflation accounting

22. An ASAF member on behalf of the Group of Latin American Standard Setters (GLASS) presented a paper considering inflation accounting and how IAS 29 *Financial Reporting in Hyperinflationary Economies* could be improved.

23. The ASAF member explained that the common acceptance of hyperinflation economics, in accordance with IAS 29, is when the cumulative inflation rate over three years exceeds 100 per cent. The member noted that an alternative put forward by GLASS members was that of 26 per cent over three years. Alternatively, the member suggested eliminating the threshold in IAS 29. The member noted that a few countries that are part of GLASS are operating with high-inflation, but not hyperinflationary, economies.

24. The ASAF member also explained that a second request from the GLASS members is related to the reporting of inflationary effects. The GLASS members would prefer the 'integral method'. Under this method the profit and loss would recognise gains and losses that are caused by inflation on monetary items.

25. ASAF members discussed changing the threshold for hyperinflation and noted that the current threshold is late in recognising hyperinflation conditions. It was generally agreed that this was not a matter that could be addressed by the IFRS Interpretations Committee, because there was no evidence of divergence in practice.

26. It was agreed that the presentation raised some interesting points. ASAF members recommended that the IASB should consider a short-term project that would review changing the threshold in IAS 29 to improve flexibility. A longer-term project could then consider the accounting concepts for inflation accounting.

Foreign currency translations

27. The IASB staff explained that, at the IASB's meeting in October 2014, the IASB decided to reclassify the broader work on foreign currency translation from short-term to longer-term in its Research Programme. The IASB will decide in the light of feedback from the next Agenda Consultation what priority to give the work or even whether to remove it from the programme.

28. The IASB staff asked ASAF members whether they were aware of any interest among any groups or standard-setters in exploring the broader conceptual issues and concerns related to IAS 21 *The Effects of Changes in Foreign Exchange Rates*. The IASB staff confirmed that any such work should build upon the substantial research already carried out by the Korea Accounting Standards Board (KASB) in this area.

29. One ASAF member noted that it would be useful to clarify the objective and conceptual basis underpinning IAS 21, because they will not be addressed in the *Conceptual Framework for*

Financial Reporting. Furthermore, more work was needed in respect of performance reporting because, for example, it was inconsistent that gains and losses arising in respect of movements in foreign exchange rates and interest rates were not both recognised in OCI for debt securities measured at fair value through OCI.

30. Another ASAF member agreed with the IASB's decision to focus its research project on the broader-based conceptual issues and to seek further feedback in this area.

31. One ASAF member strongly recommended that the IASB should address concerns regarding the determination of an entity's functional currency in a timely matter. The IASB staff noted that the IASB would consider specific narrow-scope issues in respect of IAS 21 that are brought to its attention separately from its research project.

Post-employment benefits (pensions accounting)

32. The IASB staff introduced the research project on post-employment benefits, outlining the scope and approach to the project, and requested ASAF members' future assistance on this project.

33. ASAF members' views were sought on the scope and approach. In particular, the IASB staff asked their views on the staff's preliminary idea to explore conceptually a single measurement model for pension plans. The IASB staff also asked about the trends among pension plans in their jurisdictions.

34. ASAF members generally supported the scope and the research approach. Many stated that the use of contribution-based promises or other 'hybrid plans' is increasing, while the use of traditional defined benefits plans is decreasing in many jurisdictions. One member stated that the use of contribution-based promises is common and noted that addressing the accounting for contribution-based promises or other 'hybrid plans' is important.

35. Some ASAF members also noted conceptual or practical problems in pension accounting and the difficulty in resolving them. Some were concerned that some entities may feel comfortable with the current model, particularly if they use pure defined benefit plans or pure defined contribution plans.

36. Suggestions from ASAF members included:

    (a) considering a two-stage approach:

        (i) first, prioritise the issues relating to contribution-based promises; and

        (ii) second, cover broader conceptual problems; and

    (b) considering the unit of account and recycling (ie reclassification of the items recognised in OCI).

Accounting for dynamic risk management

37. The IASB staff provided a summary of the feedback received during outreach meetings on the Discussion Paper *Accounting for Dynamic Risk Management: A Portfolio Revaluation Approach to Macro Hedging* (the '*DRM DP*').

38. The Canadian Accounting Standards Board (CASB) and the Australia Accounting Standards Board (AASB) presented their findings from the outreach conducted on this topic.

39. The overall feedback from the Canadian Accounting Standards Board outreach activities was that there is support for developing a new model that reflects dynamic risk management activities. In practice, when portfolios are constantly changing, a new model would better reflect the risk activities. It would also eliminate the need for financial institutions to de-designate and re-designate.

40. The other key message was that the Discussion Paper focused on the application to financial institutions while many other industries also manage their risks dynamically. The Canadian member recommended that the IASB should conduct further research and outreach about other risks and the applicability to other industries.

41. The overall feedback from the AASB outreach activities was a preference for improvements to the existing accounting models—the costs to preparers in amending current financial reporting systems need to be considered. However, there is concern about the disconnect between risk management systems and accounting systems, because proxy hedging relationships are not derived from existing risk management systems.

42. The AASB suggested that the IASB could split the project into a Standards-level project on targeted improvements to hedge accounting of interest rate risk of open portfolios and a more general research project on representing dynamic risk management activities. Alternatively a disclosure solution might help, such as improving disclosures about the nature of hedging where proxy hedging is significant.

43. The CASB noted that there is a difference in views between users of financial statements and preparers regarding what objective should be pursued by the IASB. Users were generally more interested in a holistic picture of dynamic risk management being presented in the financial statements, while preparers preferred representing only hedging activities in the financial statements with a reduction in the dependency on proxy hedge accounting.

44. Some ASAF members stated that disclosures can be more useful than measurement in providing holistic information on dynamic risk management to users of financial statements.

45. A view broadly shared among ASAF members was that disclosures would play a significant role regardless of the direction of the project. At the same time, however, it was also noted that the disclosure alone was unlikely to address all the issues identified.

46. Some ASAF members agreed with the AASB that financial institutions in their jurisdictions have already developed sophisticated systems to minimise profit or loss volatility based on existing hedge accounting requirements. Consequently, any new model would need to add value through a better representation of risk management activities in the financial statements in order to justify the costs associated with changing existing systems.

47. As for the behaviouralisation, ASAF members broadly supported the thinking in the DRM on core demand deposits. In the case of pipeline transactions and the equity model book, differing degrees of concern were raised from a conceptual perspective on respective suggestions. Some ASAF members also emphasised the importance of robust guidelines.

48. It was noted that the relevance of a 'revaluation' approach is jurisdiction-specific, reflecting the difference in the type of exposures (fixed or variable rate).

49. There were also concerns raised regarding the possibility of earnings management under the proposals.

50. Further to the CASB and AASB comments, other ASAF members also noted that non-financial entities tend to think the DRM is not applicable to them, because the analysis in the DP is based on dynamic interest rate risk management in banks.

Equity method of accounting

51. The KASB presented a research report on the equity method.

52. The Accounting Standards Board of Japan (ASBJ) presented the results from a survey it undertook on the equity method of accounting. The ASBJ undertook the survey in order to obtain views of its constituents (including users, preparers and auditors) on the equity method of accounting.

53. ASAF members commended the KASB and the ASBJ for their work.

54. In discussing the research report and the findings from the survey, ASAF members discussed:

    (a) the definition of the group—as highlighted in the KASB research paper. Some members suggested that there is a need to review the boundaries of the reporting entity. It was noted that this was related to the *Conceptual Framework*.

    (b) whether the equity method is a measurement method or a one-line consolidation method. ASAF members considered whether it is possible for the two concepts to coexist. One ASAF member noted that it is important to distinguish the objective of the equity method of accounting when it is applied in separate financial statements from the objective of the method when it is applied in consolidated financial statements.

(c) if different accounting is required for different types of investments. Some members suggested that there may be a distinction between:

   (i) investments that are part of the core operations of the entity and non-core investments;

   (ii) investments that are held for strategic purposes in contrast to those held for a financial return only; or

   (iii) investments in associate entities compared to those that are joint venture entities.

(d) one member noted that IFRS relies on control in the definition of an asset. Because an entity does not control an investment in an associate or a joint venture, the equity method cannot be a one-line consolidation method. On that basis, the member supports Approach 3 outlined in the KASB research paper.

(e) it was discussed that if the equity method is a measurement technique, it raises questions about the purpose of eliminating profits and losses on transactions between the investor and the associate. One member noted that the purpose of eliminating profits and losses could be related to eliminating profits that are not considered to be arm's length.

(f) in discussing whether the equity method should be characterised as a measurement technique, members considered whether fair value is an alternative to the equity method. Some members supported the use of fair value when there is a quoted market price (Level 1 fair value) for associate entities.

(g) other members did not support a complete move to fair value and noted that many associate and joint venture entities do not have quoted market prices, and obtaining a reliable fair value estimate could be costly to preparers.

(h) one member did not support the use of fair value for subsidiaries accounted for using the equity method in separate financial statements. In this circumstance it was considered that the equity method represents the profits earned in the period.

(i) it was discussed that if fair value is used for measurement, then further research is required on reporting the financial performance of the investment. One member noted that dividend income is not an adequate performance measurement. However, there was a need to consider whether the measurement should be fair value through profit and loss, fair value through OCI or a some other alternative.

(j) a question was raised as to whether fair value was appropriate when an investment was held for strategic purposes. It was noted that when an investment is held for strategic purposes, ie to achieve synergies, the cash flows benefiting the investor would be reflected in the investor's profit and loss and those benefiting the investee would be reflected in the fair value of the investee.

(k) a member commented that, at least for the equity method applied to associates, it would be unnecessary to try to make fundamental revisions. Instead, having considered the feedback, the project should consider:

   (i) how profits or losses recognised as a result of the equity method of accounting could be explained within the context of the discussion regarding profits or losses under the *Conceptual Framework*;

   (ii) in what cases procedures similar to the consolidation process would be necessary as opposed to desirable;

   (iii) whether, and to what extent, practical challenges could be alleviated, while maintaining the usefulness of information;

   (iv) whether the notion of 'significant influence' is relevant to the nature of an entity's business activities conducted; and

   (v) the extent of availability of information necessary to undertake procedures similar to consolidation process.

55. The Chairman thanked the KASB and the ASBJ for their excellent presentations and the work that had been undertaken.

IASB project update

56. The IASB staff presented an overview of the IASB's current projects and the Research Programme, including an overview of how the IASB works with national standard-setters.

57. It was noted that the FASB intends to update its definition of materiality in the US.

58. In relation to future agenda items, ASAF members asked for future ASAF agendas to include:

   (a) the *Conceptual Framework*, including during the public consultation;

   (b) insurance contracts, particularly in relation to work on a model for insurance contracts with participating features;

   (c) narrow-scope amendments in the circumstances that an Exposure Draft receives mixed support;

   (d) the Agenda Consultation; and

   (e) the ASAF review.

59. One ASAF member also noted that further to the discussion on the Leases project, members of his regional body, although aware of the importance of convergence, continue to support the conceptual merits of the IASB proposals.

2015 IASB Agenda Consultation

60. The IASB staff sought the views of ASAF members on their expectations for the next Agenda Consultation, which is due to take place in 2015.

61. One member explained that the Agenda Consultation should avoid open-ended questions and instead ask specific questions. The Agenda Consultation should also seek input that helps the IASB to identify the priority of the projects. ASAF members agreed with the proposals that the Agenda Consultation should seek input on how and which projects that are part of the Research Programme should be prioritised, while at the same time respondents to the Agenda Consultation should be given the opportunity to recommend new projects or advocate the removal of some projects.

62. One member also suggested that the ASAF should review the IASB Work Programme on an annual basis to consider both active and research projects.

63. Some ASAF members noted that the Agenda Consultation should identify the available resources of the IASB and its staff. It should identify that national standard-setters could provide human resource contributions.

64. A further member noted that resources should be matched to what was achievable in the agenda period. It was stressed that, having only finite resources, the IASB needs to set realistic milestones as to what can be achieved and it should not be overambitious.

65. One ASAF member noted that continual change to current Standards through the Maintenance Programme is not helpful to preparers. The member suggested that the IASB could consider projects in terms of 'themes' instead of individual requests. A further ASAF member encouraged the IASB to resist narrow-scope amendments.

66. ASAF members also considered that the Agenda Consultation should identify how, or whether, the findings from the Post-implementation Reviews (PIRs) feed into the Agenda Consultation. It was noted that PIRs require a lot of resources and if constituents do not see an outcome from the work they may not participate in future PIRs.

67. A further ASAF member proposed that the Agenda Consultation should signal which PIR would be undertaken next.

68. One ASAF member proposed that the IASB should immediately launch an active project, rather than wait for the outcome of the next agenda consultation, where a PIR clearly indicates an important issue to consider. This member noted the accounting treatment of goodwill as an example.

69. One ASAF member noted that there are a number of projects in the Research Programme. In their view the Research Programme represented a pipeline of future projects. The Agenda Consultation should comment on the pipeline for existing and new research projects.

70. An ASAF member recalled that in the last Agenda Consultation a period of calm had been called for and that the IASB should be mindful of the number of research projects it undertook. It was noted that there are a number of projects (such as IFRS 9 *Financial Instruments*) that have recently been completed and further current agenda projects are coming to an end shortly. It was suggested that the Agenda Consultation should recognise the upcoming Standards and the resources this would require for implementation. It was noted that the IASB should be mindful of the need for new Standards to be implemented consistently.

Insurance contracts

71. The IASB staff gave an update on the recent developments in the Insurance Contracts project. These included the IASB's tentative decisions on transition in October and the education session in November, at which the European CFO Forum presented a paper outlining its alternative proposals for accounting for contracts with participating features.

72. In the discussions on transition, one ASAF member asked whether the IASB had given any consideration to how entities might interpret the term 'impracticable' and whether there is a risk of inconsistent application across jurisdictions. The staff observed that 'impracticable' is a well-established term in IFRS. That ASAF member emphasised that in practice it is generally assessed based on whether the information is available and whether it is practical without regard to the extent of effort required—especially because it is difficult to convince auditors that it is impracticable. Thus, the impracticality test is rarely if ever met.

73. In the discussions on contracts with participating features:

    (a) one ASAF member expressed general support for the CFO Forum proposals, in particular that the contractual service margin should be unlocked for changes in financial and non-financial assumptions. However, he noted that there remain various issues that still need to be resolved. He urged the IASB to take some time to consider these issues. That ASAF member also reiterated his view that the basis for recognising the contractual service margin as a liability is questionable and asked the IASB to reconsider this. He regarded the contractual service margin as unearned profit. Considering that the contractual service margin has the nature of unearned profit, he suggested that recognising the contractual service margin in OCI could be consistent with the thinking in the IASB's *Conceptual Framework* project.

    (b) two other ASAF members expressed general support for full unlocking of the contractual service margin, but one of them was concerned that he did not have sufficient information to decide whether he agreed at a more detailed level. One of these members noted that there was a need for the CFO Forum to develop more detailed examples so that it is clear how profit from participating contracts is recognised, how reinvestment risk would be treated and the interaction between contractual service margin and OCI. He noted that he did not agree with the previous speaker, preferring unearned profit to be treated as part of the insurance liability until it is earned. That member fully supported full unlocking of the contractual service margin but he had not reached a conclusion on the use of the book yield approach for determining interest expense or the scope of the participating contract proposals.

(c) one member proposed that entities should be allowed to choose the approach for determining interest expense in profit or loss; for example, between the book yield approach, effective yield approach or the use of locked-in discount rates. He also noted his concern that the book yield approach might not be capable of application to contracts that do not have substantial asset dependency.

(d) one ASAF member suggested that there could be better communication of, and understanding about, the IASB's thinking if the staff were to provide a clearer comparison with the CFO Forum proposals and an explanation of the reasons for the differences with them.

74. In the discussions on disclosure:

(a) one ASAF member agreed that the IASB appeared to have received little objection to the disclosure proposals, but suggested that interested parties may have focused their efforts on evaluating the accounting model. She noted that in her jurisdiction, some objected to the disclosures that required information about locked-in discount rates. The staff observed that the disclosures for the project had been exposed in substantially the same form in both the 2010 and 2013 Exposure Drafts, and that the disclosure she referred to had been added by the IASB to improve comparability between two entities selecting different accounting policies.

(b) another ASAF member noted an issue arising in his jurisdiction relating to the interaction between the auditor independence regulations and the requirement for entities to disclose 10-year historical information. This information is currently required by IFRS 4 *Insurance Contracts*. A further ASAF member noted the same problem would also exist in her jurisdiction.

Agenda planning

75. The proposed agendas for March and July 2015 were presented in the Appendix of Agenda Paper 11. IASB staff noted that the Discount Rate project would be deferred from March to July. There were no further comments from ASAF members.

76. The Chairman thanked Liesel Knorr, who was attending the meeting for the last time, for her contribution to ASAF and importantly for her role as part of the IFRS Foundation. The Chairman wished Liesel well.