STAFF PAPER

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Project	**IASB Update**		
Paper topic	Technical Activities—Update		
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1. This paper provides the Global Preparers Forum with an update on standard-setting activities of the IASB, especially in the period between November 2014 and February 2015. At the March 2015 GPF meeting, the directors will provide an oral update, including the information about the changes between the date of the meeting and the information in this paper.

2. This paper includes:

Information about the Global Preparers Forum (GPF) is available at http://www.ifrs.org/The+organisation/Advisory+bodies/GPF/

Overview of changes since the last Update

3. Since November 2014 we have:

   (a) completed aspects of the implementation phase of the Disclosure Initiative while progressing the research phase;

   (b) completed our redeliberations of the Discussion Paper *A Review of the Conceptual Framework for Financial Reporting*; and

   (c) continued to focus on finalising the Insurance Contracts and Leases projects following feedback on the Exposure Drafts published in 2013.

4. In the period of November 2014 to February 2015 we have issued:

   (a) *Investment Entities: Applying the Consolidation Exception* (Amendments to IFRS 10, IFRS 12 and IAS 28);

(b) *Disclosure Initiative* (Amendments to IAS 1);

(c) Interim Release 2 to the *IFRS Taxonomy 2014*; and

(d) *Annual Improvements to IFRSs 2012–2014 Cycle*.

5. We have also published the following consultation documents:

(a) Exposure Draft *Share-based Payment; Clarification of Classifications of Share-based Payment Transactions* (Amendments to IFRS 2);

(b) Exposure Draft *Disclosure Initiative* (Amendments to IAS 7); and

(c) Proposed Interim Release 3 to the *IFRS Taxonomy 2014*; and

(d) Exposure Draft *Classification of Liabilities* (Amendments to IAS 1).

6. A copy of the work plan as at 27 January 2015 is set out in Appendix A of this paper.

Major projects

Insurance Contracts

7. As discussed in previous meetings, the IASB published a revised Exposure Draft (ED) *Insurance Contracts* in June 2013. That revised ED sought feedback on specific aspects of its proposals, reflecting the extensive debate that the IASB has undertaken over many years, and the need to avoid further undue delay in finalising the much-needed Standard for insurance contracts.

8. During the comment period between June and October 2013, the IASB received 194 comment letters, and undertook extensive outreach and detailed field testing of the operationality of the proposals. The feedback received suggested broad support for the principle of current value measurement of insurance contracts. However, there were also significant areas of disagreement, in particular about performance reporting, and concerns about excessive complexity.

9. The IASB has been deliberating the response to the 2013 ED since January 2014. During redeliberations, the IASB has maintained extensive dialogue with all interested parties and continues to consult its advisory bodies.

10. The IASB has largely concluded its tentative decisions relating to contracts without participation features. In particular, the IASB has addressed each of the areas that were targeted in the 2013 ED that relate to contracts without participation features, as follows:

    (a) unlocking the contractual service margin;

    (b) recognising the effects of changes in discount rates in other comprehensive income (OCI);

    (c) insurance contracts revenue; and

    (d) transition.

11. The IASB also made tentative decisions on some specific issues that were highlighted in the feedback but that were not targeted for input. The direction that the IASB took in all these decisions was largely consistent with the feedback that it had heard on the 2013 ED.

12. In Quarter 4 of 2014, the IASB continued to consider the accounting model for contracts with participation features, one of the most difficult and contentious of the specific aspects on which the IASB sought feedback. Because many of the issues to be considered by the IASB in relation to contracts with participation 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, for the staff to consider in developing models for consideration and decision-making by the IASB.

13. As a consequence of the complexity of the issues relating to contracts with participation 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. As a result, the IASB will continue deliberations during 2015. The IASB does not expect to issue the Standard on Insurance Contracts before the end of 2015.

Leases

14. The objective of the Leases project is to improve the quality and comparability of financial reporting by providing greater transparency about an entity's leverage and the assets it uses in its operations.

15. This is a joint project with the FASB. In May 2013, the two Boards published a joint and revised ED on leases, which, as anticipated, attracted a large number of responses—640 comment letters.

16. Extensive outreach activities were undertaken during the comment period, focusing in particular on obtaining feedback from investors and analysts, and on understanding the drivers of costs for preparers. In addition, a series of public round tables took place.

17. As previously reported, the IASB had substantive discussions on the Leases project with all of its advisory bodies in February and March 2014 in preparation for the redeliberations—the IFRS Advisory Council (the 'Advisory Council'), the ASAF, the Capital Markets Advisory Council (CMAC) and the Global Preparers Forum (GPF).

18. At joint meetings between March 2014 and January 2015, the IASB and the FASB reached converged tentative decisions on almost all aspects of the project, the most important of which are as follows:

    (a) to require lessees to recognise assets and liabilities for all leases (other than short-term leases and, for the IASB, leases of small assets such as laptops and office furniture);

    (b) to measure lease liabilities on a present value basis, with simplifications made to that measurement to address concerns about cost and complexity;

    (c) to distinguish a lease from a service by assessing control (see further information in the following paragraphs); and

    (d) to, in essence, leave existing lessor accounting unchanged.

19. As previously reported, the Boards however have reached different conclusions on the recognition and presentation of lease expenses in a lessee's income statement.

20. In Quarter 4 of 2014, the Boards focused their discussions on the definition of a lease, which distinguishes a lease from a service. This is a critical distinction because, in the new leases Standard, it will determine whether an entity recognises assets and liabilities on its balance sheet.

(a) Although respondents were generally supportive of the proposed definition in the ED, a number of key stakeholders, particularly in Europe and Japan, raised concerns about the definition. They were of the view that the proposed definition would inappropriately capture some contracts that they view as services.

(b) The Boards considered various alternative approaches to defining a lease at their October and December 2014 joint meetings, including suggestions made by the EFRAG staff in a paper discussed at the September 2014 ASAF meeting. However, the Boards concluded that these alternative approaches would have excluded substantive capital assets, such as oil rigs and ships, from an entity's balance sheet, impairing the usefulness of the financial information.

(c) Accordingly, the Boards tentatively decided to reaffirm the proposed definition of a lease in the 2013 ED, but with various changes to the accompanying guidance to address requests to clarify that guidance. In essence, the Boards have tentatively concluded that a lease exists when a customer has exclusive use of an asset for a period of time, and can decide how to use it. The staff are developing a feedback document to explain the Boards' conclusions and rationale about the definition of a lease, which will complement the Leases Update that was published in August 2014.

21. It is currently expected that the IASB will complete redeliberations of the proposals in the 2013 revised ED, together with the FASB, in Quarter 1 of 2015.

IFRS for SMEs—Comprehensive Review 2012–2014

22. When the IASB issued the *IFRS for SMEs* in July 2009, it stated that it planned to undertake an initial comprehensive review of SMEs' experience in applying the *IFRS for SMEs* when two years of financial statements using the *IFRS for SMEs*

have been published by a broad range of entities. Therefore, the initial comprehensive review commenced in 2012.

23. The amendments to the *IFRS for SMEs* resulting from this review are relatively minor, with the exception of the following three amendments:

(a) allowing an option to use the revaluation model for property, plant and equipment;

(b) aligning the main recognition and measurement requirements for deferred income tax with IAS 12 *Income Taxes*; and

(c) aligning the main recognition and measurement requirements for exploration and evaluation assets with IFRS 6 *Exploration for and Evaluation of Mineral Resources*.

24. The Board received 57 comment letters on the 2013 ED. Most respondents to the 2013 ED supported the majority of the changes proposed in the 2013 ED. The following are the main areas where respondents had concerns:

(a) The scope of the IFRS for SMEs.

(b) The IASB's proposed approach for dealing with new and revised IFRS.

(c) The decision of the IASB not to propose accounting policy options for revaluation of property, plant and equipment, and capitalisation of borrowing costs and development costs.

(d) The transition requirements.

25. The result of the IASB's redeliberations of the issues raised is that three significant changes have been made to the proposals in the 2013 ED:

(a) permitting a revaluation model for property, plant and equipment;

(b) simplified transition requirements; and

(c) aligning the main recognition and measurement requirements for exploration and evaluation assets with IFRS 6 *Exploration for and Evaluation of Mineral Resources*. The IASB believes that the amendments are important to ensure that the requirements in the IFRS for SMEs are not more onerous than in full IFRS.

26. The balloting process is now underway and the revised *IFRS for SMEs* is scheduled to be published later in the first half of 2015.

The Conceptual Framework

27. The *Conceptual Framework* sets out the concepts that underlie the preparation and presentation of financial statements. It is not a Standard or Interpretation and does not override any specific Standard or Interpretation. However, it identifies principles for the IASB to use when it develops and revises its Standards. It is also used by preparers to develop accounting policies when no specific Standard applies or when there is a choice of accounting policy.

28. The IASB published a Discussion Paper (DP) in July 2013, *A Review of the Conceptual Framework for Financial Reporting*, with a comment period of 180 days. The IASB has considered the responses to that DP as well as other feedback that was received during the development of the ED.

29. The IASB has sought input on this project from its advisory bodies—the Advisory Council, ASAF (which is the consultative group for this project), the CMAC, and the GPF have all been consulted both during the comment period and during redeliberations.

30. The IASB's original intention was not to fundamentally reconsider the Objective and Qualitative Characteristics chapters of the *Conceptual Framework*, which were published in 2010. However, respondents were asked for comments on this approach, and many expressed the view that we should reconsider at least some aspects of those chapters (in particular, the treatment of prudence, stewardship, 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:

    (a) to reintroduce an explicit reference to prudence (described as caution under conditions of uncertainty) into the *Conceptual Framework*.

    (b) to increase the prominence of references to stewardship within the description of the overall objective of financial reporting.

(c) not to reinstate the term ‘reliability’ to describe one of the two fundamental qualitative characteristics of useful financial information.[1] The existing *Conceptual Framework* now uses the term ‘faithful representation’ to refer to that concept, and describes it in a manner largely similar to the discussion of reliability in the previous version of the *Conceptual Framework*. In addition, the IASB now proposes to clarify how the level of estimation uncertainty associated with an asset or liability affects recognition and measurement.

31. 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 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.

32. There are also several other projects that are relevant to the matters raised in comment letters. For example, the Disclosure Initiative and the Performance Reporting project, which was added to the research programme in July 2014, will touch on aspects of OCI. The IASB also has a separate research project on Financial Instruments with the Characteristics of Equity. These projects could lead to Standard-level requirements that address the matters identified by respondents or could lead to revisions to the *Conceptual Framework*—the IASB has consistently emphasised that the *Conceptual Framework* is a living document. The IASB may, if necessary, revisit these sections of the *Conceptual Framework* once the research work or revised Standards have been completed.

33. The IASB has now finalised redeliberations of the DP. At its October 2014 meeting, the IASB confirmed that it is satisfied that sufficient due process steps have been undertaken and instructed the staff to begin the balloting process on the ED.

34. The balloting process has now begun and it is anticipated that the ED will be published at the end of Quarter 1 of 2015. At its meeting in October 2014, the IASB considered the comment period for the ED. The IASB agreed on a longer

[1] The other fundamental qualitative characteristic is relevance.

comment period than the normal comment period of 120 days. The ED will be open for comment for a period of 150 days.

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

35. The DP *Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging* was published in April 2014, with a comment period of 180 days, ending on 17 October 2014.

36. Over the second half of 2014 the staff, along with IASB members, have conducted over 50 outreach meetings with constituents across jurisdictions. The jurisdictions covered by the outreach included Europe, Asia and Oceania, North and South America and Africa.

37. The outreach covered different types of constituents, including preparers (for example, banks, insurance companies and non-financial institutions), users of financial statements, prudential and securities regulators, accounting standard-setters, accountancy bodies and accounting firms.

38. In addition, the ASAF discussed the topic on more than one occasion and have provided members' views on the DP. A similar process was also followed by the GPF (project was discussed at March 2014 meeting).

39. We have received 126 comment letters to date and although we have received support from constituents for addressing the issue of accounting for dynamic risk management, there is significant divergence in views on the merits of the new approach between users and preparers in general. There is also a difference in views on what should be the overall objective of the project.

40. The staff brought the comment letter analysis to the IASB in February 2015, before asking it to consider the next steps for the project. The summary of the comment letters and the other feedback (including from users) is available on the website.

Rate-regulated Activities

41. The DP *Reporting the Financial Effects of Rate Regulation* was published on 17 September 2014, with a comment period of 120 days, ending on 15 January 2015.

42. 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 seeks comments on whether or not the distinguishing features of defined rate regulation, as identified by the IASB, sufficiently capture the type(s) of rate regulation that have the most significant financial effects.

43. The DP does not include any specific accounting proposals. Instead, it explores what information about rate-regulated activities is most useful to users of financial statements and outlines possible approaches (and the accompanying advantages and disadvantages) that the IASB could consider in deciding how best to report the financial effects of rate regulation.

44. The project's formal consultative group met in July 2013 and again in November 2013 and provided input to the staff in developing the content of the DP.

45. The ASAF provided input at its meetings in December 2013 and March 2014. In addition, it provided preliminary views on the DP at its meeting in December 2014. Other preliminary views were gathered at outreach events during November and December 2014 in Brazil, USA, Canada and Belgium, and by video conference with Malaysia.

46. The initial review of comment letters, together with the feedback received from outreach, suggest that there is strong support for developing specific accounting requirements that will lead to the recognition of at least some regulatory deferral account balances in IFRS financial statements. Views were mixed about whether this should be done through a separate Standard to replace IFRS 14 *Regulatory Deferral Accounts* or through amendments to, or an Interpretation of, existing Standards. A common suggestion made is that the IASB should explore an approach that is based on the principles contained in IFRS 15 *Revenue from Contracts with Customers*, focusing on the entity's rights and obligations relating to its customers as a whole (the customers base), instead of individual customer contracts.

47. IASB staff provided a preliminary analysis of comments to the IASB at its meeting in February 2015. The summary of the comment letters and the other feedback (including from users) has been made available on the website. IASB staff will seek advice from the consultative group in March 2015, before asking the IASB to decide on the next steps for the project.

Disclosure Initiative

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

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

    (a) narrow-focused amendments to IAS 1 *Presentation of Financial Statements*; and

    (b) narrow-focused amendments to IAS 7 *Statement of Cash Flows*.

50. The research projects include:

    (a) Principles of Disclosure—review of IAS 1, IAS 7 and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;

    (b) Materiality; and

    (c) Review of disclosures in existing Standards.

IAS 1

51. These amendments were issued on 18 December 2014 and are designed to encourage companies to apply professional judgement in determining what information to disclose in their financial statements and where, and in what order, information is presented.

IAS 7

52. Also on 18 December 2014 the IASB published an ED *Disclosure Initiative* (Amendments to IAS 7). The proposed amendments are designed to improve:

   (a) information provided to users of financial statements about an entity's financing activities, excluding equity items; and

   (b) disclosures that help users of financial statements to understand the liquidity of an entity.

53. In developing the ED a survey was undertaken with investors to identify why investors seek to understand debt, including changes in debt during the reporting period. The CMAC was consulted in October 2013 and the draft proposals were discussed at the joint CMAC and GPF meeting in June 2014. Further input was sought from the GPF in Quarter 3 of 2014.

54. The ED was issued for comment for a period of 120 days, ending 17 April 2015.

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

55. This project is the cornerstone of the Disclosure Initiative. Its objective is to improve disclosures in financial statements by identifying and developing a set of principles for disclosure in IFRS. The project's aim is to set the basis for replacing the disclosure requirements in IAS 1, IAS 7 and IAS 8. The project may also affect the review of disclosure requirements and guidance in other Standards.

56. 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 December, September and June 2014. In addition, advice has been sought from the GPF and the CMAC during 2014. The staff has also conducted a variety of meetings and conference calls with constituents on specific issues in preparing papers for the IASB meetings, including the International Organization of Securities Commissions (IOSCO) and the European Securities and Markets Authority (ESMA) about the disclosure of non-IFRS financial information.

57. The IASB aims to publish a DP in Quarter 2 of 2015, although this will depend on how discussions progress.

Materiality

58. 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, IOSCO and the International Auditing and Assurances Standards Board (IAASB) about how materiality is applied in practice and the need for potential guidance.

59. During Quarter 3 of 2014, the IASB agreed to develop guidance on the application of materiality, which would take the form of a Practice Statement. It postponed a decision on how to deal with different terminology relating to the use of materiality within the Standards until the further work on the disclosure requirements in existing Standards has been completed.

60. The IASB plans to expose for public comment a draft Practice Statement in Quarter 2 of 2015.

61. 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 we are confident that we can develop helpful, non-mandatory, guidance that works globally.

Review of disclosures in existing Standards

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

Research projects

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

High-priority projects

64. **Dynamic Risk Management, Rate-regulated Activities** and the **Disclosure Initiative** are part of the research programme.

65. We have been working on a project on **Business Combinations under Common Control** during 2014. There is particular interest from IOSCO and the Emerging Economies Group in this project. We have undertaken outreach with regulators, preparers, investors and auditors on the best way to approach this project. The Board discussions are planned during first half of 2015. This topic will be discussed at this GPF meeting.

66. 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. This topic will be discussed at this GPF meeting.

67. We discussed the **Equity Method of Accounting** in Quarter 4 of 2014 with the GPF and the ASAF. The equity method of accounting is a major source of interpretation requests. IASB deliberations are expected to continue in March 2015.

68. Work on **Financial Instruments with Characteristics of Equity** is linked to the *Conceptual Framework* project. Our goal is to develop a DP on this project. This project was discussed by the ASAF in September 2014 and it is anticipated it will be discussed at the March 2015 ASAF meeting.

69. Some issues related to **Foreign currency translation** and **Inflation** have been raised with the IASB by national standard-setters. The staff took a paper to the October 2014 IASB meeting on foreign currency—relating to a request made to the IASB by the Korea Accounting Standards Board (KASB). The IASB decided that the broader Foreign Currency Translation project should be reclassified from high- to longer-term priority and encouraged the KASB and other standard-setters to provided further information on problematic issues to inform the next Agenda Consultation.

70. **Inflation** was discussed by the ASAF in December 2014, at the request of the Brazilian standard-setter. We plan to bring a paper to the IASB during Quarter 1 of 2015, which reviews the ASAF's recommendation on how the IASB should respond to requests that it should amend the scope of IAS 29 *Financial Reporting in Hyperinflationary Economies*.

Medium-priority projects

71. The **Emissions Trading Schemes (ETS)** 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. The staff started public discussions with the GPF, the ASAF and the IASB in November and December 2014. Staff took a project plan to the IASB in January 2015; IASB deliberations are expected to continue in 2015. In addition, as of February 2015 the project name has been changed to the Pollutant Pricing Mechanisms.

72. A project on **Liabilities**—amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* was also suspended in 2010. Some preliminary work has begun to assess the implications of the IASB decisions on the *Conceptual Framework*. 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.

73. A project on **Performance Reporting** was added to the research programme at the July 2014 meeting. Some preliminary work has been undertaken to develop a scope paper for this project and to assess ways to educate the IASB and interested parties on the work previously undertaken in the Financial Statement Presentation project. This topic will be discussed at this GPF meeting.

Longer-term projects

74. The IASB have started to plan the scope for a project on **Income Taxes**. As part of consultations with investors, it is scheduled to be discussed by the CMAC in February 2015. This topic will be discussed at this GPF meeting.

75. 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.

76. IFRS 2 ***Share-based Payments*** is a common source of interpretation requests. The project will help inform the next Agenda Consultation by initially assessing whether the application issues that most commonly generate interpretation requests can be addressed. This topic will be discussed at this GPF meeting.

77. Work on developing plans for **Extractive Activities/Intangible Assets/Research and Development Activities** will start once staff become available.

Evidence-informed standard-setting

78. Part of our efforts has been focused on building our research capability and our interactions with the broader research community. A number of steps were taken in 2014:

    (a) we hired a Research Resource Manager to look after our resources and help staff to access information;

    (b) we established an internal Research Portal, which gives us access to academic and professional research, business articles, financial statement data and some economic data;

    (c) we established the IFRS Research Centre, which is aimed at academics and other research professionals;

    (d) we published our first *Research Round-up*, and we are aiming to publish a new issue every six months; and

    (e) we started to receive applications from academics for research fellowships.

79. These steps are aimed at increasing our ability to assimilate research. We are helping staff and IASB members to become more aware of how independent research can inform and support their decisions, as well as the pitfalls.

80. We are engaging positively with the broader research community. The International Association for Accounting Education and Research (IAAER) and the European Association, both of which have representatives on the Advisory Council, have been helpful and supportive in this process.

81. In December 2014 the Report of the Effects Analysis Consultative Group was released. As previously reported, in 2014 we hired a person to develop a toolkit to help staff who are designing and undertaking fieldwork. We are implementing the recommendations of the Effects Analysis Consultative Group.

Post-implementation review (PIR)

82. In July 2013 the IASB launched its PIR of IFRS 3 *Business Combinations*. The review included both IFRS 3 (2004) and IFRS 3 (2008) as well as all the amendments made to other Standards (for example, IAS 36 *Impairment of Assets*, IAS 38 *Intangible Assets* etc) as a result of the Business Combinations project.

83. The Request for Information (RFI) was published in January 2014 and closed for comment on 30 May 2014. We have received 100 comment letters.

84. In September 2014 the feedback received in response to the RFI was discussed with the ASAF and the IASB. In December 2014 the IASB discussed a comparison of the feedback from the RFI and the results of the review of academic literature.

85. The IASB expects to publish its Feedback Statement in the PIR in Quarter 2 of 2015.

IFRS Taxonomy™

86. 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.

87. Significant progress has been made on the first trial; the IASB published the ED *Disclosure Initiative* (Amendments to IAS 7), see paragraph 52. This ED includes the draft Taxonomy Update as accompanying material. The Invitation to Comment incorporates IFRS Taxonomy related questions.

88. As part of the development of the Proposed Taxonomy Update, related IFRS Taxonomy issues were discussed at the July 2014 IASB meeting and the Update was balloted along with the ED. In this regard, a new paragraph was inserted in the Ballot form requiring the IASB to express its agreement or disagreement that 'the taxonomy amendments are consistent with the disclosures set out in the Standard and Illustrative Examples'.

89. The second trial relates to the review by the IASB of proposed taxonomy changes for 2014 common practice additions. Focus in the last months has been on educating IASB members on the nature of common practice and the appropriate level of IASB engagement. At the December 2014 Education session, IASB members raised a concern that approval of a list of common practice elements at a public meeting may run the risk of these elements being perceived as authoritative guidance of what entities should report within an electronic filing. To mitigate this risk, members of the IASB held the view that the process for common practice additions should be similar to that applied to educational materials. Under this proposal, a panel consisting of at least three designated members of the IASB will review the proposed common practice taxonomy elements to affirm compliance with IFRS. When appropriate, the IASB member panel may decide to raise a sweep issue for approval by the IASB at a public meeting. The trial will proceed on that basis.

Revenue Transition Group

90. The FASB and the IASB's Revenue Transition Resource Group held its second meeting in January 2015 to consider potential questions arising on implementation of the new revenue recognition Standard, IFRS 15 *Revenue from Contracts with Customers*, and its US equivalent. For the majority of the questions considered, the Group's discussion has highlighted that stakeholders can understand and apply the applicable parts of the new Standard. However, some of the questions have highlighted a wider range of views and, therefore, potentially greater challenges for some stakeholders in applying the Standard consistently. In part, this stems from the differences in the implementation environment in the US compared to other jurisdictions. Accordingly, the IASB will consider what, if any, action it

can or should take to assist entities in these areas. At their February 2015 Board Meeting, the two Boards discussed two of the issues emerging from the Revenue Transition Resource Group, namely licensing arrangements and identifying performance obligations.

Implementation projects

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

Implementation projects

Project	Objective	Status	Next steps
Annual Improvements to IFRS 2014–2016 Cycle	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 has started to discuss issues for inclusion in the next cycle of Annual Improvements. So far only one amendment has been identified for the next ED.	Publication of ED in Q2 2015.
Clarification of Classifications of Share-based Payment Transactions IFRS 2 *Share-based Payment*s. *(Open for comment until 25 March 2015)*	The IASB proposes three amendments to IFRS 2: (a) measurement of cash-settled share-based payment transactions that include a performance condition; (b) modification of a share-based payment from cash-settled to equity settled; and (c) share-based payments settled net of tax withholdings.	ED published 25 November 2014.	Redeliberations of proposals in Q2 2015.
Classification of liabilities IAS 1 *Presentation of Financial Statements*	The objective of this project is to clarify when rights to defer settlement affect the classification of liabilities.	ED published in February 2015.	

Project	Objective	Status	Next steps
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (formerly elimination of Gains or Losses arising from Transactions between an Entity and its Associate or Joint Venture). IAS 28 *Investments in Associates and Joint Ventures* and IFRS 10 *Consolidated Financial Statements*	The objective of this project is to clarify (a) How to account for the cost of an associate or joint venture at initial recognition; (b) the accounting for a 'downstream' transaction between an entity and its associate or joint venture, when the gain from the transaction exceeds the carrying amount of the entity's interest in the associate or joint venture; and (c) 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.	At its February 2015 meeting, the IASB agreed that the due process steps have been complied with. The staff will begin balloting process.	Publication of ED in Q2 2015.
Fair Value Measurement: Unit of Account IFRS *13 Fair Value Measurement* *(Comment period closed 16 January 2015)*	To clarify the unit of account of equity investments in subsidiaries, associates and joint ventures and their corresponding fair value measurement.	The ED was published on 16 September 2014.	Redeliberations of proposals in 2015.

Project	Objective	Status	Next steps
Recognition of Deferred Tax Assets for Unrealised Losses IAS 12 *Income Taxes* *(Comment period closed 18 December 2014)*	To clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.	The ED was published in August 2014.	Redeliberations of proposals commencing Q1 2015.
Remeasurement at a plan amendment, curtailment or settlement / Availability of a refund of a surplus from a defined benefit. IAS 19 *Employee Benefits*	The objective of this project is to clarify: (a) 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 (b) 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.	At its February 2015 meeting, the IASB agreed that the due process steps have been complied with. The staff will begin balloting process.	The ED is due for publication in Q2 of 2015.

Appendix A—Work plan as at 27 January 2015

Major Projects

Next major project milestone

	2015 Q1	2015 Q2	2015 Q3	2015 Q4
Upcoming Standards				
Insurance Contracts	Redeliberations			
Leases			Target IFRS	
Comprehensive review of the *IFRS for SMEs*	Target amended IFRS for SMEs			
Upcoming Exposure Drafts				
Conceptual Framework	Target ED			
Published Discussion Papers				
Accounting for Dynamic Risk Management: A Portfolio Revaluation Approach to Macro Hedging [Comment period ended 17 October 2014]	Comment letter analysis			
Rate-regulated Activities [Comment period ended 15 January 2015]	Comment letter analysis			
Upcoming Discussion Papers				
Disclosure Initiative				
Principles of disclosure		Target DP		

The Disclosure Initiative is a portfolio of Implementation and Research projects.

Implementation Projects

Next major project milestone

Narrow-scope amendments	2015 Q1	2015 Q2	2015 Q3	2015 Q4
Annual Improvements 2014-2016		Target ED		
Clarifications of Classification and Measurement of Share-based Payment Transactions (Proposed amendment to IFRS 2)		Redeliberations		
Classification of liabilities (Proposed amendment to IAS 1)	Target ED			
Disclosure initiative				
Amendments to IAS 7 [Comment period ends 17 Apr 2015]	Public consultation			
Elimination of gains or losses arising from transactions between an entity and its associate or joint venture (Proposed amendments to IFRS 10 and IAS 28)		Target ED		
Fair Value Measurement: Unit of Account [Comment period ended 16 January 2015]	Comment letter analysis			
Recognition of Deferred Tax Assets for Unrealised Losses (Proposed amendments to IAS 12) [Comment period ended18 December 2014]	Redeliberations			
Remeasurement at a plan amendment, curtailment or settlement/ **Availability of a refund of a surplus from a defined benefit plan** (Proposed amendments to IAS 19 and IFRIC 14)		Target ED		

Next major project milestone

Post-implementation Reviews	2015 Q1	2015 Q2	2015 Q3	2015 Q4
IFRS 3 *Business Combinations*		Target Feedback Statement		

Conceptual Framework

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

Research Projects

Next major project milestone

Short- and medium-term projects	2015 Q1	2015 Q2	2015-Q3	2015 Q4
Business combinations under common control	Board discussion			
Disclosure initiative				
General disclosure review	Board discussion			
Materiality	Board discussion	Target Draft Practice Statement		
Principles of disclosure		Target DP		
Discount rates	Board discussion			
Emissions trading scheme	Board discussion			
Equity method of accounting	Board discussion			
Financial instruments with characteristics of equity	Board discussion			
Inflation	Board discussion			
Liabilities – amendments to IAS 37	CF*			
Performance Reporting	Board discussion			
Longer-term projects	**2015 Q1**	**2015 Q2**	**2015-Q3**	**2015 Q4**
Extractive activities / Intangible assets / R&D activities				
Foreign currency translation				
Income taxes		Board discussion		
Post-employment benefits (including pensions)	Board discussion			
Share-based payments		Board discussion		

*Pending developments in the *Conceptual Framework* project.

The IASB is developing its research capabilities—for further information see the **Tommaso Padoa-Schloppa Memorial Lecture** and **IASB Research Forum page**.

Appendix B—How the IASB considered feedback received from the GPF

This table presents how the IASB considered feedback received from the Global Preparers Forum during its November 2014 meeting.

Topic	Issue discussed	Summary of the feedback received[2]	Action taken or next steps
IFRIC Update: Foreign exchange restrictions in hyper-inflationary economies	The key accounting issues identified are: (a) which rate should be used on consolidation when there are multiple exchange rates? (b) should an alternative rate be used when there is a long-term lack of exchangeability?	A few GPF members made the following comments: (a) in their experience, the SICAD II rate (ie the recently introduced third official exchange rate) was limited to a small volume of transactions in practice; (b) in one GPF member's experience, the majority of, but not all, recent transactions that meet the legal criteria are now being approved at the official fixed exchange rate,	An oral update of the GPF's comments was given at the Interpretations Committee's meeting in November 2014 (as noted in Agenda Paper 10 paragraph 38). At that meeting the Interpretations Committee decided not to take the issue onto its agenda because addressing this issue is a broader-scope project than it could address.

[2] The information about past GPF meetings (including detailed notes from the meetings) could be found here.

Topic	Issue discussed	Summary of the feedback received[2]	Action taken or next steps
		so the issue is not only about a situation of complete lack of exchangeability; (c) the above points (a) and (b) suggest that some kind of blended or weighted average rate might best reflect the economics of the situation in some cases; and (d) judgement should be permitted so that entities can reflect the economics about what they believe is going on with exchangeability.	
IFRIC Update: Foreign currency translation of revenue for goods/services delivered over time	The issue is which exchange rate should be used to translate revenue when an entity enters into a foreign currency sales contract and receives a non-refundable payment in advance of	Over half of the GPF members had experience of sales contracts under which payments were received in advance. Amongst them: (a) Most GPF members record revenue in profit or loss using the exchange rate at the	An oral update of the GPFs comments was given at the Interpretations Committee's November 2014 meeting (see Agenda Paper 14 for summary of other outreach). The Interpretations Committee tentatively decided to develop guidance in this area.

Topic	Issue discussed	Summary of the feedback received[2]	Action taken or next steps
	delivery of the goods or services.	date of recognition of the revenue. (b) Only a few GPF members record revenue using the exchange rate at the date of the advance cash receipt.	
IFRIC Update: Post-implementation review on IFRS 3 *Business Combinations*	The GPF was given an update on the findings of the IASB's post-implementation review of IFRS 3.	GPF members shared some experience with the application of IFRS 3. In particular some members commented on the challenges of applying the definition of a business, and the consequences for goodwill recognition and accounting for contingent consideration. Comments were also made about the challenges of tracking goodwill when the group subsequently restructures.	A summary analysis of the feedback received on the PIR, which incorporated the feedback received from GPF members, was presented to the IASB in December 2014 (see Agenda Paper 12B). The IASB will be asked to consider follow up actions at the February 2015 meeting.

Topic	**Issue discussed**	**Summary of the feedback received**[2]	**Action taken or next steps**
Research Activities How we plan to do research activities going forward	The presentation comprised three parts: an overview of, and explanation of the reasons why, the IASB has introduced a new research programme; an overview of the 14 projects on the programme; and an introduction to how the IASB expects to engage with preparers during the research phase.	Members seemed generally supportive of changes to the standard-setting process that the introduction of the programme will make. Some members wanted to understand more about how projects were selected for the programme and what types of outputs we expected to develop. Members welcomed the ability to be involved earlier in a project, because their contributions were more likely to be helpful and influential if they were made when the analysis was at the formative stages. One member indicated a willingness to spend time with staff before or after GPF meetings.	Over the coming meetings we will ensure that the GPF agenda includes sessions on projects in the research phase.

Topic	**Issue discussed**	**Summary of the feedback received**[2]	**Action taken or next steps**
Emissions Trading Schemes (now: Pollutant Pricing Mechanisms)	The IASB staff were seeking input to help develop a project plan by discussing the key issues to resolve.	The GPF members noted that they currently use a variety of approaches to account for schemes to which they are subject, but most focus on the expected net effect of the scheme over the period. Consequently, GPF members asked the staff not to look to the withdrawn IFRIC 3 *Emission Rights* for a solution, because it focused on the individual scheme components separately. The resulting accounting treatment did not, they stated, reflect the economic reality of the entity's overall position under the scheme. Some members suggested that the project should consider other mechanisms by which emissions can be reduced (and/or absorbed), not just trading mechanisms.	The staff presented the GPF members' comments in a project plan for Emissions Trading Schemes at the January 2015 IASB meeting. The IASB tentatively decided to: • 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. • Take a 'fresh start' approach to the project, ie 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. The title of the project has been changed to "Pollutant Pricing Mechanisms" to reflect the changed scope.

Topic	**Issue discussed**	**Summary of the feedback received**[2]	**Action taken or next steps**
Equity method of accounting	The IASB sought feedback on the practical difficulties in the application of the equity method of accounting as set out in IAS 28 *Investments in Associates and Joint Ventures*.	We received three important pieces of feedback from GPF members: (a) A concern as to whether the equity method of accounting is appropriate for all associated entities, as defined by IAS 28. Some GPF members noted a concern that that although an entity holds more than 20 per cent of the voting power in the investee, the entity cannot access the information required to apply the equity method of accounting. (b) Application of equity method of accounting as a one-line consolidation method is difficult due to the need to obtain information to determine elimination entries. GPF members noted that where there is joint control or significant influence	As a consequence of the feedback from GPF and a discussion with ASAF in December 2014 we are now reviewing the approach to the project. A paper will be presented to the ASAF at its meeting in March 2015 which will include the feedback from GPF members.

Topic	Issue discussed	Summary of the feedback received[2]	Action taken or next steps
		the ability to generate profits that are not arm's length is limited because prices have to be agreed with the joint venture partner of other investors in the associate entity. (c) A preference for the use of the equity method of accounting in comparison to cost or fair value.	
Disclosure Initiative: Considering cohesiveness in presentation and disclosure of financial statements	Staff asked GPF members if they agreed with the need to develop a cohesiveness principle and, if yes, should/could the IASB require information in financial statements to be interlinked.	There was support for including a communication principle in IFRS to promote the linkage of information in financial statements.	GPF member's views were summarised to the Board in the December 2014 Board paper. The Board agreed with the view that the concepts underlying cohesiveness should be included in the communication principle on linking information in IFRS financial statements.

Topic	Issue discussed	Summary of the feedback received[2]	Action taken or next steps
Disclosure Initiative: Disclosures of cash flow information	GPF members were asked: (a) about the costs and usefulness of providing some components of operating cash-flows; and (b) to what extent it would be helpful to preparers to (i) make clear that the use of the 'indirect direct method' is permissible, (ii) require greater detail of components of working capital and changes in them; and (c) whether the IASB should permit disclosure of components in a note to the statement of cash flows,	Some members were of the view that the entity should decide how to define and disclose working capital. Most members agreed that it is important that lags in the collection of revenue were understood, especially on long-term business. Some questioned how investors will use the additional cash flow information. Most members stated that additional disclosures about cash flows would require systems changes and therefore would be a cost burden.	The staff considered the feedback from GPF members in the December 2014 IASB Meeting. The IASB tentatively decided that: • the statement of cash flows should focus on cash, rather than 'cash and cash equivalents'. • the cash flow statement should highlight separately an entity's cash flows relating to liquid resources and the entity's policy for managing such resources; and • net presentation of cash flows, other than those relating to operating activities, should be permitted only for cash flows relating to financial

Topic	Issue discussed	Summary of the feedback received[2]	Action taken or next steps
	rather than in the statement of cash flows itself?		instruments of the same class. Note: the work on cash flow reporting has been moved to the Performance Reporting project.