

## STAFF PAPER

March 2015

## Accounting Standards Advisory Forum

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

**Project update and agenda planning**

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

**Project update**

3. The status of current IASB projects, as at 23 February 2015, is summarised in Appendix A of this paper. Further details of the projects are available on the IASB website.

**Question 1 for ASAF members**

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

4. In Appendix B of this paper we include draft agendas for the July and September 2015 meetings.

**Question 2 for ASAF members**

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

**Follow up on issues discussed in the December 2014 ASAF meeting**

5. In developing proposals for the IASB, technical staff will normally consult with the IASB’s advisory bodies, which includes the ASAF. As part of this consultation, the IASB has directed the staff to provide a brief, high-level update to each advisory group so that the respective group has a clear understanding of how the staff or the IASB considered the advice that was given at the previous meeting.
6. Appendix C of this paper sets out an update to the topics discussed at the December 2014 ASAF meeting. The table summarises the topic presented, the advice or views that were provided to the staff during the ASAF meeting and the actions that have been taken, or that will be taken, by the IASB or the staff in response to such advice.

## Appendix A—Project update

PROJECT	STATUS	FUTURE ASAF INPUT
<b>Standards projects</b>		
Insurance Contracts	<p><i>The project objective is to improve financial reporting by providing a consistent basis for the accounting for insurance contracts and to make it easier for users of financial statements to understand how insurance contracts affect an entity's financial position, financial performance and cash flows.</i></p> <p>During the first half of 2015, the IASB will continue its redeliberations of the proposals set out in the 2013 Exposure Draft (ED), taking into consideration the feedback received and the outreach activities undertaken.</p>	<p><b>March 2015</b></p> <p>We will discuss the transition relief provisions on initial application of the Insurance Contracts Standard after implementation of IFRS 9 <i>Financial Instruments</i> and a paper provided by the Accounting Standards Board of Japan (ASBJ) on the <i>Use of OCI for Presentation of Unearned Profits</i>.</p> <p>Following the March 2015 meeting, it is not envisaged that further advice will be sought from the ASAF on this project.</p>
Leases	<p><i>The project objective is to improve the quality and comparability of financial reporting by providing greater transparency about leverage, and the assets an entity uses in its operations.</i></p> <p>The boards will finalise their redeliberations of the proposals set out in the 2013 ED shortly. They will decide upon the effective date of the new <i>Leases</i> Standard in the next few months. IASB plans to issue a new <i>Leases</i> Standard before the end of 2015.</p>	<p><b>March 2015</b></p> <p>As requested at the last ASAF meeting, we will discuss an update on the IASB's tentative decisions since the ASAF meeting in December 2014 and will seek the ASAF members' advice on the content and communication of the effects of the new <i>Leases</i> Standard.</p> <p>Following the March 2015 meeting, it is not envisaged that further advice will be sought from the ASAF on this project.</p>

## Appendix A—Project update

PROJECT	STATUS	FUTURE ASAF INPUT
<b>Conceptual Framework for Financial Reporting</b>		
<p><i>Conceptual Framework</i></p> <p><i>The ASAF acts as the advisory body for this project.</i></p>	<p><i>The objective of the Conceptual Framework project is to improve financial reporting by providing the IASB with a complete and updated set of concepts to use when it develops or revises Standards.</i></p> <p>It is anticipated that the ED will be published in Q1 of 2015.</p> <p>The ED will be open for comment for a period of 150 days.</p> <p><i>ASAF members have received a pre-ballot draft of the ED for a fatal flaw review.</i></p>	<p><b>March 2015</b></p> <p>At the March 2015 meeting we will discuss a paper by the ASBJ on how the <i>Conceptual Framework</i> ED will describe the different measurement bases and the information that they provide.</p> <p><b>July 2015</b></p> <p>The ASAF will be asked for preliminary views on the <i>Conceptual Framework</i> ED, prior to formal responses.</p> <p>The topics for discussions at the July and October 2015 meetings will depend on the feedback to the ED.</p>
<b>Discussion Papers</b>		
<p>Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging</p>	<p><i>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 better understand such activities.</i></p> <p>The Discussion Paper (DP) was published in April 2014. The IASB will consider the next steps for this project during Q2 of 2015.</p>	<p><b>July 2015</b></p> <p>Discussions with the ASAF will depend on how the IASB decides to proceed with this project.</p>

## Appendix A—Project update

PROJECT	STATUS	FUTURE ASAF INPUT
Rate-regulated Activities	<p><i>The objective of this research project is to identify how rate regulation affects the amounts, timing and certainty of cash flows. The project will also consider whether (or how) IFRS should be amended to result in relevant information being reported about the rate-regulatory effects identified.</i></p> <p>The DP was published in September 2014. The IASB will consider the next steps for the project during Q1 of 2015.</p>	<p><b>July 2015</b></p> <p>ASAF members’ advice will be sought on specific topics, which will be identified when the IASB consider the next steps for the project.</p>
<b>Disclosure Initiative (research and implementation)</b>		
Principles of Disclosure	<p>The objective of the Principles of Disclosure research project is to improve existing guidance in IFRS that helps entities determine the basic structure and content of a complete set of financial statements. The research will focus on reviewing the general requirements in IAS 1 <i>Presentation of Financial Statements</i> and IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>. The results of this research will form the basis of a DP that is expected to be published before the end of 2015.</p> <p>The work the UK Financial Reporting Council (UK FRC) on cash flow reporting will now form part of the IASB’s project on performance reporting. This move will allow any proposed changes to the statement of cash flows to be considered in the context of changes to other financial statements. The IASB and the UK FRC are discussing how this work may be published as a Research Report in 2015.</p>	<p><b>March 2015</b></p> <p>At this meeting we are discussing ‘What are the primary financial statements’.</p> <p><b>July 2015</b></p> <p>Depending on the project’s progress, the ASAF’s advice will be sought on specific topics to be included in the DP.</p>

## Appendix A—Project update

PROJECT	STATUS	FUTURE ASAF INPUT
Materiality	This project is reviewing how materiality is applied in practice in preparing IFRS financial statements and staff are preparing a Practice Statement to provide practical guidance on the application of materiality.	<p><b>March 2015</b></p> <p>At this meeting we are discussing a draft of the Practice Statement on materiality.</p>
Amendments to IAS 7 <i>Statement of Cash Flows</i>	<p>The IASB has published an ED of amendments to IAS 7 with the objective of improving disclosures about an entity’s financing activities and cash and cash equivalents.</p> <p>The ED was published in December 2014 and is open for comment until 17 April 2015.</p>	We do not envisage seeking advice from the ASAF on this project.
<b>Research</b>		
Business Combinations under Common Control (BCUCC)	<p><i>The IASB has decided to give priority to considering BCUCC when the transactions involve third parties—such as a business combination into a newly incorporated entity in anticipation of an initial public offering of that new entity; and cases in which one of the businesses has non-controlling interests.</i></p>	<p><b>March 2015</b></p> <p>At this ASAF meeting we will provide an update on the project and discuss accounting approaches considered by the staff for specific types of BCUCC.</p> <p>We will also discuss a paper by the Canadian Accounting Standards Board, which sets out the historical and current accounting practices in Canada for BCUCC, with specific reference to the Canadian related party accounting Standard.</p> <p><b>July 2015</b></p> <p>Depending on the project’s progress, the ASAF’s advice will be sought on specific topics to be included in the DP.</p>

## Appendix A—Project update

PROJECT	STATUS	FUTURE ASAF INPUT
Discount Rates	<p><i>This research project is reviewing discount rate requirements in IFRS, explaining why those differences exist and assessing whether there any inconsistencies that the IASB should address.</i></p>	<p><b>July 2015</b></p> <p>We plan to bring the findings of the research work to the ASAF.</p>
Pollutant Pricing Mechanisms (formerly Emissions Trading Schemes)	<p><i>The objective of the project is to develop an analysis of the common economic characteristics of a variety of schemes to identify their financial effects before making an initial assessment of the potential financial reporting issues.</i></p> <p><i>Note that the project was renamed to reflect a scope that is broader than trading schemes.</i></p> <p><i>The IASB has decided that while it will seek to learn from earlier deliberations, it will not be bound by any decisions taken to date. It has also made it clear that it plans to consider both sides of these pricing plans together, instead of considering assets and liabilities separately.</i></p>	<p><b>July 2015</b></p> <p>Depending on the project’s progress, the ASAF’s advice will be sought on specific topics.</p>

## Appendix A—Project update

PROJECT	STATUS	FUTURE ASAF INPUT
Equity Method of Accounting	<p><i>To review the circumstances in which the equity method is applied in current IFRS, with the objective of identifying the financial reporting problems arising from the application of the equity method.</i></p>	<p><b>March 2015</b></p> <p>At this meeting advice is being sought from the ASAF on the approach to this project, particularly whether the IASB should separate the project into shorter-term and longer-term components. Further consultation with the ASAF will depend on how the IASB decides to approach this project.</p> <p><b>October 2015</b></p> <p>Depending on the project’s progress, the ASAF’s advice will be sought on specific topics.</p>
Financial Instruments with Characteristics of Equity	<p>This project will investigate potential improvements:</p> <ul style="list-style-type: none"> <li>(a) to the classification of liabilities and equity in IAS 32 <i>Financial Instruments: Presentation</i>, including investigating potential amendments to the definitions of liabilities and equity in the <i>Conceptual Framework</i>; and</li> <li>(b) to the presentation and disclosure requirements for financial instruments that have characteristics of equity, irrespective of whether they are classified as liabilities or equity.</li> </ul>	<p><b>March 2015</b></p> <p>At this ASAF meeting we will discuss the feedback on EFRAG’s DP <i>Classification of Claims</i>. We will also discuss examples of financial instruments with characteristics of equity.</p> <p><b>October 2015</b></p> <p>Depending on the project’s progress, the ASAF’s advice will be sought on specific topics.</p>



## Appendix A—Project update

PROJECT	STATUS	FUTURE ASAF INPUT
Foreign Currency Translation	<p>To consider the requests made by the Korea Accounting Standards Board (KASB) to review IAS 21 <i>The Effects of Changes in Foreign Exchange Rates</i> and assess whether the IASB should replace IAS 21 or undertake some narrower-scope improvements to IAS 21—including the accounting for long-term payables and receivables, when a currency is thinly traded and volatile.</p> <p>The IASB considered these issues in a public meeting in October 2014 and decided not to develop a project for the short-term issue and to lower the priority on the broader project.</p>	We do not envisage seeking advice from the ASAF on this project.
Inflation	<p><i>To consider the requests made for the IASB to examine the consequences of high (as opposed to hyper) inflation on financial reporting.</i></p> <p><i>The ASAF received a presentation from the Brazilian standard-setter at its meeting in December 2014.</i></p>	The IASB plans to discuss this topic during its meeting in April. The views expressed in December will be incorporated into the staff papers. We will report back to the ASAF the outcome of those discussions.
Liabilities—amendments to IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i>	<p><i>The objective of this research project is to decide:</i></p> <p><i>(a) whether to add to the IASB’s standard-setting programme a project to amend aspects of IAS 37; and</i></p> <p><i>(b) if so, which aspects of IAS 37 should be within the scope of the project and what possible solutions the IASB should consider.</i></p> <p><i>IASB staff have started to document initial evidence of perceived problems and possible solutions, taking into consideration previous IASB proposals and stakeholder feedback; and the implications of proposed amendments to the Conceptual Framework.</i></p>	<p><b>October 2015</b></p> <p>This will depend on progress in the coming months.</p>

## Appendix A—Project update

PROJECT	STATUS	FUTURE ASAF INPUT
Performance Reporting	<p>The IASB plans to initiate discussions on the objective and scope of the research project on performance reporting, which the IASB added to its Research Programme in July 2014.</p> <p><i>The staff have begun preparing scope and planning papers, which we expect to discuss with the IASB in June 2015.</i></p> <p><i>The work on cash flows being undertaken by the staff of the UK FRC (which the ASAF discussed in December 2014) has been moved from the Disclosure Initiative into the Performance Reporting project.</i></p>	<p><b>October 2015</b></p> <p>We plan to seek the advice of the ASAF on specific topics.</p>
Post-employment Benefits	<p><i>The IASB is undertaking a broad-based review of pension plans that range from pure defined contribution to pure defined benefit. There is a growing range of hybrid plan designs that incorporate features of both defined contribution and defined benefit plans. Such plans were not envisaged when IAS 19 Employee Benefits was developed and are becoming problematic for IAS 19.</i></p>	<p><b>October 2015</b></p> <p>We plan to seek the advice of the ASAF on specific topics.</p>

## Appendix A—Project update

PROJECT	STATUS	FUTURE ASAF INPUT
<p><b>Post-implementation Review</b></p> <p>The purpose of a Post-implementation Review (PIR) is to consider whether the new Standard is functioning as anticipated, whether it has achieved its objective and whether it has improved financial reporting.</p>		
<p>PIR of IFRS 3 <i>Business Combinations</i></p>	<p>The review includes both IFRS 3 (2004) and IFRS 3 (2008) as well as all the amendments made to other Standards (for example, IAS 36 <i>Impairment of Assets</i>, IAS 38 <i>Intangible Assets</i> etc) as a result of the Business Combinations project.</p> <p>In February 2015, the IASB decided to continue to work on four topics in its research programme—goodwill impairment, goodwill amortisation, separately identifiable intangible assets and definition of a business.</p> <p>The IASB expects to publish a Feedback Statement on its findings from the PIR in Q2 of 2015.</p>	<p><b>March 2015</b></p> <p>At this ASAF meeting we will discuss the Feedback Statement on the DP <i>Should goodwill still not be amortised</i> jointly published by ASBJ, the European Financial Reporting Advisory Group and the Italian standard setter, Organismo Italiano Di Contabilità.</p> <p>We will also review the IASB’s recommendations arising from the Post-implementation Review of IFRS 3 <i>Business Combinations</i>.</p>

## Appendix A—Project update

PROJECT	STATUS	FUTURE ASAF INPUT
<b>Implementation projects</b>		
<p><i>Classifications and Measurement of Share-based Payment Transactions</i> (Proposed amendments to IFRS 2)</p>	<p>The objective of this project is to clarify:</p> <ul style="list-style-type: none"> <li>(a) how a vesting or a non-vesting condition should be reflected in the measurement of cash-settled share-based payments;</li> <li>(b) classification of a share-based payment that is settled net of tax withholdings; and</li> <li>(c) accounting for a modification of a cash-settled share-based payment that results in reclassification from cash-settled to equity-settled.</li> </ul> <p>The ED was published in November 2014 and is open for comment until 25 March 2015.</p>	<p>We do not envisage seeking advice from the ASAF on this project.</p>
<p><i>Classification of Liabilities</i> (Proposed amendments to IAS 1)</p>	<p><i>The objective of this limited-scope project is to clarify when a liability is classified as current or non-current.</i></p> <p>The ED was published on 10 February 2015 and is open for comment until 10 June 2015.</p>	<p>We do not envisage seeking advice from the ASAF on this project.</p>

## Appendix A—Project update

PROJECT	STATUS	FUTURE ASAF INPUT
<p><i>Transactions between an Entity and its Associate or Joint Venture</i> (Proposed amendments to IFRS 10 and IAS 28)</p>	<p><i>The objective of this project is to clarify:</i></p> <ul style="list-style-type: none"> <li>(a) <i>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 the joint venture;</i></li> <li>(b) <i>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</i></li> <li>(c) <i>whether the cost of an associate or a joint venture should be before or after eliminated gains for the purposes of calculating any difference between cost and the investor’s share of net assets on acquisition.</i></li> </ul> <p>The IASB expects to publish an ED in Q2 of 2015.</p>	<p>We do not envisage seeking advice from the ASAF on this project.</p>
<p><i>Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value</i> (Proposed amendments to IFRS 10, IFRS 12, IAS 27, IAS 28 and IAS 36 and the Illustrative Examples in IFRS 13)</p>	<p><i>The objective of this project is to clarify the unit of account and the fair value measurement for financial assets that are quoted investments in subsidiaries, joint ventures and associates.</i></p> <p>The ED was published on 16 September 2014 and is open for comment until 16 January 2015.</p>	<p>We do not envisage seeking advice from the ASAF on this project.</p>

## Appendix A—Project update

PROJECT	STATUS	FUTURE ASAF INPUT
<i>Recognition of Deferred Tax Assets for Unrealised Losses</i> (Proposed amendments to IAS 12)	<p><i>The objective of this project is to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.</i></p> <p>The comment period for the ED closed in December 2014.</p>	We do not envisage seeking advice from the ASAF on this project.
<i>Remeasurement of a plan amendment, curtailment or settlement/Availability of a refund of a surplus from a defined benefit</i> (Proposed amendments to IAS 19 and IFRIC 14)	<p><i>The objective of this project is to clarify:</i></p> <p>(a) <i>whether a trustee’s unilateral power to augment benefits or to wind up a plan affects the employer’s unconditional right to a refund of a surplus; and</i></p> <p>(b) <i>the calculation of current service cost and net interest when an entity remeasures the net defined benefit liability (asset) in the event of a plan amendment, curtailment or settlement.</i></p> <p>The IASB expects to publish an ED in Q2 of 2015.</p>	We do not envisage seeking advice from the ASAF on this project.
<b>Other projects</b>		
<i>IFRS for SMEs</i> Comprehensive Review	<p><i>The IASB has conducted an initial comprehensive review of the IFRS for SMEs.</i></p> <p>The IASB expects to issue the updated Standard in the first half of 2015.</p>	It is not planned to seek input from the ASAF on this project, because the IASB has a separate advisory body (the <i>IFRS for SMEs</i> Implementation Group).

## Appendix B—ASAF Agenda topics

Meeting	Potential agenda topic
<b>March 2015 (Actual)</b>	<i>Conceptual Framework</i> —Measurement (ASBJ)
	Leases
	Insurance Contracts
	Disclosure Initiative: (a) Principles of Disclosure; and (b) Materiality Practice Statement.
	Revenue Recognition Transition Resource Group
	PIR of IFRS 3
	Research projects: (a) Financial Instruments with Characteristics of Equity; (b) Business Combinations under Common Control; and (c) Equity Method of Accounting.
	Review of the ASAF
	Project update
<b>July 2015 (Proposed)</b>	<i>Conceptual Framework</i>
	Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging
	Rate-regulated Activities
	Disclosure Initiative: (a) Principles of Disclosure; and (b) IFRS Taxonomy Update.
	Research projects: (a) Discount Rates; (b) Business Combinations under Common Control; (c) Pollutant Pricing Mechanisms (formerly Emissions Trading Schemes); and (d) Income Tax.
	2015 Agenda Consultation
	Project update
<b>October 2015 (Proposed)</b>	<i>Conceptual Framework</i>
	Research projects: (a) Financial Instruments with Characteristics of Equity; (b) Liabilities—amendments to IAS 37; (c) Equity Method of Accounting; (d) Post-employment Benefits; and (e) Performance Reporting.
	PIRs
Project update	

## Feedback from the December ASAF meeting

Topic	ASAF views presented	Next steps/actions taken by the IASB or staff
<p><b>Disclosure Initiative</b> <b>Principles of Disclosure—cash flows</b></p>	<p>Advice was sought on issues related to the cash flow statements. Some ASAF members suggested that the objective of the statement of cash flows needed to be identified.</p> <p>It was commented that the role of the cash flow statement is primarily to supplement the financial information prepared on an accrual basis.</p> <p>Some ASAF members suggested that the IASB should also undertake research on the statement of financial position and the statement(s) of profit or loss and other comprehensive income (OCI) at the same time as researching the statement of cash flows.</p> <p>There was some discussion by ASAF members about how particular transactions, such as purchase of property, plant and equipment, interest costs and rental income should be classified in the statement of cash flows. However, it was acknowledged by ASAF members that it is very difficult to classify these transactions.</p>	<p>In response to feedback received, including that from the ASAF, the UK FRC’s work on cash flow reporting is now forming a part of the IASB’s Performance Reporting project.</p> <p>This is because some of the changes proposed to the cash flow statement would suggest revisions for the other financial statements and, therefore, looking at these changes in the Performance Reporting project makes sense.</p> <p>As a first step, it is intended to publish the work already undertaken as a Research Report during 2015 to generate input for the broader project. We are discussing the different ways in which the report may be released with the UK FRC, including whether it has an IASB cover note.</p>



## Feedback from the December ASAF meeting

Topic	ASAF views presented	Next steps/actions taken by the IASB or staff
<p><b>Pollutant Pricing Mechanisms (formerly Emissions Trading Schemes)</b></p>	<p>ASAF members' views were sought on the scope of, and approach to, the project.</p> <p>ASAF members provided summaries of some of the schemes and accounting policies applied in countries in their region. These include schemes in which entities receive allowances in exchange for undertaking project-based activities that reduce emissions or undertaking forestry-related activities that sequester or absorb emissions. ASAF members suggested that the project should cover these activities and, therefore, suggested that the title of the project should be changed to reflect a wider scope.</p> <p>ASAF members noted the diversity in accounting policies that currently exists and acknowledged the need to develop an acceptable accounting approach. ASAF members emphasised the need to look for a principle-based approach to accounting that could deal with the variety of detailed mechanisms. Any resulting accounting model developed should ensure that the overall effect is reflected in the 'bottom line' amounts reported in the financial statements. This could be achieved either by presenting the overall effect as a net amount or by using consistent recognition and measurement policies for the associated assets and liabilities created by the schemes.</p>	<p>The staff presented the ASAF members' comments in <a href="#">a project plan</a> for Emissions Trading Schemes at the January 2015 IASB meeting.</p> <p>The IASB tentatively agreed to:</p> <ul style="list-style-type: none"> <li>(a) set a broad scope for the project to consider the accounting for a variety of mechanisms that look to reduce, or otherwise manage, the levels of pollutants, using tradable emission allowances or other financial tools; and</li> <li>(b) take a 'fresh start' approach to the project, ie that the IASB would establish the overall financial impact of such schemes before looking afresh at how to account for the combination of components that arise in them.</li> </ul> <p>The title of the project has been changed to 'Pollutant Pricing Mechanisms' to reflect the changed scope.</p>

## Feedback from the December ASAF meeting

Topic	ASAF views presented	Next steps/actions taken by the IASB or staff
<p><b>Reporting the Financial Effects of Rate Regulation</b></p>	<p>ASAF members were invited to share their preliminary views on the DP <i>Reporting the Financial Effects of Rate Regulation</i>.</p> <p>In addition, a FASB representative provided a summary of the guidance in US GAAP to provide some background about why regulatory balances are recognised as assets and liabilities. The FASB representative noted that, if the description of defined rate-regulation in the DP was used as the basis of the scope criteria for any accounting requirements that may be developed as a result of this project, such a scope is likely to be tighter than the scope currently applied in US GAAP.</p>	<p>The staff have incorporated the ASAF's views into the initial analysis of outreach and comment letters in the DP. This staff paper was presented to the IASB in an education session at its February 2015 meeting.</p> <p>The analysis will be considered by the IASB's Rate-regulated Activities Consultative Group in early March 2015, before the staff develop their recommendations to the IASB about the next steps in the project.</p>
<p><b>Leases</b></p>	<p>The IASB staff presented an update on the status of the Leases project, including a summary of the most important tentative decisions reached to date during redeliberations.</p> <p>Regarding the definition of a lease, the EFRAG representative expressed disappointment that the IASB and the FASB had not further explored the EFRAG's staff suggestion to align the guidance in the Leases Standard for separating lease and non-lease components with the guidance in IFRS 15 <i>Revenue from Contracts with Customers</i> for identifying separate performance obligations.</p> <p>A number of ASAF members also expressed views on convergence between the IASB and the FASB on the project.</p>	<p><b>Definition of a lease</b></p> <p>The IASB and the FASB finalised their redeliberations on the definition of a lease at the December 2014 joint Board meeting. They have jointly agreed the definition and guidance.</p> <p>In February 2015 the IASB staff published on the IASB website a document that explains how a lease would be defined in the new Leases Standard. That document summarises the feedback received on the proposed definition of a lease, the clarifications made during the redeliberations and the reasons for those changes. It also explains why</p>

## Feedback from the December ASAF meeting

Topic	ASAF views presented	Next steps/actions taken by the IASB or staff
Leases		<p>the IASB and the FASB did not adopt some alternative approaches suggested.</p> <p><b>Redeliberations</b></p> <p>The IASB and the FASB are close to completing redeliberations of the proposals in the 2013 ED. They have achieved substantial convergence on the project, and in particular have reached converged decisions on:</p> <ul style="list-style-type: none"> <li>(a) the recognition of leases on the balance sheet;</li> <li>(b) the definition of a lease, and the separation of lease and non-lease components of a contract; and</li> <li>(c) the measurement of lease liabilities<sup>1</sup>.</li> </ul> <p>However, the recognition and presentation of lease expenses and cash flows are different under the IASB's and the FASB's respective lessee models. There is also a difference in the level of</p>

<sup>1</sup> Lease liabilities are measured in the same way under the IASB lessee model and the FASB lessee model, with one exception—inflation-linked lease payments are reassessed when contractual payments change under the IASB model, but are not under the FASB model.

## Feedback from the December ASAF meeting

Topic	ASAF views presented	Next steps/actions taken by the IASB or staff
<b>Leases</b>		aggregation in presenting lease assets and liabilities .—ie the FASB requires assets and liabilities relating to leases that are ‘in-substance, purchases of the underlying asset’ to be presented separately from assets and liabilities relating to other leases; the IASB does not require any such split—a lessee would apply the principles regarding presentation in IAS 1 <i>Presentation of Financial Statements</i> .
<b>Inflation Accounting</b>	<p>An ASAF member on behalf of the Group of Latin American Standard Setters (GLASS) presented a paper considering inflation accounting and how IAS 29 <i>Financial Reporting in Hyperinflationary Economies</i> could be improved.</p> <p>ASAF members recommended that the IASB should consider a short-term project that would review changing the threshold in IAS 29 to improve flexibility. A longer-term project could then consider the accounting concepts for inflation accounting.</p>	The IASB plans to discuss this topic during its meeting in April. The views expressed in December will be incorporated into the staff papers. We will report back to the ASAF the outcome of those discussions.
<b>Foreign Currency Translations</b>	The IASB staff explained that, at the IASB’s meeting in October 2014, the IASB decided to reclassify the broader work on foreign currency translation from short-term to longer-term in its Research Programme. The IASB will decide in the light of feedback from the next Agenda Consultation what priority to give the work or even whether to remove it	The staff do not plan to undertake any additional work on this topic during 2015. However, we will be emphasising to other standard-setters that if they plan to undertake work on foreign currency the IASB will consider that analysis.

## Feedback from the December ASAF meeting

Topic	ASAF views presented	Next steps/actions taken by the IASB or staff
<p><b>Foreign Currency Translations</b></p>	<p>from the programme.</p> <p>The IASB staff asked ASAF members whether they were aware of any interest among any groups or standard-setters in exploring the broader conceptual issues and concerns related to IAS 21. The IASB staff confirmed that any such work should build upon the substantial research already carried out by the KASB in this area.</p> <p>One ASAF member noted that it would be useful to clarify the objective and conceptual basis underpinning IAS 21, because they will not be addressed in the <i>Conceptual Framework</i>.</p> <p>One ASAF member strongly recommended that the IASB should address concerns regarding the determination of an entity's functional currency in a timely matter. The IASB staff noted that the IASB would consider specific narrow-scope issues in respect of IAS 21 that are brought to its attention separately from its research project.</p>	<p>In the interim, the IFRS Interpretations Committee (the 'Interpretations Committee') has started to consider an issue related to IAS 21 and its interaction with other Standards in identifying when a transaction takes place for the purpose of translating transactions taking place in another currency. This willingness to work on interpretation matters is a direct consequence of the IASB clearing the way for the Interpretations Committee to recommence work on issues related to this Standard.</p>
<p><b>Post-employment Benefits (pensions accounting)</b></p>	<p>The staff presented a plan of the research project. ASAF members generally supported the research project.</p> <p>Many ASAF members noted that the use of contribution-based promises or other 'hybrid plans' is increasing, while the use of traditional defined benefits plans is decreasing in many jurisdictions.</p> <p>Some ASAF members noted conceptual or practical problems in pension accounting and the difficulty in resolving them.</p>	<p>The staff will continue the research project, analysing possible models for measurement, in accordance with the plan explained at the September 2014 IASB meeting and the December 2014 ASAF meeting.</p> <p>The staff will include the ASAF members' views and suggestions in the staff papers, which will be discussed at a future IASB meeting.</p>

## Feedback from the December ASAF meeting

Topic	ASAF views presented	Next steps/actions taken by the IASB or staff
<b>Post-employment Benefits (pensions accounting)</b>	<p>Some ASAF members were concerned that some entities may feel comfortable with the current model, particularly if they use pure defined benefit plans or pure defined contribution plans.</p> <p>Suggestions from ASAF members included:</p> <ul style="list-style-type: none"> <li>(a) considering a two-stage approach: <ul style="list-style-type: none"> <li>(i) first, prioritise the issues relating to contribution-based promises; and</li> <li>(ii) second, cover broader conceptual problems.</li> </ul> </li> <li>(b) considering the unit of account and recycling (ie reclassification of the items recognised in OCI).</li> </ul>	<p>Expected timing of the next IASB discussion will be during Q2 of 2015.</p>
<b>Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging</b>	<p>ASAF members were invited to share their preliminary views on the DP <i>Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging</i>. The key points noted were:</p> <ul style="list-style-type: none"> <li>(a) some members expressed support for developing a new model that reflects dynamic risk management activities. In contrast, other members supported improvements to the existing model. However, there is concern about the disconnection between risk management systems and accounting systems, because proxy hedging relationships are not derived from existing risk management system.</li> <li>(b) it was noted that the costs to preparers in amending current financial</li> </ul>	<p>The IASB at its February 2015 meeting held the first discussion of the comments received on the DP, which included, in summary, the comments received from the ASAF.</p> <p>At its February 2015 meeting, the IASB considered comments received on five of the nine sections in the DP and it plans to discuss the balance of the comments at its March meeting.</p>

## Feedback from the December ASAF meeting

Topic	ASAF views presented	Next steps/actions taken by the IASB or staff
<p><b>Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging</b></p>	<p>reporting systems need to be considered.</p> <p>(c) the DP focused on the application to financial institutions while many other industries also manage their risks dynamically.</p> <p>(d) the CASB noted that there is a difference in views between users of financial statements and preparers regarding what objective should be pursued by the IASB. Users were generally more interested in a holistic picture of dynamic risk management being presented in the financial statements, while preparers preferred representing only hedging activities in the financial statements with a reduction in the dependency on proxy hedge accounting.</p> <p>(e) the Australian Accounting Standards Board suggested that the IASB could split the project into a Standards-level project on targeted improvements to hedge accounting of interest rate risk of open portfolios and a more general research project on representing dynamic risk management activities. Alternatively, a disclosure solution may help, such as improving disclosures about the nature of hedging when proxy hedging is significant.</p> <p>(f) in regard to behaviouralisation, ASAF members broadly supported the thinking in the dynamic risk management on core demand deposits.</p>	

## Feedback from the December ASAF meeting

Topic	ASAF views presented	Next steps/actions taken by the IASB or staff
<b>Equity Method of Accounting</b>	<p>The ASAF discussed the research report by the KASB and a survey undertaken by the ASBJ. There was a wide ranging discussion on the equity method. The discussion included:</p> <ul style="list-style-type: none"> <li>(a) a suggestion from some members that there is a need to review the boundaries of the reporting entity. It was noted that this was related to the <i>Conceptual Framework</i>.</li> <li>(b) because an entity does not control an investment in an associate or a joint venture, the equity method cannot be a one-line consolidation method.</li> <li>(c) it is possible that the equity method is both a measurement method and a one-line consolidation method.</li> <li>(d) it is important to distinguish the objective of the equity method of accounting when it is applied in separate financial statements from the objective of the method when it is applied in consolidated financial statements.</li> <li>(e) some members suggested that there may be a distinction between investments depending on the nature/business purpose of the investment.</li> <li>(f) members considered whether fair value is an alternative to the equity method. Some members supported the use of fair value when there is a quoted market price (Level 1 fair value) for associate</li> </ul>	<p>At the ASAF meeting in March 2015 we are seeking the views of the ASAF on the approach to the project and whether we should divide the project into a short- and long-term project. This follows feedback from the ASAF meetings in December and June 2014.</p> <p>The discussion from the December 2014 ASAF meeting will assist the staff in developing project papers.</p>



## Feedback from the December ASAF meeting

Topic	ASAF views presented	Next steps/actions taken by the IASB or staff
	<p>entities.</p> <p>(g) for the equity method applied to associates, the project could consider specific points.</p>	
<p><b>Financial Instruments with Characteristics of Equity</b></p> <p><i>(This topic was discussed in September 2014 and is included here to support Agenda Paper 7 of this meeting)</i></p>	<p>In the September 2014 meeting, ASAF members were asked for advice on the scope of the Financial Instruments with Characteristics of Equity research project.</p> <p>Many ASAF members stated that while a fundamental review of the requirements was necessary, the IASB should not necessarily start from an entirely blank sheet of paper. IAS 32 had proved to be robust during the financial crisis, although new financial products, such as bonds that are contingently convertible into equity if a non-viability event occurs, were testing the requirements. A fundamental review is needed to provide a better foundation and should focus on identifying the objectives of the distinction between liabilities and equity.</p> <p>Some ASAF members cautioned the IASB against pursuing a narrow-scope project, because of the risk of introducing further exceptions and inconsistencies.</p> <p>Some ASAF members stated that it is important that the IASB should consider the distinction between liabilities and equity from the perspectives of both financial position and financial performance.</p> <p>One ASAF member asked for more clarity about the plan to revisit the <i>Conceptual Framework</i> definitions after performing the research.</p>	<p>At its October 2014 meeting, the IASB discussed the scope and next steps of the research project on financial instruments with characteristics of equity. The IASB decided to pursue the following two overlapping streams of work:</p> <p>(a) classification—investigating potential improvements to the classification of liabilities and equity in IAS 32. This stream would also include an investigation on potential amendments to the definitions of liabilities and equity in the <i>Conceptual Framework</i>.</p> <p>(b) presentation and disclosure—investigating potential improvements to the presentation and disclosure requirements for financial instruments that have characteristics of equity, irrespective of whether they are classified as liabilities or equity.</p> <p>The IASB noted the interaction between the research project and the <i>Conceptual</i></p>

## Feedback from the December ASAF meeting

Topic	ASAF views presented	Next steps/actions taken by the IASB or staff
<p><b>Financial Instruments with Characteristics of Equity</b></p> <p><i>(This topic was discussed in September 2014 and is included here to support Agenda Paper 7 of this meeting)</i></p>	<p>Another ASAF member stated that the decision to consider the distinction between liabilities and equity further in the research project was not consistent with the decision to expose the tentative definitions in the ED. Yet another ASAF member thought that the <i>Conceptual Framework</i> project should take the lead and not follow the research project.</p>	<p><i>Framework</i> project as follows:</p> <ul style="list-style-type: none"> <li>(a) the <i>Conceptual Framework</i> ED will propose retaining the existing definition of equity and clarifying some aspects of the definition of liability that are not directly related to distinguishing liabilities from equity.</li> <li>(b) the proposed definitions of liability and equity to be included in the <i>Conceptual Framework</i> ED will not constrain the work in the research project. Instead, the research project will consider various approaches to distinguishing between liabilities and equity, including approaches that could require changes to the definitions of liability or equity in the <i>Conceptual Framework</i>. Nevertheless, any such changes are unlikely to reverse the clarifications to be suggested in the <i>Conceptual Framework</i> ED.</li> </ul>

## Feedback from the December ASAF meeting

Topic	ASAF views presented	Next steps/actions taken by the IASB or staff
<b>Insurance Contracts</b>	<p>On transition:</p> <p>(a) question on the risk of inconsistent application across jurisdictions, noting that the impracticality test is rarely, if ever, met.</p> <p>On contracts with participating features:</p> <p>(b) one ASAF member asked that the IASB consider recognising the contractual service margin in OCI, instead of as a liability.</p> <p>(c) with respect to the CFO Forum proposals for full unlocking of the contractual service margin, ASAF members suggested that:</p> <p>(i) there was a need for the CFO Forum to develop more detailed examples before they could assess whether they agreed at detailed level;</p> <p>(ii) entities should be allowed to choose the approach for determining interest expense in profit or loss; and</p> <p>(iii) there could be better communication of, and understanding about, the IASB's thinking if the staff were to provide a clearer comparison with the CFO Forum proposals and an explanation of the reasons for the differences with them.</p>	<p>On transition:</p> <p>(a) the staff observed that 'impracticable' is a well-established term in IFRS. Therefore, no action proposed within the insurance contracts project.</p> <p>On contracts with participating features:</p> <p>(b) the ASAF member has submitted a paper to the ASAF that describes more fully the views expressed in December on the recognition of the contractual service margin. That paper, together with the IASB staff response, will be discussed at the March 2015 ASAF meeting. As noted in the staff response, the staff do not propose bringing this issue to the IASB.</p> <p>(c) the staff continue to consider the appropriate accounting for contracts with participating features, including evaluating the CFO Forum's proposals. The staff expect to resume discussions on this topic with the IASB in the March meeting.</p>

### Feedback from the December ASAF meeting

Topic	ASAF views presented	Next steps/actions taken by the IASB or staff
<b>Insurance Contracts</b>	<p>On disclosure:</p> <ul style="list-style-type: none"> <li>(a) concern about disclosures that required information about locked-in discount rates.</li> <li>(b) concern about the interaction between the auditor independence regulations and the requirement for entities to disclose 10-year historical information.</li> </ul>	<p>On disclosure:</p> <ul style="list-style-type: none"> <li>(d) the staff observed that the disclosures for the project had been exposed in substantially the same form in both the 2010 and the 2013 EDs, and that the disclosure referred to had been added by the IASB to improve comparability between two entities selecting different accounting policies. The staff intend to review the disclosure requirements as a whole with the IASB over the coming months.</li> <li>(e) the staff noted at the meeting that this information is currently required by IFRS 4 Insurance Contracts, without significant difficulties noted. The staff will continue to monitor whether any issues emerge in practice.</li> </ul>