STAFF PAPER

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IASB Meeting

Project	**Research Programme**
Paper topic	General Update

CONTACT	Alan Teixeira	ateixeira@ifrs.org	+44 (0)20 7246 6442

Introduction

1. The purpose of this session is to give IASB member and external observers a general update on projects in the research programme.

2. This paper has two main sections. The first provides brief comments on the recent developments for each project. The second section provides background information on the projects. We are in the process of updating the website with this information.

3. This session is primarily for your information. I do not have any specific questions for the Board, but there will be the opportunity at the meeting for IASB members to raise issues related to the programme.

Recent developments

Projects expected to lead to new or substantially amended Standards within one or two years
Business combinations under common control (BCUCC) We have undertaken more outreach with the major accounting firms, user groups and the global preparers forum. We expect to bring a cohesive package of proposals to the IASB towards the middle of the year, which would form the basis of a Discussion Paper.

Equity method of accounting We have developed a proposal to split the project into two—a short term simplification project and a longer term more fundamental review. If we proceed to a short-term project, the next due process document is likely to be a Discussion Paper that explores how we could simplify the current requirements in IAS 28 *Investments in Associated and Joint Ventures.* We are discussing this with ASAF in March and plan to bring it to the Board in May.
Rate-regulated activities The Board has seen the comment letter summary. In March we held a meeting of the Consultative Group. We plan to bring issues back to the Board from May. Some standards-level activity is inevitable. The question is what form it takes.
Projects expected to lead to new or substantially amended Standards in the longer term
Performance reporting We are moving the work the UK FRC has undertaken on cash flows into the Performance Reporting project. We plan to publish the FRC research paper in the second half of this year and use any feedback on that work to help us with performance reporting. A scope paper for this project is expected to be brought to the IASB at its meeting in July. We are liaising with FASB staff on their equivalent project.
Pollutant pricing mechanisms We expect to start considering technical issues in Q2 2015, with a view to developing a discussion paper by the end of the year.
Post-employment benefits (including pensions) We are continuing our analysis of hybrid schemes. We plan to bring papers to the full Board in the second half of the year.
Goodwill This issue was added to the research programme in February 2015. We have yet to assess how we will develop this project.
Projects to identify application issues
Discount rates Depending on the outcome of our research, we may publish an education-type document to help readers understand why different discount rates are used in different Standards. If we find any inconsistencies in IFRS requirements resulting from the use of different discount rates, this could be addressed by narrow-scope amendments to individual Standards or by waiting to address them when the affected Standard is reviewed more generally.
Provisions, Contingent Liabilities and Contingent Assets We have been collecting more evidence of the perceived problems with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and assessing potential solutions in the light of the work that has taken place in the CF. Although we expect to bring this to the Board in the next few months it is still tentative.

Share-based payments We have begun work on this, focusing on documenting practice issues. Our main discussions have been with external parties. We expect the initial output to be a Research Paper, which will contain an overview and analysis of application issues. This will support the request for views to be contained in the next Agenda Consultation.
Definition of a business This issue was added to the research programme in February 2015. We have yet to assess how we will develop this project.
Longer-term exploratory thinking projects
Extractive activities/Intangible assets/R&D activities Staff have yet to be allocated to this project.
Income taxes This is a thought leadership project. We have conducted surveys and discussed the project with CMAC and GPF. We expect the first output to be a relatively high level discussion paper. Feedback on the discussion paper will be used to help the IASB decide whether to undertake a fundamental review of the income taxes standard, make targeted improvements to the existing requirements or remove the project from the research programme.
Projects not expected to result in standard-setting activity
Foreign currency translation The initial assessment phase has already been completed. We will be seeking feedback in the forthcoming agenda consultation on the recommendation that the project be removed from the research programme. *High Inflation* The topic was discussed with CMAC in February. We expect to complete the initial assessment phase by the end of April 2015, when we will bring the matter to the IASB meeting.

4. Note: The review excludes *Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging* and *Financial instruments with the characteristics of equity*.

Project summaries

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

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

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

Equity Method of Accounting	
Why we are doing this work?	There have been repeated requests to take a more fundamental look at the equity method because of a high level of submissions to the IFRS Interpretations Committee. The 2011 Agenda Consultation identified a strong call for the IASB to examine the equity method.
What problems are we looking to solve?	In its Feedback Statement to the 2011 Agenda Consultation the IASB noted: *The equity method of accounting for some investments is often criticised. Some question whether it provides helpful information to users, while others note the complexities and inconsistencies it creates when it interacts with other requirements in IFRS—such as goodwill impairment, share based payments and joint arrangements. The research project will involve a fundamental assessment of the equity method in terms of its usefulness to investors and difficulties for preparers.*
Where are we now? And what further evidence are we gathering?	We are considering a research report prepared by the Korea Accounting Standards Board (KASB) and the results of a survey that the Accounting Standards Board of Japan (ASBJ) undertook. We have also reviewed submissions made to the IFRS Interpretations Committee and continue to have discussions with a variety of stakeholders. We are considering separating the project into: (1) a short-term project that seeks to address some of the application issues that have been highlighted in issues referred to the IFRS Interpretations Committee and in our outreach to date; and (2) a longer-term project seeking to address more fundamentally the financial reporting of investments in entities that do not give the investor control.
What are the stakeholder views?	We have undertaken outreach with various stakeholders, including the Capital Markets Advisory Committee (CMAC), Global Preparers Forum (GPF) and Accounting Standards Advisory Forum (ASAF). The key issues identified can be sub-divided into: (1) Whether the equity method is being applied to the appropriate investments. This includes questions around the definition of an associate and the meaning of significant influence. (2) What the objective of the equity method is. There is discussion about whether the method is a consolidation method or a measurement method. Some suggest that clarifying this point will assist with addressing application issues. (3) A concern around numerous application issues, including those identified in submissions to the Interpretations Committee. This includes questioning the need for 'elimination entries'. (4) What the role of the equity method is in separate financial statements.
What are the possible outcomes?	If we proceed to a short-term project we could develop in 2015 a Discussion Paper that explores how we could simplify the current requirements in IAS 28.

Extractive/Intangibles/R&D	
Why we are doing this work?	Entities engaged in minerals or oil and gas extractive activities are an important part of international capital markets. However, extractive activities—and the assets or expenditures associated with these activities—are currently not comprehensively addressed by IFRSs. In particular: • Although IFRS 6 *Exploration for and Evaluation of Mineral Resources* addresses the accounting for exploration and evaluation expenditures, it was developed as an interim Standard to allow (with some limitations) entities adopting IFRS to continue to apply their existing accounting policies for these expenditures. This absence of comprehensive IFRS literature has contributed to continuing divergence in the financial reporting of extractive activities. • Some of the practices applied are not compatible with the general principles within IFRS. Consequently, some commentators have questioned the relevance and quality of those accounting practices. • Users need more information about the nature and extent of the risks associated with an entity's extractive activities. For instance, existing IFRS does not specifically require disclosure of information about the entity's minerals or oil and gas reserves.
What problems are we looking to solve?	The research looks to address the following questions: 1. How to estimate and classify the quantities of minerals or oil and gas discovered; 2. How to account for minerals or oil and gas properties; 3. How minerals or oil and gas properties should be measured; and 4. What information about extractive activities should be disclosed?
Where are we now? And what further evidence are we gathering?	A project team of national standard-setters from Australia, Canada, Norway and South Africa undertook a research project on extractive activities, the outcome of which the IASB published in April 2010. In October 2010 the IASB considered the comments received but decided not to do any additional work until it had considered its priorities in the 2011 Agenda Consultation. Following the 2011 Agenda Consultation, the IASB assigned a low priority to the project and has not carried out any further direct research to date.
What are the stakeholder views?	The 2011 Agenda Consultation highlighted broader concerns about the accounting for research and development activity and the recognition and measurement of intangible assets that have parallels with extractive activities. The IASB therefore decided to examine extractive activities as part of a broader consideration of intangible assets and research and development activities. The IASB is not planning to discuss this topic publicly or issue a Research or Discussion Paper in 2015. Instead, the IASB is encouraging other standard-setters to investigate these topics on its behalf.
What are the possible outcomes?	Depending on the feedback received from the 2015 Agenda Consultation the IASB could give this topic a higher priority and begin an active project. Alternatively, the topic could be removed from the IASB work programme.

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

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

High Inflation	
Why we are doing this work?	It is well understood that the financial position and performance of an entity can be distorted by not adjusting the financial statements for the effects of inflation, in cases in which the effects of inflation are significant—that is, when hyperinflation exists. IAS 29 *Financial Reporting in Hyperinflationary Economies* sets out some characteristics of hyperinflation and contains requirements about the adjustments needed when an entity is subject to the effects of hyperinflation. The characteristics of hyperinflation in IAS 29 include an inflation rate threshold. This threshold suggests that hyperinflation occurs when the cumulative inflation rate over three years is approaching, or exceeds, one hundred per cent. The IASB has been asked to consider either lowering or eliminating this threshold. This request has come from some stakeholders who are concerned that the financial position and performance of entities is being distorted in countries subject to medium- or long-term high inflation levels. The requests relate mainly to the Latin America region, but are equally applicable to entities in other high-inflation countries.
What problems are we looking to solve?	The current threshold in IAS 29 may delay recognising hyperinflationary conditions. It is therefore necessary to establish a reference point through which the distortion of the unadjusted financial information is so significant that it justifies the costs and efforts necessary for preparers to make adjustments that reduce that financial distortion. In addition, concerns were raised at the Global Preparers Forum meeting in March 2014 about the methods used to account for hyperinflation. In particular, a concern was raised about the requirement to consolidate foreign subsidiaries using the 'official' foreign exchange rate, in cases in which that rate may not reflect the market value, such as in economies that are facing high or hyperinflation. This is considered to have resulted in financial performance in some subsidiaries appearing at values that are artificially inflated.
Where are we now? And what further evidence are we gathering?	The Group of Latin American Standard Setters (GLASS) presented a paper to the Accounting Standards Advisory Forum (ASAF) in December 2014, considering some of the problems with the existing requirements of IAS 29 and how the Standard could be improved. We are considering the issues raised by GLASS and will develop a project plan for the IASB to consider.
What are the stakeholder views?	In the December 2014 meeting, ASAF members recommended that the IASB should consider a short-term project to review changing the threshold in IAS 29 to improve flexibility over when the accounting adjustments required by IAS 29 are applied. In addition, they suggested that a longer-term project could consider the accounting concepts for inflation accounting.
What are the possible outcomes?	There is a low probability that our research will lead to a specific proposal to significantly change the accounting model in IAS 29. The topic is closely linked with capital maintenance and performance reporting. It may be a candidate for a later phase of the *Conceptual Framework*-related work.

Income Tax	
Why we are doing this work?	Financial information provided by IAS 12 *Income Taxes* has received criticism from users and preparers of financial statements about its decision-usefulness and, also, its difficulty to understand and apply. The IASB and IFRS Interpretations Committee have received many questions about the application of IAS 12 from various jurisdictions. In 2009, the IASB published the Exposure Draft *Income Tax* as a part of a convergence project with the US Financial Accounting Standards Board (FASB). However, the proposals received little support from users or preparers of financial statements. Some suggested tackling the existing problems through limited amendments to the existing Standard while others suggested fundamentally rethinking the principles underlying income tax accounting. As part of the 2011 Agenda Consultation, the IASB identified a fundamental review of the accounting for income taxes as one of the topics for longer-term research.
What problems are we looking to solve?	Research to date suggests that IAS 12 has the following problems: (1) It results in unclear and insufficient information; typical examples include: - Difficulty in predicting future cash flow, with limited details of unused tax losses - Difficulty in predicting how the future effective tax rate will be affected by business mix (segment/jurisdiction) - Insufficient disclosure of the tax effect of items, which may affect the availability of resources (eg remitting cash from overseas subsidiaries) (2) It provides insufficient guidance in some areas, leading to diversity in practice; typical examples include: - Tax rate reconciliation (consolidation adjustment, tax holiday effect) - Estimation of future taxable profit (see Exposure Draft *Recognition of Deferred Tax Assets for Unrealised Losses*, issued August 2014) - Manner of recovery In addition, some suggest that there are problems arising from the fundamental principle; typical examples include: - (possible) double counting of the tax effect when assets and liabilities are measured at fair value - Ignoring the time value of money.
Where are we now? And what further evidence are we gathering?	We have started gathering feedback from preparers and investors (initially through the Global Preparers Forum (GPF) and Capital Markets Advisory Committee (CMAC). Our next step is to expand the survey to a wider investor community. We will also review academic papers related to the history and the value relevance of deferred tax accounting. We aim to publish a Research Paper or a Discussion Paper to help stakeholders to comment on whether the Income Tax project should be put as a higher or lower priority project in the next three years.
What are the stakeholder views?	CMAC members suggest that the current disclosures for income taxes are not adequate. Tax information is also difficult to understand, particularly the tax effect related to revaluation gains and losses. GPF members would like more guidance in some specific areas. Although some of them disagree with some parts of the Standard (eg the tax impact related to valuing intangible assets in a business combination, unrealised intercompany profits in inventory) GPF members generally do not support a fundamental change to the Standard.
What are the possible outcomes?	This will depend on the feedback received from the 2015 Agenda Consultation. This is a project where the feedback might support an active project to replace (or amend) IAS 12 or its removal from the programme.

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

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

Post-employment benefits (including pensions)	
Why we are doing this work?	When the IASB completed the revisions to IAS 19 *Employee Benefits* in 2011, it indicated that there were matters that needed to be considered as part of a more fundamental review of IAS 19. These were broader matters, including accounting for defined benefit plans that share investment risks between the employer and employees (contribution-based promises) and other measurement issues. The IFRS Interpretations Committee was unable to reach a consensus about how to address accounting for plans that include contribution-based promises. When removing the project from its agenda in May 2014, the Interpretations Committee observed that these plans are part of a growing range of plan designs that incorporate features that were not envisaged when IAS 19 was first developed. The accounting for these plans in accordance with IAS 19 is problematic and has resulted in diversity in practice.
What problems are we looking to solve?	The current IAS 19 measurement basis (ie projected unit credit method, using high quality corporate bond yields as discount rates) does not adequately account for the nature and risks of some hybrid plans. This is a well-known problem in some jurisdictions (eg Germany). We will seek a conceptually sound and robust measurement model for plans that range from ‘pure’ defined contribution to ‘pure’ defined benefit.
Where are we now? And what further evidence are we gathering?	We are identifying different plans that include contribution-based promises and exploring possible measurement models for them. During our continuing research we will: (a) gather statistics about the trends among pension plans; (b) analyse conceptual topics relating to contribution-based promises; and (c) explore possible models for measurement. This includes analysis of: (i) the pros and cons of each possible model; and (ii) similarities and differences between insurance and pensions.
What are the stakeholder views?	The recent feedback from the Accounting Standards Advisory Forum members indicates that the use of hybrid plans is increasing and, consequently, it is important to investigate how to account for them. Feedback on the Discussion Paper published in 2008 and the 2011 Agenda Consultation implies that preparers may fear increases in costs and complexity from changes to IAS 19, particularly if they do not have problematic hybrid plans themselves. To assess the costs and benefits of revising IAS 19, we will gather information about the types of pension plans currently being offered (eg ratios of hybrid plans to traditional defined benefit plans).
What are the possible outcomes?	If we conclude that it is too early to suggest such a fundamental revision to IAS 19, we may explain our work and decision in a Research Paper or in some other form. Alternatively, we could publish a Discussion Paper suggesting one or more measurement models that we think could be viable for developing into a model. Such a model would update IAS 19 to account for hybrid plans as well as the ‘pure’ defined benefit and defined contribution plans that are already dealt with by IAS 19.

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

Rate-regulated Activities	
What problems are we looking to solve?	Rate regulation is widespread and significantly affects the economic environment of rate-regulated entities. Some national GAAPs provide specific guidance that leads to regulatory deferral account balances being recognised as assets and liabilities. There is no equivalent guidance in IFRS. The predominant practice is not to recognise such balances in IFRS financial statements, but this has been challenged in regions including North and South America, Europe and Asia. Research is highlighting examples of diversity, with some entities recognising such balances through adjustments to revenue and/or costs. We had a failed project in 2010, largely because the financial effects of rate regulation were not clearly identified. Key issues to address are the scope (description of rate regulation), whether the resulting rights and obligations create recognisable assets and liabilities, as defined in the *Conceptual Framework*, in addition to those already recognised in accordance with existing IFRSs, and how to report the effects in the income statement.
Where are we now? And what further evidence are we gathering?	We published a Request for Information *Rate Regulation* in March 2013. 79 responses were received from 25 countries, which describe aspects of rate regulation in 37 countries. We also formed an IASB Consultative Group and have also worked closely with an EFRAG Working Group to better understand the common characteristics of a wide variety of rate-regulatory schemes and to identify the financial effects. We published the Discussion Paper *Reporting the Financial Effects of Rate Regulation* (the DP) to test our description of the common features of many rate-regulatory schemes and their financial effects. The DP also sought views on which possible accounting approaches would be worthwhile pursuing further to provide the best chance of resolving the long-running debates on this issue. We are now considering the responses to the DP to identify the next steps in the project.
What are the stakeholder views?	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 are mixed about whether this should be done through a separate Standard to replace IFRS 14 or through amendments to, or an Interpretation of, existing Standards. A common suggestion made is that the IASB should explore an approach that is based on the principles contained in IFRS 15 *Revenue from Contracts with Customers*, focusing on the entity's rights and obligations relating to its customers as a whole (the customer base), instead of on individual customer contracts.
What are the possible outcomes?	We cannot avoid some standard-setting outcome. It ranges from a full Standard on rate regulated activities to replace IFRS 14, to disclosure requirements for regulated activities or modifying the requirements in existing Standards, for example IFRS 15 *Revenue from Contracts with Customers*.

Share-based payments	
Why we are doing this work?	During the 2011 Agenda Consultation, mixed views were expressed on how effective IFRS 2 *Share-based Payments* has been in practice. Many respondents commented on the Standard's complexity. It has also attracted a disproportionate number of interpretation requests, which have resulted in numerous amendments to the Standard.
What problems are we looking to solve?	Views on the effectiveness of IFRS 2 have been mixed. The project aims to present an overview and analysis of the Standard's application issues and of the views that have been expressed in a Research Paper. The Research Paper will then inform consideration of IFRS 2 during the next Agenda Consultation. We are not intending to reconsider the basic principles underpinning IFRS 2.
Where are we now? And what further evidence are we gathering?	We are undertaking some preliminary research activities, using previous submissions to the Interpretations Committee, desktop research and targeted outreach.
What are the stakeholder views?	We will be seeking input from the Global Preparers Forum in March 2015
What are the possible outcomes?	We expect the initial output to be a Research Paper, which will contain an overview and analysis of application issues. This will support the request for views to be contained in the next Agenda Consultation.