

## STAFF PAPER

July 2015

## Accounting Standards Advisory Forum

<b>Project</b>	<b>Accounting Standards Advisory Forum</b>		
<b>Paper topic</b>	<b>IASB Project Update &amp; Agenda Planning</b>		
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This paper has been prepared by the staff of the IFRS Foundation for discussion at a public meeting of the Accounting Standards Advisory Forum and does not represent the views of the IASB or any individual member of the IASB. Comments on the application of IFRSs do not purport to set out acceptable or unacceptable application of IFRSs. Technical decisions are made in public and reported in IASB *Update*.

## Introduction

1. The aim of this paper is:
  - (a) to provide the Accounting Standards Advisory Forum (ASAF) with a short update on the IASB's current agenda projects;
  - (b) to discuss the agenda topics for the ASAF meetings in October and December 2015; and
  - (c) to provide ASAF members with feedback on how the staff or the IASB have considered the advice that was given at the previous ASAF meeting.
2. The views of ASAF members are sought on the proposed agenda topics.

## Project update and agenda planning

3. The status of current IASB projects, as at 27 May 2015, is summarised in Appendix A of this paper. Further details of the projects are available on the IASB website.

**Question 1 for ASAF members**

Do ASAF members have any comments on the project update or the proposals for the time at which it is envisaged that the IASB will seek the advice of the ASAF?

4. In Appendix B of this paper we include suggested agenda topics for the October and December 2015 meetings.

**Question 2 for ASAF members**

Do ASAF members have any comments on the proposed agenda topics?

**Follow up on issues discussed in the March 2015 ASAF meeting**

5. Appendix C of this paper sets out an update to the topics discussed at the March 2015 ASAF meeting. The table summarises the topics presented, the advice or views that were provided to the staff during the ASAF meeting and the actions that have been taken, or that will be taken, by the IASB or the staff in response to such advice.

## Appendix A—Project update

PROJECT	PROJECT STATUS	PAST ASAF INPUT	FUTURE ASAF INPUT
<b>Upcoming Standards</b>			
Insurance Contracts	<p><i>The project objective is to provide a single principle-based Standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The project also aims to enhance comparability of financial reporting between entities, jurisdictions and capital markets. That comparability is largely lacking today because of various accounting practices that have developed in piecemeal fashion over many years.</i></p> <p>The IASB will continue its redeliberations of the proposals set out in the 2013 Exposure Draft (ED), taking into consideration the feedback received and the outreach activities undertaken.</p>	<p><b>March 2015</b></p> <p>The ASAF discussed the transition relief provisions on initial application of the Insurance Contracts Standard after implementation of IFRS 9 <i>Financial Instruments</i> and a paper provided by the Accounting Standards Board of Japan (ASBJ) on the <i>Use of OCI for Presentation of Unearned Profits</i>.</p> <p>The IASB has sought advice from ASAF on all major aspects of the project during its redeliberations of the 2013 ED.</p>	<p><b>July 2015</b></p> <p>The IASB will provide an update on the project.</p> <p>The AASB is providing two papers for discussion:</p> <ul style="list-style-type: none"> <li>• <i>Disclosure of discount rate impacts and accretion of the Contractual Service Margin (CSM) – non participating contracts.</i></li> <li>• <i>Contractual Service Margin – non-participating insurance contracts.</i></li> </ul> <p>Following the July 2015 meeting it is not anticipated the IASB will seek further advice from the ASAF.</p>
Leases	<p><i>The project objective is to develop a new Leases Standard that establishes the principles that entities would apply to report useful information to investors and analysts about the amount, timing and uncertainty of cash flows arising from a leases. To meet that objective, a lessee should recognise assets and liabilities arising from a lease.</i></p>	<p><b>March 2015</b></p> <p>The ASAF received an update on the IASB’s tentative decisions since the ASAF meeting in December 2014.</p>	<p>The ED is at the pre-ballot stage and no further advice will be sought at ASAF meetings.</p>

## Appendix A—Project update

PROJECT	PROJECT STATUS	PAST ASAF INPUT	FUTURE ASAF INPUT
<b>Exposure drafts</b>			
<p>Conceptual Framework</p> <p><i>The ASAF acts as the advisory body for this project.</i></p>	<p><i>The objective of the Conceptual Framework project is to improve financial reporting by providing a more complete, clear and updated set of concepts. To achieve this the IASB is building on the existing Conceptual Framework—updating it and filling in the gaps instead of fundamentally reconsidering all aspects of the Framework.</i></p> <p>The ED is open for comment until 26 October 2015.</p>	<p>The advice of the ASAF has been sought on following areas of the <i>Conceptual Framework</i>:</p> <ul style="list-style-type: none"> <li>• Measurement</li> <li>• Role of the Business Model</li> <li>• Implications for long-term investment</li> <li>• Executory contracts</li> <li>• Distinction between equity &amp; liabilities</li> <li>• Presentation in Other Comprehensive Income</li> <li>• Stewardship</li> <li>• Reliability</li> <li>• Liabilities</li> </ul>	<p><b>July 2015</b></p> <p>The IASB is seeking views on the recognition and derecognition proposals set out in the ED.</p> <p>EFRAG is providing a paper for discussion on the distinction between Profit and Loss and Other Comprehensive Income.</p> <p><b>October &amp; December 2015</b></p> <p>The topics for discussions at the October and December 2015 meetings will depend on the feedback on the ED.</p>

## Appendix A—Project update

PROJECT	PROJECT STATUS	PAST ASAF INPUT	FUTURE ASAF INPUT
<b>Published Discussion Papers</b>			
Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging	<p><i>The project aims to simplify and improve the usefulness of financial statements by developing accounting requirements for hedging within the context of open portfolios that are more closely aligned with a company's risk management activities.</i></p> <p>In May 2015 the IASB tentatively decided:</p> <ul style="list-style-type: none"> <li>that it should first consider how the information needs of constituents concerning dynamic risk management activities could be addressed through disclosures before considering those areas that need to be addressed through recognition and measurement; and</li> <li>to prioritise the consideration of interest rate risk and consider other risks at a later stage in the project.</li> </ul>	<p>ASAF advice was sought in developing the DP.</p> <p><b>March 2015</b> ASAF members considered the findings from outreach activities to the DP.</p>	<p><b>July 2015</b> In the agenda paper prepared for the July 2015 ASAF meeting, the IASB is seeking views from the ASAF on:</p> <ul style="list-style-type: none"> <li>Additional information needs relating to an entity's dynamic interest rate risk management activities not identified through outreach; and</li> <li>Possible additional sources of information the staff could use to identify information needs.</li> </ul> <p><b>December 2015</b> The topics for discussions at the December 2015 meetings will depend on how the IASB progresses the project.</p>
Rate-regulated Activities	<p><i>The objective of this project is to identify how rate regulation affects the amounts, timing and certainty of cash flows and how best to report those effects.</i></p> <p><i>A DP was published in September 2014 to identify what information about the financial effects of rate regulations is most relevant to users of financial statements in making investment and lending</i></p>	<p>In developing the DP advice was sought from ASAF on features of rate regulation; specifically the features that distinguish rate regulation.</p>	<p><b>July 2015</b> The IASB is seeking views on its tentative decisions on how to proceed with the project.</p> <p><b>October &amp; December 2015</b> The topics for discussions at the October and December 2015 meetings</p>

## Appendix A—Project update

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	<p><i>decisions and to determine how best to reflect that information in financial statements.</i></p> <p>Responses to the DP suggest that an accounting approach that focuses on the timing of recognition of the consideration receivable in exchange for the various activities that are subject to the rate regulation may provide a viable way forward.</p>		will depend on how the IASB progresses the project.
<b>Disclosure Initiative (research and implementation)</b>			
Principles of Disclosure (POD)	This project is the cornerstone of the Disclosure Initiative. Its objective is to improve disclosures in financial statements by identifying and developing a set of principles for disclosure in IFRS. The project's aim is to set the basis for replacing the disclosure requirements in IAS 1 and IAS 8.	The advice of the ASAF has been sought on all significant topics to be discussed in the future DP.	<p><b>July 2015</b> At the ASAF meeting the staff will provide an overview of the content to be included in the DP.</p> <p><b>October &amp; December 2015</b> It is not anticipated that the IASB will seek ASAF's advice, because the DP will be in the balloting process.</p>
Review of disclosures in current standards	This project responds to concerns that the way in which disclosure requirements in Standards are written contributes to the 'disclosure problem'.	We have not discussed this project with the ASAF.	The timing of the discussion will depend on how the IASB progresses the project.

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Materiality	This project is reviewing how materiality is applied in practice in preparing IFRS financial statements and staff are preparing a Practice Statement to provide practical guidance on the application of materiality.	The advice of the ASAF has been sought on the content and a draft of the Practice Statement.	<b>December 2015</b> We will provide the ASAF with an updated on the project and seek views on the ED.
Amendments to IAS 7 <i>Statement of Cash Flows</i>	The IASB has published an ED of amendments to IAS 7 with the objective of improving disclosures about an entity's financing activities and cash and cash equivalents.  The ED closed for comment on 17 April 2015.	We do not envisage seeking advice from the ASAF on this project.	None
Amendments to IAS 8 <i>Changes in Accounting Policies and Estimates</i>	The IASB has tentatively decided to publish an ED that clarifies the existing distinction between a change in an accounting policy and a change in an accounting estimate.	The advice of the ASAF was sought on this project when it was part of the POD. We do not envisage seeking further advice from the ASAF on this project.	None
<b>Research</b>			
<b>Development phase</b>			
Financial Instruments with Characteristics of Equity	This project will investigate potential improvements: (a) to the classification of liabilities and equity in IAS 32 <i>Financial Instruments: Presentation</i> , including investigating potential amendments to the definitions of liabilities and equity in the	We have sought the advice of the ASAF on the scope of this project.  <b>March 2015</b> The ASAF discussed examples of financial instruments with characteristics of equity.	<b>October 2015</b> Depending on the project's progress, the ASAF's advice will be sought on specific topics.

## Appendix A—Project update

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	<p><i>Conceptual Framework</i>; and</p> <p>(b) to the presentation and disclosure requirements for financial instruments that have characteristics of equity, irrespective of whether they are classified as liabilities or equity.</p>	<p>The ASAF also discussed the feedback on EFRAG’s <i>DP Classification of Claims</i></p>	
<b>Assessment phase</b>			
<p>Business Combinations under Common Control (BCUCC)</p>	<p><i>The essence of this project is to identify whether and when the acquiring entity should use the previous carrying amounts of a transferred business (carry-over accounting) and whether and when it should apply business combination accounting.</i></p> <p><i>The IASB has decided to give priority to considering BCUCC when the transactions involve third parties—such as a business combination in anticipation of an initial public offering; or cases in which the acquiring entity has non-controlling interests.</i></p>	<p><b>March 2015</b> We have sought the views of the ASAF on the staff preliminary view.</p> <p>ASAF has also discussed a paper by the Canadian Accounting Standards Board, which sets out the historical and current accounting practices in Canada for BCUCC, with specific reference to the Canadian related party accounting Standard.</p>	<p><b>Decemberr 2015</b> As the project progresses, the ASAF’s advice will be sought on specific topics to be included in the DP.</p>
<p>Discount Rates</p>	<p><i>This research project is reviewing discount rate requirements in IFRS, explaining why those differences exist and assessing whether there any inconsistencies that the IASB should address.</i></p>	<p>The ASAF has previously discussed the approach to this project.</p>	<p><b>July 2015</b> At this meeting we will discuss the findings of the research work with the ASAF.</p> <p>Further advice from the ASAF will depend on how the IASB proposes to</p>



## Appendix A—Project update

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			develop the project.
Equity Method of Accounting	<i>The objective aims to review the circumstances in which the equity method is applied in current IFRS, with the objective of identifying the financial reporting problems arising from the application of the equity method.</i>	The advice of the ASAF has been sought on the scope of the project.  ASAF has also discussed the Korea Accounting Standards Board research paper – <i>The Equity Method</i> and the short-paper by the EFRAG – <i>A One-line Consolidation or a Measurement Basis?</i>	<b>October 2015</b> Depending on the project’s progress, the ASAF’s advice will be sought on specific topics.
Performance Reporting	The IASB plans to initiate discussions on the objective and scope of the research project on performance reporting, which the IASB added to its Research Programme in July 2014.	None	<b>October 2015</b> Depending on the project’s progress, the ASAF’s advice will be sought on scope of this project.
Pollutant Pricing Mechanisms (formerly Emissions Trading Schemes)	<i>The objective of the project is to develop an analysis of the common economic characteristics of a variety of schemes to identify their financial effects before making an initial assessment of the potential financial reporting issues.</i>	The ASAF has not previously discussed this project.	<b>July 2015</b> The IASB is seeking views on specific fact patterns relating to Pollutant Pricing Mechanisms.  <b>October 2015</b> Depending on the project’s progress, the ASAF’s advice will be sought on specific topics.
<i>Provisions, Contingent Liabilities and</i>	<i>The objective of this research project is to decide: (a) whether to add to the IASB’s standard-setting programme a project to amend aspects of</i>	The ASAF has not previously discussed this project.	<b>July 2015</b> At this meeting the IASB is seeking advice on the objectives of the

## Appendix A—Project update

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<i>Contingent Assets</i>	<p><i>IAS 37; and</i></p> <p><i>(b) if so, which aspects of IAS 37 should be within the scope of the project and what possible solutions the IASB should consider.</i></p> <p><i>IASB staff have started to document initial evidence of perceived problems and possible solutions, taking into consideration previous IASB proposals and stakeholder feedback; and the implications of proposed amendments to the Conceptual Framework.</i></p>		<p>project, problems with IAS 37 and implications for the Conceptual Framework.</p> <p>Further advice will depend on progress in the coming months.</p>
Post-employment Benefits	<p><i>The IASB is undertaking a broad-based review of pension plans that range from pure defined contribution to pure defined benefit. There is a growing range of hybrid plan designs that incorporate features of both defined contribution and defined benefit plans. Such plans were not envisaged when IAS 19 Employee Benefits was developed and are becoming problematic for IAS 19.</i></p>	<p>The advice of the ASAF has been sought on the scope of this project at its meeting in December 2014.</p>	<p><b>October 2015</b></p> <p>We plan to seek the advice of the ASAF on specific topics.</p>

## Appendix A—Project update

PROJECT	PROJECT STATUS	PAST ASAF INPUT	FUTURE ASAF INPUT
<b>Completed Work</b>			
Foreign Currency Translation	<p>To consider the requests made by the Korea Accounting Standards Board (KASB) to review IAS 21 <i>The Effects of Changes in Foreign Exchange Rates</i> and assess whether the IASB should replace IAS 21 or undertake some narrower-scope improvements to IAS 21—including the accounting for long-term payables and receivables, when a currency is thinly traded and volatile.</p> <p>The IASB considered these issues in a public meeting in October 2014 and decided not to develop a project for the short-term issue and to lower the priority on the broader project.</p>	The ASAF’s advice was sought in December 2014.	We do not envisage seeking further advice from the ASAF on this project.
Inflation	<p><i>To consider the requests made for the IASB to examine the consequences of high (as opposed to hyper-) inflation on financial reporting.</i></p> <p><i>The IASB has decided not to proceed with this project.</i></p>	<i>The ASAF received a presentation from the Brazilian standard-setter at its meeting in December 2014.</i>	We do not envisage seeking further advice from the ASAF on this project.

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<p><b>Post-implementation Review</b></p> <p>The purpose of a Post-implementation Review (PIR) is to consider whether the new Standard is functioning as anticipated, whether it has achieved its objective and whether it has improved financial reporting.</p>			
<p>PIR of IFRS 3 <i>Business Combinations</i></p>	<p>The review includes both IFRS 3 (2004) and IFRS 3 (2008) as well as all the amendments made to other Standards (for example, IAS 36 <i>Impairment of Assets</i>, IAS 38 <i>Intangible Assets</i> etc) as a result of the Business Combinations project.</p> <p>In February 2015, the IASB decided to continue to work on four topics in its research programme—goodwill impairment, goodwill amortisation, separately identifiable intangible assets and definition of a business.</p> <p>The IASB has published a Feedback Statement on its findings from the PIR in June 2015.</p>	<p>This project is now complete. The ASAF’s advice was sought during the project.</p>	<p>We do not envisage seeking further advice from the ASAF on this project.</p>

## Appendix A—Project update

<b>Implementation Projects</b>			
<i>(The IASB does not normally seek the advice of ASAF on these projects because they are separately advised by the IFRS Interpretations Committee)</i>			
<b>Project</b>	<b>Objective</b>	<b>Status</b>	<b>IASB Next steps</b>
<b>Annual Improvements to IFRS 2014–2016 Cycle</b>	The IASB has adopted the Annual Improvements process to deal efficiently with a collection of narrow-scope amendments to IFRS, even though the amendments are unrelated.	The IASB confirmed at its meeting in May 2015 that it had completed all the necessary due process steps.	Publication of ED in Quarter 3 of 2015.
<b>Clarification of Classifications of Share-based Payment Transactions</b> (Proposed amendments to IFRS 2)  <i>(Closed for comment 25 March 2015)</i>	The IASB proposes 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; and (c) share-based payments settled net of tax withholdings.	IASB redeliberations ongoing.	Redeliberations of proposals in Quarter 3 of 2015.
<b>Clarifications to IFRS 15 Revenue from Contracts with Customers</b>	This ED will include propose clarifications to IFRS 15 that result from the Boards’ consideration of issues discussed by the Transition Resource Group (TRG) for Revenue Recognition.	IASB deliberations to be completed in June 2015.	Publication of ED planned for July 2015.

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<b>Project</b>	<b>Objective</b>	<b>Status</b>	<b>IASB Next steps</b>
<b>Effective Date of IFRS 15</b> <i>(Open for comment until 3 July 2015)</i>		ED published 19 May 2015. The ED has a shortened comment period of 45 days.	Redeliberations of proposals in Quarter 3 of 2015.
<b>Classification of Liabilities</b> (Proposed amendments to IAS 1) <i>(Open for comment until 10 June 2015)</i>	The objective of this project is to clarify when rights to defer settlement affect the classification of liabilities.	ED published 10 February 2015.	Redeliberations of proposals in Quarter 3 of 2015.
<b>Elimination of gains or losses arising from transactions between an entity and its associate or joint venture</b> (Proposed amendments to IAS 28)	The objective of this project is to clarify: <ul style="list-style-type: none"> <li>(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;</li> <li>(b) how an entity accounts for a contribution to its associate or joint venture when the entity receives assets in addition to receiving an equity interest; and</li> </ul>	The staff will propose that this project is transferred to the Equity Method of Accounting project.	The IASB to determine.

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<b>Project</b>	<b>Objective</b>	<b>Status</b>	<b>IASB Next steps</b>
	(c) the partial elimination of a gain arising from a transaction with an associate or a joint venture that results in the loss of control of a subsidiary is excluded from the calculation of goodwill/negative goodwill on commencement of equity method of accounting.		
<p><b>Fair Value Measurement: Unit of Account</b> (Amendments to IFRS 10, IFRS 12, IAS 27, IAS 28 and IAS 36)</p> <p><i>(Closed for comment 16 January 2015)</i></p>	<p>To clarify the unit of account for investments in subsidiaries, joint ventures and associates and their corresponding fair value measurement when those investments are quoted.</p> <p>The ED also included a proposed illustrative example to IFRS 13 <i>Fair Value Measurement</i> to illustrate the application of the portfolio exception of that Standard.</p>	<p>The IASB decided at its meeting in April 2015 that the proposed illustrative example to IFRS 13 in the ED appropriately illustrates the application of the portfolio exception of that Standard.</p> <p>In addition, the IASB decided that a separate publication of the proposed illustrative example in IFRS 13 was not required, because it is non-authoritative in nature and the comments received did not reveal significant diversity in practice.</p>	<p>Redeliberations during the second half of 2015 regarding the fair value measurement of quoted investments in subsidiaries, joint ventures and associates.</p> <p>We will seek ASAF's advice in October 2015.</p>

## Appendix A—Project update

<b>Implementation Projects</b>			
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<b>Project</b>	<b>Objective</b>	<b>Status</b>	<b>IASB Next steps</b>
<b>Recognition of Deferred Tax Assets for Unrealised Losses</b> (Amendments to IAS 12)  <i>(Closed for comment 18 December 2014)</i>	To clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.	Redeliberations.	Decision on the finalisation of the amendment in Quarter 3 of 2015.
<b>Remeasurement on a plan amendment, curtailment or settlement/Availability of a refund of a surplus from a defined benefit plan</b> (Proposed amendments to IAS 19 and IFRC 14)	To clarify: (a) the availability of a refund of a surplus from a defined benefit plan when an independent trustee has a unilateral power; and (b) remeasurement on a plan amendment, curtailment or settlement.	ED published June 2015.	Consider comment letters Quarter 4 of 2015.
<b>Transfer of Investment Property</b> (Proposed amendments to IAS 40)	This narrow-scope amendment will propose to bring the guidance on transfers of investment property more in line with the principle for classification of investment property.	The IASB confirmed at its meeting in May 2015 that it had completed all the necessary due process steps.	Publication of ED in Quarter 3 of 2015.



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<b>Implementation Projects</b>			
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<b>Project</b>	<b>Objective</b>	<b>Status</b>	<b>IASB Next steps</b>
<b>Interpretations</b>			
<b>Uncertainty in Income Tax</b>	To provide guidance for recognition and measurement of current tax, deferred tax liabilities and deferred tax assets, when there is uncertainty in income taxes.	The IASB confirmed at its meeting in April 2015 the necessary due process steps had been completed.	Draft Interpretation will be published in Q3.

## Appendix B—ASAF Agenda topics

Meeting	Potential agenda topic
<b>July 2015 (Actual)</b>	<i>Conceptual Framework</i>
	Insurance Contracts
	Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging
	Rate-regulated Activities
	Disclosure Initiative: (a) Principles of Disclosure; and (b) IFRS Taxonomy Update.
	Research projects: (a) Liabilities—amendments to IAS 37 (b) Discount Rates; and (c) Pollutant Pricing Mechanisms (formerly Emissions Trading Schemes).
	Revenue from Contracts with Customers
	Project Update & Agenda Planning
<b>October 2015 (Proposed)</b>	<i>Conceptual Framework</i>
	IASB Agenda Consultation
	Fair Value Measurement: Unit of Account
	Clarifications to IFRS 15 <i>Revenue from Contracts with Customers</i>
	Rate-regulated Activities
	Research projects: (a) Financial Instruments with Characteristics of Equity; (b) Equity Method of Accounting; (c) Post-employment Benefits; (d) Pollutant Pricing Mechanisms; and (e) Performance Reporting.
	Project Update & Agenda Planning
<b>December 2015 (Proposed)</b>	<i>Conceptual Framework</i>
	Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging
	Disclosure Initiative: (a) Materiality Practice Statement; and (b) Business Combinations Under Common Control.
	Rate-regulated Activities
	Role of Post-implementation Reviews
	Project Update & Agenda Planning

## Feedback from the March 2015 ASAF meeting

Topic	ASAF views presented	Next steps/actions taken by the IASB or staff
<p><b>Financial instruments with characteristics of equity</b></p>	<p>The ASAF discussed the scope of the research project and the interaction with the Conceptual Framework project. ASAF members discussed:</p> <ul style="list-style-type: none"> <li>(a) the difficulty in communicating the interaction between the two projects, but the necessity of doing so because the forthcoming Exposure Draft on the <i>Conceptual Framework</i> will include some proposed changes to the definition of a liability.</li> <li>(b) that equity instruments are not economic resources of an entity.</li> <li>(c) the entity versus proprietary perspectives of financial reporting.</li> <li>(d) the additional complexity introduced when considering consolidated entities.</li> <li>(e) the feasibility of addressing some of the problems in the project without a fundamental rethink.</li> </ul> <p>EFRAG presented a paper outlining the issues that their Discussion Paper <i>Classification of Claims</i> explored and the responses they received. In discussing the implications of the EFRAG's work for the research project, ASAF members discussed:</p> <ul style="list-style-type: none"> <li>(a) the competing objectives, given the existing accounting outcomes of the classification. Different ASAF members placed a different priority on each of the objectives of depicting liquidity, solvency, performance and returns to holders of a particular class of instrument.</li> <li>(b) the objective of financial reporting and the need to meet users' information needs.</li> <li>(c) whether a liability should be defined positively and whether equity should continue to be defined as a residual interest.</li> <li>(d) whether measurement should be a consequence of classification.</li> </ul>	<p>The staff are continuing to develop ideas as part of the project.</p> <p>The ASAF's advice was reported to the IASB at its meeting in May 2015.</p>

## Feedback from the March 2015 ASAF meeting

Topic	ASAF views presented	Next steps/actions taken by the IASB or staff
<p><b>Conceptual Framework</b></p> <p>Identification, description and classification of measurement bases</p>	<p>The ASBJ staff presented a paper discussing the identification, description and classification of measurement bases.</p> <p>Some ASAF members expressed support for the classification of measurement bases suggested in the ASBJ’s paper. In particular they stated that:</p> <ul style="list-style-type: none"> <li>a) classifying measurement bases based upon whether the inputs into the measurement are fully updated, partially updated or locked-in reflects the way in which many think about measurement bases; and</li> <li>b) the distinction between market participant assumptions and entity-specific assumptions when measuring assets and liabilities is an important distinction that should be considered in the <i>Conceptual Framework</i>.</li> </ul> <p>However, some ASAF members disagreed with the approach suggested in the ASBJ paper and suggested that classifying measurement bases as current value or historical cost (as will be proposed by the IASB in the forthcoming Exposure Draft) would be more understandable to stakeholders. In addition, some ASAF members expressed concerns about the introduction of new terms to classify measurement bases.</p> <p>Some ASAF members agreed with the suggestion in the ASBJ paper that it is unnecessary to classify measurement bases based on the distinction between entry values and exit values. However, others expressed the view that the market (entry or exit) in which an entity transacts can have important implications for measurement, particularly where the entity is unable to exit the market in which it had acquired an asset, and that this view should be considered in the <i>Conceptual Framework</i>.</p> <p>The ASAF discussed whether the <i>Conceptual Framework</i> should include detailed descriptions of individual measurement bases (including the advantages and disadvantages of those measurement bases). Some supported this approach. However other ASAF members recommended that the <i>Conceptual Framework</i> should include only high-level descriptions of individual measurement bases.</p> <p>Some ASAF members expressed the view that the <i>Conceptual Framework</i> should provide guidelines for the selection of a measurement attribute that would guide the IASB at standards level. Others, however, stated that the guidance on measurement should be more conceptual.</p>	<p>The purpose of this session was to assist ASAF members in developing their comment letters on the forthcoming <i>Conceptual Framework</i> Exposure Draft.</p>

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	<p>The ASAF also discussed whether the <i>Conceptual Framework</i> should focus on communicating with stakeholders or providing guidance to the IASB when setting Standards. There was general agreement that the main focus should be on providing guidance to the IASB.</p> <p>Individual ASAF members also expressed the following views:</p> <ul style="list-style-type: none"> <li>a) further research is needed on: <ul style="list-style-type: none"> <li>i. what constitutes historical cost;</li> <li>ii. the definition and treatment of transaction costs; and</li> <li>iii. how information provided by different measurement bases provides information that is useful for assessing stewardship by management.</li> </ul> </li> <li>b) amortised cost does not fit well into either a current value or a historical cost category, so a third category of measurement bases is probably required; and</li> <li>c) the <i>Conceptual Framework</i> should address inflation adjustments.</li> </ul>	
<p>Role of nature of an entity's business activities in accounting standard-setting</p>	<p>The ASBJ staff presented a paper discussing the role of the nature of an entity's business activities in accounting standard-setting.</p> <p>There was general agreement among ASAF members that the nature of an entity's business activities has an important role to play in standard-setting and, in particular, in the selection of a measurement basis. However, there were mixed views about whether, as suggested in the ASBJ paper, it should be the main factor driving the selection of a measurement basis or only one of the factors to be considered.</p> <p>Some ASAF members expressed support for the approach suggested in the ASBJ's paper, which focuses on the information provided in the statement of financial performance instead of on the statement of financial position. However, some ASAF members suggested that, in general, there should be no difference between the measurement basis selected for the statement of financial performance and the statement of financial position.</p> <p>Some ASAF members expressed concern about the suggestion in the ASBJ paper that the measurement of liabilities should be linked to the measurement of related assets.</p>	<p>The purpose of this session was to assist ASAF members in developing their comment letters on the forthcoming <i>Conceptual Framework</i> Exposure Draft.</p>

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<p><b>Leases</b></p>	<p>The IASB staff presented an update on the <i>Leases</i> project and asked for the ASAF members' comments on the effects to be assessed and included in the Effects Analysis of the new Standard.</p> <p>ASAF members made a number of suggestions for items to be included in effects, including;</p> <ul style="list-style-type: none"> <li>a) the effects of the differences between the IASB's and the FASB's respective lessee accounting models;</li> <li>b) the possible effects of the new Standard on: <ul style="list-style-type: none"> <li>i. the leasing market; and</li> <li>ii. access to finance for small and medium-sized entities.</li> </ul> </li> <li>c) the benefits for investors and analysts regarding: <ul style="list-style-type: none"> <li>i. information about the assets and liabilities relating to existing off-balance-sheet leases; and</li> <li>ii. assessing future cash flows related to leases.</li> </ul> </li> <li>d) the benefit from a stewardship perspective of managing all leases in the same way for purposes of financial reporting; and</li> <li>e) the information that a lessee would need to apply when applying the new Standard, indicating the information that the lessee would already need to have when applying IAS 17 <i>Leases</i>.</li> </ul> <p>ASAF members' views were sought on any considerations in communicating with stakeholders in advance of issuing the new Standard. Two ASAF members suggested that the IASB should communicate more information about the scope of the new Standard (eg what is a lease) while drafting in order to enable stakeholders to better understand the effects of the new Standard on their contracts.</p>	<p>The IASB Staff are addressing these suggestions in developing the Effects Analysis to the Standard.</p>

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<p><b>Disclosure Initiative</b> Materiality discussion</p>	<p>The IASB staff sought advice on the initial drafting of the Practice Statement on the application of materiality. The views expressed/questions by the ASAF members included:</p> <ul style="list-style-type: none"> <li>a) widespread, but not unanimous, support for a non-authoritative guide on the topic, but divided opinions about exactly what form it should take.</li> <li>b) who is the targeted audience?</li> <li>c) what the objectives of this document are?</li> <li>d) some members suggested including more details on how to apply materiality in practice with more illustrative examples included in the document.</li> <li>e) some members were concerned that, contrary to the intended purposes of the publication, by putting a list of considerations as to what information can be material, the draft paper may be seen as encouraging entities to provide more disclosures without regard to the relative importance to users.</li> <li>f) one member suggested clarifying some of the terms used within the context of materiality judgements, such as significant, more important, sufficiently material, etc.</li> <li>g) one member asked about the effect of a disclosure on a particular transaction or on a balance disclosed outside of the financial statements (for example, a press release). Would this make it less material or relevant to the user when it is subsequently disclosed or presented within the financial statements?</li> </ul>	<p>The comments were considered in drafting the Exposure Draft planned to be published in Quarter 3.</p>
<p>The role of financial statements excluding the notes</p>	<p>The IASB staff presented a paper on the role of financial statements excluding the notes. The views expressed by the ASAF members included:</p> <ul style="list-style-type: none"> <li>a) consideration should be given to the determining what information should be presented on the financial statements compared to it being disclosed in the notes.</li> <li>b) there were mixed views regarding the use of the term 'primary' to describe the financial statements using the notes.</li> <li>c) members agreed that the set of financial statements excluding the notes should be those currently specified in paragraph 10 of IAS 1</li> <li>d) IAS 1 <i>Presentation of Financial Statements</i> (or its equivalent) should include a rebuttable presumption that entities can provide additional or alternative primary financial statements (for example, non-profit organisations).</li> </ul>	<p>The advice will be considered and reflected in the DP on the Principles of Disclosure.</p>

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	<p>e) the term 'present' should be used in respect of displaying information in the primary financial statements and the term 'disclose' should be used within the context of notes to the financial statements.</p> <p>b) the role of financial statements excluding the notes should include a reference to 'cash flows' in relation to providing essential information.</p>	
<b>Equity method of accounting</b>	<p>The IASB staff sought the views of ASAF members on whether to divide the Equity Method of Accounting project into two steps: a short-term project that would focus on application issues with the current equity method of accounting and a long-term project that would review the accounting for investments in non-controlling interests.</p> <p>There were mixed views from ASAF members on separating the project into two steps.</p> <p>In addition, some ASAF members provided further points to be considered in undertaking the Equity Method of Accounting project.</p> <p>ASAF members agreed with the proposal that the equity method of accounting for controlled entities in separate financial statements should be reviewed separately. It was noted that the objectives for the equity method of accounting are different when applied to controlled entities' separate financial statements compared with non-controlled investments.</p>	<p>The IASB is discussing a revised proposal on how to proceed with the Equity Method of Accounting project at its meeting in June 2015.</p>
<p><b>Insurance contracts</b></p> <p>Presentation of the contractual service margin</p>	<p>The ASBJ, presented its view that the contractual service margin should be presented in OCI. One ASAF member observed that the ASBJ proposals would be appealing to those in jurisdictions that currently measure insurance contracts at cost, because it would reduce the impact of a current value model at transition. However, most ASAF members did not support the ASBJ proposals, for reasons consistent with those described in Agenda Paper 6B <i>IASB staff response to the ASBJ paper on the Use of OCI for Presentation of Unearned Profits</i>. Some members noted that any further exploration of the ASBJ approach could significantly delay the finalisation of the new <i>Insurance Contracts</i> Standard, which would also be undesirable.</p>	



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<p>Transition to the new Insurance Contracts Standard</p> <p><i>Interaction of the effective dates for IFRS 9 and the new Insurance Contracts Standard</i></p>	<p>The IASB staff asked ASAF members what minimum period of time should be allowed between the mandatory effective dates of IFRS 9 <i>Financial Instruments</i> and the new <i>Insurance Contracts</i> Standard:</p> <ul style="list-style-type: none"> <li>(a) one member noted that the new Insurance Contracts Standard is needed as soon as possible. Consequently, the IASB should not extend the implementation period for the new Insurance Contracts Standard beyond the three years already indicated, even if the effective date is one year after that for IFRS 9. That member believed that three years was a sufficient amount of time for implementation.</li> <li>(b) other members indicated that entities should be given two or three years after implementing IFRS 9 before being required to implement the new Insurance Contracts Standard.</li> <li>(c) one member stated that the insurance industry in his jurisdiction believed that five years would be needed for implementation.</li> </ul> <p>The EFRAG representative urged the IASB to reconsider its position of not deferring IFRS 9 for entities that issue insurance contracts. He expressed concern that the mandatory effective date of IFRS 9 would mean that entities significantly affected by the new <i>Insurance Contracts</i> Standard would need to implement IFRS 9 in 2018 and might need to revisit some of the classification assessments when IFRS 4 is implemented later.</p> <p>The ASAF discussed whether the IASB could defer some parts of IFRS 9 for insurance entities. However, the ASAF noted that such an approach would create the need to develop requirements on how to do so and generally agreed that deferring parts of IFRS 9 would not be appropriate. The IASB Chairman noted that the consensus appeared to be that ASAF would not support the <i>partial</i> deferral of IFRS 9. The ASAF confirmed its view that, if there were to be any deferral of IFRS 9 it would need to apply to the whole of IFRS 9. Some ASAF members noted that entities in their jurisdictions have already started implementing, or have already implemented, IFRS 9 and therefore requested that any potential amendments to address concerns expressed by EFRAG should be optional rather than mandatory.</p>	<p>The staff are continuing to analyse this matter and the IASB are discussing papers at its meeting in June 2015.</p>

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<p><i>Transition relief on the reassessment of the business model for financial assets</i></p>	<p>The IASB staff reminded the ASAF that the IASB is considering a transition relief that would permit or require an entity applying the new Insurance Contracts Standard for the first time to reassess the business model for financial assets based on the facts and circumstances that exist at the date of initial application of the new Insurance Contracts. The IASB staff asked which assets should be eligible for this transition relief.</p> <p>Most members believed that applying such a relief to all financial assets of the entity would be too wide. Most also believed that applying such a relief only to financial assets that are contractually linked to insurance contracts would be too narrow. Many members preferred that an entity should identify the financial assets related to its insurance business and apply the transition relief to the identified assets. However, members also noted the difficulties both in identifying the entities that may be eligible to apply the relief and in identifying the financial assets related to insurance business. In addition, there was no consensus on whether this approach should be mandatory or optional.</p> <p>Some members noted that that they found it difficult to understand how an entity could justify a change in the business model between the date of implementing IFRS 9 and the date of implementing the new Insurance Contracts Standard.</p> <p>The IASB staff explained that under IFRS 9 a change in the business model would occur only in specific, very infrequent circumstances (and would result in the reclassification of financial assets). However, the transition relief being considered by the IASB would enable entities to <i>reassess</i> the business model based on facts and circumstances that exist at the date of transition to the new Insurance Contracts Standard.</p>	<p>The IASB is continuing its redeliberations on this matter.</p>

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<p><b>Post-implementation Review of IFRS 3 Business Combinations</b></p>	<p>The ASBJ provided ASAF members with an overview of the ASBJ/EFRAG/OIC Feedback Statement on the responses received on the Discussion Paper <i>Should Goodwill still not be Amortised?</i></p> <p>One ASAF member noted two important limitations to be considered when reviewing academic papers on the accounting for goodwill. Firstly, academic papers usually review stock price reactions to information (ie value relevance methodology) and stock prices usually anticipate impairment losses (ie the loss is already included in the price). Secondly, it is difficult to separate general economic impairment from entity-specific impairment.</p> <p>The IASB staff updated ASAF members on the findings from the Post-implementation Review (PIR) of IFRS 3 <i>Business Combinations</i> and the IASB's next steps</p> <p>The FASB noted that the Financial Accounting Foundation had observed very similar issues in its PIR on the converged Standard on Business Combinations to those identified by the IASB.</p> <p>Many ASAF members were in agreement with the topics identified by the IASB and with its proposed next steps.</p> <p>Some ASAF members highlighted that, currently, the IASB's and the FASB's Standards are converged—maintaining convergence is highly desirable.</p>	<p>The matters will be addressed in developing the scope of the research projects.</p>

## Feedback from the March 2015 ASAF meeting

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<p><b>IFRS 15 Revenue from Contracts with Customers</b></p>	<p>The IASB staff presented an update, and sought the views of the ASAF, on the activities of the Revenue Transition Resource Group (the 'TRG'); the IASB's strategy for addressing issues emerging from the TRG meetings, including a summary of the recent tentative decisions of the IASB and the FASB on some of those issues; and requests received by the IASB on the deferral of the mandatory effective date of IFRS 15 <i>Revenue from Contracts with Customers</i>.</p> <p>There were mixed views about the desirability of amending IFRS 15 to maintain the near-identical wording with the US equivalent, Topic 606. Some saw no need, if the effect of applying the different wording would be the same; some felt that if the words differ, then preparers and users will infer that the meanings diverge.</p> <p>There was broad support for the IASB's plan to develop a single Exposure Draft of clarifications and for the proposed timing.</p> <p>Members made a number of suggestions about how best to disseminate information from the TRG and IASB discussions—incorporating the material in the 'Green Book'; an IFRIC-type agenda decision process on a selective basis; or indicating on the submissions tracker if an issue is not being referred further to the Boards.</p> <p>ASAF members have experienced mixed messages between jurisdictions and sectors about the feasibility of the current effective date of 1 January 2017. In some jurisdictions, pressure for deferral has increased recently as more preparers commence implementation activities. However some preparers prefer to maintain the existing effective date. There was general agreement on the desirability of the IASB and the FASB maintaining a converged effective date and if not, then the ability to effectively achieve convergence by early adoption.</p> <p>An ASAF member noted that if the IASB and FASB maintain a converged date, NSS should support the effective date as determined by the Boards, so that entities around the world are interpreting and adopting the Standard at the same time.</p>	<p>The IASB published an Exposure Draft proposing a one-year deferral of the effective date of IFRS 15 in May 2015. This is consistent with the proposal in the FASB's April 2015 Exposure Draft.</p> <p>The IASB expects to complete its deliberations of the contents of the Exposure Draft of clarifications of IFRS 15 in June.</p> <p>The staff have made some enhancements to the TRG submission tracker and continue to explore ways of disseminating information.</p>

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<p><b>Business combinations under common control</b></p>	<p>The AcSB, presented a paper that discussed the Canadian experience in accounting for business combinations under common control (BCUCC). The IASB was encouraged to consider internally driven BCUCC that do not involve third parties as well as BCUCC undertaken in preparation for an IPO and that guidance for BCUCC is needed both for consolidated and separate financial statements.</p> <p>It was explained that in Canadian related party accounting Standard (CPA Canada Handbook – Accounting, Section 3840, <i>Related Party Transactions</i>), different types of BCUCC were accounted for differently and encouraged the IASB to consider using more than one measurement method to account for BCUCC; for example, by assessing the commercial substance of the transaction.</p> <p>The IASB staff presented a paper that discussed their preliminary views on accounting for BCUCC that affect third-party equity investors in consolidated financial statements of the acquirer. Specifically, the paper discussed BCUCC that involve NCIs and those undertaken in preparation for an IPO. They also expressed a preliminary view that the predecessor value method should be used for both types of transactions in the consolidated financial statements of the acquirer. The IASB staff sought feedback from ASAF members on that preliminary view.</p> <p>There was support from ASAF members for the IASB staff’s preliminary view as the default method of accounting for BCUCC. However, some ASAF members proposed considering exceptions to using the predecessor method; for example, for transactions that involve state-controlled entities. A number of additional points raised by ASAF members.</p>	<p>The staff will consider the feedback in developing the next papers in the project.</p>