IFRS

STAFF PAPER

May 2014

IFRS Interpretations Committee Meeting

Project	IFRS Interpretations Committee Work in Progress		
CONTACT(S)	Michael Stewart	mstewart@ifrs.org	+44 (0)20 7246 6922

Objective of this paper

1. The objective of this paper is to update the IFRS Interpretations Committee (the Interpretations Committee) on the current status of issues that are in progress but that are not to be discussed by the Interpretations Committee in the May 2014 meeting.

2. We have split the analysis of the work in progress into three broad categories:

    a. **ongoing issues:** submissions that the Interpretations Committee is actively working on but the issue was not presented in this meeting;

    b. **issues on hold:** submissions that the Interpretations Committee will discuss again at a future meeting but for some reason has decided to temporarily suspend work on the issue, for example, because there is an IASB project that might have a knock-on effect on the Interpretations Committee's discussions; and

    c. **new issues:** submissions that have been received but have not yet been presented to the Interpretations Committee.

3. There are no new submissions to report since the last meeting.

Ongoing issues

4. The following table summarises the work in progress that will be discussed at a future meeting:

Ongoing Issues			
Ref.	**Topic**	**Brief description**	**Progress**
IFRS 5-3	*Non-current assets held for sale and discontinued operations:* Write-down of a disposal group	At its July 2012 meeting, the Interpretations Committee decided to revisit the two issues related to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. This issue is one of the two issues. The issue relates to write-down of a disposal group to the lower of its carrying amount and fair value less costs to sell (‘FVLCTS’) in accordance with IFRS 5 when the write-down exceeds the carrying amount of non-current assets in a disposal group.	At its September 2013 meeting, the Interpretations Committee could not reach a consensus on this issue. Some members observed that the requirements in paragraph 15 of IFRS 5 (ie to measure a disposal group at the lower of its carrying amount and fair value less costs to sell) sets out the principle. They also noted that the requirements in paragraph 23 of IFRS 5 (ie to allocate an impairment loss to the non-current assets in a disposal group that are within the scope of the measurement requirements of IFRS 5) provides guidance on applying the principle. Other members, however, thought that the requirements of paragraph 23 of IFRS 5 contradict the requirements of paragraph 15. The Interpretations Committee also noted that there are differing views among its members about whether the disposal group should be viewed as one single asset or one single liability instead of as a group of assets and liabilities (ie 'unit of account' issue). In the light of these differing views among its members, the Interpretations Committee asked the staff to: a. look at the issue along with other IFRS 5 issues that the IASB had previously considered but not addressed; b. consult current and former IASB staff and members who were involved with the development of IFRS 5; and c. analyse the issue discussed using more complex fact patterns that illustrate further the interaction between non-current assets, current assets and liabilities in the disposal group.

IFRS 5-4	*Non-current assets held for sale and discontinued operations:* *Reversal of impairment losses relating to goodwill recognised for a disposal group*	At its July 2012 meeting, the Interpretations Committee decided to revisit the two issues related to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. This issue is one of the two issues. The issue relates to a situation in which an impairment loss recorded for a disposal group that is classified as held for sale subsequently reverses. Specifically, the question focuses on whether an impairment loss relating to goodwill can be reversed.	At its September 2013 meeting, the Interpretations Committee had preliminary discussion on the this issue but identified differing views among the Interpretations Committee members. The Interpretations Committee asked that this issue be considered with the preceding item (IFRS 5-3) and with any other IFRS 5 issues that the IASB have considered but not addressed.

Issues on hold

5. The following issues are on hold for the reasons stated:

Issues on hold			
Ref.	**Topic**	**Brief description**	**Progress**
IAS 39-32	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	The demand of investors for 'safe harbour' assets has increased to a degree that the yield on some assets (on some of the remaining high quality government bonds) has turned negative. This raises the question of how the income or expense that results from negative interest rates should be presented in the statement of comprehensive income.	In September 2012 and January 2013, the IFRS Interpretations Committee discussed the ramifications of the economic phenomenon of negative effective interest rates for the presentation of income and expenses in the statement of comprehensive income. In September 2012, the Interpretations Committee reached a tentative decision on how amounts of income and expense arising from a negative yield on a financial instrument should be presented in the Statement of Profit or Loss and published a tentative agenda decision for comment. In January 2013, the Interpretations Committee was concerned that finalising the tentative agenda decision could have unintended consequences on the classification of financial assets in accordance with IFRS 9 *Financial Instruments* which is currently subject to a project to consider limited scope amendments. The Interpretations Committee therefore decided to refrain from finalising the tentative agenda decision until the IASB has completed its redeliberations on the Exposure Draft *Classification and Measurement: Limited Amendments to IFRS 9.*

IAS 2-1	*Inventories:* Long-term prepayments in inventory supply contracts.	Request for clarification on the accounting for long-term supply contracts of raw materials when the purchaser of the raw materials agrees to make prepayments to the supplier. The question is whether the purchaser/supplier should accrete interest on long-term prepayments by recognising interest income/expense, resulting in an increase of the cost of inventories/revenue	At the January 2012 Interpretations Committee meeting, the Interpretations Committee noted that the Exposure Draft (ED) *Revenue from Contracts with Customers*, published in November 2011, contains requirements regarding the time value of money. Provided that the requirements on the time value of money are not changed in the final revenue standard, this would apply in the seller's financial statements when prepayments are received. The Interpretations Committee observed that the principles regarding accounting for the time value of money in the seller's financial statements are similar to those in the purchaser's financial statements. The Interpretations Committee decided to ask the IASB whether it agrees with the Interpretations Committee's observation, and, if so, whether there should be amendments made in the IFRS literature in order to align the purchaser's accounting with the seller's accounting. At the February 2012 IASB meeting, the IASB agreed that a financing component contained in a purchase transaction should be identified and recognised separately. As a result, interest would be accreted on long-term prepayments made in a financing transaction. However, the IASB noted that payments made when entering into a long-term supply contract might include premiums paid for securing supply or for fixing prices. The IASB noted that in such cases, it is not appropriate to accrete interest on these payments. Consequently, the IASB tentatively decided that it should be made clear that the clarifications proposed should only apply to financing transactions, ie transactions in which prepayments are made for assets to be received in the future. The IASB asked the Interpretation Committee to consider addressing the diversity in accounting, not by amending the current literature as part of a separate IASB project, but by clarifying the purchaser's accounting through an interpretation. We will prepare a paper to be presented at a future IFRS Interpretations Committee meeting, where we will consider the result of the IASB's Redeliberations on the ED on revenue.

New issues

6. This table summarises those issues that have been received but not yet presented to the Interpretations Committee:

New issues			
Ref.	**Topic**	**Brief description**	**Progress**
IFRS 10-12	IFRS 10 *Consolidated Financial Statements*: Assessment of control in a single-asset, single-lessee operating lease vehicle	The submitter asks about the interaction of the power analysis, in accordance with IFRS 10, with the requirements of IAS 17 *Leases* when dealing with an operating lease for a single asset arranged through an operating lease vehicle. The submitter asks whether a lessee's rights over the use of the leased asset (i.e. 'right of use') during the lease term and the lessee's right to exercise a purchase option at the end of the lease term are decision-making rights over the relevant activities of the leasing vehicle. If these were considered to be decision-making rights over the relevant activities that most significantly affect the returns of the leasing vehicle, the lessee would consolidate the vehicle if the other tests of control are met in accordance with IFRS 10.	The original submission is included as **Appendix A** of Agenda Paper 16 of the March 2014 meeting. We will bring this issue to a future meeting of the Interpretations Committee.
IFRS 5 -12	IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* Various implementation issues	The submitter requested the Interpretations Committee to clarify various implementation issues. Specifically, the submitter classified the issues into six categories. (a) Scope (a.1) When there is loss of control over non-current assets or disposal groups, is it within the scope of IFRS 5? (a.2) When a disposal group mainly consists of financial instruments, is it within the scope of IFRS 5? (b) Classification as 'held-for-sale' The notions of 'highly probable' and 'an active programme to locate a buyer' in applying paragraph 8 of IFRS 5 may lead to different interpretations. (c) Changes to a plan of sale Significant judgement is applied in practice when determining a reasonable time limit to the period that it can remain acceptable	The original submission is included as **Appendix A** of Agenda Paper 22 of the January 2014 meeting. We will bring this issue to a future meeting of the Interpretations Committee.

New issues			
Ref.	**Topic**	**Brief description**	**Progress**
		to consider that the held-for-sale criteria are still met. (d) Definition of a major line of business Paragraph 32 of IFRS 5 refers to the notion of ‘a separate line of business or geographical area of operations’. However, IFRS 5 does not define what should be considered as a ‘separate major line of business’. (e) Unit of account IFRS 5 is unclear whether the measurement basis defined should be applied to all assets and liabilities regardless of whether the entity retains a non-controlling interest and whether the entity shall measure its non-controlling interest taking into account a control premium in transactions when there is a loss of control. (f) Impairment Paragraphs 15 and 23 of IFRS 5 seem to conflict as it is possible that the required impairment loss exceeds the carrying amount of the non-current assets within the scope of the measurement basis requirements in IFRS 5.	

7. This paper does not include requests or issues that are still at a preliminary research stage. It will exclude, therefore, those issues for which further information is being sought from the submitter or other parties to define the issue more clearly.

Question

Does the Interpretations Committee have any questions or comments on the Interpretations Committee Outstanding Issues List?