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Introduction

1. The Global Preparers Forum (GPF) held a meeting in London on 4 November 2015.

2. In this meeting, GPF members discussed the following topics:

   (a) IASB Update (paragraphs 3-10);

   (b) IFRS Interpretations Committee Update (paragraphs 11-21);

   (c) Conceptual Framework (paragraphs 22-31);

   (d) IFRS Advisory Council: Role and recent activities (paragraphs 32-34);

   (e) IASB Agenda Consultation and Trustees' Review of Structure and Effectiveness of the IFRS Foundation (paragraphs 35-58);

   (f) Fair Value Measurement: Unit of Account (paragraphs 59-65);

   (g) Disclosure Initiative: Materiality Practice Statement (paragraphs 66-70).

IASB Update (Agenda Paper 1)

3. The Technical Director highlighted that the Agenda Paper 1A *IASB Update* was prepared considering IASB work as at September 2015. Consequently, the oral update focused on the IASB activities in October 2015.

4. The Technical Director explained that in the October Board meeting, the Board tentatively decided on an effective date for the Leases Standard of January 2019. The IASB would also allow early adoption of the Standard provided that IFRS 15 *Revenue from Contracts with Customers* has already been adopted. The Board also considered a number of sweep issues at that meeting.

5. The Technical Director also explained that in October the staff sought permission to ballot the Discussion Paper *Principles of Disclosure* which will be of interest to

Information about the Global Preparers Forum (GPF) is available at http://www.ifrs.org/The-organisation/Advisory-bodies/Pages/Global-preparers-forum.aspx

GPF members. In addition, the Exposure Draft of a Practice Statement on Materiality was published recently.

6. The Technical Director noted that there had been discussion of the following topics in the October Board meeting:

   (a) an update on the Impairment Transition Resource Group recent meeting, and that no changes are envisaged to IFRS 9 *Financial Instruments*;

   (b) the distinction between debt and equity;

   (c) definition of business, where the next step is an Exposure Draft (ED). For goodwill and impairment, the next step is likely to be a discussion paper; and

   (d) interaction between IFRS 9 and IFRS 4 *Insurance Contracts*. The Board decided on a shortened comment period of 60 days for the forthcoming ED. One GPF member asked what solution is envisaged in relation to this interaction. The Technical Director described the solutions available through the existing IFRS 4 and the potential solutions available through the overlay and deferral approaches (which are the subject of the forthcoming ED).

7. A GPF member queried whether discussions had taken place on particular Research projects. The Chairman also queried how quickly projects would proceed if they are in the assessment phase. The Technical Director explained that some will proceed more quickly than others and provided details for some projects.

8. A GPF member asked about the recent outreach that has been undertaken by the IASB staff with GPF members on disclosures related to the potentially negative impact of repatriating cash. In addition, he noted that the disclosure requirements being considered would not address the issue comprehensively enough to be useful because any relevant disclosures needed to cover not only cash but also marketable securities. He also pointed out that the issue had more to do with potential tax on repatriating retained earnings and that just focussing on repatriating cash and marketable security balances could often be circumvented with group internal transfers.

9. In response, the IASB staff noted that the input received from the GPF members had been extremely helpful. The Board had decided not to include a disclosure requirement on restricted cash in the forthcoming amendment to IAS 7 *Statement of Cash Flows* but rather to consider at a later stage whether to address liquidity disclosures more broadly.

10. Finally, there was some discussion about whether such cash restrictions are a pervasive issue, or whether they arise mainly in particular jurisdictions, such as the US. In response, it was noted that this issue also arises in other jurisdictions.

IFRS Interpretations Committee Update (Agenda Paper 2)

11. The purpose of this session was to gain input on three topics:

    (a) IFRS 9 *Financial Instruments* and IAS 28 *Investments in Associates and Joint Ventures*: Measurement of long-term interests in associates;

    (b) IAS 16 *Property, Plant and Equipment*: Accounting for proceeds and costs of testing of PPE; and

    (c) the activities of the IFRS Interpretations Committee (the Interpretations Committee).

Measurement of long-term interests in associates

12. The Interpretations Committee is discussing the interaction between IAS 28 and IFRS 9 for long-term interests in associates that form part of the investor's net investment in an associate or joint venture.

    (a) In particular, whether the impairment requirements of IFRS 9 are required to be applied to such interests, and whether this is in addition to the impairment requirements in IAS 28/IAS 36.

    (b) Those discussions to date have largely focussed on interests in associates and joint ventures that are measured at amortised cost.

13. To understand better the range of instruments forming part of the net investment in practice and their accounting treatment, the IASB staff asked GPF members:

(a) which types of financial instruments are, in their experience, included in the net investment in associates; and

(b) how they would deal with the interaction between allocation of losses/impairments under IAS 28 and measurement under IAS 39/ IFRS 9.

14. One GPF member commented that non-interest bearing loans that an entity intends to keep for long term are included in the net investment, even if the terms of the loan state that it is payable on demand.

15. A few GPF members commented that the accounting treatment of long-term interests in associates would depend on facts and circumstances. For example, one member stated that:

(a) if the entity is the only shareholder that has long-term interests in the associate, the entity would apply IFRS 9 to those interests; and

(b) if the amount of the long-term interests that the entity has is proportional to its ownership share, the entity would apply IAS 28 to the net investment as a whole, including the long-term interests.

16. A few GPF members commented that it would be useful if IAS 28 were amended to make clearer what financial instruments qualify to be included in the net investment in an associate or joint venture.

IAS 16 Property, Plant and Equipment: Accounting for proceeds and costs of testing of PPE

17. When an entity is constructing property, plant and equipment ('PPE'), an entity may test the operation of the PPE before concluding that it is capable of operating in the manner intended by management. IAS 16 states that the cost of testing is part of the cost of the asset and that proceeds from selling items produced during testing should be deducted from the cost of testing.

18. The IASB staff asked GPF members to comment on the possible guidance that the IASB staff was considering. GPF members commented as follows:

(a) It seems odd that IAS 16 refers to the ‘manner intended by management’. Other Standards, such as those on financial instruments, place less emphasis on management’s intention.

(b) It is not straightforward to determine when testing ceases therefore flexibility should be allowed. In addition, that member noted that the critical issue in assessing when testing ceases is to determine when depreciation should begin.

(c) The critical issue in assessing when the PPE is capable of operating in the manner intended by the management is the unit of account. If an item of PPE is divided into smaller units, it should appropriately reflect different timing at which the different units might be capable of operating.

(d) GPF members commented on the link of the production of inventory (output of PPE) and the timing when PPE becomes capable of operating:

   (i) One member thought that an item of PPE should already be capable of operating and therefore depreciated if some form of inventory is produced. This member noted that if guidance would be added on that, it should be clarified that output of PPE includes not only finished goods, but also work in progress and other inventory.

   (ii) However, another member noted that some inventory might be produced before the PPE is capable of operating. Sometimes an entity needs to receive certification by the customer to confirm that testing is finished and an entity could commence full production. Before then, the entity produces a smaller volume of production that is held as inventory and used for testing purposes. In this situation only variable costs are allocated to that inventory, without depreciation costs.

Activities of the Interpretations Committee

19. The GPF discussed the recent activities and projects of the Interpretations Committee.

20. One GPF member asked a question about the recent draft Interpretation *Uncertainty over Income Tax Treatments*. The question was whether assessments about acceptability by taxation authorities should be made only on tax treatments that have actually been filed or could be made on tax treatments that are expected to be filed. The IASB staff explained that, in the draft Interpretation, the term '*tax treatments'* refers to the treatments used or planned to be used in income tax filings.

21. Another GPF member queried whether the Interpretations Committee had considered the effect on invoicing systems when drafting the guidance in the recent draft Interpretation *Foreign Currency Transactions and Advance Consideration*. The IASB staff explained that the Interpretations Committee was aware that some entities applying the draft Interpretation might need to change their invoicing systems and noted that similar issues existed with the application of IFRS 15 *Revenue from Contracts with Customers*. This is why the Interpretations Committee had tentatively decided to align the effective date of any final Interpretation on this topic with that of IFRS 15.

Conceptual Framework (Agenda Paper 3)

22. The GPF discussed some of the proposals in the Exposure Draft *Conceptual Framework for Financial Reporting*. It discussed proposed changes to:

    (a) the *definitions* of assets and liabilities (paragraphs 23-25);

    (b) concepts for *recognition* of assets and liabilities (paragraphs 26-28); and

    (c) concepts for *derecognition* of assets and liabilities (paragraph 29).

Definitions of assets and liabilities

23. The *Conceptual Framework* Exposure Draft proposes changes to the existing definitions of assets and liabilities. The proposed changes, which are intended to clarify the existing definitions, would include a new definition of an economic resource as a 'right that has the potential to produce economic benefits'.

24. GPF members provided feedback on three aspects of the proposed definitions:

(a) A GPF member said that he supports the proposed new definitions because they are more straightforward. However, he suggested that more clarification is needed on the scope of the term 'right', for example to clarify whether the term covers goodwill. The IASB staff noted that the Exposure Draft picks up some wording from the existing *Conceptual Framework* to clarify that the term 'right' covers not only legal rights, but also other rights that give the entity the potential to receive economic benefits that are not available to all other parties. Examples include know-how that is not in the public domain.

(b) A GPF member noted that the proposed concepts for executory contracts describe such contracts in a way that would lead to all derivatives being recognised net. He suggested that the *Conceptual Framework* should be left more open, to allow the IASB to consider specifying a gross presentation for some gross-settled derivatives in future: gross-settled derivatives are the source of substantial hidden leverage.

(c) A GPF member observed that entities have to look harder for assets and liabilities that arise as a result of a business combination than for those that are generated internally and he asked whether or not this could be considered as using different definitions for assets and liabilities depending on the circumstances. The IASB staff noted that the difference is a result of applying different recognition criteria—not a result of different assessments of whether assets or liabilities exist. In addition, in the follow-up to the Post-Implementation Review of IFRS 3 *Business Combinations*, the IASB is looking again at which intangible assets should be recognised in business combinations.

25. GPF members asked for clarification about the implications of the proposed definitions:

(a) A GPF member asked whether the changes to the definitions could affect conclusions about deferred tax balances. The IASB staff responded that they think that deferred tax balances would continue to meet the definitions, either in their own right or as part of the measurement of other assets and liabilities. Deferred tax balances reflect an existing feature that affects the entity's financial position—the amount of additional tax that it could pay or recover if it realises its other assets and liabilities for their carrying amount. Also guidance proposed in the *Conceptual Framework* Exposure Draft (which clarifies that assets and liabilities may be conditional on future events) could make it easier to explain in future *why* deferred tax balances meet the definitions.

(b) A GPF member asked whether the proposal to define a liability as 'an obligation to transfer an economic resource' implies that a liability should be measured at the same amount as the economic resource to be transferred. The IASB staff responded that the definitions are not intended to necessarily imply such a link. An obligation to transfer inventory to a customer, for example, could be measured at the value of the consideration received, which would often be higher than the carrying amount of the inventory. That said, in some cases, the most faithful representation of an entity's financial position might be provided by measuring a liability using a basis consistent with that used to measure a related asset. This is something the IASB will continue to consider when it is developing measurement requirements in individual Standards.

Concepts for recognition of assets and liabilities

26. In IFRS, 'recognition' of an asset or a liability means the inclusion of that asset or liability in the statement of financial position. One GPF member questioned the terminology. He suggested that, in common English usage, the term 'recognition' means something like 'acknowledge the existence of'. So in saying that some assets and liabilities should not be recognised, the *Conceptual Framework* seems to be denying their existence and could be open to misinterpretation. He suggested 'reporting' as a clearer term. An IASB member observed that the term 'recognition' has been used for decades in accounting, with the same meaning as in the *Conceptual Framework.*

27. The *Conceptual Framework* Exposure Draft proposes to replace the existing recognition criteria with new high level concepts: assets or liabilities should be

recognised if recognition provides relevant information and a faithful representation, at a cost that does not exceed the benefits. GPF members expressed different views:

(a) one GPF member said that he thinks the proposed concepts are too ambiguous and could lead to a lowering of the recognition thresholds in some Standards, such as IAS 37. He suggested that, if the existing criteria are not viewed as appropriate for some transactions, such as derivatives, the IASB could make exceptions in individual Standards. He stated that even derivatives would normally satisfy the existing recognition criteria if accounted for on a portfolio basis. In response, an IASB member noted that the existing *Conceptual Framework* criteria are not a good starting point for developing Standards, particularly because, if applied consistently, they would lead to the non-recognition of some financial instruments.

(b) another GPF member said that, as he interprets the proposed concepts, they could support his view that, for litigation, no point estimate of the liability should be recognised while significant uncertainty remains about the outcome. For liabilities with very uncertain outcomes, investors are better served by disclosure. Several other GPF members and an IASB member agreed. The IASB member noted that this was an area with a strong connection to the IASB's present work on disclosures, and one for which the IASB needs to think about how companies best communicate how they are creating or destroying value.

28. The *Conceptual Framework* Exposure Draft sets out the factors whose presence might indicate that recognition would *not* provide relevant information. A GPF member suggested:

(a) these factors could be easier to understand if they are recast in positive, rather than negative terms; and

(b) the *Conceptual Framework* should be clearer about the meaning of a 'low' probability of future cash flows—what the threshold would be. The IASB staff explained that the reference to low probability is not intended as a hard threshold – just as a factor whose presence might be a warning flag that causes the IASB to consider whether recognition of the asset or liability would provide relevant information. A Board member noted that the Australian and Korean standard-setters are at present surveying the range of expressions used in IFRS to describe degrees of likelihood.

Concepts for derecognition of assets and liabilities

29. GPF members commented on the proposed concepts for derecognition of assets and liabilities:

    (a) the approach seems complex and it seems strange for disclosures to be relevant in decisions about recognition; and

    (b) a 'control' approach could be more feasible when it is possible to allocate the carrying value between retained rights and transferred rights. In other cases, eg if the entity has transferred all the rights but assumed a reversionary risk, a 'risks and rewards approach' might be easier.

General comments on implications of Conceptual Framework proposals

30. Two GPF members said they would like the IASB to provide a fuller summary of the implications of the *Conceptual Framework* proposals.

31. The IASB staff acknowledged that many of the proposed concepts do not give hard and fast answers. Instead they give a thought process for the IASB to apply when it develops Standards. It would not be possible to pre-judge the outcome of applying that thought process to particular issues without considering all the relevant information affecting those issues. The IASB has indicated that the proposed changes to the definitions and to the recognition criteria are not designed to either increase or decrease the number of assets and liabilities recognised.

IFRS Advisory Council: Role and recent activities (Agenda Paper 4)

32. In this session the IFRS Advisory Council (Council) Chairman presented the role of the Council and its recent activities.

33. GPF members discussed the Council's recent advice to the IFRS Foundation, and agreed that consistency of implementation and relevance of IFRS are some of the key areas to consider.

34. In the discussion, GPF members mentioned the examples of inconsistencies in application of IFRS within a single (global) organisation and the instances of IFRS financial statements being treated as compliance, not as a communications document.

IASB Agenda Consultation and Trustees' Review of Structure and Effectiveness of the IFRS Foundation (Agenda Paper 5)

35. The IASB staff and IFRS Foundation staff sought the views of GPF members on certain aspects of two current consultations in the Requests for Views (RFV) concerning:

    (a) the IASB's 2015 Agenda Consultation; and

    (b) the Trustees' Review of the Structure and Effectiveness of the IFRS Foundation.

2015 Agenda Consultation

36. The GPF members were asked three questions from the RFV *2015 Agenda Consultation*:

    (a) what priorities they would ascribe to each project on the IASB's research agenda;

    (b) whether the IASB provided the right mix of implementation support; and

    (c) whether the IASB's work plan delivered change at the right pace.

Research projects

37. The GPF considered the projects on the IASB's research programme and discussed which of them should be considered as high priority by the IASB.

38. Some members commented on the overall approach when prioritising projects:

(a) One GPF member suggested that there were too many projects on the research agenda.

(b) Another GPF member suggested that the IASB should, before beginning a standard-setting project, assess more rigorously than in the past whether there is a problem and whether there is a feasible solution. The staff pointed out the IASB had set up the research programme for this purpose.

(c) One GPF member thought that it is not clear what overall logic explains why the IASB is working on particular topics, and how they relate to broader topics. The projects seem to be independent of each other, which creates a bad impression.

(d) One GPF member thought that the IASB should be bolder in its approach to research. Thus, the research programme should focus not just on technical issues, but also on higher level themes such as improving communication by entities and making sure that financial information is relevant. The IASB should focus on issues that are on the minds of CFOs. For example, it should pay more attention to issues that could bring IFRS into disrepute, such as the recent foreign exchange and inflation issue that arose in Venezuela.

(e) Another GPF member suggested that the IASB should target topics where there is complex guidance that is made more difficult because there are different models in IFRS and US GAAP.

39. Some members discussed how to prioritise specific projects as follows:

(a) Two GPF members thought that goodwill should be a high priority project, driven by a perceived need to converge with US GAAP and to reintroduce amortisation of goodwill.

(b) One GPF member though that discount rates should be a high priority, but another thought this should be a low priority.

(c) One GPF member suggested that the primary financial statements should be a high priority, and stated that the cash flow statement does not produce useful information in the case of financial institutions.

However, another suggested that this project should be a low priority, especially if it pursues all the proposals made in the discontinued project on financial statement presentation. That GPF member commented that operating income should be investigated.

(d) One GPF member considered the equity method of accounting to be important, particularly following the elimination of proportionate consolidation. However, another thought the equity method should be a low priority.

(e) One GPF member suggested that the issues that were specific to individual industries should be prioritised. He suggested that specific industries, such as the mining and real estate industries, should be reviewed in order to try to eliminate scope exceptions.

(f) Several GPF members thought the IASB should address non-GAAP measures. The use of these measures might indicate a gap in the Standards, problems when implementing Standards, or that Standards produce results that lack relevance. The IASB should review non-GAAP measures to assess whether they are pervasive or are specific to individual industries. Non-GAAP measures are not necessarily bad. They exist to aid communication and may also play a role in management commentary.

40. The IASB staff noted that the Discussion Paper on Principles of Disclosure would include chapters on both communication (as requested in paragraph 38(c)) and non-GAAP measures.

41. The following topics were also suggested as a high priority:

(a) Definition of a business and goodwill;

(b) Principles of disclosure;

(c) Liabilities, particularly to replace IFRIC 21 *Levies*.

42. The following topics were suggested as a low priority, each by one GPF member:

(a) income taxes; and

(b) share-based payment

Implementation support

43. The GPF then discussed the level of implementation support provided by the IFRS Interpretations Committee and the IASB.

44. One GPF member identified the guidance published by the large accounting networks as a source of inconsistent application. Consequently, this member thought that the IASB should require that the accounting manuals are corrected or should explain why it was acceptable to have diversity in a particular example. However, another GPF member thought that IFRS should not be set by the accounting firms.

45. One GPF member suggested that the Interpretations Committee process is too slow.

Level of change

46. The GPF discussed whether the IASB had issued too many narrow-scope amendments to IFRS since the last agenda consultation process ended in 2012.

47. One GPF member suggested that the work of the Transition Resource Group for Revenue Recognition might have identified and resolved implementation issues at an early stage which would prevent the need for later amendment of the Standard.

48. Two GPF members thought change in general had been too rapid and that preparers wanted a period of calm.

49. Another GPF member suggested that the IASB should do more to try to predict how economies and markets would change over the coming years. In that way, the IASB could better predict what issues would be a priority in the future.

Trustees' Review of the Structure and Effectiveness of the IFRS Foundation

50. GPF members were asked three questions from the RFV on the Trustees' review:

    (a) How to ensure that the relevance of IFRS was maintained in the face of developments in financial reporting, corporate reporting and technology;

(b) Whether there was anything more that the IFRS Foundation could be doing to encourage the consistent application of IFRS, taking into account resource constraints; and

(c) Whether members had any views on the governance and funding issues raised in the RFV.

51. On the review of structure and effectiveness, in addition to the comments made in the discussion on the agenda consultation on relevance and consistent application and implementation of IFRS, GPF members made the following comments.

Relevance

52. One GPF member commented that the IASB's current role in developments in wider corporate reporting as described in the RFV was appropriate, and should not be extended further. Another GPF member commented that the IASB's remit should not be extended to develop Standards for entities in either the public sector or the private, not-for-profit sector. To do so would:

(a) run the risk of the IASB losing focus; and

(b) require additional funding.

Consistent application

53. On consistent application, one GPF member suggested the need to improve access to IFRS education material on the Foundation's website, as at present it was difficult to find.

Governance and funding

54. One GPF member commented that he did not know enough about role of the Monitoring Board to give an informed view, which suggested that there was a need for more transparency.

55. GPF members expressed a variety of views on the optimum size of the IASB.

(a) One member felt that there was a paradox in the Trustees seeking to reduce the size of the IASB to 13 members while the use of IFRS had been extended to more countries. That GPF member felt that the IASB membership should better reflect those jurisdictions that had adopted IFRS, such as the European Union. This did not mean that there should be no US members at all, but that the proportion of such members on the IASB should be reduced.

(b) Another GPF member did not support the proposed reduction of the IASB to 13 members and took the view that the number of members from Asia-Oceania should not be reduced.

(c) A third GPF member expressed the view that the size of the IASB made the IASB cumbersome and perhaps could be reduced, as could perhaps the number of advisory and consultative groups that the IASB had.

56. One GPF member commented that the geographical composition of the IASB could perhaps be modified to reflect the relative aggregate market capitalisations of the entities that use IFRS in each jurisdiction or region. With 116 jurisdictions now having adopted IFRS, the 'Security Council' style of distribution, with some permanent members, needed to change.

57. On funding, one GPF member commented that the budget of the IFRS Foundation was immaterial in global terms and that it should be possible to raise more funds. Another GPF member suggested that an alternative approach to the funding challenge would be to reduce costs, in particular if the IASB had a period of calm. Another GPF member suggested a potential approach of a levy based on market capitalisation.

58. One GPF member stated that it seems unfair that entities filing in the US must pay a levy that contributes to the FASB, even if the entities report under IFRS.

Fair Value Measurement: Unit of Account (Agenda Paper 6)

59. GPF members were asked to provide their views on the relevance of the measurement proposals included in the Exposure Draft (ED) *Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value.* The ED proposed that:

(a) the fair value measurement of investments in subsidiaries, associates and joint ventures that are quoted in an active market (quoted investments) should be based on the product of the quoted price for the individual financial instruments that make up the investment (P) and the quantity of financial instruments (Q), ie P × Q; and

(b) the recoverable amount of cash-generating units (CGUs) measured on the basis of fair value less costs of disposal (FVLCD) when they correspond to entities that are quoted in an active market (quoted CGUs) should also be based on P × Q.

60. Many GPF members thought that P × Q was not a relevant measure for quoted investments because:

(a) P × Q does not consider the saleability value for a large block of shares since the price an entity would receive in a sales transaction would be different compared to the price of a single share because of items such as control premiums.

(b) in an example of an entity that held a quoted equity interest, and then added to the interest in a second transaction that gave it control, the price paid for the second equity interest included a premium over the quoted market price (a control premium). As a result, the price paid for the second equity interest was higher than P × Q.

61. One GPF member commented that he is indifferent to the proposals as long as the measurement options when accounting for investments in subsidiaries, joint ventures and associates in accordance with IAS 27 *Separate Financial Statements* (ie cost, fair value or the equity method) remain unchanged. This GPF member also noted that entities often pay a takeover premium that should not be ignored in the subsequent measurement of the investment.

62. GPF members commented on the feedback received from users of financial statements on the ED proposals (provided in Appendix A and B of the Agenda Paper).

(a) Some GPF members supported one of the recommendations from the comment letters of providing a reconciliation between the fair value of a quoted investment derived by applying a valuation technique or adjusted Level 1 inputs and the fair value derived under P × Q together with reasons to substantiate any reconciling items between the two measurements such as, for example, takeover premiums paid.

(b) Some GPF members commented on some points made by users of financial statements:

   (i) GPF members disagreed with users of financial statements that a Level 1 price was the most objective indicator of the price that market participants would transact at. This is because an entity would not pay the quoted price of an individual share when acquiring a controlling interest in a quoted entity. Instead, GPF members thought that the most objective indicator of the price that market participants would transact at was the negotiated price.

   (ii) The proposed measurement in the ED may result in the recognition of 'Day 1' gains or losses when the negotiated price of a quoted investment paid at acquisition differs from its subsequent measurement at P × Q (which, in their view, was not economically meaningful). GPF members disagreed with users of financial statements that 'Day 1' gains or losses reflect the risk of doing business. Instead, GPF members thought that those gains and losses reflect the risk of using the market price when measuring the fair value of quoted investments rather than a valuation technique or adjusted Level 1 inputs.

63. A few GPF members commented that quoted investments in subsidiaries, joint ventures and associates are not that common, while one GPF member noted that within their group they had quite a few investments in quoted subsidiaries. Another GPF member commented that quoted investments were less frequent in Europe while more common in other jurisdictions, for example, South Africa, due to the prevalence of specific organisation structures.

64. One GPF member noted that within their Group they have a CGU that corresponded to a quoted entity although this was not a common case.

65. One GPF member stated that, for reasons similar to those already noted for quoted investments, P × Q would not be appropriate when determining the recoverable amount of quoted CGUs on the basis of fair value less costs of disposal.

Disclosure Initiative: Materiality Practice Statement (Agenda Paper 7)

66. The staff asked if the Exposure Draft of an IFRS Practice Statement *Application of Materiality to Financial Statements* (the Draft Practice Statement), and in particular the examples, would be helpful to preparers in making materiality assessments when preparing their financial statements.

67. Some members supported the explanatory nature of the Draft Practice Statement because, in their view, it was well suited to its purpose of helping preparers make materiality judgements. There was also some agreement that the Draft Practice Statement would be useful for preparers when explaining the basis of their materiality judgements with auditors and regulators. However, members were not sure whether the Draft Practice Statement would be sufficient to discourage treating the specific disclosures requirements in Standards as a checklist. They were not sure whether the proposed guidance would discourage the disclosure of immaterial information or the omission of material information not captured by a specific requirement.

68. There was a suggestion that perhaps the Practice Statement should provide guidance on a disclosure that would describe the removal of immaterial information. However, that suggestion was met with mixed reactions from other members who thought it would very quickly become boilerplate.

69. One GPF member expressed a concern that materiality as defined and used in the document most likely would be substantially lower than that typically used by the legal profession and regulators and this could lead to confusion.

70. Overall GPF members were unsure how to assess whether the Practice Statement would be helpful until it was published, although one member suggested carrying out a test case on a set of financial statements and compare the results with previous assessments.

71. Members were generally happy with the proposal that the final guidance should not be mandatory. As materiality is judgement based, mandatory application would be very difficult to police.

Next meeting

72. The next GPF meeting will be held on Wednesday 2 March 2016.