ADMIN PAPER

IFRS Foundation Trustees meeting – Due Process Oversight Committee

MILAN	28 JANUARY 2014	**Agenda ref 3B**
PRESENTERS	ALAN TEIXEIRA/HENRY REES	

Technical Projects—update

Introduction

1. Since the meeting in October the IASB has published the following amendments to Standards:
   - IFRS 9 *Financial Instruments* (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39)
   - Annual Improvements to IFRSs 2010–2012 Cycle
   - Annual Improvements to IFRSs 2011–2013 Cycle
   - Amendments to IAS 19 *Employee Benefits—Defined Benefit Plans: Employee Contributions.*

2. It has also published two Exposure Drafts (EDs):
   - Annual Improvements to IFRSs 2012-2014 Cycle
   - Proposed amendments to IAS 27—Equity Method in Separate Financial Statements.

3. The IASB is continuing to progress the four major projects: Financial Instruments, Revenue Recognition, Leases and Insurance Contracts.

4. The Interpretations Committee continues to be very active. The recently announced realignment of technical resources will provide increased support to the Interpretations Committee's work.

5. A copy of the work plan as at 17 December 2013 is attached as Agenda Paper (AP) 3B(i).

Due Process

6. The list of papers that were posted less than 5 working days before the October 2013 IASB meeting is attached at Appendix A of this paper. There were no papers posted less than 5 working days before the IASB meetings in November and December 2013.

7. Below is a summary of the status of the projects currently under way, with a focus on due

process considerations.

Financial Instruments

Hedge Accounting (amendments to IFRS 9)

8. The IASB has now published a package of final amendments to the accounting requirements for financial instruments. The amendments:
   (a) bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements;
   (b) allow the changes to address the so-called ‘own credit’ issue that were already included in IFRS 9 *Financial Instruments* to be applied in isolation without the need to change any other accounting for financial instruments; and
   (c) remove the 1 January 2015 mandatory effective date of IFRS 9, to provide sufficient time for preparers of financial statements to make the transition to the new requirements.

IFRS 9—Classification and Measurement (limited amendments)

9. As discussed in previous meetings, in November 2012 the IASB published an ED *Classification and Measurement: Limited Amendments to IFRS 9* (*Proposed amendments to IFRS 9 (2010)*). This ED proposed limited amendments to the classification and measurement requirements for financial instruments already contained in IFRS 9. The main changes proposed in the ED were to clarify the notion of principal and interest, to propose the introduction of a ‘fair value through OCI’ category for simple debt investments, and to propose clarifications to the concept of ‘holding to collect’ contractual cash flows.

10. The FASB issued an ED on the classification and measurement of financial instruments in February 2013. While the EDs reflect joint decisions made by the boards, because of the different stage of development of our projects (the IASB is revising IFRS 9 whereas the FASB is proposing completely new guidance), the documents were not identical.

11. The IASB is considering the comments received on the ED. In the last quarter the IASB has jointly discussed with the FASB:
    (a) Debt instruments with simple features (‘solely payments of principal and interest’ (SPPI)) that would be eligible for measurement other than at fair value through profit or loss.
    (b) Clarifications proposed in the ED to the business model assessment. The boards tentatively decided to retain two fair value measurement categories, namely fair

value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL), and to define the business model that results in measurement of FVOCI and to retain FVPL as the residual measurement category.

(c) The fair value option. The boards tentatively decided to extend the current fair value option in IFRS 9 so that it is available for financial assets that would otherwise be mandatorily measured at FVOCI, if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

12. The FASB, at its meeting in December 2013, made a number of tentative decisions that suggest it will not proceed fully with the proposals set out in its ED regarding the SPPI test.

13. The target remains to finalise IFRS 9 in the first half of 2014.

Impairment

14. The objective of the Impairment project is to increase the usefulness of financial statements by improving the transparency of information about the credit quality of loans subject to impairment[1], and improving the timeliness of recognition of expected credit losses.

15. In March 2013 the IASB published an ED *Financial Instruments: Expected Credit Losses.* The proposals in that document were based on the model that the IASB had been developing jointly with the FASB. The proposals would result in expected credit losses always being recognised (from when a financial instrument is first purchased or originated) with full lifetime expected credit losses being recognised when a financial instrument suffers a significant deterioration in credit quality.

16. As discussed at previous meetings, in July 2012 the FASB decided to explore a different approach—one still based on expected credit losses, but in which full (all) lifetime expected credit losses are recognised for all loans from initial recognition.

17. In late December 2012, the FASB published its ED on impairment. The IASB and FASB have shared the feedback they have received on their respective EDs. While many (including the Financial Stability Board) are still asking for a converged solution, geographical differences in feedback continue to be apparent, including from users of financial statements, and few suggestions have been made for how convergence could be achieved. Each board is now considering changes it would make to its proposals, taking into consideration the comments that they have received. Following those amendments, the boards will be able to consider the prospects for further aligning the models.

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

18. Overall, the feedback received by the IASB was supportive. In particular, there was support for a model that measures expected credit losses differently on the basis of a significant increase in credit risk. The operationality of the proposals was also confirmed. Some did however raise concerns about the timeliness of identification of significant increases in credit risk, so the IASB has considered ways to make the model more responsive to changes in credit risk.

19. At its October 2013 meeting the IASB tentatively decided to confirm that lifetime expected credit losses shall be recognised when there is a significant increase in credit risk since initial recognition and to clarify (potentially through examples) when to recognise lifetime expected credit losses.

20. At its November meeting the IASB tentatively decided that the final version of IFRS 9 will be no earlier than annual periods beginning on or after 1 January 2017. The IASB will make a decision on the mandatory effective date closer to finalisation of the Impairment and Classification and Measurement projects– this discussion is currently planned for February 2014.

21. The IASB will consider a summary of the model and an update to the FASB deliberations in early 2014, having substantively concluded its deliberations of the impairment requirements. The FASB at its meeting in December 2013 elected to proceed with its model for which lifetime expected credit losses are recognised on all financial instruments at all times.

22. A report will be presented to the DPOC reviewing the due process steps on both of the proposed amendments to IFRS 9 (Impairment and Classification & Measurement) once the IASB has completed its deliberations. We envisage that this should occur at the April 2014 Trustee meeting.

Accounting for Macro Hedging

23. All planned technical discussions on the model for accounting for macro hedging, prior to publication of the Discussion Paper (DP), have been completed. At the October 2013 IASB meeting permission was unanimously granted to ballot the DP and the IASB tentatively decided on a comment period of 180 days. Publication of the DP is planned to for Q1 2014.

24. This project was discussed by the Accounting Standards Advisory Forum (ASAF) at its September 2013 meeting.

Leases

25. The objective of the Leases project is to improve the quality and comparability of financial reporting by providing greater transparency about leverage, the assets an entity uses in its operations and the risks to which it is exposed from entering into lease transactions.

26. This is a joint project with the FASB. In May 2013, the boards published a joint and revised ED on leases, which was open for comment until 13 September 2013. Under the proposals, a lessee would report assets and liabilities for all leases of more than 12 months on its balance sheet. The recognition of lease-related expenses in the lessee's income statement for most real estate leases would be different from that for most other leases, to better reflect the differing economics of those leases. The ED also proposes some changes to the accounting applied by many equipment and vehicle lessors, which would better reflect how such lessors price their leases.

27. Extensive outreach activities was undertaken during the comment period, focusing in particular on obtaining feedback from users of the financial statements and on understanding the drivers of costs for preparers. A lot of effort has gone into reaching users of financial statements—over 35 meetings have been held, involving more than 220 investors and analysts from Europe, North America, Africa, Asia and Australasia[2]. In addition, a series of public round tables took place.

28. As anticipated there was a very high response rate to the ED: we have received 640 comment letters. A summary of the comment letters and outreach activities (including with users of financial statements) was presented at a joint meeting in November 2013. While there is praise for the boards' efforts to respond to concerns regarding the 2010 ED, there is nevertheless considerable concern about the cost and complexity of the 2013 ED proposals. The boards will start to redeliberate the lessee model, the lessor model and any possible scope simplifications in January 2014, with the aim of reaching decisions on those central topics in March 2014.

29. The ASAF members discussed their feedback on the ED at its September 2013 meeting. At its December 2013 meeting, ASAF members were invited to assist staff in considering the costs and benefits of the various possible paths forward. Prior to making decisions at the March 2014 joint board meeting the ASAF will discuss the relevant papers at its March meeting.

[2] A summary of the outreach is available on the Leases project page of the IASB website at: http://www.ifrs.org/Current-Projects/IASB-Projects/Leases/Documents/Lessee-accounting-investor-outreach-summary-May-to-September-2013.pdf.

Revenue Recognition

30. The objective of this project is to improve financial reporting by creating a common 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).

31. This project is currently being balloted following resolution of three issues in the autumn and it is expected to be issued in the first half of 2014. The resolution of these issues and the extensive input sought on the draft of the final document reflect the importance the boards place on ensuring that the final document is clear and operational.

32. As discussed previously, because of the importance of revenue and the broad scope of the new Standard, the IASB and the FASB intend to establish a limited-life transition resource group to support preparers in the transition to the new Standard. Importantly, it is not proposed that the group should provide authoritative guidance. The group has yet to be set up and detailed terms of reference will be drafted in the near future.

Insurance Contracts

33. 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.

34. The IASB published its revised Exposure Draft at the end of June 2013. Because of the importance of completing this project, and in view of the extensive debate the IASB has undertaken over the years, the Exposure Draft sought feedback on five key matters on which there have been significant changes to the proposals in the 2010 Exposure Draft. The IASB hoped that targeting its revised Exposure Draft in this way will avoid further undue delay in finalising a much-needed Standard for insurance contracts accounting.

35. At the September 2013 meeting the ASAF provided feedback on the five key areas on which questions are asked in the Exposure Draft.

36. The comment period for the Exposure Draft ended on 25 October 2013, 194 comment letters were received. During the comment period, extensive outreach was undertaken across a broad range of jurisdictions. In addition, the IASB undertook detailed field work with preparers to test the operationality of the proposals in the ED. The feedback suggests broad support for the proposal; however, there are also significant areas of disagreement and concerns about excessive complexity. A summary of the main themes raised in the comment letters received in response to the ED and the supplementary outreach is being considered

by the IASB at its January 2014 meeting. We will carefully consider how to finalise this Standard in the light of the comments received and the extent to which it will be appropriate and/or necessary to consider specific issues that we have in common with the FASB that were included within the scope of the issues raised in the IASB's ED.

Rate-regulated Activities

37. The long-term objective of the Rate-regulated Activities research project is to develop a Discussion Paper to consider whether rate regulation gives rise assets or liabilities in addition to those already recognised in accordance with IFRS for non-rate-regulated activities. A Request for Information *Rate Regulation* was published in March 2013 to gather more information about the common features of rate regulation. A summary of the 79 responses received was discussed in July by a formal consultative group that had been formed for this project.

38. The IASB is considering the common features identified as being most important to distinguish rate-regulated activities from general commercial activities, and that have the biggest impact on the amount, timing and certainty of cash flows and the stability of 'regulated' earnings.

39. The ASAF was asked to provide input at its December 2013 meeting, and made a number of suggestions for staff to consider. The IASB will continue its deliberations and expects to publish the Discussion Paper in Q2 2014.

40. At its November meeting the IASB concluded its discussions on the interim IFRS designed to assist those adopting IFRS prior to completion of the broader project. A report summarising the due process steps completed for the interim IFRS project has been prepared for consideration by the DPOC at its meeting (see AP 3C).

The Conceptual Framework

41. The Conceptual Framework sets out the concepts that underlie the preparation and presentation of financial statements. It is not a Standard or Interpretation and does not override any specific Standard or Interpretation. However, it identifies principles for the IASB to use when it develops and revises its Standards.

42. The existing Conceptual Framework has enabled the IASB to develop high quality Standards that have improved financial reporting. However, it does not cover some important areas and some guidance needs updating. Consequently, most respondents to the

2011 agenda consultation identified the Conceptual Framework as a priority project for the IASB.

43. The DP, published in July 2013, is the first step towards issuing a revised Conceptual Framework. It is designed to obtain initial views and comments on important issues that the IASB will consider as it develops an Exposure Draft of a revised Conceptual Framework. It focuses on areas that have caused the IASB problems in practice, including:
    - definitions of assets and liabilities;
    - recognition and derecognition;
    - the distinction between equity and liabilities;
    - measurement;
    - presentation and disclosure; and
    - other comprehensive income (OCI).

44. The 180-day comment period for the DP ended on 14 January 2014. During the comment period, outreach has been conducted to obtain feedback on the issues included in the DP, including the following:
    (a) Round tables held in London (UK), Tokyo (Japan), Toronto (Canada) and São Paulo (Brazil) during October and early November 2013. We had a range of participants (eg preparers, users, auditors, local standard-setters and regulators) to discuss key issues raised in the DP.
    (b) Participation, in person or by video or phone, in public discussion forums organised by local national standard-setters. These discussion forums were held in cities in Asia, Europe, Oceania and South Africa. Participants included preparers, auditors, national standard-setters, users, academics and regulators.
    (c) Discussing key issues with national standard-setters in the World Standard-Setters event in September 2013.
    (d) Presentations in person or by video or phone in various conferences.
    (e) Numerous meetings with groups or individuals, from various backgrounds, including preparers, auditors, national standard-setters, users, academics and regulators.
    (f) An initial webcast to launch the DP, followed by a series of seven webcasts, and one podcast, on particular aspects of the DP.
    (g) An article in our series of ‘investor perspectives’.

45. The IASB also consulted its advisory groups during the comment period—ASAF (which acts as the project team’s working group), the Capital Markets Advisory Committee (CMAC), Global Preparers Forum (GPF), and Advisory Council.

Implementation projects

Disclosure Initiative

46. This is a broadly-based initiative to explore how disclosures in IFRS financial reporting can be improved. The work is informed by a *Discussion Forum on Disclosure in Financial Reporting* that was held in January 2013. In conjunction with this, the IASB staff also conducted a survey. A Feedback Statement on these events was published in May 2013.

47. The Initiative is divided into short- and medium-term projects. In the short term, the IASB will issue an Exposure Draft of narrow-focus amendments to IAS 1 *Presentation of Financial Statements* to address some of the concerns the IASB has heard and that we highlighted in the Feedback Statement. At its September, October and November 2013 meetings, the IASB considered these amendments, which are intended to clarify, rather than significantly change, existing IAS 1 requirements. Although the proposed amendments are relatively modest, it is expected they will help to address some problems that have emerged in practice in areas such as the application of materiality and determining the order of the notes to the financial statements.

48. It is also expected that in the short term the IASB will consider how materiality is applied in practice and consider whether further guidance is needed.

49. In the medium term the IASB will undertake a research project to explore whether IAS 1, IAS 7 *Statement of Cash Flows* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* should be replaced. This research project will incorporate a review of the work previously done on the Financial Statement Presentation project. The outcome of this project could, in essence, be a disclosure framework for IFRS. In the medium term, the IASB will also undertake a research project to review disclosure in existing Standards to identify and assess conflicts, duplication and overlaps.

50. In October 2013 the IASB announced that it was bringing together members of its standard-setting team with the eXtensible Business Reporting Language (XBRL) team. The creation of a combined team of standard-setting and electronic reporting experts reflects the increasing importance of electronic filing of financial information. The integration of the XBRL team into the IASB's work programme also completes a major aspect of the recent strategic review of XBRL by the IFRS Foundation Trustees (see AP 3D).

IAS 41—Bearer Plants

51. In June 2013, in response to the 2011 Agenda Consultation, the IASB published for public comment an ED of proposals to include bearer plants within the scope of IAS 16 *Property, Plant and Equipment*. Bearer plants are a class of biological assets that, once mature, are held by an entity solely to grow produce over their productive life. Examples include grape vines, rubber trees and oil palms.

52. Currently, IAS 41 *Agriculture* requires all biological assets that are related to agricultural activity, including bearer plants, to be measured at fair value less costs to sell. This requirement is based on the principle that biological transformation is best reflected by fair value measurement. However, once mature, bearer plants no longer undergo significant biological transformation. Furthermore, their operation is similar to that of manufacturing. Consequently, the ED proposes that bearer plants should be accounted for in accordance with IAS 16 *Property, Plant and Equipment* instead of IAS 41, thus permitting the use of either a cost model or a revaluation model. The produce growing on the bearer plants would remain under the fair value model in IAS 41.

53. The ED closed for comment on 31 October 2013 and the IASB will commence its deliberations of the comments received in early 2014 (at its January 2014 meeting, the IASB is considering a paper that summarises the main feedback received from comment letters in response to the ED). Some of the main concerns raised by respondents include extending the scope of the amendment to include livestock, exempting produce growing on bearer plants from fair value measurement and providing further guidance on determining when a bearer plant reaches maturity.

Ongoing narrow-scope projects

IFRS 11 Joint Arrangements: Acquisition of an Interest in a Joint Operation

54. The objective is to add new guidance to IFRS 11 *Joint Arrangements* on the accounting for the acquisition of an interest in a joint operation that constitutes a business. The IASB amendment will require that acquirers of such interests shall apply the relevant principles on business combination accounting in IFRS 3 *Business Combinations* and relevant guidance in other Standards, and disclose the relevant information specified in these IFRSs for business combinations.

55. The IASB published the ED in December 2012, and the comment period closed on 23 April 2013. The Interpretations Committee considered the comment letters in July 2013 and the IASB discussed the comments received and the Interpretations Committee's recommendations in October 2013 and decided to finalise the amendment. The IASB

reviewed the due process steps that it has taken since the publication of the ED and concluded that the applicable due process steps have been completed. It is expected the amendment will be issued in the first quarter of 2014.

IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*: Clarification of acceptable methods of depreciation and amortisation

56. This project is a limited-scope amendment to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* to prohibit the use of a revenue-based depreciation or amortisation method.

57. The IASB published the ED in December 2012. The Interpretations Committee considered the comment letters in July and September 2013. The IASB discussed the comments received and the Interpretations Committee's recommendations in October and November 2013 and decided to finalise the amendment. The IASB has concluded that revenue is an inappropriate basis for measuring depreciation expense, because the revenue generated by an activity that includes the use of an asset generally reflects factors other than merely the consumption of the asset. The IASB has, however, modified the amendment in respect of amortisation of intangible assets to acknowledge that there may be some limited circumstances in which revenue may be used as the basis for measuring amortisation expense.

58. The IASB reviewed the due process steps that it has taken since the publication of the ED and concluded that the applicable due process steps have been completed. It is expected the amendment will be issued in the first quarter of 2014.

IAS 28 *Investments in Associates and Joint Ventures*: Elimination of gains arising from 'downstream' transactions

59. The IASB has decided it will publish an ED proposing a narrow-scope amendment to IAS 28 *Investments in Associates and Joint Ventures* clarifying the accounting for a 'downstream' transaction between an entity and its associate or joint venture, when the gain from the transaction exceeds the carrying amount of the entity's interest in the associate or joint venture.

60. The ED is scheduled for publication in the first quarter of 2014.

IAS 28 *Investments in Associates and Joint Ventures*: Equity Method—Share of Other Net Asset Changes

61. In November 2012 the IASB published an ED of proposed amendments to IAS 28. The objective was to provide additional guidance to IAS 28 on the application of the equity method. The Interpretations Committee considered the comment letters in July 2013 and the IASB discussed the comments received and the Interpretations Committee's

recommendations in October and December 2013.

62. The IASB has tentatively decided to finalise the proposed amendments, because they are a short-term solution to address diversity in practice, subject to reviewing a further analysis of the application of those requirements to some specific fact patterns.

Fair Value Measurement: Unit of Account

63. The IASB will issue a proposed narrow-scope amendment to clarify the unit of account of equity investments in subsidiaries, associates and joint ventures and their corresponding fair value measurement. The ED will also include a non-authoritative example to illustrate the application of the portfolio exception in IFRS 13 *Fair Value Measurement*. The IASB expects to issue the ED in Q1 of 2014.

Put Options Written on Non-controlling Interests (NCI)

64. In March 2013, the IASB decided not to proceed with the finalisation of the draft interpretation regarding the accounting for NCI puts. The IASB asked the staff to undertake further analysis on the accounting for puts over an entity's own equity (including over NCI).

65. Work on this issue has been continuing and the IASB will decide what the next steps should be at a future date.

IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

66. The objective of the project is to 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.

67. In December 2012, the IASB published an ED. The Interpretations Committee considered the responses received in July 2013 and decided that it should recommend to the IASB that it should proceed with the amendments. In October 2013, the IASB agreed with the Interpretations Committee's recommendations.

68. The IASB reviewed the due process steps that it has taken since the publication of the ED and concluded that the applicable due process steps have been completed. It is expected that the IFRS will be issued in Q1 of 2014.

IAS 27—*Separate Financial Statements* (Equity Method)

69. IAS 27 allows an entity to account for its investments in subsidiaries, joint ventures and

associates at cost or at fair value in its separate (parent only) financial statements. The laws of some countries require entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in the separate financial statements and in most cases, the use of equity method is the only difference between the separate financial statements prepared in accordance with IFRSs and those prepared in accordance with local regulations.

70. The proposed amendments to IAS 27 would allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate (parent only) financial statements. The IASB expects that the proposed change will reduce compliance costs for many entities, while providing information that would be helpful to an assessment of the investor's net assets and profit or loss. The ED is open for comment until 3 February 2014. This 60-day comment period is shorter than normal, reflecting the importance of this change to several jurisdictions.

Disclosure Requirements about Assessment of Going Concern

71. IAS 1 requires that when management are aware of material uncertainties about an entity's ability to continue as a going concern, those uncertainties should be disclosed. The submitter, the International Auditing and Assurance Standards Board (IAASB), thinks that the guidance about the disclosure of these uncertainties is not clear. A similar topic had been presented to the Advisory Council in June 2012 by the chair of the UK FRC on actions that they were taking in response to the Sharman Inquiry. The Advisory Council's advice at that time was that perhaps the Interpretations Committee or the IASB could provide guidance on these disclosures.

72. At its March 2013 meeting the IASB discussed proposals for a narrow-scope amendment to IAS 1 that would clarify when disclosures about material uncertainties connected with going concern should be disclosed and what disclosures should be given. The IASB requested that the proposals should be further developed. The IASB discussed the proposals further at its October 2013 meeting but decided not to proceed with the amendment for a number of reasons, including concern that changes in when these disclosures are made could become a self-fulfilling prophecy.

IAS 19—Actuarial Assumptions: Discount Rate

73. The Interpretations Committee was asked to clarify whether corporate bonds with a rating lower than 'AA' can be considered to be high quality corporate (HQC) bonds for the purposes of calculating the defined benefit obligation for post-employment benefits. According to prevailing past practice, listed corporate bonds have usually been considered to be HQC bonds if they receive one of the highest two ratings given by a recognised rating

agency ('AAA' and 'AA'). Because of the financial crisis the number of these bonds has decreased.

74. The Interpretations Committee discussed various proposals to address this issue, but concluded that this topic is too broad for a narrow-scope amendment to IAS 19 *Employee Benefits*. The Interpretations Committee has issued an agenda decision not to add this issue to its agenda. As anticipated, it has recommended that the IASB should address this issue as part of a broader project on discount rates.

75. The Interpretations Committee published a draft agenda decision in July 2013, which it finalised in November 2013 after considering the comments received on the tentative decision at its November meeting.

Annual Improvements

Annual Improvements 2010–2012

76. The *Annual Improvements to IFRSs 2010–2012 Cycle* was issued on 12 December 2013. The ED was published in May 2012 and the Interpretations Committee discussed the comments received on all of these annual improvements. The recommendations from the Interpretations Committee on how to finalise these issues were presented to the IASB in the first and second quarters of 2013. The delay in publication was a result of deliberations relating to the proposed amendments to IFRS 2 *Share-based Payment.*

Annual Improvements 2011–2013

77. The *Annual Improvements to IFRSs 2011–2013 Cycle* was also issued on 12 December 2013. The ED was published in November 2012. A summary of the comment letters received was presented to the Interpretations Committee in May 2013 and the IASB has discussed the recommendations from the Interpretations Committee on how to finalise these proposed amendments.

Annual Improvements 2012–2014

78. The IASB has published an ED of five proposed amendments to four Standards. The proposals are open for comment until 13 March 2014.

Annual Improvements 2013–2015

79. The IASB has started to discuss issues for inclusion in the next cycle of Annual Improvements. So far one amendment has been identified for the next ED, which is

expected to be published in the third quarter of 2014.

IFRS for SMEs

Comprehensive Review 2012–2014

80. 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 many jurisdictions, companies started using the *IFRS for SMEs* in 2010. Consequently, the IASB commenced its initial comprehensive review in 2012.

81. In order to assist in the process of identifying which items to consider for amendment, the IASB issued a Request for Information (RfI) in June 2012 to seek public views and consulted with the SME Implementation Group, an advisory body to the IASB. After considering the feedback it had received, and taking into account the fact that the *IFRS for SMEs* is still a new Standard, the IASB proposes to make only limited amendments to the *IFRS for SMEs*. The proposed amendments are not expected to result in significant changes in practice for SMEs or to have a significant impact on their financial statements.

82. The ED of proposed amendments to the *IFRS for SMEs* was published in October 2013 with an extended comment period of 150 days to allow organisations additional time in order to solicit and consolidate the views of smaller businesses in their jurisdictions.

Post-implementation review (PiR)

83. In July 2013 the IASB completed its first PiR, the review of IFRS 8 *Operating Segments*. A report and feedback statement was published by the IASB. The general conclusion of the report was that IFRS 8 is functioning as was anticipated. IFRS 8 is a converged Standard, so the IASB noted that in the limited areas in which further investigation is warranted, the IASB will liaise with the FASB and that any changes would be considered within the context of the convergence with US GAAP that was achieved with IFRS 8.

84. In July 2013 the IASB launched its PiR of IFRS 3 *Business Combinations.* The review will include both IFRS 3 (2004) and IFRS 3 (2008) as well as all the amendments made to other Standards (eg IAS 36 *Impairment of Assets*, IAS 38 *Intangible Assets* etc) as a result of the Business Combinations project.

85. The first phase of the review will be the publication of a Request for Information (RfI). The IASB considered (in both its November and December meetings) the tentative questions to be included in the RfI. It is anticipated that the RfI will be published in early 2014.

86. The ASAF was asked for its advice on the tentative questions to be included in the RfI at its December meeting. The ASAF members generally supported the areas covered and made some further recommendations.

Education Initiative

Fair value measurement—educational material

87. In October 2013 the Education Initiative updated the Trustees' Education and Content Services Committee on the range of educational material being developed in accordance with the Education Initiative's medium-term plan (approved by the Trustees in March 2011; updated October 2012) and in compliance with the recently formalised requirements for peer review set out in the *Due Process Handbook*. In April 2014 the staff plan to report to the DPOC identifying the material it is developing and the level of review it expects to undertake in each case, in accordance with the Handbook.

88. The Education Initiative is developing educational material to support IFRS 13 with the assistance of a valuation expert group. The material is being prepared in various chapters. A chapter dealing with the concept of 'highest and best use' in fair value measurement is currently being developed.

Appendix A

Late IASB Board paper postings

October 2013
(Board meeting commenced 28 October 2013)

IASB Paper number	FASB Memo number	Project	Status of paper	Comment
7A-Suplement	175A-Suplement	Revenue Recognition: Constraint on Estimates of Variable Consideration	Posted 30 Oct	Education Session Additional paper requested by the FASB at their education session to provide supplementary information in advance of the joint board discussion.
6B	250	Financial Instruments: Classification and Measurement: Business Model Assessment: Hold to Collect Business Model	Posted 25 Oct	Education Session Late posting to finalise with FASB.
6C	251	Financial Instruments: Classification and Measurement: Business Model Assessment: Fair value categories	Posted 25 Oct	Education Session Late posting to finalise with FASB.

There were no late papers postings in November and December 2013.