

# AGENDA PAPER

IFRS Foundation Trustees meeting – Due Process Oversight Committee

BEIJING 13 OCTOBER 2015

Agenda ref 3B

---

PRESENTER HUGH SHIELDS

---

AUTHOR MICHELLE SANSOM

---

## Technical Activities: Key Issues and Update

### Purpose

1. This report provides the Due Process Oversight Committee (DPOC) with an update on the due process activities for the standard-setting activities of the IASB in June–September 2015. This report is primarily for information, but any views or comments from DPOC would be welcome.

### Structure of this report

2. This paper is structured as follows:
  - (a) The key issues relating to technical activities are summarised in paragraphs 6 to 11.
  - (b) The full Technical Activities report is set out in Appendices, as follows:
    - (i) Appendix A—Major Standards;
    - (ii) Appendix B—Implementation activities; and
    - (iii) Appendix C—Research activities.

In each appendix we have provided an update on the due process activities in the period June–September 2015. We have also noted any changes to the project timings since the last Technical Update.

- (c) Details of due process documents published or issued in the period are set out in paragraphs 3 and 4.
- (d) The Compliance report is summarised in paragraph 5, details are set out in Appendix D.

### Due process documents

3. In the period June–September 2015 the IASB has published:
  - (a) a Request for Views: *2015 Agenda Consultation*;
  - (b) the following Exposure Drafts:
    - (i) *Clarifications to IFRS 15 Revenue from Contracts with Customers*;
    - (ii) *Effective Date of Amendments to IFRS 10 and IAS 28*; and

- (iii) *Remeasurement on a Plan Amendment, Curtailment or Settlement/Availability of a Refund from a Defined Benefit Plan* (Proposed amendments to IAS 19 and IFRIC 14).
  - (c) a proposed IFRS Taxonomy Update: *IFRS Taxonomy 2015—Common Practice (information technology, media, chemicals and utilities)*.
4. The IASB has also issued an amendment to IFRS 15 *Revenue from Contracts with Customers*, which confirms a one-year deferral of the effective date of the Standard.

## Compliance report

5. No papers were posted after the posting deadline in June 2015. A list of the IASB papers that were posted after the posting deadline in July and September 2015 is set out in Appendix D. The explanations for the late posting are also provided in Appendix D.

## Technical Activities—Key Issues

### ***Different effective dates of IFRS 9 Financial Instruments and the new Insurance Contracts Standard***

6. In the period June to September 2015 the IASB has continued to consider the possible accounting consequences of the application of IFRS 9 *Financial Instruments* prior to the application of the new insurance contracts Standard. In view of the significance of this work we have prepared a separate report to the DPOC, see Agenda Paper (AP) 3C for this meeting.

### ***2015 Agenda Consultation***

7. The IASB issued its Request for Views *2015 Agenda Consultation* on 11 August 2015. It is open for comment until 31 December 2015. This timing aligns with the Trustees' *Structure and Effectiveness Review*, which was issued in July and is open for comment until 30 November 2015.
8. The progress of the Agenda Consultation is considered at AP 3D for this meeting

### ***Extending the comment period for the Conceptual Framework for Financial Reporting Exposure Draft***

9. In May 2015 the IASB published an Exposure Draft (ED) proposing a revised *Conceptual Framework for Financial Reporting*. In October 2014, the IASB decided to set a 150-day comment period for the ED. The IASB set a comment period in excess of the normal minimum period for an ED (120 days), because of the length and complexity of the *Conceptual Framework* ED and the fundamental nature of the *Conceptual Framework*. The IASB decided not to set a longer comment period than 150 days, noting that the *Conceptual Framework* ED had been preceded by a Discussion Paper. Hence, stakeholders should be familiar with the issues addressed.
10. However, since publishing the *Conceptual Framework* ED, the IASB has been encouraged by stakeholders from a number of jurisdictions to extend the comment period by up to two months. In particular, EFRAG has requested a two-month extension to the comment period and the Accounting Standards Board of Japan has requested a

one-month extension. Stakeholders note the fundamental the importance of the Conceptual Framework for the IASB and its future decisions on Standard and the need for time to develop considered responses to the ED.

11. In response to these requests, the IASB decided, at its September 2015 meeting, to extend the comment period for the ED by 30 days. The comment period for the ED now ends on 25 November 2015.

### **IFRS Taxonomy™**

12. At its July 2014 meeting, the DPOC agreed that the IASB should hold two trials to assess the staff proposals to amend the IFRS Taxonomy due process. The latest position is set out in AP 3E for this meeting.

## Appendix A

## Major projects - Work plan as at 31 July 2015

	Current activity	Next major milestone			Timing update since 27 May 2015
		Within 3 months	Within 6 months	After 6 months	
<b>Upcoming Standards</b>					
<b>Insurance Contracts</b>	Analysis			Issue Standard	No change
<b>Leases</b>	Drafting Standard		Issue Standard		No change
<b>Published Exposure Drafts</b>					
<b>Conceptual Framework</b> [Comment period ends 26 November* 2015]	Public Consultation			Decide project direction	No change
<b>Published Discussion Papers (DP)</b>					
<b>Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging</b>	Analysis			Publish DP	No change
<b>Rate-regulated Activities</b>	Analysis			Publish DP	No change
<b>Disclosure Initiative</b>					
<b>Principles of Disclosure</b>	Analysis		Publish DP		Was targeted for Q4 of 2015, now Q1 of 2016.
<b>Standards-level review of Disclosures</b>	Analysis				No change
<b>Amendments to IAS 7</b> [Comment period ended 17 April 2015]	Analysis	Decide project direction			No change
<b>Amendments to IAS 8</b>	Analysis			Publish ED	Was targeted for Q4 of 2015, now Q1 of 2016.
<b>Materiality Practice Statement</b>	Drafting ED	Publish ED			Was targeted for Q3 of 2015, now Q4 of 2015.

\*Updated to reflect IASB decision at its September 2015 meeting to extend the comment period.

### Insurance Contracts

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

- A1. The IASB received 194 comment letters and undertook extensive outreach and detailed field-testing of the operability of the proposals set out in the June 2013 ED. The feedback received suggested broad support for the principle of current value measurement of insurance contracts. However, there were also significant areas of disagreement, in particular about performance reporting and concerns about excessive complexity.
- A2. During redeliberations, the IASB has maintained extensive dialogue with all interested parties and continues to consult its advisory bodies. In particular:
- (a) the IASB has engaged extensively with preparers and other interested parties, in particular in Canada, Europe, Japan and Korea.
  - (b) the IASB has sought advice from the ASAF at its March, June and September 2014 meetings. The IASB provided an update to the ASAF at its meetings December 2014, March 2015 and July 2015.
- A3. As previously reported, the IASB has largely concluded its tentative decisions relating to non-participating contracts. The IASB also made tentative decisions on some specific issues that were highlighted in the feedback to the June 2013 ED but that were not targeted for input. The direction that the IASB took in all these decisions was largely consistent with the feedback that it had heard on the June 2013 ED.
- A4. After extensive consideration, the IASB is now reaching tentative conclusions on the accounting model for contracts with participating features. This was one of the most difficult and contentious aspects on which the IASB sought feedback, in particular, the treatment of the insurer's interest in the investment portfolio underlying the participating contracts. The IASB has considered feedback on the proposals in the 2013 ED and tentatively decided to refine those proposals for some contracts with participating features that addresses their core concerns. The IASB is now considering follow-up consequences of that tentative decision.

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

A5. The staff is planning to finalise the redeliberations by the end of 2015.

### Leases

Last due process document	Revised ED published in May 2013.
Current status	The IASB's redeliberations were completed in March 2015 (subject to discussion about effective date and any sweep issues arising during drafting).
DPOC role	The DPOC completed its life-cycle review in April 2015.
Timing	Standard currently expected to be issued in Q4 of 2015.

### The Conceptual Framework

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

- A6. The *Conceptual Framework* sets out the concepts that underlie the preparation and presentation of financial statements. It is not a Standard and does not override any specific Standard. However, it identifies principles for the IASB to use when it develops and revises its Standards. It is also used by preparers to develop and select accounting policies and by all parties to understand and interpret the Standards.
- A7. The IASB published a Discussion Paper (DP) in July 2013. It has now completed its redeliberations of that DP and published the ED *Conceptual Framework for Financial Reporting* in May 2015. During its redeliberations of the DP the IASB sought input from its advisory bodies: the Advisory Council, the ASAF (which is the consultative group for this project), the Capital Markets Advisory Committee (CMAC) and the Global Preparers Forum (GPF).
- A8. As noted in paragraph 11, the IASB decided at its September 2015 meeting to extend the comment period for the ED by 30 days.
- A9. During the comment period on the *Conceptual Framework* ED we are conducting outreach meetings to raise awareness of and obtain feedback on our proposals. We have held meetings in Europe (including several joint meetings with EFRAG), Canada, Latin America, Asia, Australia and New Zealand and we are planning further meetings in Japan, China and the US. We have held meetings with a range of stakeholders including standard-setters, regulators, users of financial statements, preparers, academics and auditors.

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

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

- A10. The objective of this project is to develop an approach to better reflect entities' dynamic risk management activities in their financial statements and to enhance the usefulness of the financial information to help users of financial statements to better understand such activities. Operational feasibility has also been one of the considerations that has been evaluated when exploring an accounting approach for dynamic risk management.
- A11. The IASB received 126 comment letters in response to the DP. The staff discussed the comments received with the IASB in Q1 of 2015. A summary of the comment letters and other feedback (including from users) received is available on the IASB website.
- A12. As previously reported, during the comment period over 50 outreach meetings with constituents were held. The jurisdictions covered by this outreach included Europe, Asia and Oceania, North and South America and Africa.
- A13. Although we have received support from constituents for addressing the issue of accounting for dynamic risk management, there is significant divergence in views between users and preparers in general on the merits of the new approach. There is also a difference in views on what should be the overall objective of the project.
- A14. The IASB commenced discussions about the next steps in the project at its meeting in May 2015. It decided to consider if the information needs of constituents concerning dynamic risk management activities can be addressed through disclosures before considering the areas that need to be addressed through recognition and measurement.
- A15. The IASB also decided to prioritise the consideration of interest rate risk and consider other risks at a later stage in the project.
- A16. In July 2015 the ASAF's advice was sought on information needs relating to an entity's dynamic risk management of interest rates and on possible sources of information that could be consulted for ascertaining such information needs.
- A17. The IASB has decided that the project should remain in the research programme with the aim of publishing a second DP.

**Rate-regulated Activities**

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

- A18. The IASB received 118 comment letters in response to the DP. The staff provided a preliminary analysis of the comments to the IASB at its meeting in February 2015. Responses to the DP suggested that:
- (a) a type of rate regulation that contains elements of both cost recovery and incentive approaches, termed 'defined rate regulation' in the DP, creates distinguishable financial effects.
  - (b) the financial effects of defined rate regulation may not be faithfully represented by the existing predominant IFRS practice.
  - (c) there is strong support for recognising at least some regulatory deferral account balances in IFRS financial statements. A common suggestion made is to explore an approach based on the principles in IFRS 15, focusing on the entity's rights and obligations relating to its customers as a whole (the customer base), instead of on individual customer contracts.
- A19. A summary of the comment letters and other feedback (including from users) is available on the project page on the IASB website.
- A20. The project's consultative group met in March 2015 for an initial discussion of the issues raised in the feedback to the DP.
- A21. The IASB commenced discussions about the next steps in the project at its meeting in May 2015. It decided that it should undertake standard-setting activity to address the issues identified in this project, but that the form of that standard-setting activity would become apparent as the project progresses. The IASB also decided that the development of a second DP would be the fastest way to progress the project.
- A22. In July 2015, discussions were held with both the IASB and the ASAF to identify a possible accounting model that would more faithfully represent the financial effects of rate regulation identified through the DP. In October, the staff will discuss with the ASAF the implications of the proposals in the *Conceptual Framework* ED for the direction of the Rate-regulated Activities project before bringing further analysis to subsequent IASB meetings.



### **Disclosure Initiative**

- A23. The Disclosure Initiative is a portfolio of projects being undertaken with the aim of improving the effectiveness of disclosures in financial reporting. The work is informed by a discussion forum, which was held in January 2013, and by a related survey on financial reporting disclosure. A Feedback Statement on these events was published in May 2013.
- A24. The Disclosure Initiative includes the following research projects:
- (a) Principles of Disclosure—review of IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*; and
  - (b) Standards-level review of disclosures.
- A25. The Disclosure Initiative also includes the following implementation projects:
- (a) narrow-scope amendments to IAS 1 (completed);
  - (b) narrow-scope amendments to IAS 7 *Statement of Cash Flows* (Exposure Draft issued); and
  - (c) narrow-scope amendments to IAS 8 (Exposure Draft to be issued).
- A26. In addition to these implementation projects, the IASB has tentatively decided to publish an ED of a Practice Statement on the application of materiality.
- A27. In the period June–September 2015 the IASB has focused on completing the narrow-scope amendments to IAS 7 and the drafting on the Principles of Disclosure DP.

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

Last due process document	No due process documents issued.
Current status	The IASB is developing a DP.
DPOC role	Monitor the IASB’s development of the DP.
Timing	DP to be published in Q1 of 2016.

- A28. This project is the cornerstone of the Disclosure Initiative. Its objective is to improve disclosures in financial statements by identifying and developing a set of principles for disclosure in IFRS. The project’s aim is to set the basis for replacing the disclosure requirements in IAS 1 and IAS 8. The project may also affect the review of disclosure requirements and guidance in other Standards.
- A29. The IASB agreed the scope of the project in April 2014 and discussed the project regularly during 2014. Advice on specific topics was sought from the ASAF at its meetings in June, September and December 2014 as well as in March and July 2015. In addition, advice has been sought from the GPF and the CMAC during 2014 and in Q1 of 2015. The staff have also conducted a variety of meetings and conference calls with constituents on specific topics in preparing papers for the IASB meetings, including the International Organization of Securities Commissions (IOSCO); the European Securities and Markets Authority

(ESMA) about the disclosure of non-IFRS financial information; and investors and users of financial statements.

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

- A30. This research project responds to concerns that the way in which disclosure requirements in Standards are written contributes to the ‘disclosure problem’. The disclosure problem is described in more detail in the Feedback Statement on the [Discussion Forum – Financial Reporting Disclosure](#).
- A31. To address these concerns, the IASB is planning to develop a set of principles in the form of a drafting guide for the IASB’s internal use when developing disclosure requirements in new or amended Standards. The IASB then plans to use these principles to review disclosures in existing Standards to identify targeted improvements with particular focus on duplication and inconsistency of requirements. This project will be informed by the principles being developed in the Principles of Disclosure project.

### ***Amendments to IAS 7***

- A32. The IASB has published an ED of narrow-focused amendments to IAS 7. The ED aims to respond to investors’ requests for better information about changes in an entity’s debt, including non-cash movements. It also sought to improve the disclosures about liquidity, including restrictions on cash and cash equivalents. We had held a number of outreach meetings with investors to understand if these proposals would meet investors’ informational needs.
- A33. The IASB commenced its redeliberations of the proposals in Q2 of 2015.
- A34. At its meeting in September 2015 the IASB tentatively decided to proceed with the proposed amendment to improve disclosures about changes in an entity’s debt. The IASB will continue its work on improving liquidity disclosures.

### ***Amendments to IAS 8***

- A35. At its meeting in May 2015 the IASB discussed how to clarify the existing distinction between a change in an accounting policy and a change in an accounting estimate. At that meeting, the IASB decided to develop proposals clarifying the distinction as a separate project within the Disclosure Initiative. These proposals are expected to result in narrow-scope amendments to IAS 8 and an ED is now planned for Q1 of 2016.

### ***Materiality***

- A36. 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 WSS, the Advisory Council, IOSCO and the International Auditing and Assurance Standards Board (IAASB) about how materiality is applied in practice and the need for potential guidance.
- A37. The IASB is aware of the sensitivity of this topic because, in some jurisdictions, materiality is considered to be the responsibility of the securities regulator and the courts. The staff have been liaising with securities regulators for that reason and are confident of developing helpful, non-mandatory guidance that is globally accepted.

A38. The IASB reviewed the due process steps for the Practice Statement in April 2015. The IASB planned to issue the ED in Q3, however, the review process has taken longer than anticipated and now expects to publish the ED in Q4 of 2015 with a comment period of 120 days.

## Appendix B

**Implementation Activities - Interpretations Committee Activities**

- B1. Since the last Technical Update report the Interpretations Committee has held two meetings—July and September 2015. Activities in the period include:
- (a) a tentative agenda decision published for comment in March 2015 was finalised at the July 2015 meeting: IFRIC 14 *IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*: Should an entity assume continuation of a minimum funding requirement for contributions relating to future service?
  - (b) 13 submissions were considered during the two meetings:
    - (i) six of the submissions discussed led to the publication of nine tentative agenda decisions, which were published for comment for 60 days (see Table 1); and
    - (ii) seven of these tentative agenda decisions include the Interpretations Committee’s technical conclusions on the issues submitted, thereby providing support to those affected by these particular issues.
  - (c) three potential annual improvements were also discussed.

**Table 1—Tentative agenda decisions published for comment**

• IAS 2 <i>Inventories</i> and IAS 38 <i>Intangible Assets</i> —Should interest be accreted on prepayments in long-term supply contracts?
• IAS 12 <i>Income Taxes</i> —Recognition through profit or loss of deferred taxes for temporary differences arising from the effect of exchange rate changes on the tax basis of non-current assets
• IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> —to what extent can an impairment loss be allocated to non-current assets within a disposal group?
• IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> —how to present intragroup transactions between continuing and discontinued operation
• IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> —various IFRS 5-related issues
• IFRS 9 <i>Financial Instruments</i> —Transition for hedge accounting
• IFRS 11 <i>Joint Arrangements</i> —Remeasurement of previously held interests: various transactions
• IAS 32 <i>Financial Instruments: Presentation</i> —Classification of the liability for a prepaid card in the issuer’s financial statements
• IAS 39 <i>Financial Instruments: Recognition and Measurement</i> —Separation of an embedded interest rate floor from a floating rate host contract in a negative interest rate environment

## Implementation Projects

### Work plan as at 31 July 2015

	Current activity	Within 3 months	Within 6 months	After 6 months	Timing update since 27 May 2015
<b>Annual Improvements to IFRS 2014–2016 Cycle</b>	Drafting ED	Publish ED			Was in Q3 of 2015
<b>Clarifications arising from the Post-implementation Review</b> (Proposed amendment to IFRS 8)	Drafting ED		Publish ED		New project
<b>Clarifications of Classification and Measurement of Share-based Payment Transactions</b> (Proposed amendment to IFRS 2)	Analysis	Decide project direction			No change
<b>Clarifications to IFRS 15: Issues Emerging from TRG discussions</b>	Public Consultation		Decide project direction		ED published
<b>Classification of Liabilities</b> (Proposed amendment to IAS 1)	Public consultation	Decide project direction			No change
<b>Effective Date of Amendments to IFRS 10 and IAS 28</b>	Drafting ED	Publish ED			ED published
<b>Fair Value Measurement: Unit of Account</b>	Analysis			Issue Standard	No change
<b>Recognition of Deferred Tax Assets for Unrealised Losses</b> (Proposed amendments to IAS 12)	Drafting Standard		Issue Standard		Target date now set
<b>Remeasurement on a Plan Amendment, Curtailment or Settlement/Availability of a Refund from a Defined Benefit Plan</b> (Proposed amendments to IAS 19 and IFRIC 14)	Public consultation		Decide project Direction		ED published
<b>Transfers of Investment Property</b> (Proposed amendments to IAS 40)	Drafting ED	Publish ED			<b>ED deferred to Q4 to make space for Leases due process (was ED in Q3)</b>
<b>Draft IFRIC Interpretations (DI)</b>	Current activities	Within 3 months	Within 6 months	After 6 months	Timing update since 27 May 2015
<b>Uncertainties in Income Taxes</b>	Drafting DI	Publish DI			No change
<b>Foreign Currency Transactions and Advance Consideration</b>	Drafting DI	Publish DI			New project

***Annual Improvements to IFRS 2014–2016 Cycle***

- B2. 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.
- B3. The IASB confirmed at its meeting in May 2015 that it had completed all the necessary due process steps and it expects to publish an ED in Q4 2015.

***Clarifications arising from the Post-implementation Review (Proposed amendments to IFRS 8 Operating Segments)***

- B4. The IASB discussed proposals to make clarifications to IFRS 8 with respect to issues identified by the Post-implementation Review.
- B5. The IASB has asked the staff to prepare proposals for a narrow-scope amendment to IFRS 8 for future public consultation.

***Clarification of Classifications of Share-based Payment Transactions (Proposed amendments to IFRS 2 Share-based Payment)***

- B6. The IASB published an ED in November 2014 proposing 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.
- B7. The ED closed for comment on 25 March 2015. The IASB's redeliberations are ongoing.

***Clarifications to IFRS 15 Revenue from Contracts with Customers***

- B8. The IASB published an ED in July 2015 proposing clarifications to IFRS 15. The clarifications result from the IASB's consideration of issues discussed by the Revenue Transition Resource Group.
- B9. The ED is open for comment until 28 October 2015.

***Classification of Liabilities (Proposed amendments to IAS 1)***

- B10. The IASB published an ED in February 2015 with the aim of clarifying when the rights to defer settlement affect the classification of liabilities.
- B11. The ED closed for comment period on 10 June 2015.

***Effective Date of Amendments to IFRS 10 and IAS 28***

- B12. The IASB published an ED on 10 August 2015 consulting on postponing the effective date for amendments made in 2014, pending further research on the equity method of accounting.
- B13. An ED is open for comment until 9 October 2015.

***Fair Value Measurement: Unit of Account (Amendments to IFRS 10, IFRS 12, IAS 27, IAS 28 and IAS 36)***

- B14. The IASB published an ED to clarify the unit of account for investments in subsidiaries, joint ventures and associates and their corresponding fair value measurement when those investments are quoted. The ED closed for comment on 16 January 2015.
- B15. The ED also included a proposed illustrative example to IFRS 13 *Fair Value Measurement* to illustrate the application of the portfolio exception of that Standard.
- B16. At its meeting in April 2015 the IASB tentatively decided that the proposed illustrative example to IFRS 13 in the ED appropriately illustrates the application of the portfolio exception of that Standard. In addition, the IASB decided that a separate publication of the proposed illustrative example in IFRS 13 was not required, because it is non-authoritative in nature and the comments received did not reveal significant diversity in practice.
- B17. At its meeting in July 2015 the IASB decided that further research should be undertaken on the proposals set out in the ED. The ASAF will be consulted at its meeting in October 2015.

***Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)***

- B18. The IASB published an ED in August 2014 with the aim of clarifying the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.
- B19. The IASB confirmed at its meeting in July 2015 that it had completed all the necessary due process steps and it expects to issue the final amendments to IAS 12 in in Q1 2016.

***Remeasurement on a plan amendment, curtailment or settlement/Availability of a refund from a defined benefit plan (Proposed amendments to IAS 19 and IFRIC 14)***

- B20. The IASB published an ED in June 2015 to clarify:
- (a) the availability of a refund of a surplus from a defined benefit plan when an independent trustee has a unilateral power; and
  - (b) the remeasurement on a plan amendment, curtailment or settlement.
- B21. The ED is open for comment until 19 October 2015.

***Transfer of Investment Property (Proposed amendments to IAS 40)***

- B22. The IASB has decided to publish a narrow-scope amendment to bring the guidance on transfers of investment property more in line with the principle for the classification of investment property.
- B23. The IASB confirmed at its meeting in May 2015 that it had completed all the necessary due process steps and expects to publish an ED in Q4 of 2015.

***Uncertainty in Income Tax***

- B24. To objective of this Interpretations is to provide guidance for the recognition and measurement of current tax, deferred tax liabilities and deferred tax assets when there is uncertainty in income taxes.
- B25. The IASB confirmed at its meeting in April 2015 that it had completed all the necessary due process steps. It is anticipated that the draft Interpretation will be published in Q4 of 2015.

***Foreign Currency Transactions and Advance Consideration***

- B26. To objective of this Interpretation to provide guidance that assists in identifying the date of the transaction for revenue transactions denominated in a foreign currency, as an interpretation of paragraph 22 of IAS 21 *The Effects of Changes in Foreign Exchange Rates*.
- B27. The IASB confirmed at its meeting in June 2015 that it had completed all the necessary due process steps. It is anticipated that the draft Interpretation will be published in Q4 of 2015.



## Appendix C

## Research activities - Work plan as at 31 July 2015

<b>Assessment phase</b>		These projects are assessing possible practice issues to understand if there is a financial reporting problem and, if so, how to address it.
<b>Definition of a Business</b>	Analysis	IASB discussions are planned for 2015. This project was started as a result of the Post-implementation Review of IFRS 3 <i>Business Combinations</i> . The IASB staff are planning how to address the problems identified.
<b>Discount Rates</b>	Analysis	IASB discussions are planned for 2015.
<b>Goodwill and Impairment</b>	Analysis	This project was started as a result of the Post-implementation Review of IFRS 3 <i>Business Combinations</i> . The IASB staff are planning how to address the problems identified.
<b>Income taxes</b>	Analysis	IASB discussions are planned for 2015.
<b>Pollutant Pricing Mechanisms</b>	Analysis	The IASB has begun discussions and the next step is likely to be a DP in 2016.
<b>Post-employment Benefits (including Pensions)</b>	Analysis	IASB discussions are planned for 2015.
<b>Primary Financial Statements (previously Performance Reporting)</b>	Analysis	This project is closely linked with the work being undertaken in the Disclosure Initiative. The IASB staff will assess the interaction with the Disclosure Initiative projects before proposing a scope for this project.
<b>Provisions, Contingent Liabilities and Contingent Assets</b>	Analysis	The IASB has begun discussions. The next steps are pending developments in the <i>Conceptual Framework</i> project.
<b>Share-based Payments</b>	Analysis	IASB discussions are planned for 2015.
<b>Development phase</b>	Current activity	The IASB has completed its assessment work and is developing proposals to respond to the problem(s) identified.
<b>Business Combinations under Common Control</b>	Analysis	The IASB has begun discussions and the next step is likely to be a DP in 2016.
<b>Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging</b>	Analysis	The IASB has begun discussions and the next step is likely to be a DP (see <b>Major projects</b> ).
<b>Equity Method of Accounting</b>	Analysis	The IASB has begun discussions and the next step is likely to be a DP in 2016.
<b>Financial Instruments with Characteristics of Equity</b>	Analysis	The IASB has begun discussions and the next step is likely to be a DP.
<b>Inactive projects</b>		
<b>Extractive Activities /Intangible Assets/R&amp;D</b>		The IASB is not currently working on this project.
<b>Foreign Currency Translation</b>	Inactive	The IASB has completed its assessment work on this project and has no current plans to undertake additional work. It plans to remove this project from the research programme, subject to feedback in the next Agenda Consultation.
<b>High Inflation</b>	Inactive	The IASB has completed its assessment work on this project and has no current plans to undertake additional work. It plans to remove this project from the research programme, subject to feedback in the next Agenda Consultation.

## Classification of projects

- C1. In June 2015, the projects on the **Equity Method of Accounting** and on **Business Combinations under Common Control** were reclassified as development stage, instead of assessment stage.
- C2. In June 2015, two projects were classified as longer-term, exploratory projects, which were described as being intended to assess whether a fundamentally different approach to the financial reporting issue may be worthwhile. It is no longer considered necessary to identify that as a separate category, and the two projects have been reclassified as follows:
- (a) **Income Taxes** is now classified as an assessment stage project; and
  - (b) **Extractive Activities/Intangible Assets/R&D Activities** is now classified as an inactive project.

## Assessment-phase projects

*Assessment-stage research projects are undertaken to identify and assess practical application issues in order to understand whether there is a financial reporting problem and to consider what further action, if any, is needed.*

*Once the assessment stage is complete, the project will typically move into the development stage, be suspended or be removed from the research programme.*

- C3. The IASB added the projects on the **Definition of a Business** and **Goodwill and Impairment** to the research programme in February 2015. The problem-identification-assessment work for these projects was completed in the Post-implementation Review (PIR) of IFRS 3 *Business Combinations*. The IASB discussed these projects in September 2015 with the FASB, because the FASB is considering similar issues and because IFRS 3 and the corresponding US requirements are converged.

### *Definition of a business*

- C4. The accounting treatment for a business combination differs from the accounting treatment for an asset acquisition. The PIR of IFRS 3 identified some challenges in determining whether a transaction is a business combination or an asset acquisition. This research project will consider whether the challenges can be dealt with by clarifying the existing definition of a business or by eliminating the differences between the two accounting treatments.

### *Discount rates*

- C5. Different discount rates are used in different Standards. The IASB staff are assessing why those differences exist and their effects. The IASB had a first consideration of the results of the research at its meeting in September 2015.

### *Goodwill and impairment*

- C6. This research project will consider three specific issues identified in the PIR of IFRS 3:
- (a) whether changes should be made to the existing impairment test for goodwill and other non-current, non-financial assets;
  - (b) the extent to which other intangible assets should be separated from goodwill; and
  - (c) whether goodwill should be amortised.

***Income taxes***

- C7. The IASB has received feedback that questions the decision-usefulness of some of the information provided by IAS 12 *Income Taxes*. The IASB and the Interpretations Committee have also received many questions about the application of IAS 12.
- C8. The IASB staff are currently analysing the results of recent surveys of users of financial statements and other stakeholders. This analysis should help the IASB to assess whether it should embark on a fundamental review of IAS 12, whether it should consider making targeted improvements to the existing requirements or whether it should take no further action. The IASB expects to consider the findings of the research late in 2015.

***Pollutant pricing mechanisms (formerly emissions trading schemes)***

- C9. There is significant diversity in how pollutant pricing mechanisms, including emissions trading schemes, are accounted for in practice. The assessment stage is nearing completion. The IASB expects to publish a DP in 2016.

***Post-employment benefits (including pensions)***

- C10. Previous work has established that existing requirements in IAS 19 *Employee Benefits* do not work well for some schemes that have some features of defined contribution schemes and some features of defined benefit schemes. This project is assessing whether a solution can be developed for these hybrid schemes without reconsidering the current accounting for defined benefit and defined contribution schemes. If not, a more fundamental reconsideration may be needed. The IASB expects to consider the next steps for the project late in 2015.

***Primary financial statements (formerly performance reporting)***

- C11. In June 2015, the IASB changed the title of the project to ‘Primary Financial Statements’ and tentatively decided that the project should examine the purpose, structure and content of the primary financial statements, including the relationship between the individual statements.
- C12. As part of the research project on the principles of disclosure, the IASB tentatively decided in March 2015 that primary financial statements are the statements of financial position, profit or loss and other comprehensive income, changes in equity and cash flows. Issues about performance reporting will be included among the issues being considered in this project.
- C13. The IASB staff are starting to develop a plan for how to progress the project. The initial approach will involve:
- (a) reviewing concepts explored in the old Financial Statement Presentation project, to assess which of them merit further investigation;
  - (b) monitoring work currently being done by the FASB in this area;
  - (c) gathering some background information on how entities using IFRS report on their financial performance;
  - (d) looking at some research work being done on cash flow reporting by the UK Financial Reporting Council; and
  - (e) performing informal outreach to identify the gaps and deficiencies in existing requirements and practices.

C14. Those steps are likely to take several months.

***Provisions, contingent liabilities and contingent assets***

C15. Concerns have been raised about aspects of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, in particular:

- (a) the requirements for identifying liabilities (and especially how those requirements have been applied for levies and for restructuring costs); and
- (b) diversity in the application of the measurement requirements.

C16. The IASB staff have presented their research findings to members of the ASAF and the IASB. The members in each meeting discussed:

- (a) a range of matters that have been raised as possible problems with IAS 37; and
- (b) the implications of proposed amendments to the *Conceptual Framework*.

C17. The IASB is likely to wait until it is close to finalising revisions to the *Conceptual Framework* before making any decisions on whether to start an active project to amend aspects of IAS 37. In the meantime, the staff are continuing to gather evidence about matters that need to be addressed within the scope of such a project.

***Share-based payment***

C18. Many respondents to the 2011–2012 Agenda Consultation commented on the complexity of IFRS 2 *Share-based Payment*, which is evidenced by a number of submissions to the Interpretations Committee. The objective of the research project is to identify the main areas of complexity and their causes. The IASB expects to consider the findings of the research before the end of 2015.

**Development stage projects**

*These are research projects for which the IASB has completed the preliminary assessment and decided that the project warrants further investigation. Generally, the IASB will have established that there is a financial reporting problem to be addressed by the project, but will not yet have decided whether any changes to IFRS are likely to be required.*

*Thus, the main focus of development-stage projects will be assessing whether the IASB can identify a solution to the financial reporting problem and describing what form that solution is likely to take.*

*The output from a development-stage project is likely to be the publication of a DP.*

C19. Dynamic **Risk Management and Disclosure Initiative—Principles of Disclosure** are development-phase research projects; their progress is reviewed in paragraphs A10 to A22).

***Business combinations under common control***

C20. Business combinations under common control, including those undertaken when preparing for initial public offerings, are excluded from the scope of IFRS 3, because the combining entities are controlled by the same party. The IASB has observed diversity in practice in accounting for such transactions. The IASB expects to publish a DP in 2016.

***Equity method of accounting***

C21. The equity method of accounting is used to account for an investor's interests in associate entities, joint ventures and for subsidiaries in separate financial statements. There has been a high level of submissions to the Interpretations Committee, highlighting the complexities of

that method and suggesting the need for a fundamental review of the equity method. In June 2015, the IASB decided to focus on a narrower-scope research project to address application problems arising from the equity method requirements set out in IAS 28 *Investments in Associates and Joint Ventures*. The IASB expects to publish a DP in 2016.

- C22. The IASB plans to consider the need for a wider research project on the equity method after completion of the PIRs of IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*.

### ***Financial instruments with characteristics of equity***

- C23. The classification of financial instruments as liabilities or equity in accordance with IAS 32 *Financial Instruments: Presentation* presents many challenges. The project is exploring whether the existing classification requirements in IAS 32 could be improved. In addition, the project is looking at what improvements could be made to the presentation and disclosure requirements for financial instruments with characteristics of equity. The timing of a DP has yet to be determined.

### **Inactive projects**

<i>Inactive projects are projects for which the IASB has no current plans to undertake additional work.</i>
---

### ***Extractive activities/intangible assets/R&D activities***

- C24. A project team of national standard-setters from Australia, Canada, Norway and South Africa undertook a research project on extractive activities (such as mining and the extraction of oil or gas). The IASB published the team's findings in April 2010. In October 2010 the IASB considered the comments received and decided not to do any additional work until after the 2011–2012 Agenda Consultation. That consultation highlighted broader concerns about the accounting for research and development activity and the recognition and measurement of intangible assets. These issues have parallels with some issues arising in the extractive activities.
- C25. However, in response to the feedback from the 2011–2012 Agenda Consultation, the IASB assigned a low priority to the project. As a result, the IASB has not carried out any further direct research to date and has not received strong demand to do so.

### ***Foreign currency translation***

- C26. In the research project on foreign currency translation, the IASB looked at two sets of issues raised by the Korea Accounting Standards Board (KASB):
- (a) 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; and
  - (b) whether a more comprehensive review of IAS 21 *The Effects of Changes in Foreign Exchange Rates* is needed to address some other matters raised with the Interpretations Committee and identified through the work of the KASB.
- C27. The IASB completed its assessment of these issues in October 2014 and has no current plans to undertake additional work. The IASB plans to remove this project from the research programme, subject to feedback in the current Agenda Consultation.

***High inflation***

C28. In this research project on high inflation, the IASB considered a request made by the Group of Latin American Standard Setters (GLASS) to:

- (a) eliminate or reduce the cumulative inflation rate threshold currently included in IAS 29 *Financial Reporting in Hyperinflationary Economies* to identify when hyperinflation exists; and
- (b) modify the procedures for reporting the adjustments resulting from restating the financial statements.

C29. The IASB completed its assessment of these issues in April 2015 and has no current plans to undertake additional work. The IASB plans to remove this project from the research programme, subject to feedback in the current Agenda Consultation.

## Appendix D

## Compliance Report

There were no IASB papers posted after the posting deadline in June 2015. A list of IASB papers that were posted after the posting deadline in July and September 2015 is as follows:

Agenda Paper	Name	Posted	Reason
July 2015			
2	Insurance Contracts: Cover note	Posted 13 July	Held back to accommodate the possibility of posting a paper relating to the Different effective dates of IFRS 9 and the insurance contracts Standard. That paper was ultimately deferred to the September meeting.
15	Agenda Consultation	Posted 13 July	Discussion were ongoing with various parties to ensure the document clearly articulated the new approach to standard setting, including how work is divided between standard-setting and research activities.
9A	Rate-regulated activities: Revenue requirement—illustrative example supplementary information	Posted 21 July	This was a supplementary paper to agenda paper 9, which was posted on time.
September 2015			
14	Insurance Contracts: IFRS 9 and IFRS 4 Overview Different effective dates of IFRS 9 and the new insurance contracts Standard: Overview	Posted 14 Sept	The urgency of the project meant it was not feasible to postpone the discussion until October 2015. We were undertaking outreach to obtain information into these papers until 4 September 2015.
14A	Insurance Contracts: IFRS 9 and IFRS 4: Different effective dates of IFRS 9 and the new insurance contracts Standard: Feedback from user outreach and submissions	Posted 14 Sept	
14C	Insurance Contracts: IFRS 9 and IFRS 4: Different effective dates of IFRS 9 and the new insurance contracts Standard – Deferral approach	Posted 15 Sept	
14D	Insurance Contracts: IFRS 9 and IFRS 4: Different effective dates of IFRS 9 and the new insurance contracts Standard – Comparative summary of the Overlay Approach and the Deferral Approach	Posted 15 Sept	
14E	Insurance Contracts: IFRS 9 and IFRS 4: Different effective dates of IFRS 9 and the new insurance contracts Standard – Due process and permission to ballot	Posted 14 Sept	

