STAFF PAPER

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IASB Meeting

Project	**Research Programme**		
Paper topic	Project Update		
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Research Programme

Briefing pack

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RESEARCH PROGRAMME—OVERVIEW	
Objective	The objective of the research programme is to assess perceived problems or deficiencies in IFRS requirements. In each case, the IASB assesses whether there is evidence that there is a problem, and whether it is likely that a cost-beneficial solution can be developed to fix the problem. The assessment provides the IASB with information about whether it should consider developing a specific proposal to amend existing financial reporting requirements.
Why was the programme introduced?	The idea for the programme was floated in the 2011 Agenda Consultation and discussed at the public round-table meetings. Feedback on the idea was overwhelmingly positive. The programme was introduced: • to address perceptions that projects were not being completed, or that their completion was significantly delayed. Many proposals were being exposed more than once, with major changes from the previous proposals. We think we can address financial reporting problems more quickly by investing more heavily in the research phase. • to respond to demands from the IFRS community to justify changes. • to address a fear that once a project is on the IASB's work programme a new Standard is inevitable. The research programme is a safe harbour because there is no presumption that issues discussed will lead to changes in IFRS requirements.
How do projects get added to the programme?	The research programme was established as a broad-based programme, with a relatively low threshold for adding projects. The emphasis is on problem identification and assessing potential cost-beneficial solutions. An initial list of possible research projects was discussed by the IASB at its meeting in May 2012, on the basis of the feedback received in the 2011 Agenda Consultation. At that meeting the IASB decided to initiate a research programme. Most of the projects now on the programme were added at that time. In July 2014 the IASB added a project on *performance reporting* and in February 2015 added to the programme work on *goodwill* (the impairment test, amortisation and the separation of other intangible assets from goodwill) and the *definition of a business*—these issues were identified in the Post-implementation Review of IFRS 3 *Business Combinations*.
Who decides if a project should progress to a Standards-level project?	A decision to progress to a Standards-level project (ie move a project out of the research programme and develop an Exposure Draft) is taken after considering the evidence gathered during the research phase. For new IFRSs or major amendments this step is normally after the IASB has published a Discussion Paper and considered the comments it received from that consultation. For new IFRSs and major amendments, the IASB also needs to consult with its Advisory Council, Accounting Standards Advisory Forum and accounting Standard-setting bodies. Ultimately, however, the IASB is responsible for its Agenda.

RESEARCH PROGRAMME— SETTING PRIORITIES	
Establishing a portfolio of projects	The research programme is a portfolio of projects. The IASB manages this portfolio by deciding how to balance large projects that have global impact; projects that affect a smaller number of jurisdictions; and projects that are more exploratory in nature. The balance of the portfolio is influenced by many and diverse factors, such as a need for a relative period of calm (by focusing on larger projects) or a decision to give greater emphasis to regional issues. In deciding how to allocate and prioritise resources, the IASB considers the level of demand for the IASB to examine the issue, the likely impact of changing the financial reporting requirements, the speed with which the issue can be addressed and the resources required to complete the possible project. Some projects demand substantial resources and develop quickly. Others develop slowly in the background, perhaps with the help of other Standard-setters.
Demand	Research on issues for which there is greater demand would normally be given priority over issues for which demand is lower. We assess the level, nature and source of the demand. The demand could have various sources, such as: • direct requests from users, preparers or regulators; • an assessment of current practice; or • a disproportionate level of interpretation requests in relation to an aspect of a particular Standard—eg the equity method requirements in IAS 28 *Investments in Associates and Joint Ventures*. Sometimes there are known gaps in IFRS requirements but little demand from investors and preparers for new requirements to fill the gaps. The accounting for mineral resource exploration activity fits into this category.
Impact	Research projects that are more likely to lead to significant improvements to financial reporting would normally be given higher priority. On the face of it, the greater the potential impact of a financial reporting change, the more worthwhile the project. Expressed from the alternative perspective, a project that does not materially change the financial statements (or lower the costs of compliance) would be difficult to justify. Assessing the impact usually involves an analysis of the economic significance of the issue and its breadth.
Timeliness	Research projects for which the initial assessment phase can be concluded quickly would normally be given a higher priority. The first step in considering a financial reporting issue brought to the IASB is to understand and assess the problem. Sometimes this is a relatively quick step, whereas in other cases considerable effort is required merely to establish whether a problem exists. IASB staff are normally able to estimate how much effort will be required to complete this initial assessment. Matters that can be assessed quickly are given a higher priority because we can respond to those who raised the issue quickly. The conclusion could be that the problem being considered does not warrant Standard-setting action (or additional research), or it could be that the research phase involves developing a specific proposal that could be implemented quickly.

Resources	The resources needed to complete a project include staff, IASB time and demands on our stakeholders. Some projects need a large number of staff and others require specialist staff. Resource requirements often correlate with other factors. For example, the greater the likely impact of a Standard, the larger the team likely to be needed to manage outreach or to build a case for a major change in reporting requirements. Complexity can mean that we need specialist staff. Resources constrain our priorities rather than drive them. The IASB could decide that a high-impact project that demands a lot of resources is worth putting ahead of several smaller lower-impact projects.

NATURE OF THE PROJECTS AND EXPECTED OUTCOMES	
Projects recently moved to Standards-level activities	
These are projects for which the IASB has decided that there is a need to develop a proposal for new or revised accounting requirements. Normally the next step will be an exposure draft, but the IASB might decide to issue a DP or a Request for Information to help it develop the ED.	**Rate-regulated activities** Some Standards-level activity is inevitable in this project. The form of that Standard-setting activity is not yet clear. It will result in either the withdrawal, amendment or replacement of the temporary Standard, IFRS 14 *Regulatory Deferral Accounts*. The IASB has decided that development of a second Discussion Paper would be the fastest way to progress the project.
Development stage projects	
These are projects for which the IASB has decided warrant further investigation, but for which no decision has yet been made about whether a revised or new IFRS will be required. Generally, the IASB will have established that there is a financial reporting problem. The main focus will be on assessing whether the IASB can identify a cost-beneficial solution. The next step is likely to be the development of a Research or Discussion Paper, although they could be improved to the Standards Programme.	**Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging** The responses to the Discussion paper published in April 2014 highlighted that stakeholders have mixed views about how to progress the project. The IASB has tentatively decided to focus initially on the information needs of stakeholders concerning dynamic risk management activities and to prioritise the consideration of interest rate risk before considering other risks at a later stage in the project.
	Disclosure Initiative The Disclosure Initiative is a portfolio of projects being undertaken with the aim of improving the effectiveness of disclosures in financial reporting. The portfolio of projects includes both implementation and research projects.
	Financial instruments with the characteristics of equity The project is exploring improvements to the existing classification requirements of IAS 32 *Financial Instruments: Presentation* to address identified application problems. Our goal is to develop a Discussion Paper on this project.
Assessment phase projects	
These projects are in the initial assessment phase. Staff are undertaking research to identify and assess practical application issues to understand if there is a financial reporting problem before determining what further action, if any, is needed. The next step could be the Development of a Research or Discussion Paper, or the staff may recommend that the IASB do no further work on the project.	**Business combinations under common control (BCUCC)** The next due process document is likely to be a Discussion Paper. The eventual outcome is likely to be an IFRS on BCUCC or an amendment to IFRS 3 *Business Combinations.* The project relates to a relatively narrow range of transactions for which the problem is well known.
	Equity method of accounting If we proceed to a short-term project, the next due process document is likely to be a Discussion Paper that explores how we could simplify the current requirements in IAS 28 *Investments in Associates and Joint Ventures* to address current practice issues.

	Discount rates This project is looking at different discounts rates used in IFRS and whether there are any inconsistencies the IASB should address. We may publish an education or research document to help readers understand some aspects of net present value calculation in IFRS—such as why different discount rates are used in different Standards and the differences in those rates; or for example explaining how income taxes affect the discount rate and/or estimated cash flows. For any inconsistencies in IFRS requirements resulting from the use of different discount rates, we will assess whether they need to be remedied and the best way of doing so.
	Performance reporting This project has inter-linked issues with the Disclosure Initiative. A scope paper will be discussed in June this year setting out how we expect to develop this project.
	Pollutant pricing mechanisms We expect to start considering technical issues in Q2 2015, with a view to developing a Discussion Paper by the end of the year.
	Post-employment benefits (including pensions) The project is assessing whether we can develop a more general model for schemes that have some features of defined contribution schemes and some features of defined benefit schemes. That there is a problem has been clearly established. The issue is how to develop a cost-beneficial solution.
	Provisions, Contingent Liabilities and Contingent Assets The IASB has not yet decided what the output of this research project will be. The most helpful output might be a Discussion Paper that explains the perceived problems; identifies potential solutions; and invites views on the need for, and scope of, an active project to amend IAS 37.
	Share-based payments We expect the initial output to be a Research Paper, which will contain an overview and analysis of application issues. This would enable stakeholders to consider whether the IASB should do more on this subject.

Exploratory phase—longer-term exploratory thinking projects	
These projects are looking at very large financial reporting issues. They lend themselves to assessing whether a fundamentally different approach to the financial reporting issue might be worthwhile.	**Extractive activities/Intangible assets/R&D activities** This project is currently inactive. Depending on the feedback received from the 2015 Agenda Consultation, the IASB could give this topic a higher priority and begin an active project. Alternatively, the topic could be removed from the IASB work programme.
	Income taxes This is a thought leadership project. The first output will be at a relatively high level. This analysis, and the feedback we receive, should help the IASB assess whether it should embark on a fundamental review of the income taxes Standard or make targeted improvements to the existing requirements.
Post-implementation Review (PIR) follow-up work	
These projects have been identified as a consequence of the post-implementation review of IFRS 3 *Business Combinations.* The next step has yet to be determined.	**Business (definition of)** This issue was added to the research programme in February 2015. We have yet to assess how we will develop this project.
	Goodwill This issue was added to the research programme in February 2015. We have yet to assess how we will develop this project.
Suspended / inactive projects	
The IASB has completed its initial assessments on these projects and has no current plans to undertake additional work. The IASB plans to remove these projects from the research programme, subject to feedback in the next agenda consultation.	**Foreign currency translation** The initial assessment phase has already been completed. Unless something unexpected comes to our attention, this project is likely to be removed from the research programme.
	High Inflation The initial assessment phase has already been completed. Unless something unexpected comes to our attention, this project is likely to be removed from the research programme. In the interim, the Emerging Economies Group is being asked to assess the adequacy of disclosures when an entity is suffering from high inflation.

Projects recently moved to Standards-level activities

If a project is passed from the Research Programme to the Standards-level Programme, this means that the IASB will be proposing a specific change to IFRS requirements. Adding a Standards-level project to the IASB's work programme is based on a higher hurdle than that applied to adding topics to the Research programme.

The *Due Process Handbook* sets out the criteria for when the IASB should develop a new IFRS or propose a major amendment to an IFRS. The IASB is required to evaluate the merits of adding a potential item to its Standards-level work programme primarily on the basis of the needs of users of financial reports, while also taking into account the costs of preparing the information in financial reports.

When deciding whether it should develop a specific proposal to change the financial reporting requirements (ie publish an Exposure Draft), the IASB assesses:

- whether there is a deficiency in the way particular types of transactions or activities are reported in financial reports;
- the importance of the matter to those who use financial reports;
- the types of entities likely to be affected by any proposals, including whether the matter is more prevalent in some jurisdictions than others; and
- how pervasive or acute a particular financial reporting issue is likely to be for entities.

The Research Programme is designed to ensure that the IASB has the information necessary to make that assessment.

Rate-regulated Activities	
Project objective	To decide whether and, if so, how IFRS should be amended to recognise the financial effects of rate regulation. This will result in either the withdrawal, amendment or replacement of the temporary Standard, IFRS 14 *Regulatory Deferral Accounts*.
Why we are doing this work?	There have been repeated requests to address this issue, through submissions to the IFRS Interpretations Committee and in the 2011 Agenda Consultation. The issue is considered to be a barrier to IFRS adoption in some jurisdictions. The impact on affected entities is high. Although the population of entities may be relatively small, they include some very large companies. IFRS 14 *Regulatory Deferral Accounts* was issued to allow modified grandfathering of current practice for first-time adopters. It has been characterised as a 'temporary' solution. The Due Process Oversight Committee has asked us to ensure that we deal with this as quickly as possible.
What problems are we looking to solve?	Rate regulation is widespread and significantly affects the economic environment of rate-regulated entities. Some national GAAPs provide specific guidance that leads to regulatory deferral account balances being recognised as assets and liabilities. There is no equivalent guidance in IFRS. The predominant practice is not to recognise such balances in IFRS financial statements, but this has been challenged in regions including North and South America, Europe and Asia. Research is highlighting examples of diversity, with some entities recognising such balances through adjustments to revenue and/or costs. We had a failed project in 2010, largely because the financial effects of rate regulation were not clearly identified. Key issues to address are the scope (description of rate regulation), whether the resulting rights and obligations create recognisable assets and liabilities, as defined in the *Conceptual Framework*, in addition to those already recognised in accordance with existing IFRSs, and how to report the effects in the income statement.
Where are we now? And what further evidence are we gathering?	We published a Request for Information *Rate Regulation* in March 2013. 79 responses were received from 25 countries, which describe aspects of rate regulation in 37 countries. We also formed an IASB Consultative Group and have also worked closely with an EFRAG Working Group to better understand the common characteristics of a wide variety of rate-regulatory schemes and to identify the financial effects. In September 2014, we published the Discussion Paper *Reporting the Financial Effects of Rate Regulation* (the DP) to test our description of the common features of many rate-regulatory schemes and their financial effects. The DP also sought views on which possible accounting approaches would be worthwhile pursuing further to provide the best chance of resolving the long-running debates on this issue. 118 responses were received from 29 countries.
What are the stakeholder views?	The comment letter responses, together with the feedback received from outreach, suggest that there is strong support for developing specific accounting requirements that will lead to the recognition of at least some regulatory deferral account balances in IFRS financial statements. Views are mixed about whether this should be done through a separate Standard to replace IFRS 14 or through amendments to, or an Interpretation of, existing Standards. A common suggestion made is that the IASB should explore an approach that is based on the principles contained in IFRS 15 *Revenue from Contracts with Customers*, focusing on the entity's rights and obligations relating to its customers as a whole (the customer base), instead of on individual customer contracts.
What are the possible outcomes?	We cannot avoid some Standard-setting outcome. It ranges from a full Standard on rate-regulated activities to replace IFRS 14, to disclosure requirements for regulated activities or modifying the requirements in existing Standards, for example IFRS 15 *Revenue from Contracts with Customers*.

Development Phase

The IASB has completed its initial assessment and is developing a Discussion Paper or other Consultative Document.

The initial assessment has identified that there is a financial reporting problem that supports the allocation of resources to develop proposals to try to address it, but it is not yet clear how, or if, the project should progress to Standards-level activities.

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

A Discussion Paper on this project was published in April 2014 that discussed a new approach to accounting for dynamic risk management. Although we have received support from stakeholders for addressing the issue, there is significant divergence in views between users and preparers in general on the merits of the suggested new approach. There is also a difference in views on what should be the overall objective of the project.

The IASB recently acknowledged that any solution would need to consider the information needs of stakeholders concerning dynamic risk management activities, and that its approach should consider disclosures, recognition and measurement to arrive at a consistent set of proposals to address those needs. The IASB also tentatively decided to prioritise the consideration of interest rate risk and consider other risks at a later stage in the project.

Disclosure Initiative

The Disclosure Initiative is a portfolio of projects being undertaken with the aim of improving the effectiveness of disclosures in financial reporting. The work is informed by a Discussion Forum that was held in January 2013, and by a related survey on Financial Reporting Disclosure. A Feedback Statement on these events was published in May 2013.

The Disclosure Initiative portfolio of projects includes both implementation and research projects.

Implementation projects

The IASB has completed and issued narrow-focused amendments to IAS 1 *Presentation of Financial Statements*.

The IASB has published an ED of narrow-focused amendments to IAS 7 *Statement of Cash Flows*. The ED aims to respond to investors requests for better information about changes in an entity's debt, including non-cash movements. It also seeks to improve disclosures about restrictions on cash and cash equivalents.

The IASB plans to publish, in Quarter 3 of 2015, an Exposure Draft of a Practice Statement on the application of materiality.

The IASB is developing proposals to clarify the existing distinction between a change in an accounting policy and a change in an accounting estimate. These proposals are expected to result in narrow-scope amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and an Exposure Draft is planned for Quarter 4 of 2015.

Research projects

Principles of Disclosure—review of IAS 1, IAS 7 and IAS 8

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, IAS 7 and IAS 8. The project may also affect the review of disclosure requirements and guidance in other Standards.

Standards level review of disclosures

This research project responds to concerns that the way in which disclosure requirements in Standards are written contributes to the ‘disclosure problem’. The disclosure problem is described in more detail in the Feedback statement on the Discussion Forum—*Financial Reporting Disclosure*. To address these concerns, the IASB is planning to develop a set of principles in the form of a drafting guide for the IASB’s internal use when developing disclosure requirements in new or amended Standards. The IASB plans to use these principles to review disclosures in existing Standards to identify targeted improvements with particular focus on duplication and inconsistency of requirements. This project will be informed by the principles being developed in the Principles of Disclosure project.

Financial Instruments with Characteristics of Equity

Work on this project is linked to the Conceptual Framework project. The project is exploring improvements to the existing classification requirements of IAS 32 *Financial Instruments: Presentation* to try to ensure that the underlying principles are robust enough to deal with instruments that are causing problems. The project will also explore other tools to address some of those problems, such as additional presentation and disclosure requirements within liabilities and within equity.

The next step is likely to be a Discussion Paper.

Assessment Phase

These projects are in the initial assessment phase. Staff are undertaking research to identify and assess practical application issues to understand if there is a financial reporting problem before determining what further action, if any, is needed.

No decision has yet been made as to whether we need to propose a change to IFRS.

Business combinations under common control	IASB discussions are planned for 2015 with the next step likely to be a Discussion Paper (DP) in 2016.
Discount rates	IASB discussions are planned for 2015 with the next step likely to be a Research Paper.
Equity method of accounting	IASB discussions are planned for 2015 with the next step likely to be a DP in 2016.
Performance Reporting	IASB discussions are planned for 2015 with the next step likely to be a DP.
Pollutant Pricing Mechanisms	IASB discussions are planned for 2015 with the next step likely to be a DP.
Post-employment benefits (including pensions)	IASB discussions are planned for 2015 with the next step likely to be a DP.
Provisions, Contingent Liabilities and Contingent Assets	IASB discussions are planned for 2015. The next steps are pending developments in the Conceptual Framework project.
Share-based payments	IASB discussions are planned for 2015 with the next step likely to be a Research Paper.

Business Combinations under Common Control ('BCUCC')	
Project objective	The objectives of the project are to identify how best to account for group restructurings and business combinations under common control (BCUCC) and, in particular, whether and when the predecessor carrying amounts of a transferred business should be used (predecessor method) and when fair values are more appropriate.
Why we are doing this work?	Business combinations under common control (BCUCC), including those related to preparations for initial public offerings (IPO), are excluded from the scope of IFRS 3 *Business Combinations*, because the combining entities are controlled by the same party. Interested parties, including respondents to the IASB's 2011 Agenda Consultation, expressed concerns about the absence of specific accounting requirements for BCUCC and group restructurings and the perceived diversity in accounting for such transactions in practice. BCUCC undertaken in preparation for an IPO is an area of a particular concern for securities regulators.
What problems are we looking to solve?	We are looking to address the perceived diversity in practice by identifying whether and when the predecessor carrying amounts of a transferred business should be used in the consolidated financial statement of the acquirer (predecessor method) and whether and when fair values are more appropriate. We will focus on BCUCC, which are currently excluded from the scope of IFRS 3, and group restructurings. We are initially giving priority to considering transactions that involve third parties, for example those undertaken in preparation for an IPO. We will also consider the need to clarify the description of BCUCC, including the meaning of common control.
Where are we now? And what further evidence are we gathering?	We are gathering information about how BCUCC and group restructurings are currently accounted for and what the prevalent issues are, and getting preliminary feedback on which accounting method, or methods, would be most appropriate for such transactions, and why. We are also assessing the scope of the project.
What are the stakeholder views?	Stakeholders support the IASB's work on this project. There are mixed views on the scope of the project, notably on whether it should capture only consolidated financial statements of the acquirer or also separate financial statements. Most Accounting Standards Advisory Forum (ASAF) members supported a narrow-scope project (ie consolidated financial statements) to be completed in an expedited manner. However, jurisdictions where IFRS separate financial statements are required are asking for the IASB to also address accounting in separate financial statements of the acquirer. We have received mixed initial feedback from users of financial statements about which accounting method—fair values or predecessor carrying amounts—would provide the most useful information about BCUCC, and why.
What are the possible outcomes?	The next due process document is a Discussion Paper. The eventual outcome is likely to be an IFRS on BCUCC or an amendment to IFRS 3.

Discount rates	
Project objective	To identify any inconsistencies in the present value measurement and discount rate requirements in IFRS that the IASB should consider addressing.
Why we are doing this work?	Many Standards specify, or refer to, the discount rate that must be used to discount estimates of future cash flows. Different Standards specify different discount rates, depending on the objective of the particular Standard. Views received during the 2011 Agenda Consultation suggest that the reasons for using different discount rates are not well understood, with some respondents suggesting that such differences cause IFRS requirements to be inconsistent.
What problems are we looking to solve?	We are assessing whether the differences between discount rate requirements in different Standards are appropriate because they reflect different objectives or circumstances, or whether they are caused by inconsistencies that the IASB should address. We are also identifying and assessing differences between present value measurement requirements in different Standards because the issues are closely interlinked.
Where are we now? And what further evidence are we gathering?	We have completed our review of discount rate requirements in IFRS as well as limited outreach with a variety of stakeholders on their experience and needs with respect to discount rates. We have also collected some evidence, including: • the most common adjustments made by users of financial statements with respect to discount rates to see if any are caused by inconsistencies in IFRS requirements; • regulatory actions in relation to discount rates to help see where most problems arise; • relevant academic research, including use of discount rates in IAS 36 *Impairment of Assets*; • data on the largest pension liabilities and the discount rates used to see which regions are most affected and which of the two rates required in IAS 19 *Employee Benefits* are most commonly used; • the tax regimes in the main regions affected to help ascertain if IFRSs cause liabilities in different regimes to be measured inconsistently. We will also look at whether there are specific issues in emerging economies relating to discount rates.
What are the stakeholder views?	There is general support from individual Capital Markets Advisory Committee (CMAC) members, Global Preparers Forum (GPF) members and strong support from the Accounting Standards Advisory Forum (ASAF) for conducting the research. Regulators mainly have an interest in non-financial asset impairment requirements, especially the disclosure of rates used, as well as some issues with IAS 19. The International Actuarial Association has a keen interest in the research and has provided empirical data to support it.
What are the possible outcomes?	There are a number of possible outcomes, or a combination thereof: • Any required Standard-setting action is more likely to be done through separate projects dealing with individual Standards. • An education-type document is also possible–to help readers understand the present value methodologies and key inputs required by IFRS. • Some would like to see a Standard on discounting, focusing on entity-specific current measurement. At the moment this seems less likely.

	Equity Method of Accounting
Project objective	To review the circumstances in which the equity method is applied in current IFRS, with the objective of addressing the financial reporting problems arising from its application.
Why we are doing this work?	There have been repeated requests to take a more fundamental look at the equity method because of a high level of submissions to the IFRS Interpretations Committee. The 2011 Agenda Consultation identified a strong call for the IASB to examine the equity method.
What problems are we looking to solve?	In its Feedback Statement to the 2011 Agenda Consultation the IASB noted: The equity method of accounting for some investments is often criticised. Some question whether it provides helpful information to users, while others note the complexities and inconsistencies it creates when it interacts with other requirements in IFRS—such as goodwill impairment, share based payments and joint arrangements. The research project will involve a fundamental assessment of the equity method in terms of its usefulness to investors and difficulties for preparers.
Where are we now? And what further evidence are we gathering?	We are considering a research report prepared by the Korea Accounting Standards Board (KASB) and the results of a survey that the Accounting Standards Board of Japan (ASBJ) undertook. We have also reviewed submissions made to the IFRS Interpretations Committee and continue to have discussions with a variety of stakeholders. In March 2015 we discussed with the Accounting Standards Advisory Forum (ASAF) whether to separate the project into: • a short-term project to address application issues by simplifying the current requirements in IAS 28; and • a longer-term project reconsidering more fundamentally the financial reporting of investments in entities that do not give the investor control. We received mix views to these proposals. We have subsequently discussed the ASAF reaction with the project's board advisors. As a result, we are developing a project plan for a short-term project that seeks to address some of the application issues that have been highlighted in issues referred to the IFRS Interpretations Committee and in our outreach to date.
What are the stakeholder views?	We have undertaken outreach with various stakeholders, including the Capital Markets Advisory Committee (CMAC), Global Preparers Forum (GPF) and (ASAF). The key issues identified can be sub-divided into: • Whether the equity method is being applied to the appropriate investments. This includes questions around the definition of an associate and the meaning of significant influence. • What the objective of the equity method is. There is discussion about whether the method is a consolidation method or a measurement method. Some suggest that clarifying this point will assist with addressing application issues. • A concern around numerous application issues, including those identified in submissions to the Interpretations Committee. This includes questioning the need for 'elimination entries'. • What the role of the equity method is in separate financial statements.
What are the possible outcomes?	If we proceed with a short-term project we could develop in 2015 a Discussion Paper that explores how we could simplify the current requirements in IAS 28.

	Performance reporting
Project objective	To assess whether the IASB should develop financial reporting requirements that set out the presentation structure for the primary financial statements (such as whether the IASB can or should specify categories such as operating and financing activities).
Why we are doing this work?	The 2011 Agenda Consultation confirmed that there are mixed views about whether the IASB should restart the Financial Statement Presentation (FSP) project. Some users identified this as their top priority. Preparers were generally opposed to restarting the project. As the *Conceptual Framework* (CF) and Disclosure Initiative (DI) work has developed, many IASB members and external groups have found it difficult to understand how the work on Other Comprehensive Income (OCI), the disclosure framework, and presentation and disclosure principles, relate to the original FSP project. This work is necessary because we know that the CF and DI work will not address issues such as the structure of the income statement or statement of financial position or whether it is helpful to separate unusual or abnormal components of earnings. At a minimum we need to ensure that the IASB and external stakeholders understand the scope and limitations of the CF and DI work and what a potential Performance Reporting project would set out to achieve. The FASB has a project on Performance Reporting, which they announced at the same time as the IASB. Our staff and the FASB staff have shared some information on the work being undertaken.
What problems are we looking to solve?	The main problem we hear is that the primary financial statements—particularly the income statement—lack structure. The FSP project set out to improve the relevance and usefulness of the primary financial statements by structuring and grouping the information in a meaningful way. We need to assess whether this is the right approach and whether it is achievable.
Where are we now? And what further evidence are we gathering?	Most of our initial work is revolving around assessing the feedback we received on the FSP project, and learning from that feedback.
What are the stakeholder views?	The FSP project elicited polarised views. Many investors and users rated this as their top priority. Preparers were less supportive, with many preparers viewing the proposals as overly restrictive and costly to implement. The challenge in this project is to reconcile these strongly entrenched views. The project also carries with it a history of failed approaches.
What are the possible outcomes?	The IASB could decide that the improvements brought about by the Disclosure Initiative are sufficient. Alternatively, the IASB could decide to develop new reporting requirements.

Pollutant Pricing Mechanisms (formerly Emissions Trading Schemes)

Project objective	To develop an analysis of the common economic characteristic of a variety of mechanisms that put a price on the volume of greenhouse gases or pollutants emitted (or sequestered). We will identify the financial effects of a variety of mechanisms before making an initial assessment of the potential financial reporting issues.
Why we are doing this work?	In December 2004, the IFRS Interpretations Committee issued IFRIC 3 *Emission Rights* to provide guidance on the accounting by participants in a particular type of pollutant pricing mechanism (PPM) called 'cap and trade' emissions trading schemes (ETS). IFRIC 3 was withdrawn by the IASB in June 2005 on the grounds that it would have created 'unsatisfactory measurement and reporting mismatches'. Subsequently, the IASB and the US Financial Accounting Standards Board (the FASB) developed a joint project to consider the financial reporting implications of ETS more generally (ie not merely cap and trade schemes). The discussions stopped in November 2010. Subsequently, diversity has developed in how cap and trade and other similar schemes are accounted for. Initially, IFRIC 3 was developed to address the European cap and trade scheme, which was, and still is, the largest such scheme in the world. Since then, many other countries across different regions have developed other schemes, which have grown in size and value. Feedback from the 2011 Agenda Consultation supported revisiting the project.
What problems are we looking to solve?	Governments use a wide variety of mechanisms to put a price on specified greenhouse gases and other pollutants. Not all schemes involve tradable instruments. Some schemes reward entities for reducing or absorbing/sequestering pollutants. We are looking to reduce the diversity that has developed in how pollutant pricing mechanisms are accounted for. This diversity reduces the comparability of the reported financial effects.
Where are we now? And what further evidence are we gathering?	We have begun updating our analysis of the different types of pollutant pricing mechanisms that exist around the world. This will help the IASB assess whether it can, and should, develop financial reporting requirements that will enhance comparability of the reporting of financial effects across a wide range of schemes. We are working collaboratively with the International Public Sector Accounting Standards Board (IPSASB), which also has an active research project covering similar issues. We are also encouraging national Standard-setters to undertake preliminary work on documenting scheme characteristics and how they are accounted for in their jurisdictions.
What are the stakeholder views?	The project was discussed with the Global Preparers Forum (GPF) at its November 2014 meeting and with the Accounting Standards Advisory Forum (ASAF) at its December 2014 meeting. Members of both forums confirmed that there is much diversity in practice but most common accounting practices are designed to avoid the recognition and measurement mismatches resulting from the IFRIC 3 model. Many members supported seeking a solution that, with either gross or net presentation, would result in the overall effect of the scheme being reflected in a logical and understandable way. There was also support for widening the scope of the project to consider schemes that involved putting a price on the reduction, sequestration or absorption of pollutants, as well as pricing emissions of pollutants.
What are the possible outcomes?	There is a high probability that our research will confirm a need to develop specific proposals to amend IFRS in order to reduce the diversity existing in practice. Initially, we plan to publish a Discussion Paper, which will be an important step in identifying the principles on which those accounting proposals should be developed.

Post-employment benefits (including pensions)

Project objective	The objectives are: • to discuss what would be a conceptually sound and robust measurement model for pension plans; and • to provide information about the trends among pension plans, to assess the costs and benefits for such a model.
Why we are doing this work?	When the IASB completed the revisions to IAS 19 *Employee Benefits* in 2011, it indicated that there were matters that needed to be considered as part of a more fundamental review of IAS 19. These matters included accounting for defined benefit plans that share investment risks between the employer and employees (contribution-based promises) and other measurement issues. The IFRS Interpretations Committee spent many years considering how to account for contribution-based promises but was unable to reach a consensus. When removing the project from its agenda in May 2014, the Interpretations Committee observed that these plans are part of a growing range of plan designs that incorporate features that were not envisaged when IAS 19 was first developed. The accounting for these plans in accordance with IAS 19 is problematic and has resulted in diversity in practice.
What problems are we looking to solve?	The current IAS 19 measurement basis (ie projected unit credit method, using high quality corporate bond yields as discount rates) does not adequately account for the nature and risks of contribution-based promises. This is a well-known problem in some jurisdictions (eg Germany, Netherland and Switzerland). We will seek a conceptually sound and robust measurement model for plans that range from 'pure' defined contribution to 'pure' defined benefit.
Where are we now? And what further evidence are we gathering?	We are exploring possible measurement models for contribution-based promises. During our continuing research we will: • gather statistics about the trends among pension plans; • analyse conceptual topics relating to contribution-based promises; • explore possible models for measurement. This includes analysis of: (i) the pros and cons of each possible model; and (ii) similarities and differences between insurance and pensions. • explore how such models might fit (or not) into the existing IAS 19 requirements, with the aim of establishing the extent of the necessary changes to IAS 19.
What are the stakeholder views?	The recent feedback from the Accounting Standards Advisory Forum members indicates that the use of hybrid plans is increasing and, consequently, it is important to investigate how to account for them. Feedback on the Discussion Paper published in 2008 and the 2011 Agenda Consultation implies that preparers may fear increases in costs and complexity from changes to IAS 19, particularly if they do not have problematic hybrid plans themselves. To assess the costs and benefits of revising IAS 19, we are gathering information about the types of pension plans currently being offered.
What are the possible outcomes?	We expect to publish either: • a Research Paper if we conclude that it is not an appropriate time to suggest a fundamental revision to IAS 19, but wish to set out our work and findings; or • a Discussion Paper if we wish to suggest one or more measurement models that we think could be viable for developing into a revised standard.

Provisions, Contingent Liabilities and Contingent Assets

Project objective	To decide whether to add to the IASB's Standard-setting programme a project to amend aspects of IAS 37 and, if so, which aspects of IAS 37 should be within the scope of the project and what possible solutions the IASB should consider.
Why we are doing this work?	The purpose of this research project is to help the IASB decide whether to start an active project to amend aspects of IAS 37 and, if so, which aspects to amend. The IASB is considering the need for an active project now because of: • past difficulties interpreting the IAS 37 guidance on identifying liabilities, and stakeholder dissatisfaction with one interpretation, IFRIC 21 Levies. • referrals from the IFRS Interpretations Committee. • IASB concerns that the recognition criteria in IAS 37 are inconsistent with those that it has since applied in other Standards. • IASB staff evidence of diversity in the application of the measurement requirements. • proposed changes to the IASB Conceptual Framework, which if finalised, could help the IASB resolve some of the issues listed above.
What problems are we looking to solve?	The aspects of IAS 37 that have raised concerns include: • the requirements for identifying liabilities (and in particular the way in which those requirements have been applied to restructuring costs and in IFRIC 21). The requirements can lead to recurring annual levies being recognised at a single point in time, which some people think is not a faithful representation of the way in which such obligations arise. • the recognition criteria, in particular the requirement that liabilities are recognised only if it is more likely than not that there will be an outflow of resources. Some have suggested that this threshold is too high—it is not applied in some other Standards and can delay the reporting of useful information. Others have suggested that the threshold is too low—it requires recognition of some litigation liabilities that are not recognised when applying US GAAP (which some believe could create commercial problems for companies operating in the US). • the measurement requirements. Aspects of the existing requirements are unclear and there is evidence of diversity in practice.
Where are we now? And what further evidence are we gathering?	As a first step, we are collating evidence gathered during the IASB's previous project to amend IAS 37 (which the IASB halted in 2010 to allow it to focus on higher-priority projects and pending its review of the *Conceptual Framework*), and considering the implications of proposed changes to the *Conceptual Framework*.
What are the stakeholder views?	Previous feedback suggests that: • many stakeholders—including both preparers and users of financial statements—would support changes to the requirements for identifying liabilities such as levies. • many stakeholders would oppose changes to existing recognition criteria. • although stakeholders acknowledge problems with existing measurement requirements, many (especially preparers) would oppose some changes proposed previously by the IASB—in particular a previous proposal to require all liabilities within IAS 37 to be measured at the expected value (probability-weighted average) of all possible outcomes. The IASB will consult stakeholders further as part of this research project.
What are the possible outcomes?	The IASB has not yet decided what the output of this research project will be. The most helpful output might be a Discussion Paper that explains the perceived problems; identifies potential solutions; and invites views on the need for, and scope of, an active project to amend IAS 37.

	Share-based payments
Project objective	IFRS 2 *Share-Based Payments* is a Standard that is broadly converged with US GAAP. We have no plans to fundamentally review this Standard. The objective of the project is to identify the most common areas of complexity and—whenever possible—their main causes. To achieve this, the project will identify and explore the main application issues that arise in practice.
Why we are doing this work?	During the 2011 Agenda Consultation, mixed views were expressed on how effective IFRS 2 *Share-based Payments* has been in practice. Many respondents commented on the Standard's complexity. It has also attracted a disproportionate number of interpretation requests, which have resulted in numerous amendments to the Standard.
What problems are we looking to solve?	Views on the effectiveness of IFRS 2 have been mixed. The project aims to analyse the Standard's application issues and related interpretation requests to identify the cause of the problems. We are not intending to reconsider the basic principles underpinning IFRS 2.
Where are we now? And what further evidence are we gathering?	We are undertaking some preliminary research activities, using previous submissions to the Interpretations Committee, desktop research and targeted outreach.
What are the stakeholder views?	During the Global Preparers Forum (GPF) meeting in March 2015, GPF members listed a number of application issues. However, despite this, most GPF members would assign a medium or low priority to the project. The European Financial Reporting Advisory Group (EFRAG) favours a general review of IFRS 2 as it is concerned about continual narrow-scope amendments to the Standard.
What are the possible outcomes?	We expect the initial output to be a Research Paper, which will contain an overview and analysis of application issues. This would enable stakeholders to consider whether the IASB should do more on this subject.

Exploratory phase

These projects are long-term projects exploring broad issues.

Extractive activities / Intangible assets / R&D activities	The IASB is not currently working on this topic.
Income taxes	Discussions are expected during 2015 with a DP in 2016.

Extractive/Intangibles/R&D	
Project objective	The objective of the extractive activities research project is to analyse: • the unique financial reporting issues applicable to extractive activities and to identify a basis on which a financial reporting model might be developed to address these issues; and • to consider the accounting for intangible assets and research and development activities that have parallels with extractive activities.
Why we are doing this work?	Entities engaged in minerals or oil and gas extractive activities are an important part of international capital markets. However, extractive activities—and the assets or expenditures associated with these activities—are currently not comprehensively addressed by IFRS. In particular: • Although IFRS 6 *Exploration for and Evaluation of Mineral Resources* addresses the accounting for exploration and evaluation expenditures, it was developed as an interim Standard to allow (with some limitations) entities adopting IFRS to continue to apply their existing accounting policies for these expenditures. This absence of comprehensive IFRS literature has contributed to continuing divergence in the financial reporting of extractive activities. • Some of the practices applied are not compatible with the general principles within IFRS. Consequently, some commentators have questioned the relevance and quality of those accounting practices. • Users need more information about the nature and extent of the risks associated with an entity's extractive activities. For instance, existing IFRS does not specifically require disclosure of information about the entity's minerals or oil and gas reserves.
What problems are we looking to solve?	The research looks to address the following questions: • How to estimate and classify the quantities of minerals or oil and gas discovered; • How to account for minerals or oil and gas properties; • How minerals or oil and gas properties should be measured; and • What information about extractive activities should be disclosed?
Where are we now? And what further evidence are we gathering?	A project team of national Standard-setters from Australia, Canada, Norway and South Africa undertook a research project on extractive activities, the outcome of which the IASB published in April 2010. In October 2010 the IASB considered the comments received but decided not to do any additional work until it had considered its priorities in the 2011 Agenda Consultation. Following the 2011 Agenda Consultation, the IASB assigned a low priority to the project and has not carried out any further direct research to date.
What are the stakeholder views?	The 2011 Agenda Consultation highlighted broader concerns about the accounting for research and development activity and the recognition and measurement of intangible assets that have parallels with extractive activities. The IASB therefore decided to examine extractive activities as part of a broader consideration of intangible assets and research and development activities. The IASB is not planning to discuss this topic publicly or issue a Research or Discussion Paper in 2015. Instead, the IASB is encouraging other Standard-setters to investigate these topics on its behalf.
What are the possible outcomes?	Depending on the feedback received from the 2015 Agenda Consultation the IASB could give this topic a higher priority and begin an active project. Alternatively, the topic could be removed from the IASB work programme.

Income Tax

Project objective	To identify whether the application problems of the current Standard can be solved by 'narrow-scope' amendments or whether a fundamental change in principle is needed.
Why we are doing this work?	Financial information provided by IAS 12 *Income Taxes* has received criticism from users and preparers of financial statements about its decision-usefulness and its difficulty to understand and apply. The IASB and IFRS Interpretations Committee have received many questions about the application of IAS 12 from various jurisdictions. In 2009, the IASB published the Exposure Draft *Income Tax* as a part of a convergence project with the US Financial Accounting Standards Board (FASB). However, the proposals received little support from users or preparers of financial statements. Some suggested tackling the existing problems through limited amendments to the existing Standard while others suggested fundamentally rethinking the principles underlying income tax accounting. As part of the 2011 Agenda Consultation, the IASB identified a fundamental review of the accounting for income taxes as one of the topics for longer-term exploratory research.
What problems are we looking to solve?	Research to date suggests that IAS 12 has the following problems. It results in unclear and insufficient information; typical examples including Difficulty in predicting future cash flow, with limited details of unused tax losses; Difficulty in predicting how the future effective tax rate will be affected by business mix (segment/jurisdiction); and Insufficient disclosure of the tax effect of items, which may affect the availability of resources (eg remitting cash from overseas subsidiaries) It provides insufficient guidance in some areas, leading to diversity in practice; typical examples include: • Tax rate reconciliation (consolidation adjustment, tax holiday effect) • Estimation of future taxable profit (see Exposure Draft *Recognition of Deferred Tax Assets for Unrealised Losses*, issued August 2014) • Manner of recovery In addition, some suggest that there are problems arising from the fundamental principle; typical examples include (possible) double counting of the tax effect when assets and liabilities are measured at fair value and ignoring the time value of money.
Where are we now? And what further evidence are we gathering?	We have started gathering feedback from preparers and investors, initially through the Global Preparers Forum (GPF) and Capital Markets Advisory Committee (CMAC). Our next step is to expand the survey to a wider investor community. We will also review academic papers related to the history and the value relevance of deferred tax accounting. We aim to publish a Research Paper or a Discussion Paper to help stakeholders to comment on whether the Income Tax project should be put as a higher or lower priority project in the next three years.
What are the stakeholder views?	Financial statement users generally think that the current disclosures for income taxes lack transparency. They want tax information to be more helpful in performing their valuation. Financial statements preparers generally want more guidance in some specific areas. Some preparers would like the IASB to make some short term changes to IAS 12, for matters such as the tax effect of unrealised intercompany profits in inventory and that of investments in subsidiaries/associates. Some practice problems occur in some jurisdictions but not in other jurisdictions because of different tax system.
What are the possible outcomes?	This will depend on the feedback received from the 2015 Agenda Consultation. This is a project where the feedback might support an active project to replace (or amend) IAS 12 or the removal of the project from the programme.

PIR follow-up work

These projects have been identified as a consequence of the post-implementation review of IFRS 3 *Business Combinations.* The next step has yet to be determined.

Business (definition of)	IASB discussions are planned for 2015.
Goodwill	IASB discussions are planned for 2015.

	Business (definition of)
Project objective	To resolve the difficulties that arise when an entity is unclear about whether it has acquired a business or a group of assets.
Why we are doing this work?	Requests to the IFRS Interpretations Committee and feedback from the Post-implementation Review (PIR) of IFRS 3 *Business Combinations* have highlighted the difficulty some preparers have been having in applying the definition of a business in IFRS 3. The Interpretations Committee stopped working on this topic pending the outcome of the PIR in 2014. The conclusion of the PIR was that this topic was one of the top four concerns with IFRS 3, and the IASB decided to work on this topic as part of the research programme.
What problems are we looking to solve?	Defining a business is important because the requirements for the acquisition of a business are different to the requirements for the acquisition of a group of assets—in relation to goodwill, acquisition costs and deferred tax. Issues highlighted include whether billboards, investment properties, pharmaceutical R&D or wind turbines are assets or businesses.
Where are we now? And what further evidence are we gathering?	The submissions to the IFRS Interpretations Committee and the feedback on the PIR have provided us with sufficient evidence that there is divergence in practice.
What are the stakeholder views?	There seems to be general agreement that this is an issue that needs to be addressed. There do not seem to be any biases or preferences in how the matter should be resolved, only that clarification of what is a business would be helpful.
What are the possible outcomes?	The two most likely outcomes are (a) an interpretation or amendment to IFRS 3 *Business Combinations*, to help those applying IFRS to differentiate between a business and an asset (or group of assets); or (b) amendments to other Standards to align the accounting requirements for acquisitions of businesses and assets—ie eliminate the need to define a business.

	Goodwill
Project objective	To consider whether or how the IASB should change the financial reporting requirements for goodwill, both on initial recognition and subsequently.
Why we are doing this work?	The most significant issue arising out of the Post-implementation Review (PIR) of IFRS 3 Business Combinations was the accounting for goodwill. Concerns were raised in the PIR that the current impairment model is not effective in identifying impaired performance of areas of the business (cash generating units) to which goodwill has been allocated. In particular, the reporting of accounting impairments is perceived as being slow relative to the related economic impairment. In addition, there have been calls from a variety of sources to revert to amortising goodwill. The US FASB has introduced amortisation for private companies (similar to the IFRS for SMEs) and, having made that decision, the FASB is required to consider its relevance for listed entities. Goodwill amortisation is also one of the few differences between JMIS (Japanese Modified International Standards) and IFRS. We think it is important that the IASB be involved in this work rather than leaving it to others.
What problems are we looking to solve?	The three main issues are: • the relationship between separately recognised intangibles and goodwill—should some indefinite life assets be allowed to be subsumed in goodwill?; • the effectiveness, and cost-effectiveness, of the impairment test; and • whether amortisation (or some other way to systematically expense goodwill) should be put in place to sit alongside an impairment test. We note that impairment and amortisation are based on fundamentally different assumptions—the impairment test assesses whether new "goodwill" is sufficient to replenish the initial goodwill whereas amortisation assumes goodwill is consumed.
Where are we now? And what further evidence are we gathering?	One of the main findings of the PIR was a conflict between investor statements that they ignore goodwill impairments and empirical evidence (observed share-price reactions) that impairments are incrementally informative. We plan to do additional work to reconcile these differences. We are also assessing how, and with whom, we should develop the project.
What are the stakeholder views?	The PIR highlighted mixed views on the accounting for goodwill.
What are the possible outcomes?	Our initial assessment is that, eventually, making some improvements to the impairment test will be inevitable. Reverting to amortisation would be a much more fundamental step and comes with a greater burden to justify change.

Suspended / inactive projects

The IASB has completed its initial assessments on these projects and has no current plans to undertake additional work. It plans to remove these projects from the research programme, subject to feedback in the next agenda consultation.

Foreign currency translation	
High Inflation	

	Foreign Currency
Project objective	To consider the requests made by the Korea Accounting Standards Board (KASB) to review IAS 21 *The Effects of Changes in Foreign Exchange Rates* 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.
Why we are doing this work?	The IASB asked the Korea Accounting Standards Board (KASB) in 2009 to provide it with analysis to support the KASB's concerns about the accounting for long-term receivables and payables contracts. The KASB provided this analysis but unfortunately the IASB was previously unable to consider the work because of more pressing issues. The IASB added the topic to the research programme after the 2011 Agenda Consultation.
What problems are we looking to solve?	The IASB has been looking at two issues. The first is whether the accounting requirements for long-term payables and receivables denominated in a foreign currency are appropriate when the currency is volatile and thinly traded. The second is whether any short-term amendments should be made to IAS 21 to address other issues raised by the KASB as a result of its review.
Where are we now? And what further evidence are we gathering?	The KASB provided the IASB with papers that provided analysis and data on currency movements. 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. The IASB did not remove the broader project from the Research Programme. Instead, it is encouraging the KASB and other accounting Standard-setters to continue to look at this issue and provide the IASB with any additional thinking and information to help people consider this as part of the next Agenda Consultation. Giving the topic a lower priority on the research programme means that the IASB and the IFRS Interpretations Committee are now freer to actively consider interpreting or amending IAS 21 to address practice issues brought to its attention. However, the IASB welcomes any new work or analysis that would help inform the IASB and parties who are interested in commenting on our work programme in the 2015 Agenda Consultation.
What are the stakeholder views?	The conclusion reached by the IASB, namely, that there was no compelling evidence to justify replacing IAS 21, received support at subsequent outreach, including with the Accounting Standards Advisory Forum in December 2014. We are aware that some parties think that foreign currency translation should be included in the *Conceptual Framework* discussions on measurement. The IASB has decided not to discuss foreign currency translation in the current revision of the *Conceptual Framework*.
What are the possible outcomes?	Depending on the feedback received from the 2015 Agenda Consultation the IASB could give this topic a higher priority and begin an active project to replace IAS 21. Alternatively, the topic could be removed from the IASB work programme.

	High Inflation
Project objective	To consider the request made by the Group of Latin American Standard Setters (GLASS) to: • eliminate or reduce the cumulative inflation rate threshold currently included in IAS 29 *Financial reporting in Hyperinflationary Economies* to identify when hyperinflation exists; and • modify the procedures for reporting the adjustments resulting from restating the financial statements.
Why we are doing this work?	It is well understood that the financial position and performance of an entity can be distorted by not adjusting the financial statements for the effects of inflation, in cases in which the effects of inflation are significant—that is, when hyperinflation exists. IAS 29 sets out some characteristics of hyperinflation and contains requirements about the adjustments needed when an entity is subject to the effects of hyperinflation. The characteristics of hyperinflation in IAS 29 include an inflation rate threshold. This threshold suggests that hyperinflation occurs when the cumulative inflation rate over three years is approaching, or exceeds, one hundred per cent. The IASB has been asked to consider either lowering or eliminating this threshold. This request has come from some stakeholders who are concerned that the financial position and performance of entities is being distorted in countries subject to medium- or long-term high inflation levels. The requests relate mainly to the Latin America region, but are equally applicable to entities in other high-inflation countries.
What problems are we looking to solve?	The current threshold in IAS 29 may delay recognising hyperinflationary conditions. It is therefore necessary to establish a reference point through which the distortion of the unadjusted financial information is so significant that it justifies the costs and efforts necessary for preparers to make adjustments that reduce that financial distortion. In addition, concerns were raised at the Global Preparers Forum meeting in March 2014 about the methods used to account for hyperinflation. In particular, a concern was raised about the requirement to consolidate foreign subsidiaries using the 'official' foreign exchange rate, in cases in which that rate may not reflect the market value, such as in economies that are facing high or hyperinflation. This is considered to have resulted in financial performance in some subsidiaries appearing at values that are artificially inflated.
Where are we now? And what further evidence are we gathering?	The Group of Latin American Standard Setters (GLASS) presented a paper to the Accounting Standards Advisory Forum (ASAF) in December 2014, considering some of the problems with the existing requirements of IAS 29 and how the Standard could be improved. We have considered the issues raised by GLASS and the IASB has decided not to pursue the suggestions made by GLASS. Instead, the IASB is asking the Emerging Economies Group to assess whether the IASB should consider developing disclosure requirements that focus on entities that report in jurisdictions suffering from high inflation.
What are the stakeholder views?	The views seem mixed. The CMAC were unanimous in their support for us not pursuing this topic whereas some Standard-setters would like the IASB to develop an approach to accounting for inflation more generally.
What are the possible outcomes?	The topic is closely linked with capital maintenance and performance reporting. It may be a candidate for a future phase of the *Conceptual Framework*-related work, although no such work is currently being planned.