

AGENDA PAPER

IFRS Advisory Council

London	13-14 October 2014	Agenda Paper 1A
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Technical Activities—Update

Introduction

1. The objective of this session is to provide the Council with the opportunity to raise and discuss strategic issues relating to the IASB standard-setting work that are not covered by any of the individual sessions during the meeting. Topics that will be discussed separately during this meeting are:
 - (a) Disclosure Initiative;
 - (b) Review of Structure and Effectiveness of IFRS Foundation;
 - (c) Materiality;
 - (d) Investor Engagement Strategy;
 - (e) Future of Corporate Reporting;
 - (f) IFRS Foundation Risks and Opportunities;
 - (g) Content Services; and
 - (h) Long-term Investing.
2. This session also serves as an update on the project activities since the last meeting.

Overview

3. Since our last report to you in June we have:
 - (a) continued to focus on finalisation of the Insurance Contracts and Leases projects following feedback on the Exposure Drafts published in 2013;

- (b) progressed our redeliberations of the Discussion Paper *A Review of the Conceptual Framework for Financial Reporting*;
 - (c) progressed the work that we are doing as part of the Disclosure Initiative; and
 - (d) continued to make progress on our research agenda.
4. In the period June to September 2014 we have issued:
- (a) IFRS 9—*Financial Instruments*;
 - (b) IAS 41—*Agriculture: Bearer Plants*;
 - (c) IAS 27—*Separate Financial Statements: Equity Method in Separate Financial Statements*; and
 - (d) Narrow-scope amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*.
5. We have also published:
- (a) Discussion Paper: *Reporting the Financial Effects of Rate Regulation*;
 - (b) Exposure Draft: *Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value* (Proposed amendments to IFRS 10, IFRS 12, IAS 27, IAS 28 and IAS 36 and Illustrative Examples for IFRS 13);
 - (c) Proposed Interim Release 2 to the IFRS Taxonomy 2014; and
 - (d) IAS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses*.
6. A copy of the work plan as at 30 July 2014 is attached as Appendix A. The work plan will be updated after the IASB meeting due to be held the week commencing 22 September 2014.

Advisory Groups

7. Since our last meeting we have held the first meeting of the Joint Transition Resource Group for Revenue Recognition. The group discussed a number of issues and we think it should prove to be useful in aiding entities to a smooth transition to the new Standard. The next meeting will on 31 October and four meetings are

currently planned for next year.

8. We have also announced the membership of the Transition Resource Group for Impairment of Financial Instruments. The objective of this Group is to provide a forum for stakeholders to discuss emerging implementation issues arising from the new impairment requirements set out in IFRS 9.
9. The IASB Advisory Group on Shariah-Compliant Instruments and Transactions met on 5 September in Kuala Lumpur, Malaysia. The meeting was combined with outreach sessions that included local bankers, accountants, and academics. The subject of the meeting was classification and measurement of financial instruments under IFRS 9 when applied to instruments used in Islamic Finance. The discussion centered on three questions raised in a paper prepared by Ian Mackintosh (the group Chairman) and Wayne Upton (the group Co-ordinator). In addition, participants were asked for views on how the IASB should take the three issues forward.

Technical Projects Update

Major Projects

Insurance Contracts

10. In June 2013, the IASB published a revised Exposure Draft (ED) *Insurance Contracts* on the accounting for insurance contracts. That revised ED sought feedback on specific aspects of its proposals, reflecting the extensive debate the IASB has undertaken over many years, and the need to avoid further undue delay in finalising the much-needed Standard for insurance contracts.
11. During the comment period between June and October 2013, the IASB received 194 comment letters, and undertook extensive outreach and detailed field testing on the operationality of the proposals. The feedback received suggested broad support for the principle of current value measurement of insurance contracts. However, there were also significant areas of disagreement, in particular about performance reporting, and concerns about excessive complexity.
12. In the first half of 2014, the IASB largely concluded its tentative decisions relating to non-participating contracts, in particular addressing three of the five areas that were targeted in the 2013 ED. Those three targeted areas are:
 - (a) unlocking the contractual service margin;
 - (b) recognising the effects of changes in discount rates in other comprehensive income; and
 - (c) insurance contracts revenue.
13. The IASB also made tentative decisions on some specific issues that were highlighted in the feedback but that were not targeted for input. The direction that

the IASB took in all these decisions was largely consistent with the feedback that it had heard on the 2013 ED.

14. In the second half of 2014, the IASB began to consider the accounting model for contracts with participating features, one of the most difficult and contentious of the specific aspects on which the IASB sought feedback. Because many of the issues to be considered by the IASB in relation to contracts with participating features are interrelated, the staff have approached these deliberations by asking the IASB for indicative leanings, rather than tentative decisions. The staff note that this process has facilitated the IASB and the staff obtaining feedback on the direction of the model, for the staff to consider in developing models for consideration and decision-making by the IASB.
15. The staff plan to begin discussions on transition, the fifth of the targeted areas, in October 2014.
16. During redeliberations, the IASB has maintained extensive dialogue with all interested parties. It is continuing to consult its advisory bodies, and has provided regular updates of project progress on the project page. The IASB has sought advice from the ASAF at its March, June and September 2014 meetings. In addition, during the third quarter of 2014, the IASB held meetings with senior representatives of insurance companies from Canada, China, France, Germany, Japan, Korea, UK and South-East Asia. The purpose of these meetings was to ensure that the IASB and staff have a clear understanding of the remaining critical issues before the IASB concludes its technical redeliberations.
17. Because of the need to consider fully the issues discussed at these meetings, and the complexity of the issues relating to contracts with participating features, the IASB no longer expects to conclude its deliberations during 2014. Nonetheless, the IASB remains on target to issue the Standard on Insurance Contracts in 2015.

Leases

18. As discussed in previous meetings, the objective of the Leases project is to improve the quality and comparability of financial reporting by providing greater transparency about an entity's leverage, and the assets it uses in its operations.
19. This is a joint project with the FASB. In May 2013, the two boards published a joint and revised Exposure Draft on leases, which was open for comment until 13 September 2013.
20. Extensive outreach activities were undertaken during the comment period, focusing in particular on obtaining feedback from investors and analysts and on understanding the drivers of costs for preparers. The boards also obtained advice from their advisory bodies, including the Advisory Council. The boards started to redeliberate the proposals in the 2013 Exposure Draft at the beginning of 2014.
21. In the first half of 2014, the IASB and FASB reached tentative decisions on a number of important aspects of the project, including the lessee accounting model,

lessor accounting model, lease term, short-term leases, variable lease payments, discount rate, the definition of a lease and separating lease and non-lease components.

22. At joint meetings in June and July 2014, the IASB and FASB have reached tentative decisions on additional topics, including subleases, lessee balance sheet and cash flow statement presentation, sale and leaseback transactions, and lessor disclosures.
23. The boards are agreed on the most important aspects of the project (ie that a lessee should recognise leases on the balance sheet and the definition of a lease), even though they have not agreed on how a lessee should recognise lease expenses and cash flows in the income statement and cash flow statement. The boards have also decided to, in essence, retain existing lessor accounting.
24. In August 2014 the IASB staff published on the IASB website a *Project Update*. That document explains the key tentative decisions reached on the Leases project during the first half of 2014, as well as the IASB's rationale in reaching those decisions and why it has not pursued some of the alternatives that have been suggested.
25. The boards' redeliberations of the proposals in the 2013 Exposure Draft will continue on a joint basis with the aim of minimising differences between IFRS and US GAAP. The leases project will be discussed at the next ASAF meeting in September—that discussion will include feedback from the recent additional consultation on leases conducted by EFRAG and some European National Standard Setters. The boards expect to complete their redeliberations by the end of 2014, with a final Leases Standard expected to be published in 2015. The main topics to be discussed are lessee disclosures, transition requirements and the effective date of the new leases standard.

IFRS for SMEs—Comprehensive Review 2012–2014

26. 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.
27. 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.
28. The Exposure Draft 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.

29. The ED closed for comment on 3 March 2014. The IASB discussed a summary of the feedback received on the ED at its May 2014 meeting. We have also held an education session on the feedback received during the June Council meeting.
30. The SME Implementation Group (SMEIG) has been asked to develop a report of recommendations for the IASB on the proposals in the ED. During the last two months the SMEIG members have been considering the feedback from respondents to the ED. The staff will use individual SMEIG member responses to develop the first draft of a report containing a combined response by the SMEIG. Once the final report of recommendations has been approved by SMEIG members it will be posted on our website and provided to the IASB before the IASB begins its redeliberations of the proposals in the ED. The final report is expected to be completed in October 2014.

The Conceptual Framework

31. 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.
32. 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.
33. The IASB published a Discussion Paper in July 2013 *A Review of the Conceptual Framework for Financial Reporting*. The IASB has considered the responses to that Discussion Paper, and other feedback received, during the development of the Exposure Draft.
34. The IASB continues to consult its advisory bodies on this project—the Advisory Council, ASAF (which acts as the project’s working group), the CMAC, and the GPF have all been consulted both during the comment period and during redeliberations.
35. The IASB’s original intention was not to fundamentally reconsider the Objective and Qualitative Characteristics chapters of the *Conceptual Framework*, which were published in 2010. However, respondents were asked for comments on this approach and many expressed the view that we should reconsider at least some aspects of those chapters (in particular, the treatment of prudence, stewardship and reliability). Those expressing this view most strongly (particularly a coalition of UK investors) have received a significant amount of attention both in the press and in the European Parliament. Meetings were held with a number of investors to get a better understanding of their concerns and the IASB has tentatively decided:

- (a) to reintroduce a reference to prudence (described as ‘caution under conditions of uncertainty’) in the *Conceptual Framework*. The *Conceptual Framework* will emphasise that the exercise of prudence is consistent with neutrality and should not allow the overstatement or understatement of assets, liabilities, income or expenses;
 - (b) to increase the prominence of references to stewardship within the description of the overall objective of financial reporting; and
 - (c) not to reinstate the term ‘reliability’ to describe one of the two fundamental qualitative characteristics of useful financial information¹. The existing *Conceptual Framework* now uses the term ‘faithful representation’ to refer to that concept, and describes it in a manner largely similar to the discussion of ‘reliability’ in the previous version of the *Conceptual Framework*.
36. The IASB hope to finalise redeliberations in October 2014 with the aim of publishing an exposure draft of a revised *Conceptual Framework* in early 2015.
37. At its meeting in September 2014 the IASB is discussing what the *Conceptual Framework* should say about measurement and the distinction between liabilities and equity. The IASB is also discussing whether the *Conceptual Framework* will provide the IASB with sufficient and appropriate tools to enable it to consider:
- (a) the time horizon for investment by a reporting entity; and
 - (b) whether long-term investors in a reporting entity need different information from short-term investors.
38. The topics discussed at the September IASB meeting will also be discussed with the ASAF at its meeting in September 2014. We will also seek the input of the IFRS Advisory Council on long-term investing.

Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging

39. The Discussion Paper was published in April 2014, with a comment period of 180 days, ending on 17 October 2014. The staff are undertaking outreach at present primarily to raise awareness about the DP and to obtain initial feedback from constituents.
40. We have received support from constituents that the IASB has addressed this topic by publishing the DP and considering the subject in a comprehensive manner. It is currently too early to determine if there will be a consensus on the accounting

approach explored in the DP.

Rate-regulated Activities

41. The short-term objective of the Rate-regulated Activities research project is to develop a Discussion Paper to consider whether the general requirements of IFRS should be amended to reflect the financial effects of rate regulation. The IASB has published the Discussion Paper *Reporting the Financial Effects of Rate Regulation* on 17 September 2014. The Discussion Paper considers whether the general requirements of IFRS should be amended to reflect the financial effects of rate regulation.
42. The Discussion Paper describes a type of rate regulation that contains elements of both cost recovery and incentive approaches—this type of rate regulation is termed ‘defined rate regulation’. The Discussion Paper seeks comments on whether or not the distinguishing features of defined rate regulation, as identified by the IASB, sufficiently capture the type(s) of rate regulation that have the most significant financial effects. The Discussion Paper does not include any specific accounting proposals. Instead, it explores what information about rate-regulated activities is most useful to users of financial statements and outlines possible approaches (and the accompanying advantages and disadvantages) that the IASB could consider in deciding how best to report the financial effects of rate regulation.
43. The comment period ends on 15 January 2015.

Disclosure Initiative

44. The [Disclosure Initiative](#) is a portfolio of projects designed to improve the quality of information provided in financial reports. The work is informed by a [Discussion Forum and related survey on Financial Reporting Disclosure](#) that was held in January 2013. A Feedback Statement on these events was published in May 2013.
45. This report provides a general overview of developments within the Disclosure Initiative. There is a separate session at this meeting of the Advisory Council, which will provide a more detailed update and provide Council members with the opportunity to provide feedback and ask questions.
46. The Disclosure Initiative is divided into implementation and research projects that address some of the concerns the IASB has heard and that we highlighted in the Feedback Statement.
47. The implementation projects include:
 - (a) narrow-focused amendments to IAS 1 *Presentation of Financial Statements*; and
 - (b) narrow-focused amendments to IAS 7 *Statement of Cash Flows*.
48. The research projects include:

- (a) Principles of Disclosure—review of IAS 1, IAS 7 and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;
- (b) Materiality; and
- (c) Review of disclosures in existing Standards.

IAS 1—Presentation of Financial Statements

- 49. The IASB published an Exposure Draft of amendments to IAS 1 *Presentation of Financial Statements* on 25 March 2014 with a comment period of 120 days. The proposed amendments are intended to clarify, rather than significantly change, existing requirements.
- 50. The comment period closed on 23 July 2014 and we received 118 comment letters. The analysis of comment letters is being presented to the IASB at its meeting in September 2014. There was strong support for the proposed amendments, including support for the Disclosure Initiative itself. The feedback on the proposals is also being presented to, and discussed with, the ASAF at its meeting in September.
- 51. Our goal is to consider the feedback received and publish a package of amendments by the end of 2014.

IAS 7—Statement of Cash Flows Reconciliation of liabilities relating to financing activities

- 52. The objective of this narrow-scope project is to improve disclosures about an entity's liabilities relating to financing activities. The project responds to requests from investors who have highlighted that understanding cash flows is critical to their analysis of the entity, and that there is a need for improved disclosures about an entity's debt and the changes in that debt during the period to assist them in verifying their understanding of cash flows.
- 53. In the early part of 2014 we undertook a short survey with investors to understand what information, if any, investors required about debt when analysing an entity. The results of the survey were presented to the IASB in March 2014 with a recommendation that the IASB should undertake a narrow-scope improvements project to address some of the concerns noted.
- 54. In July 2014 the IASB discussed whether to include in the ED improvements to the disclosures about cash and cash equivalents. The IASB asked the staff to perform further outreach to identify whether disclosure about cash and cash equivalents could be improved in the short term, or whether to address the topic as part of the Principles of Disclosure research project.
- 55. We anticipate issuing an Exposure Draft in the fourth quarter of 2014.

Principles of Disclosure—review of IAS 1, IAS 7 and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

- 56. The objective of the Principles of Disclosure project is to improve disclosure effectiveness in IFRS by developing a set of principles for presentation and

disclosure in IFRS. The goal is to replace three of our current Standards: IAS 1, IAS 7 and IAS 8. The project may also affect the review of disclosure requirements and guidance of other IFRSs.

57. In April 2014 the IASB discussed the scope of the project. The IASB asked the staff to prioritise work on establishing principles:
- (a) for the notes to the financial statements, including establishing the objective and boundaries of the notes and principles for organising, placing, formatting and linking information; and
 - (b) that apply to the information in a complete set of IFRS financial statements, including the presentation and disclosure of non-IFRS financial information and comparative information.
58. Because many people are asking for immediate improvements to disclosure requirements, the IASB will also consider proposing targeted changes to disclosure requirements if it can identify improvements or simplifications in the project that can be developed relatively quickly and are not dependent on other remaining research in this project.

Materiality

59. The IASB is researching how materiality is applied in practice with the aim of deciding whether it should issue further guidance. Outreach with national and regional standard-setters regarding local guidance and practice has taken place. The staff plan to discuss the findings from the outreach with the IASB and the ASAF in September 2014.
60. This meeting of the Advisory Council includes a session, with break-out discussions, to discuss the initial research in materiality. The IASB is seeking feedback from the Advisory Council, taking advantage of the broad range of backgrounds of its members.
61. In September 2014 the staff will also discuss significant accounting policy disclosures with the IASB as well as ASAF. This work is part of the materiality project because it demonstrates the relationship between the definition of materiality and specifying what makes, in this case, an accounting policy relevant. We think that clarifying what factors make an accounting policy potentially important will help preparers to apply the materiality principle.

Review of disclosures in existing Standards

62. The IASB is undertaking a research project to review disclosure in existing Standards, to identify and assess conflicts, duplication and overlaps.

Performance reporting

63. Over the last year the IASB has heard requests for it to resurrect the *Financial Statement Presentation* project, which was suspended in 2010. At its meeting in July 2014 the IASB considered how it should respond to those requests.

The outcome of the discussion is that the IASB has added a project on performance reporting to its research programme. The staff are currently developing a paper setting out the scope of the project.

64. The performance reporting project is not part of the Disclosure Initiative. The IASB thinks that adding performance reporting to the Disclosure Initiative could delay the IASB from making important improvements to disclosure requirements.

IFRS Taxonomy

65. At the June 2014 meeting, we informed you of the staff proposals to amend the IFRS Taxonomy due process. In summary, these were:

- (a) the IASB should approve the content of the IFRS Taxonomy; and
- (b) the IFRS Taxonomy Updates reflecting content changes for new or amended IFRSs would be given the status of accompanying materials to IFRSs. They would be published at the same time as Exposure Drafts and final Standards.

66. Members of the IASB generally supported the proposal that the IASB should play a role in the approval of the content of the IFRS Taxonomy. However, some members raised concerns about the resources required to support the new process and potential delays it could cause. The IASB and staff concluded that the running of a trial may help us better assess the costs and benefits of the proposals.

67. We will therefore postpone the public consultation on the proposals and conduct two IFRS Taxonomy due process trials during the remainder of 2014 and the first quarter of 2015. These two trials focus on the following two matters:

- (a) Trial 1—new or amended Standards: trial review by the IASB of the [Proposed] IFRS Taxonomy Updates for the planned Exposure Draft relating to the reconciliation of liabilities from financing activities².
- (b) Trial 2—common practice: trial review by the IASB of the [Proposed] IFRS Taxonomy Updates for planned 2014 common practice additions and trial review by the IASB of a new common practice project.

68. Work on both trials has commenced. The staff expect that both trials will be completed at the end of the first quarter of 2015.

Research Projects

69. The balance of our work programme is changing, with greater emphasis being placed on projects in the research programme. At the June meeting of the Advisory Council we received helpful input from members on setting priorities for the projects in the programme. In July 2014 the IASB considered a recommendation

² This Exposure Draft is still subject to approval by the IASB. It is targeted for publication in Q4 2014.

to separate the projects into high- and medium-priority projects and ‘longer-term’ projects. The IASB supported the recommendation and has eight high-priority projects, three-medium priority projects and four longer-term projects. Although this might seem like a large pool of projects, we envisage that some of these projects will be completed quickly and will not lead to standard-setting activity. They also vary in size and complexity, which means that they will reach major milestones (a Research Paper or Discussion Paper) at different times.

High-priority projects

70. We have been working on a project on Business Combinations under Common Control during 2014. There is particular interest from IOSCO and the Emerging Economies Group in this project. We have undertaken outreach with regulators, preparers, investors and auditors on the best way to approach this project. We expect to develop a Discussion Paper in the first half of 2015.
71. The Disclosure Initiative is part of the research programme, and is currently being given the highest priority. (There are separate updates on this initiative in this report and at a separate session at this meeting.)
72. The IASB has discussed the preliminary work on Discount Rates. The staff are continuing to work on this project, and have been using the analysis presented previously to the IASB as a basis for discussion with other parties. The Equity Method of Accounting project is in a similar position. The staff plan to take the next papers to the IASB for public discussion before the end of 2014.
73. Work on Financial Instruments with Characteristics of Equity is linked to the *Conceptual Framework* project. Our goal is to develop a Discussion Paper on this important project. This project is being discussed by ASAF in September.
74. Some issues related to Foreign currency translation and Inflation have been raised with the IASB by national standard-setters. Staff have recently been allocated to both threads. We plan to bring a paper to the October 2014 IASB meeting on foreign currency—relating to a request made to the IASB by the Korea Accounting Standards Board. Hyperinflation is being discussed at ASAF in September, at the request of the Brazilian standard-setter. We plan to bring a paper to the IASB before the end of 2014 recommending how the IASB should respond to requests that we should amend the scope of IAS 29 *Financial Reporting in Hyperinflationary Economies*.
75. A Discussion Paper on Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging was published in April 2014 a Discussion Paper on Rate regulated Activities was published on 17 September. These are discussed elsewhere in this report.

Medium-priority projects

76. A project on Liabilities—amendments to IAS 37 was suspended in 2010. Some preliminary work has begun to assess the implications of the IASB decisions in the *Conceptual Framework*. We expect to bring papers to the IASB before the end of

2014. Concurrently, we have been collecting more detailed data about how IAS 37 is being applied as well as data about practice problems that have been relayed to the IFRS Interpretations Committee.

77. A project on Performance Reporting was added to the research programme at the July 2014 meeting. Some preliminary work has been undertaken to develop a scope paper for this project and to assess ways to educate the IASB and interested parties on the work previously undertaken in the Financial Statement Presentation project.
78. The Emissions Trading Schemes project was also suspended in 2010. We have allocated staff to this project, and started to work with EFRAG and IPSASB on background material. The IASB did a lot of work to document and analyse schemes. That work is being updated. We have also started to think about emissions trading schemes (ETS) in the light of the rate regulation discussions. ETS is on the agenda at the World Standard-Setters meeting in London. We expect to start public Discussion Papers for the IASB by the end of 2014.

Longer-term projects

79. We have started to plan the scope for a project on Income Taxes. The project will be staffed by our Asia-Oceania office, working closely with the London staff. As part of our consultations with investors, it is scheduled to be discussed by the Capital Markets Advisory Committee in February 2015.
80. Work on a project to review the accounting for Post-employment Benefits (including pensions) has been progressing well. The IASB has started to consider papers setting out the main issues to be considered, and we have begun seeking input from our consultative groups.
81. Two projects have yet to commence work, pending availability of staff. Work on developing plans for Extractive Activities/Intangible Assets/R&D Activities and Share-based Payments will start once staff become available.

Evidence-informed Standard-setting

82. Part of our efforts has been focused on building our research capability and our interactions with the broader research community. Among the steps we have taken this year are:
 - (a) we hired a research resource manager to look after our resources and help staff to access information;
 - (b) we established an internal Research Portal, which gives us access to academic and professional research, business articles, financial statement data and some economic data;
 - (c) we established a new Research Centre ([IFRS Research Centre](#)) aimed at academics and other research professionals; and

- (d) we published our first Research Roundup. We are aiming to publish a new issue every six months; and
 - (e) we started to receive applications from academics for research fellowships.
83. These steps are aimed at increasing our ability to consume, rather than create, research. We are helping staff and IASB members to become more aware of how independent research can inform and support their decisions, as well as the pitfalls.
84. We are engaging positively with the broader research community. The IAAER and the European Accounting Association, both of which have representatives on the Advisory Council, have been helpful and supportive in this process.
85. We have established a research forum as a catalyst for generating research that might prove helpful to the IASB. By the time we meet we will also have held our first Research Forum at Saïd Business School at Oxford University in conjunction with *Accounting and Business Research*. The focus of the papers is our work on the Conceptual Framework.

Post-implementation review (PIR)

86. 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.
87. The Request for Information (RFI) was published in January 2014 and closed for comment on 30 May 2014. We have received 93 comment letters. In September 2014, we will discuss the feedback received in response to the RFI with ASAF and the IASB.

Education Initiative

88. Since the June meeting of the IFRS Advisory Council the Education Initiative has:
- (a) facilitated IFRS teaching workshops in Auckland (at the Accounting & Finance Association of Australia and New Zealand conference), Jakarta (2-day), Johannesburg (half-day), London Business School (half-day) and Madrid (half-day, in the Spanish language).
 - (b) organised in Johannesburg (jointly with the South African Institute of Chartered Accountants) and London:
 - (i) 1½-day IFRS conferences (about 550 and 500 participants respectively);

- (ii) half-day sessions on implementing each of IFRS 9 and IFRS 15;
 - (iii) half-day investor-focused IFRS update (London only); and
 - (iv) half-day education session on cross-cutting measurement issues.
- (c) co-branded major IFRS conferences in Berlin (organised by EY) and Tokyo (organised by KPMG);
- (d) facilitated two-day IFRS for SMEs ‘train the trainer’ workshops in Armenia (organised by the World Bank) and Malaysia (organised by the Malaysian Accounting Standards Board and the Malaysian Institute of Accountants);
- (e) developed the 2014 edition of the ‘commercial’ text *A Guide through IFRS* (sometimes called the ‘Green Book’);
- (f) published in collaboration with the CFA Institute investor-focused multimedia presentations on a range of new IFRSs (see <http://www.ifrs.org/Investor-resources/IASB-Investor-Education/Webcasts/Pages/Webcasts-with-the-CFA-Institute.aspx>);
- (g) launched a periodic Investor newsletter aimed at helping investors understand both proposed changes to IFRS and recently implemented changes (<http://www.ifrs.org/Updates/Investor-Updates/Pages/Home.aspx>); and
- (h) developed in collaboration with Imperial College Business School a multimedia presentation on making IFRS judgements for use in MBA programmes.
89. The staff would like to thank Council members Gavin Francis, Patrick Parent and René van Wyk, for kindly presenting at these events in Johannesburg and London. Your support is valued.
90. Before the February 2015 meeting of the IFRS Advisory Council the Education Initiative will arrange, among other events:
- (a) major IFRS conferences and special interest sessions on implementing new IFRSs in Mexico City (on 6 and 7 October) and London (on 8 December, jointly with the Institute of Chartered Accountants in England and Wales, financial institutions-focused);

- (b) workshops for IFRS teachers in collaboration with the World Bank and the domestic accountancy professions in Wrocław and Mexico City; and
- (c) a three-day West African *IFRS for SMEs* ‘train the trainer’ workshops in Lagos in collaboration with the Nigerian FRC. We also expect to publish, amongst other documents, Framework-based teaching material on liabilities and instruments with characteristics of equity and liabilities; and the latest editions of our ‘commercial’ publications *A Briefing for Chief Executives, Audit Committees & Boards of Directors* and *Financial Instruments: Accounting and Reporting*.

Fair value measurement—education material

91. Educational material to support IFRS 13 *Fair Value Measurement* is being developed with the assistance of a valuation expert group. The material is being prepared in various chapters. A chapter dealing with the fair value measurement of unquoted equity instruments within the scope of IFRS 9 *Financial Instruments* was published in December 2012 and a chapter dealing with the concept of ‘highest and best use’ in fair value measurement is currently being developed.

Implementation Projects

92. A summary of the implementations projects is set out below. The Interpretations Committee has considered 37 issues so far this year, most of which it has dealt with through agenda decisions (rejection notices).

Implementation projects

Project	Objective	Status	Next steps
Annual Improvements 2012–2014	The IASB has adopted the Annual Improvements process to deal efficiently with a collection of narrow-scope amendments to IFRSs even though the amendments are unrelated.	We are currently balloting the final IFRS.	The amendments are expected to be issued in the third quarter of 2014.
Annual Improvements 2014-2016		The IASB has started to discuss issues for inclusion in the next cycle of Annual Improvements. So far only one amendment has been identified for the next ED.	Publication of ED in Q2 2015.
Clarification of Classifications of Share-based Payment Transactions <i>IFRS 2 Share-based Payments.</i>	The IASB will propose three amendments to IFRS 2: (a) Measurement of cash-settled share-based payment transactions that include a performance condition. (b) Modification of a share-based payment from cash-settled to equity settled. (c) Share-based payments settled net of tax withholdings.	We are currently balloting the ED.	Publication of ED in Q4 2014.
Classification of liabilities <i>IAS 1 Presentation of Financial Statements</i>	The objective of this project is to clarify when rights to defer settlement affect the classification of liabilities.	IASB to consider whether it has completed all necessary due process steps to date at its meeting in September 2014.	Publication of ED in Q4 2014.

Project	Objective	Status	Next steps
<p>Elimination of gains or losses arising from transactions between an entity and its associate or joint venture.</p> <p><i>IAS 28 Investments in Associates and Joint Ventures</i></p>	<p>The objective of this project is to clarify</p> <p>(a) 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; and</p> <p>(b) how an entity accounts for a contribution of an asset to its associate or joint venture when the entity receives assets in addition to receiving an equity interest.</p>	<p>We are currently balloting the ED.</p>	<p>Publication of ED in Q4 2014.</p>
<p>Fair Value Measurement: Unit of Account</p> <p><i>IFRS 13 Fair Value Measurement</i></p> <p><i>(Open for comment until 16 January 2015)</i></p>	<p>To clarify the unit of account of equity investments in subsidiaries, associates and joint ventures and their corresponding fair value measurement.</p>	<p>The ED was published on 16 September 2014.</p>	<p>Redeliberations of proposals in 2015.</p>
<p>Investment Entities: Applying the Consolidation Exemption</p> <p><i>IFRS 10 Consolidated</i></p>	<p>To clarify three issues with respect to investment entities (IE):</p> <ul style="list-style-type: none"> • How a non-IE investor accounts for an IE associate or joint venture. • Whether a subsidiary that provides 	<p>Comment letter analysis.</p>	<p>Redeliberations of proposals.</p>

Project	Objective	Status	Next steps
<p><i>Financial Statements</i> IAS 28 <i>Investments in Associates and Joint Ventures.</i></p> <p><i>(Comment period closed 15 September 2014)</i></p>	<p>investment activities to its parent should be consolidated or measured at fair value.</p> <ul style="list-style-type: none"> • Whether an IE should be exempt from preparing consolidated financial assets. 		
<p>Recognition of Deferred Tax Assets for Unrealised Losses</p> <p>IAS 12 <i>Income Taxes</i></p> <p><i>(Open for comment until 18 December 2014)</i></p>	<p>To clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.</p>	<p>The ED was published in August 2014.</p>	<p>Redeliberations of proposals commencing Q1 2015.</p>

Project	Objective	Status	Next steps
<p>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</p> <p><i>IFRS 10 Consolidated Financial Statements & IAS 28 Investments in Associates and Joint Ventures (2011)</i></p>	<p>To address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture.</p>	<p>The amendment was issued on 15 September 2014.</p>	<p>Completed project.</p>

Work plan – as at 30 July 2014

Major Projects

Next major project milestone

	2014 Q3	2014 Q4	2015 Q1	2015 Q2
Upcoming Standards				
Insurance Contracts	Redeliberations			
Leases	Redeliberations			
IFRS for SMEs: Comprehensive Review 2012-2014		Redeliberations		
Upcoming Exposure Drafts				
Conceptual Framework			Target ED	
Issued Discussion Papers				
Accounting for Dynamic Risk Management: A Portfolio Revaluation Approach to Macro Hedging [Comment period ends 17 October 2014]	Public consultation			
Upcoming Discussion Papers				
Rate-regulated Activities	Target DP			
Disclosure Initiative				
Principles of disclosure	Board discussion			

Narrow-scope amendments	2014 Q3	2014 Q4	2015 Q1	2015 Q2
Annual Improvements 2012-2014	Target IFRS			
Annual Improvements 2014-2016				Target ED
Clarifications of Classification and Measurement of Share-based Payment Transactions (Proposed amendment to IFRS 2)		Target ED		
Classification of liabilities (Proposed amendment to IAS 1)		Target ED		
Disclosure initiative				
Amendments to IAS 1 (Disclosure Initiative) [Comment period ended 23 July 2014]	Redeliberations			
Reconciliation of liabilities from financing Activities		Target ED		
Elimination of gains or losses arising from transactions between an entity and its associate or joint venture (Proposed amendments to IAS 28)		Target ED		
Equity Method in Separate Financial Statements (Proposed amendments to IAS 27)	Target IFRS			
Fair Value Measurement: Unit of Account	Target ED			
Investment Entities: Applying the Consolidation Exception (Proposed amendments to IFRS 10 and IAS 28) [Comment period ends 15 September 2014]		Redeliberations		
Recognition of Deferred Tax Assets for Unrealised Losses (Proposed amendments to IAS 12)	Target ED			
Sale or Contribution of Assets between an investor and its Associate or Joint Venture (Proposed amendments to IFRS 10 and IAS 28)	Target IFRS			

Post-implementation Reviews

Next major project milestone

	2014 Q3	2014 Q4	2015 Q1	2015 Q2
IFRS 3 <i>Business Combinations</i>	Deliberations			

Conceptual Framework

	2014 Q3	2014 Q4	2015 Q1	2015 Q2
Conceptual Framework			Target ED	

	2014 Q3	2014 Q4	2015 Q1	2015 Q2
Short and medium term projects				
Business combinations under common control	Board discussion			
Disclosure initiative				
General disclosure review	To be determined			
Materiality	Board discussion			
Principles of disclosure	Board discussion			
Discount rates		Board discussion		
Emissions trading scheme	To be determined			
Equity method of accounting	Board discussion			
Financial instruments with characteristics of equity	Pending developments in the <i>Conceptual Framework</i> project			
Foreign currency translation / inflation		Board discussion		
Liabilities – amendments to IAS 37	Pending developments in the <i>Conceptual Framework</i> project			
Longer term projects				
Extractive activities / Intangible assets / R&D activities				
Income taxes				
Post-employment benefits (including pensions)				
Share-based payments				

The IASB is developing its research capabilities – for further information see the Tommaso Padoa-Schioppa Memorial Lecture and IASB Research Forum page

Completed IFRSs

Major projects	Issued date	Effective date	Year that PIR is expected to start*
IFRS 9 <i>Financial Instruments</i>	July 2014	1 January 2018	TBC
IFRS 14 <i>Regulatory Deferral Accounts</i>	January 2014	1 January 2016	TBC
IFRS 15 <i>Revenue from Contracts with Customers</i>	May 2014	1 January 2017	TBC

*A post-implementation review normally begins after the new requirements have been applied internationally for two years, which is generally about 30-36 months after the effective date.

Narrow-scope amendments	Issued date	Effective date	
IAS 32 <i>Financial Instruments: Presentation—Offsetting Financial Assets and Financial Liabilities</i>	December 2011	1 January 2014	
<i>Investment Entities</i> (Amendments to IFRS 10, IFRS 12 and IAS 27)	October 2012	1 January 2014	
<i>Recoverable Amount Disclosures for Non-Financial Assets</i>	May 2013	1 January 2014	
<i>Accounting for Acquisitions of Interests in Joint Operation</i> Amendments to IFRS 11)	May 2014	1 January 2016	
<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> (Amendments to IAS 16 and IAS 38)	May 2014	1 January 2016	
<i>Novation of Derivatives and Continuation of Hedge Accounting</i> (Amendments to IAS 39)	June 2013	1 January 2014	
<i>Defined Benefit Plans: Employee Contributions</i> (Amendments to IAS 19)	November 2013	1 July 2014	
<i>Annual Improvements 2010-2012</i> <ul style="list-style-type: none"> • IFRS 2 <i>Share-based Payment</i> <ul style="list-style-type: none"> ○ Definition of vesting condition • IFRS 3 <i>Business Combination</i> <ul style="list-style-type: none"> ○ Accounting for contingent consideration in a business combination • IFRS 8 <i>Operating Segments</i> <ul style="list-style-type: none"> ○ Aggregation of operating segments ○ Reconciliation of the total of the reportable segments' assets to the entity's assets • IFRS 13 <i>Fair Value Measurement</i> <ul style="list-style-type: none"> ○ Short-term receivables and payables • IAS 16 <i>Property, Plant and Equipment</i> <ul style="list-style-type: none"> ○ Revaluation method—proportionate restatement of accumulated depreciation • IAS 24 <i>Related Party Disclosures</i> <ul style="list-style-type: none"> ○ Key management personnel • IAS 38 <i>Intangible Assets</i> <ul style="list-style-type: none"> ○ Revaluation method—proportionate restatement of accumulated amortisation 	December 2013	1 July 2014	
<i>Annual Improvements 2011-2013</i> <ul style="list-style-type: none"> • IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i> <ul style="list-style-type: none"> ○ Meaning of 'effective IFRSs' • IFRS 3 <i>Business Combinations</i> <ul style="list-style-type: none"> ○ Scope exceptions for joint ventures • IFRS 13 <i>Fair Value Measurement</i> <ul style="list-style-type: none"> ○ Scope of paragraph 52 (portfolio exception) • IAS 40 <i>Investment Property</i> <ul style="list-style-type: none"> ○ Clarifying the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property 	December 2013	1 July 2014	
<i>Agriculture: Bearer Plant</i> (Amendments to IAS 16 and IAS 41)	June 2014	1 January 2016	

Interpretations	Issued date	Effective date	
IFRIC 21 <i>Levies</i>	May 2013	1 January 2014	

Agenda Consultation

	2014	2015	2016
The IASB is committed to carrying out regular public agenda consultations to seek formal input on the strategic direction and overall balance of our work programme. The feedback from our first formal consultation was published in December 2012.			
Next major project milestone			
Three-yearly public consultation		Initiate second triennial public consultation	