

# AGENDA PAPER

IFRS Foundation Trustee Meeting—Due Process Oversight Committee

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## Technical Activities—Update

### Purpose

1. This report provides the Due Process Oversight Committee (DPOC) with an update on the due process activities for the standard-setting activities of the IASB in April and May 2015.

### Overview

2. Since the Technical Activities—Update report to the DPOC in March 2015, the IASB has focused on:
  - (a) completing the *Conceptual Framework for Financial Reporting* Exposure Draft (ED) which was published on 28 May 2015;
  - (b) reviewing matters arising from the Transition Resource Group for Revenue Recognition (TRG), including the publication of an ED proposing a one-year deferral of the effective date of IFRS 15 *Revenue from Contracts with Customers* to 1 January 2018; and
  - (c) redeliberating the *Insurance Contracts* ED published in June 2013.
3. The IASB issued 2015 Amendments to the *IFRS for SMEs* on 21 May 2015—this completes the IASB’s first comprehensive review of the Standard.
4. A copy of the work plan as at 27 May 2015 is set out in Appendix A of this paper.
5. We have noted changes to the projected timings, as set out in the work plan, for the publication of due process documents and indicated the reason for the changes since the last Update report to the DPOC.

## Due process

6. There were no IASB papers posted after the posting deadline in April 2015. A list of the IASB papers that were posted after the posting deadline in May 2015 is set out in Appendix B. The explanations for the late posting are also included in Appendix B.

## Major projects

### ***IFRS for SMEs—Comprehensive Review 2012–2014***

Last due process document	Amendments to the IFRS for SMEs issued in May 2015.
Current status	Completed in Quarter 2 of 2015.
DPOC role	The DPOC completed its life-cycle review in February 2015.
Timing	Amendments issued in May 2015.

### **Leases**

Last due process document	Revised ED published in May 2013.
Current status	IASB redeliberations completed in March 2015 (subject to discussion about effective date and any sweep issues arising during drafting).
DPOC role	The DPOC completed its life-cycle review in April 2015.
Timing	Standard to be issued in Quarter 4 of 2015.

### ***The Conceptual Framework***

Last due process document	ED published in May 2015 with a comment period of 150 days.
Current status	The IASB's redeliberations of the DP were completed in October 2014.
DPOC role	Monitor the IASB's redeliberations of the ED when published.
Timing	Not yet determined.

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

and revises its Standards. It is also used by preparers to develop and select accounting policies and by all parties to understand and interpret the Standards.

8. The IASB published a discussion paper in July 2013. It has now completed its redeliberations of that DP and published the ED *Conceptual Framework for Financial Reporting* in May 2015. During its redeliberations of the DP the IASB sought input from its advisory bodies: the IFRS Advisory Council (the ‘Advisory Council’), the Accounting Standards Advisory Forum (ASAF, which is the consultative group for this project), the Capital Markets Advisory Committee (CMAC) and the Global Preparers Forum (GPF) have all been consulted both during the comment period on the DP and during redeliberations.
9. The IASB’s original intention was not to fundamentally reconsider the Objective and Qualitative Characteristics chapters of the *Conceptual Framework*, which were published in 2010 as part of a joint project with the US Financial Accounting Standards Board (FASB). However, respondents were asked for comments on this approach, and many expressed the view that we should reconsider at least some aspects of those chapters (in particular, the treatment of prudence, stewardship, substance over form and reliability). Meetings were held with a number of investors to get a better understanding of their concerns and the IASB has tentatively decided to:
  - (a) reintroduce an explicit reference to the notion of prudence (described as ‘caution under conditions of uncertainty’) in the *Conceptual Framework*;
  - (b) give more prominence to stewardship within the description of the overall objective of financial reporting; and
  - (c) clarify that a faithful representation represents the substance of an economic phenomenon instead of merely representing its legal form.
10. The IASB does not propose to reinstate the term ‘reliability’ to describe one of the two fundamental qualitative characteristics of useful financial information. This is because the IASB believes that the proposals in the ED address most of the concerns expressed by constituents about the use of the term ‘faithful representation’ instead of reliability. In particular:
  - (a) the description of faithful representation proposed in the ED is substantially the same as the description of reliability in the pre-2010 *Conceptual Framework*.
  - (b) many use the term reliability mainly as a label for the notion that a measurement will not provide useful information if that measurement is too uncertain. The ED addresses this point more explicitly than does the existing *Conceptual Framework*.
11. Some respondents to the DP expressed the view that the *Conceptual Framework* is under-developed in specific areas (in particular, the distinction between liabilities and equity, measurement and the presentation of items of income or expense in other comprehensive income (OCI)). The IASB discussed these concerns, but decided not to undertake significant additional research work on measurement and the use of OCI in developing the ED.
12. The IASB is not proposing as part of this project to make changes to the existing

definitions of liabilities and equity to address some problems that arise when classifying instruments with characteristics of both liabilities and equity. Instead, the IASB has decided to further explore how to distinguish between liabilities and equity in its Financial Instruments with the Characteristics of Equity project.

13. In April and May 2015 the staff focused on the drafting and balloting procedures and published the ED on 28 May 2015. The ED is open for comment for a period of 150 days.

### Insurance Contracts

Last due process document	Revised ED published in June 2013 with a comment period of 120 days.  <i>In March 2015 the IASB published on its website an overview of the IASB's tentative decisions on the general model that would apply to insurance contracts without participation features, and the IASB's reasons for reaching those decisions.<sup>1</sup></i>
Current status	The IASB is redeliberating its proposals set out in the ED since January 2014.
DPOC role	Monitor the IASB's activities in developing Standard.
Timing	The IASB to complete its redeliberations in Q4 of 2015 and issue a Standard in 2016.

14. The IASB received 194 comment letters and undertook extensive outreach and detailed field-testing of the operability of the proposals set out in the June 2013 ED. The feedback received suggested broad support for the principle of current value measurement of insurance contracts. However, there were also significant areas of disagreement, in particular about performance reporting, and concerns about excessive complexity.
15. During redeliberations, the IASB has maintained extensive dialogue with all interested parties and continues to consult its advisory bodies. In particular:
- the IASB has engaged extensively with preparers and other interested parties, in particular in Canada, Europe, Japan and Korea.
  - the IASB has sought advice from the ASAF at its March, June and September 2014 meetings. The IASB provided an update to the ASAF at its meetings December 2014 and March 2015.
16. As previously reported, the IASB has largely concluded its tentative decisions relating to non-participating contracts. The IASB also made tentative decisions on some specific issues that were highlighted in the feedback to the June 2013 ED but that were not targeted for input. The direction that the IASB took in all these decisions was largely consistent with the feedback that it had heard on the June 2013 ED.
17. During 2015 the IASB continued to consider the accounting model for contracts with

<sup>1</sup> Access the document [Insurance Contracts without Participation Features](#).

participating features, which was one of the most difficult and contentious aspects on which the IASB sought feedback. Because many of the issues to be considered by the IASB in relation to contracts with participating features are interrelated, the staff have approached these deliberations by asking the IASB for indicative leanings, instead of tentative decisions. The staff note that this process has helped the IASB and the staff to obtain feedback on the direction of the model. The IASB began to consider the models that the staff have developed as a result of this process in March 2015 and expect to continue to develop the proposals during Quarter 2 of 2015.

18. As a consequence of the complexity of the issues relating to contracts with participating features, the IASB has decided to extend its original timetable to allow it to consider the issues in detail and to engage further with interested parties.

#### ***Relationship with IFRS 9***

19. The IASB noted that entities that issue insurance contracts will be significantly affected by both the new Insurance Contracts Standard and IFRS 9. Furthermore, the IASB noted that its decision to extend its original timetable for the Insurance Contracts Standard means that the mandatory effective date of the new Insurance Contracts Standard will be after 1 January 2018, the mandatory effective date of IFRS 9.
20. At its May 2015 meeting, the IASB received an update on the developments relating to the interaction between IFRS 9 and the Insurance Contracts project. The IASB noted that, on 4 May 2015, the European Financial Reporting Advisory Group (EFRAG) issued a draft endorsement advice (DEA) for the use of IFRS 9 in the European Union (EU). The DEA sets out EFRAG's conclusion that IFRS 9 satisfies the endorsement criteria and is conducive to the European public good and recommends IFRS 9 for endorsement without further delay. However, EFRAG also seeks views on a proposal to advise that the European Commission ask the IASB to defer the effective date of IFRS 9 for insurance businesses and align the effective date with that of the new Insurance Contracts Standard. EFRAG noted that this preliminary view would be subject to further insights and evidence from the European insurance industry. The DEA is open for comment until 30 June 2015.
21. We note that in other jurisdictions the implementation of IFRS 9 is already under way, and that other jurisdictions have not requested a deferral of IFRS 9. On the contrary, some interested parties have pointed out that constituents in their jurisdictions have already started implementing IFRS 9 or have applied the Standard early, including entities that issue insurance contracts. Accordingly, they have asked that any deferral of IFRS 9 be optional.
22. It should be noted that any deferral of IFRS 9 for entities that issue insurance contracts would be technically complex and require extensive analysis and due process. We are also concerned that any such deferral would impair comparability and create confusion for users of financial statements. We believe that the improved accounting for financial instruments, including the new impairment model, would provide more useful information for all entities that are large investors in financial instruments, including entities that issue insurance contracts.
23. We are monitoring the developments in the EU and awaiting further evidence and insights

from the insurance industry, which would enable us to fully evaluate the concerns raised, in particular the overall effect of IFRS 9 on financial reporting by insurers in combination with IFRS 4 *Insurance Contracts*. Such evidence would enable us to determine whether and how to best address the concerns raised.

### Disclosure Initiative

23. 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, which 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.
24. The Disclosure Initiative also includes the following projects;

#### *Research projects*

- (a) Principles of Disclosure—review of IAS 1 and IAS 8; and
- (b) Standards-level review of disclosures.

#### *Implementation projects*

25. The IASB has:
- (a) issued narrow-scope amendments to IAS 1 *Presentation of Financial Statements*.
- (b) proposed narrow-scope amendments to IAS 7 *Statement of Cash Flows*.
- (c) tentatively decided to propose narrow-scope amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

#### *Other projects*

In addition to these implementation projects the IASB has tentatively decided to publish an ED of a Practice Statement on the application of materiality.

The Disclosure Initiative projects are reviewed below.

#### ***Principles of Disclosure—review of IAS 1 and IAS 8***

Last due process document	No due process documents issued.
Current status	The IASB is developing a DP.
DPOC role	Monitor the IASB's development of the DP.
Timing	DP to be published in Quarter 4 of 2015.

26. 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 project may also affect the review of disclosure requirements and guidance in other Standards.

27. The IASB agreed the scope of the project in April 2014 and has discussed the project regularly during 2014. Advice on specific topics was sought from the ASAF at its meetings in June, September and December 2014 as well as in March 2015. In addition, advice has been sought from the GPF and the CMAC during 2014 and in Quarter 1 of 2015. The staff have also conducted a variety of meetings and conference calls with constituents on specific topics in preparing papers for the IASB meetings, including IOSCO; the European Securities and Markets Authority (ESMA) about the disclosure of non-IFRS financial information; and investors and users of financial statements.

***Standards-level review of disclosures***

28. 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](#).
29. 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 then 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.

***Disclosures about debt and cash***

30. The IASB has published an ED of narrow-focused amendments to IAS 7. 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. We had held a number of outreach meetings with investors to understand if these proposals would meet investors’ informational needs.
31. The IASB will commence its redeliberations of the proposals in Quarter 2 of 2015.

***Changes in accounting policies and estimates***

32. At its meeting in May 2015 the IASB discussed how to clarify the existing distinction between a change in an accounting policy and a change in an accounting estimate. At that meeting, the IASB decided to develop proposals clarifying the distinction as a separate project within the Disclosure Initiative. These proposals are expected to result in narrow-scope amendments to IAS 8 and an ED is planned for Quarter 4 of 2015.

***Materiality***

33. The IASB has conducted outreach with national and regional standard-setters regarding local guidance and practice on the application of materiality. It has also spoken to the ASAF, the GPF, the World Standard Setters (WSS), the Advisory Council, the International Organization of Securities Commissions (IOSCO) and the International Auditing and Assurances Standards Board (IAASB) about how materiality is applied in practice and the need for potential guidance.
34. The IASB is aware of the sensitivity of this topic because, in some jurisdictions, materiality is considered to be the responsibility of the securities regulator and the courts.

The staff have been liaising with securities regulators for that reason and are confident of developing helpful, non-mandatory guidance that is globally accepted.

35. The IASB reviewed the due process steps for the Practice Statement in April 2015 and expects to publish the ED in Quarter 3 of 2015 for a comment period of 120 days.

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

Last due process document	DP published in April 2014 with a comment period of 180 days.
Current status	The IASB is considering its next steps.
DPOC role	Monitor the IASB's redeliberations of the DP.
Timing	Not yet determined.

36. The objective of this project is to develop an approach to better reflect entities' dynamic risk management activities in their financial statements and to enhance the usefulness of the financial information to help users of financial statements to better understand such activities. Operational feasibility has also been one of the considerations that has been evaluated when exploring an accounting approach for dynamic risk management.
37. The IASB received 126 comment letters in response to the DP. The staff discussed the comments received with the IASB in Quarter 1 of 2015. A summary of the comment letters and other feedback (including from users) received is available on the IASB website.
38. As previously reported, during the comment period over 50 outreach meetings with constituents were held. The jurisdictions covered by this outreach included Europe, Asia and Oceania, North and South America, and Africa.
39. In addition, the ASAF has discussed the topic on several occasions, including providing views on the DP. A similar process was also followed with the GPF.
40. Although we have received support from constituents for addressing the issue of accounting for dynamic risk management, there is significant divergence in views between users and preparers in general on the merits of the new approach. There is also a difference in views on what should be the overall objective of the project.
41. The IASB commenced discussions about next steps in the project at its meeting in May 2015. It acknowledged that any solution would need to consider the information needs of constituents 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. Accordingly, the IASB decided that it would 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.
42. The IASB also decided to prioritise the consideration of interest rate risk and consider other risks at a later stage in the project.



43. The IASB will consult the ASAF at its meeting in July 2015.

44. **Rate-regulated Activities**

Last due process document	DP published in September 2014 with a comment period of 120 days.
Current status	The IASB is considering its next steps.
DPOC role	Monitor the IASB's redeliberations of the DP.
Timing	Not yet determined.

45. Many governments regulate the supply and pricing of particular types of activity by entities. These activities usually involve providing goods or services that are considered in that jurisdiction to be essential to customers, including transport services, some types of insurance policies, and utilities such as gas, electricity and water. The aim of the DP was to identify what information about the financial effects of rate regulation is most relevant to users of financial statements in making investment and lending decisions and to determine how best to reflect that information in IFRS financial Statements.

46. The DP describes a type of rate regulation that contains elements of both cost recovery and incentive approaches. This type of rate regulation is termed 'defined rate regulation'. The DP sought comments on whether the distinguishing features of defined rate regulation, as identified by the IASB, sufficiently capture the type(s) of rate regulation that have the most significant financial effects.

47. The IASB received 118 comment letters in response to the DP. The staff provided a preliminary analysis of comments to the IASB at its meeting in February 2015. A summary of the comment letters and other feedback (including from users) is available on the IASB website.

48. The initial review of the feedback received from outreach and comment letters suggests strong support for recognising at least some regulatory deferral account balances. A common suggestion made is to explore an approach based on the principles 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.

49. The project's consultative group met in March 2015 for an initial discussion of the issues raised in the feedback to the DP.

50. The IASB commenced discussions about the next steps in the project at its meeting in May 2015. The IASB decided that it should undertake standard-setting activity to address the issues identified in this project, but that the form of that standard-setting activity would become apparent as the project progresses. It will result in either the withdrawal or replacement of the temporary Standard, IFRS 14 *Regulatory Deferral Accounts*. The IASB also decided that the development of a second DP would be the fastest way to progress the project. It will also consult the ASAF at its meeting in July 2015.

## Research projects

51. The classification of research projects on the IASB's work plan (see Appendix A) has been updated to reflect the project's stage of development. For ease, we have summarised the classifications in the following table:

<b>Development phase</b>	The IASB has completed its initial assessment and is developing a DP or other consultation document.
<b>Assessment phase</b>	These projects are assessing possible practice issues to understand if there is a financial reporting problem and, if so, how to address it.
<b>Exploratory phase</b>	These projects are long-term projects exploring broad issues.
<b>PIR follow-up work</b>	These projects have been identified as a consequence of the Post-implementation Review of IFRS 3 <i>Business Combinations</i> .
<b>Completed work</b>	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.

52. Rate-regulated activities is no longer classified as a research project. As noted, the IASB has decided it should undertake standard-setting activity to address the issues in this project.

### Development-phase projects

53. Dynamic Risk Management and Disclosure Initiative-Principles of Disclosure are development-phase research projects; their progress has been reviewed above.
54. Work on the **Financial Instruments with Characteristics of Equity (FICE)** 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 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.
55. The FICE project was discussed by the ASAF in September 2014 and March 2015, and the IASB commenced its deliberations in May 2015. Our goal is to develop a DP on this project.

### Assessment-phase projects

56. We have been working on a **Business Combinations under Common Control** project. There is particular interest from IOSCO and the Emerging Economies Group in this project. We have undertaken outreach with regulators, preparers, investors and auditors on the best way to approach this project.
57. We discussed the staff's preliminary views with the ASAF at its meeting in March 2015 and will discuss research findings with the IASB in Quarter 3 of 2015. The earliest a DP could be issued is Quarter 4 of 2015, but this will depend on staff resources being available.
58. The objective of the **Discount Rates** project is to identify why different rates are required and consider consistency across Standards. The staff are continuing to work on this project,

and have been using the analysis presented previously to the IASB as a basis for discussion with other parties. The staff discussed the initial findings with the Emerging Economies Group in May 2015. We expect to develop a Research Paper in the second half of 2015.

59. The **equity method of accounting** is a major source of interpretation requests; we discussed it with the GPF and the ASAF. In March 2015 we sought the views of the ASAF on whether to divide the project into two phases; ASAF members had mixed views on the proposal. The staff will make a proposal to the IASB in June 2015 on how to proceed with this project, taking into consideration the feedback from the ASAF.
60. A project on **performance reporting** was added to the research programme at the July 2014 IASB meeting. The scope of this project was discussed at the CMAC meeting in February 2015 and at the GPF meeting in March 2015. Following consultation with these groups we aim to discuss the scope of this project with the IASB in June 2015. The project scope will need to carefully balance the work being undertaken in the Principles of Disclosure project and the work previously undertaken in the Financial Statement Presentation project.
61. The **Pollutant Pricing Mechanisms** (formerly Emissions Trading Schemes) project was suspended in 2010. At that time the IASB had undertaken a lot of work to document and analyse schemes. That work is being updated at present. In addition, work has started with the International Public Sector Accounting Standards Board (IPSASB) and other standard-setters on background material.
62. In Quarter 1 of 2015, the IASB discussed a project plan for pollutant pricing mechanisms, which reflected the initial views expressed by the IASB, the GPF and the ASAF at meetings held in Quarter 4 of 2014. The IASB tentatively agreed to:
  - (a) set a broad scope for the project, in order to consider the accounting for a variety of schemes that use tradable emission allowances and other financial tools to manage the emission of pollutants; and
  - (b) establish the overall financial impact of such schemes before looking afresh at how to account for the combination of components that arise in them.
63. We are planning to discuss the project with the IASB in June and the ASAF in July 2015.
64. Work on a project to review the accounting for **post-employment benefits** (including pensions) is progressing well. The IASB has started to consider papers setting out the main issues to be considered and we have begun seeking input from our consultative groups, including the ASAF in December 2014.
65. A project to amend IAS 37 **Provisions, Contingent Liabilities and Contingent Assets** (formerly the Liabilities project) was suspended in 2010. Some preliminary work has begun to assess the implications of the IASB's decisions in the *Conceptual Framework* project. Concurrently, we have been collecting more detailed data about how IAS 37 is being applied as well as data about practice problems that have been relayed to the IFRS Interpretations Committee (the 'Interpretations Committee'). We are planning to discuss the project with the CMAC and the GPF in June 2015 and the ASAF in July 2015 and to

hold an education session with the IASB in June 2015.

66. We have allocated staff to work on developing plans for **share-based payments**. IFRS 2 *Share-based Payments* is a frequent source of interpretation requests. The project will help inform the next Agenda Consultation by initially assessing whether the application issues that most often generate interpretation requests can be addressed. The IASB discussed the approach to the project at its meeting in May 2015.

### **Preliminary-phase projects**

67. Work on developing plans for **extractive activities, intangible assets, research and development activities** will start once staff become available.
68. We have started to plan the scope for a project on **income taxes**. The project is staffed by our Asia-Oceania office, working closely with the London staff. As part of our consultations with investors, the project was discussed with the CMAC at its meeting in February 2015.

### **Post-implementation Review—follow-up work**

69. At its meeting in February 2015 the IASB decided to add two projects to its research agenda in response to the findings from the Post-implementation Review (PIR) of IFRS 3 *Business Combinations*. One project will consider the **definition of a business**; another will consider the financial reporting requirements for **goodwill**, both on initial recognition and subsequently. This project will include consideration of the relationship between separately recognised intangible assets and goodwill, and between systematic amortisation and impairment testing for goodwill. The projects will also explore potential improvements to the impairment test for non-financial assets, including goodwill. The IASB will consider the approach to these project in Quarter 3 of 2015.

### **Completed work**

70. The IASB considered a paper on **foreign currency** at its October 2014 meeting—relating to a request made to the IASB by the Korea Accounting Standards Board (KASB). The IASB decided not to prioritise the broader foreign currency translation but encouraged the KASB and other standard-setters to provide further information on problematic issues to inform the next Agenda Consultation.
71. The IASB considered a paper, at its meeting in April 2015, which reviewed the request of the Group of Latin American Standard-Setters (GLASS) to lower the inflation threshold in IAS 29 *Financial Reporting in Hyperinflationary Economies*. The IASB did not support the ASAF's recommendation and decided that it would not propose lowering the inflation threshold in IAS 29. It also decided that it would not do any work on developing an alternative to IAS 29 or on a Standard that addresses inflation more generally. The project will remain on the research programme to enable interested parties to comment on these decisions in the Agenda Consultation.
72. The IASB invited its Emerging Economies Group (EEG) to develop a paper on enhancing disclosures in inflationary environments. EEG members (Argentina and Mexico) have accepted this invitation and will develop a paper in the coming months.

### PIR of IFRS 3

Last due process document	Request for Information issued in July 2013.
Current status	Finalisation of the Feedback Statement.
DPOC role	The DPOC completed its life-cycle review April 2015.
Timing	Feedback Statement due to be issued in Quarter 2 of 2015.

### IFRS Taxonomy™

73. At the July 2014 meeting, the DPOC agreed that the IASB should hold two trials to assess the staff proposals to amend the IFRS Taxonomy due process. The latest position is set out in Agenda Paper 3C.

### 2015 Agenda Consultation

74. The IASB is now well advanced in its preparations for its three-yearly Agenda Consultation. The staff and the project's Board Advisers have decided to progress the 2015 Agenda Consultation at a faster pace than was achieved for the 2011-12 process, noting the following:
- (a) The 2011-12 agenda consultation process was our first experience of consulting publicly on the IASB agenda priorities and we have learned from that experience.
  - (b) As a result of the 2011-12 agenda consultation, our work programme has crystallised around a commitment to deliver a number of identified standards-level projects as well as a broad research programme. The IASB's current agenda is a very full one.
  - (c) The Trustees intend to review the IASB's structure and effectiveness through public consultation. A Request for Views (RFV) on this topic is likely to be published in July 2015. The IASB staff and Board advisers think that the agenda consultation process should be aligned with the Trustees' Structure and Effectiveness review and accordingly, have revised the timing of the 2015 Agenda Consultation to reflect that review.
75. At its May 2015 admin meeting the IASB considered an outline of the RFV and the timing of, and approach to be taken for, the 2015 Agenda Consultation.
76. We consulted the IFRS Advisory Council in February 2015 and are seeking its views on the 2015 Agenda Consultation RFV at its June 2015 meeting. We held initial discussions with the ASAF in December 2014.
77. The staff intend to request permission at the July 2015 meeting of the IASB to publish the Agenda Consultation. The current intention is that the RFV will go out for comment for 120 days and that comment period will end at the same time as that of the RFV on the Trustees' Structure and Effectiveness review. The current plan is to complete the agenda consultation process by Q1 2016.

## Implementation

### Revenue Transition Resource Group

78. Since the last Council meeting, the IASB and the FASB's Revenue Transition Resource Group (TRG) has held its fourth meeting to consider potential questions arising on implementation of the new revenue recognition Standard, IFRS 15 *Revenue from Contracts with Customers* and its US equivalent. The TRG discussions to date have highlighted that for almost all of the questions considered, constituents should be able to understand and apply the principles and guidance in the new Standard. We are now encouraging constituents to submit any remaining questions as soon as possible. The next meeting of the TRG is scheduled for 13 July 2015.
79. Over the last few months, the IASB and FASB discussed the five topics emerging from the TRG discussions that were identified as requiring consideration by the Boards. The IASB has tentatively decided to proposed limited and targeted amendments to clarify the application guidance for licences of intellectual property and principal versus agent considerations. It also decided to add further examples illustrating particular aspects of identifying performance obligations. The FASB has to date decided to make more extensive amendments to the Standard on licences and performance obligations and also to make amendments to clarify the guidance on measuring non-cash consideration and collectability. Both Boards have decided to add a practical expedient to ease the process of making the transition to the new Standard for particular contracts. The FASB has also decided to add a practical expedient for sales taxes.
80. The IASB plans to propose all of the above clarifications and practical expedients in a single ED, which it expects to approve at its June 2015 meeting.
81. In the light of this ED, the IASB decided at its April meeting to publish an Exposure Draft proposing a one-year deferral of the effective date of IFRS 15 to 1 January 2018 (early application would still be permitted). In reaching this decision, the IASB was also mindful that the FASB decided to propose a one-year deferral of the effective date of its revenue standard for public companies to 2018, with application in 2017 permitted. At its July 2015 meeting, the IASB intends to consider the feedback on its Exposure Draft *Effective Date of IFRS 15* and decide whether to proceed with an amendment to IFRS 15 regarding the effective date.

### Impairment of Financial Instruments Transition Resource Group

82. Since the last report to the DPOC, the Impairment of Financial Instruments Transition Resource Group (ITG) held its first meeting in London. Eight submissions pertaining to the new impairment requirements in IFRS 9 were discussed at the meeting.
83. A meeting summary together with the audio webcasts can be accessed via the ITG page on the IASB website.
84. The ITG's discussions highlighted that, for the many of the submissions, constituents agree on how the new impairment requirements should be applied. None of the submissions discussed at the meeting were referred to the IASB. The discussions did

identify certain implementation challenges regarding specific aspects of the impairment requirements, which are likely to be discussed at a future meeting.

85. The next meeting of the ITG is scheduled for 16 September 2015. To date, two further submissions have been received.

#### **Interpretations Committee**

##### ***Draft IFRIC Interpretation—Uncertainty in income taxes***

86. The Interpretations Committee has tentatively decided to publish a draft Interpretation of IAS 12 *Income Taxes* on the accounting for uncertainty in income tax. The draft Interpretation will aim to address diversity in practice for the recognition and measurement of a tax liability or asset when there is uncertainty in the application of the tax law.
87. The IASB confirmed that it is satisfied that the due process requirements have been complied with. It is anticipated that a draft Interpretation will be issued in Quarter 3 of 2015 for a 90-day comment period.

#### **Implementation projects**

88. A summary of the implementation projects is set out in the following table:

## Implementation projects

Project	Objective	Status	Next steps
<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: <ul style="list-style-type: none"> <li>(a) measurement of cash-settled share-based payment transactions that include a performance condition;</li> <li>(b) modification of a share-based payment from cash-settled to equity-settled; and</li> <li>(c) share-based payments settled net of tax withholdings.</li> </ul>	IASB redeliberations ongoing.	Redeliberations of proposals in Quarter 3 of 2015.
<b>Clarifications to IFRS 15 Revenue from Contracts with Customers: Issues emerging from TRG discussions</b>	This ED will include clarifications from the TRG meetings that the IASB considers necessary, see paragraph 78.	IASB deliberations ongoing.	Publication of ED in Quarter 3 of 2015.



Project	Objective	Status	Next steps
<b>Effective Date of IFRS 15</b> <i>(Open for comment until 3 July 2015)</i>		ED published 19 May 2015 (see paragraph 81). As agreed with the DPOC, this ED has a shortened comment period of 30 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>Disclosure Initiative</b> (Proposed amendments to IAS 7)  <i>(Closed for comment 17 April 2015)</i>	The proposed amendments are designed to improve: <ul style="list-style-type: none"> <li>(a) information provided to users of financial statements about an entity's financing activities, excluding equity items; and</li> <li>(b) disclosures that help users of financial statements understand the liquidity of an entity.</li> </ul>	The IASB to consider a comment letter summary in Quarter 2 of 2015.	The IASB to determine following consideration of the comment letters.

Project	Objective	Status	Next steps
<p><b>Elimination of gains or losses arising from transactions between an entity and its associate or joint venture</b> (Proposed amendments to IAS 28)</p>	<p>The objective of this project is to clarify:</p> <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> <li>(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.</li> </ul>	<p>The staff will propose that this project is transferred to the Equity Method of Accounting project.</p>	<p>The IASB to determine.</p>
<p><b>Fair Value Measurement: Unit of Account</b> (Amendments to IFRS 13)</p> <p><i>(Closed for comment 16 January 2015)</i></p>	<p>To clarify the unit of account for equity investments in subsidiaries, associates and joint ventures and their corresponding fair value measurement.</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 since 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 unit of account for equity investments in subsidiaries, associates and joint ventures and their corresponding fair value measurement.</p>

Project	Objective	Status	Next steps
<p><b>Recognition of Deferred Tax Assets for Unrealised Losses</b> (Amendments to IAS 12)</p> <p><i>(Closed for comment 18 December 2014)</i></p>	<p>To clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.</p>	<p>Redeliberations.</p>	<p>Decision on the finalisation of the amendment in Quarter 3 of 2015.</p>
<p><b>Remeasurement at a plan amendment, curtailment or settlement</b> (Proposed amendments to IAS 19)</p>	<p>To clarify:</p> <ul style="list-style-type: none"> <li>(a) the availability of a refund of a surplus from a defined benefit plan when an independent trustee has a unilateral power; and</li> <li>(b) remeasurement at a plan amendment, curtailment or settlement.</li> </ul>	<p>The IASB confirmed at its meeting in February 2015 that it had completed all the necessary due process steps.</p>	<p>Publication of ED in Quarter 2 of 2015.</p>
<p><b>Transfer of Investment Property</b> (Proposed amendments to IAS 40)</p>	<p>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.</p>	<p>The IASB confirmed at its meeting in May 2015 that it had completed all the necessary due process steps.</p>	<p>Publication of ED in Quarter 3 of 2015.</p>

## Appendix A—IASB work plan as at 27 May 2015

	2015 Q2	2015 Q3	2015 Q4	2016 Q1	Change	Timing updates since 18 December 2014
<b>Major projects</b>						
<b>Upcoming Standards</b>						
Insurance Contracts	Redeliberations				—	No change
Leases			Target Standard		—	No change
Comprehensive review of the <i>IFRS for SMEs</i>						Standard issued May 2015
<b>Upcoming Exposure Drafts</b>						
Conceptual Framework	Target ED				—	ED published May 2015
<b>Disclosure Initiative:</b>						
Changes in accounting policies and estimates			Target ED			New project
Materiality Practice Statement		Target ED				Not previously assessed
<b>Published Discussion Papers</b>						
Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging	Redeliberations				—	No change
Rate-regulated Activities	IASB discussions				—	No change
<b>Upcoming Discussion Paper</b>						
<b>Disclosure Initiative:</b>						
Principles of Disclosure			Target DP		—	No change
<b>Interpretation</b>						
Draft IFRIC Interpretation—Uncertainties in income taxes (target draft Interpretation)		Target draft Interpretation				New project
<b>Post-implementation Review</b>						
IFRS 3 <i>Business Combinations</i>	Target Feedback Statement				→	Delayed drafting/ completion procedures










The Disclosure Initiative is a portfolio of implementation and research projects.

Key	
—	No change to the project timing
→	Delayed

## Appendix A—IASB work plan as at 27 May 2015

### Implementation projects

Next major project milestone

Narrow-scope amendments	2015 Q2	2015 Q3	2015 Q4	2016 Q1	Change	Updates since 18 December 2014
<b>Annual Improvements to IFRS 2014–2016 Cycle</b>		Target ED				Delayed This cycle was held open in case other issues were identified, however, the IASB has now decided to proceed with an ED for the two potential amendments
<b>Clarifications of Classification and Measurement of Share-based Payment Transactions</b> (Proposed amendments to IFRS 2)		Redeliberations				No change
<b>Clarifications to IFRS 15: Issues emerging from TRG discussions</b>		Target ED				Delayed The ED is expected to be published July 2015
<b>Classification of Liabilities</b> (Proposed amendment to IAS 1)		Redeliberations				No change
<b>Disclosure Initiative</b> (Proposed amendments to IAS 7) [Comment period ended 17 April 2015]	Redeliberations					No change
<b>Elimination of gains or losses arising from transactions between an entity and its associate or joint venture</b> (Proposed amendments to IAS 28)	Target ED					See table on implementation activities
<b>Fair Value Measurement: Unit of Account</b>	Redeliberations					No change
<b>Recognition of Deferred Tax Assets for Unrealised Losses</b> (Proposed amendments to IAS 12)	Redeliberations					No change
<b>Remeasurement at a Plan Amendment, Curtailment or Settlement</b> (Proposed amendments to IAS 19 and IFRIC 14)	Target ED					No change
<b>Transfers of Investment Property</b> (Proposed amendments IAS 40)		Target ED				New project

## Appendix A—IASB work plan as at 27 May 2015

### Research projects

Next major project milestone

<b>Development phase</b>	The IASB has completed its initial assessment and is developing a DP or consultation document.
<b>Disclosure initiative</b>	This initiative comprises several active projects. See also <b>Major Projects</b> .
<b>Financial instruments with characteristics of equity</b>	IASB discussions are planned for 2015 with the next step likely to be a DP.
<b>Assessment phase</b>	These projects are assessing possible practice issues to understand if there is a financial reporting problem and, if so, how to address it.
<b>Business combinations under common control</b>	IASB discussions are planned for 2015 with the next step likely to be a DP in 2016.
<b>Discount rates</b>	IASB discussions are planned for 2015 with the next step likely to be a Research Paper.
<b>Equity method of accounting</b>	IASB discussions are planned for 2015 with the next step likely to be a DP in 2016.
<b>Performance reporting</b>	IASB discussions are planned for 2015 with the next step likely to be a DP.
<b>Pollutant pricing mechanisms</b>	IASB discussions are planned for 2015 with the next step likely to be a DP.
<b>Post-employment benefits (including pensions)</b>	IASB discussions are planned for 2015 with the next step likely to be a DP.
<b>Provisions, contingent liabilities and contingent assets</b>	IASB discussions are planned for 2015. The next steps are pending developments in the <i>Conceptual Framework</i> project.
<b>Share-based payments</b>	IASB discussions are planned for 2015 with the next step likely to be a Research Paper.
<b>Exploratory phase</b>	These projects are long-term projects exploring broad issues.
<b>Extractive activities/Intangible assets/R&amp;D activities</b>	The IASB is not currently working on this topic.
<b>Income taxes</b>	Discussions are expected during 2015 with a DP in 2016.
<b>PIR follow-up work</b>	These projects have been identified as a consequence of the Post-implementation Review of IFRS 3 <i>Business Combinations</i> . The next step has yet to be determined.
<b>Business (definition of)</b>	IASB discussions are planned for 2015.
<b>Goodwill</b>	IASB discussions are planned for 2015.
<b>Completed work</b>	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.
<b>Foreign currency translation</b>	
<b>High Inflation</b>	

## Appendix B—List of IASB Agenda Papers posted after the posting deadline

There were no IASB papers posted after the posting deadline in April 2015. A list of IASB papers that were posted after the posting deadline in May 2015 is as follows:

### May 2015

Agenda Paper	Name	Posted	Reason
2	Insurance Contracts: Cover note	Posted 12 May	Paper held back to accommodate 2F (see below).
2F	Insurance Contracts: Update on the interaction between IFRS 9 Financial Instruments and Insurance Contracts project	Posted 12 May	Staff thought it would be helpful to provide an update (non-decision-making) paper to the IASB as background.
7	Revenue Recognition: Cover paper	Posted 11 May	Paper followed from SGMs held only the previous week and it was decided that the topic could not be held over until the June IASB meeting because of the timing of the ED of clarifications to IFRS 15
7A	Revenue Recognition—Principal versus agent considerations—issues emerging from TRG discussions	Posted 11 May	