

STAFF PAPER

December 2016

Accounting Standards Advisory Forum

Project	Accounting Standards Advisory Forum		
Paper topic	IASB Project Update & Agenda Planning		
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Introduction

1. The aim of this paper is to:
 - (a) discuss the agenda topics for the March 2017 Accounting Standards Advisory Forum (ASAF) meeting;
 - (b) provide the ASAF with a short update on the International Accounting Standards Board[®] (the Board's) agenda projects; and
 - (c) provide ASAF members with feedback on how the staff or the Board have considered (or will consider) the advice that was given at the September 2016 ASAF meeting.

Project update and agenda planning

2. Appendix A of this paper sets out the suggested agenda topics for the March 2017 ASAF meeting.
3. An update on the Board's work plan, as at 20 October 2016, is summarised in Appendix B of this paper. Further details of the projects are available on the website (<http://www.ifrs.org/Current-Projects/IASB-Projects/Pages/IASB-Work-Plan.aspx>).
4. Appendix C of this paper sets out a table summarising the feedback received at the September 2016 ASAF meeting and how the staff or the Board have used this feedback.

Questions to ASAF members

1. Do ASAF members have any comments on the proposed agenda topics for the March 2017 ASAF meeting?
2. Do ASAF members wish to add items arising from their jurisdiction to the proposed agenda topics?
3. Do ASAF members have any comments on the project update or on when it is envisaged that the Board will seek the advice of the ASAF?

Appendix A—ASAF Agenda topics

Meeting	Agenda topic
December 2016 (Actual)	<i>Conceptual Framework</i>
	Country-by-country reporting
	Post-Implementation Review - IFRS 13 <i>Fair Value Measurement</i>
	Rate-regulated Activities
	Research Project - Financial Instruments with Characteristics of Equity
	Disclosure Initiative
	Cryptocurrencies
	Update on Insurance Contracts
	Update by ASAF members on activities
	Project updates and agenda planning
March 2017 (Proposed)	Primary Financial Statements
	Disclosure Initiative - update and planning activities with ASAF members.
	Rate-regulated Activities (possible)
	<i>Conceptual Framework</i>

Project Update

Project	Project objectives	Past ASAF input	Future ASAF input
Research Projects			
Principles of Disclosure (POD)	<p>The main objective of this project is to identify new or clarify existing principles of disclosure in IFRS Standards with the aim of helping preparers use judgement when communicating financial information and help the Board to draft disclosure requirements.</p> <p>The Board will review the existing requirements in IAS 1 <i>Presentation of Financial Statements</i> with a view to amending and building on some of these requirements.</p>	<p>The advice of the ASAF has been requested on major topics to be discussed in the future DP.</p> <p>The ASAF last discussed this project in July 2015.</p>	<p>March 2017</p> <p>It is currently anticipated that the DP will be published in H1 of 2017 with a 180-day comment period.</p>
Primary Financial Statements	<p>The purpose of the Primary Financial Statements project is to examine the purpose, structure and content of these statements.</p>	<p>July 2016</p> <p>ASAF members' advice was requested on the scope of the project.</p> <p>ASAF also discussed the UK Financial Reporting Council's staff paper on the Statement of Cash Flows.</p> <p>December 2015</p> <p>ASAF members were provided with a verbal update on the project.</p>	<p>March 2017</p> <p>We plan to discuss the outcome of our initial research and proposed scope of the Discussion Paper.</p>

Project Update

Project	Project objectives	Past ASAF input	Future ASAF input
<p>Business Combinations under Common Control (BCUCC)</p>	<p>The project objective is to identify which method, or methods, would provide most useful information about BCUCC and in particular:</p> <ul style="list-style-type: none"> (a) whether and when using the predecessor carrying amounts would be most appropriate, and (b) whether and when using fair values would be most appropriate. <p>The Board has decided to give priority to considering BCUCC when the transactions involve third parties—such as a business combination in anticipation of an initial public offering; or cases in which the acquiring entity has non-controlling interests.</p>	<p>April 2016 ASAF discussed the approach to the project.</p> <p>March 2015 The views of ASAF were requested on the staff’s preliminary view on which method to apply for a BCUCC. The ASAF also discussed a paper by the Canadian Accounting Standards Board, which set out the historical and current accounting practices in Canada for BCUCC, with specific reference to the Canadian related party accounting Standard.</p> <p>December 2015 The Hong Kong Institute of Certified Public Accountants (HKICPA) provided a paper on how BCUCC are accounted for in Hong Kong. The staff requested ASAF members’ views on how the predecessor method should be applied when a BCUCC takes place.</p>	<p>Future advice from ASAF will be requested when the project progresses.</p>

Project Update

Project	Project objectives	Past ASAF input	Future ASAF input
Dynamic Risk Management	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.	<p>July 2015</p> <p>Advice was requested on what additional information needs there are relating to an entity's dynamic interest rate risk management activities that were not identified through comment letters on the DP and through outreach activities.</p> <p>The advice of ASAF was requested in developing the DP.</p>	The staff will seek further advice from the ASAF after initial public Board discussions in early 2017.

Project Update

Project	Project objectives	Past ASAF input	Future ASAF input
Financial Instruments with Characteristics of Equity	<p>This project is currently investigating whether improvements can be made:</p> <p>(a) to the classification of liabilities and equity in IAS 32 <i>Financial Instruments: Presentation</i>, including investigating potential amendments to the definitions of liabilities and equity in the <i>Conceptual Framework</i>; and</p> <p>(b) to the presentation and disclosure requirements for financial instruments that have equity characteristics, irrespective of whether they are classified as liabilities or equity.</p>	<p>July 2016</p> <p>Advice was requested on how to apply the ‘no practical ability to avoid’ concept to classification of liabilities and equity.</p> <p>March 2015</p> <p>The ASAF discussed examples of financial instruments with characteristics of equity. The ASAF also discussed the feedback on EFRAG’s DP <i>Classification of Claims</i>.</p> <p>ASAF has previously provided advice on the scope of this project.</p>	<p>December 2016</p> <p>ASAF members are asked to provide advice on the project outreach and messaging.</p>

Project Update

Project	Project objectives	Past ASAF input	Future ASAF input
Goodwill and Impairment	<p>Three areas of focus identified in the Post-implementation Review of IFRS 3 <i>Business Combinations</i> ('the PIR') are being considered:</p> <ul style="list-style-type: none"> (a) whether changes should be made to the existing impairment test for goodwill and other non-current, non-financial assets; (b) subsequent accounting for goodwill, including the relative merits of an impairment-only approach and an amortisation and impairment approach; and (c) the extent to which other intangible assets should be separated from goodwill. 	<p>July 2016</p> <p>The findings from the research on Goodwill and Impairment undertaken by the Accounting Standards Board of Japan and European Financial Reporting Advisory Group were discussed.</p> <p>December 2015</p> <p>ASAF members' views on the Board's tentative decisions from the Board meetings in October and November 2015 were discussed.</p> <p>The ASAF discussed the findings from the PIR in March 2015.</p>	<p>July 2017</p> <p>We will discuss the Board's tentative decisions, if any, on the project.</p>
Discount Rates	<p>This research project is reviewing discount rate requirements in Standards, explaining why those differences exist and assessing whether there are any inconsistencies that the Board should address.</p>	<p>July 2015</p> <p>The findings of the research work were discussed with the ASAF.</p> <p>The ASAF has previously discussed the approach to this project.</p>	<p>This research project is nearing completion and it is not expected that further advice will be requested from ASAF.</p>

Project Update

Project	Project objectives	Past ASAF input	Future ASAF input
Share-based Payment	The objective of this project was to identify the most common areas of complexity in accounting for share-based payments, and their main causes, to assess whether the Board should consider addressing them.	<p>April 2016</p> <p>ASAF members' views were requested on the possible next steps in this project.</p>	<p>In May 2016, the Board completed its assessment of this project and plans no further work.</p> <p>The staff are considering how best to make the work performed visible and retrievable. It is not expected that further advice will be requested from ASAF.</p>
Standard-setting and related projects			
<p><i>Conceptual Framework</i></p> <p>The ASAF acts as the advisory body for this project.</p>	<p>The objective of the <i>Conceptual Framework</i> project is to improve financial reporting by providing a more complete, clear and updated set of concepts. To achieve this, the Board is building on the existing <i>Conceptual Framework</i>—not fundamentally reconsidering all aspects of the <i>Conceptual Framework</i>.</p>	<p>September 2016</p> <p>Advice was requested on:</p> <ul style="list-style-type: none"> (a) The selection of a relevant measurement basis. (b) The linkage between the reporting of financial performance and measurement. <p>July 2016</p> <p>Advice was requested on:</p> <ul style="list-style-type: none"> (a) possible refinements to the proposed liability concepts; (b) whether and how to apply the 'no practical ability to avoid' concept to classification of liabilities and equity; and 	<p>December 2016</p> <p>Advice is being requested on:</p> <ul style="list-style-type: none"> (a) the concepts supporting the liability definition. (b) the staff recommendations for the approach to capital maintenance in the revised <i>Conceptual Framework</i>. <p>It is currently anticipated that the Board will conclude its redeliberations in Q1 of 2017.</p> <p>March 2017</p> <p>Topics will depend on how the Board</p>

Project Update

Project	Project objectives	Past ASAF input	Future ASAF input
		<p>(c) possible refinements to the proposed concepts for recognition of assets and liabilities with a low probability of inflows or outflows of economic benefits.</p> <p>April 2016 ASAF provided advice on the strategy for developing the <i>Conceptual Framework</i>.</p> <p>The advice of the ASAF was requested on major aspects of the Exposure Draft (ED) during its development.</p>	<p>progresses its redeliberations.</p>
<p>Disclosure Initiative - Materiality Practice Statement</p>	<p>The objective of this project is to help those involved in the preparation of financial statements apply the concept of materiality.</p>	<p>July 2016 Advice was requested on matters arising from the feedback on the draft Practice Statement.</p> <p>December 2015 ASAF members' preliminary views on the draft Practice Statement were requested.</p> <p>The advice of the ASAF was requested on the content of the draft Practice Statement.</p>	<p>It is not envisaged that further advice will be requested from ASAF.</p>

Project Update

Project	Project objectives	Past ASAF input	Future ASAF input
Insurance Contracts	<p>The project objective is to provide a single principle-based Standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds.</p> <p>The project also aims to enhance comparability of financial reporting between entities, jurisdictions and capital markets. That comparability is largely lacking today because of various accounting practices that have developed in a piecemeal fashion over many years.</p>	<p>The ASAF’s advice has been requested on major aspects of the project during the Board’s redeliberations of the 2013 ED.</p>	<p>December 2016</p> <p>ASAF members will receive an update on the project, including sweep issues and feedback from the field-testing.</p> <p>It is currently anticipated IFRS 17 <i>Insurance Contracts</i> will be issued in March 2017.</p> <p>It is not envisaged that further advice will be requested from ASAF.</p>
Rate-regulated Activities	<p>The project objective is to identify what information about the financial effects of rate regulation is most relevant to users of financial statements in making investment and lending decisions and to determine how best to reflect that information in financial statements. A discussion paper (DP) was published in September 2014.</p>	<p>September 2016</p> <p>The Canadian Accounting Standards Board presented its research findings relating to Rate-regulated Activities.</p> <p>The Korea Accounting Standards Board presented a proposal on accounting for Rate-regulated Activities from a conceptual perspective.</p> <p>April 2016</p> <p>The ASAF discussed an illustrative example in which a government (through a rate regulator)</p>	<p>December 2016</p> <p>Staff will present an overview of its preliminary proposals for a new accounting model for recognising regulatory adjustments. ASAF members will be asked whether the core principles and key features of the model address their previously-raised concerns about:</p> <p>(a) Scope;</p> <p>(b) Interactions with other IFRS Standards and the <i>Conceptual Framework</i>; and</p>

Project Update

Project	Project objectives	Past ASAF input	Future ASAF input
		<p>requires the construction of a new water treatment plant.</p> <p>October 2015</p> <p>ASAF discussed the implications of the <i>Conceptual Framework</i> ED on the project and any resulting accounting model for reporting the financial effects of defined rate regulation.</p> <p>July 2015</p> <p>The ASAF’s advice was requested on how best to reflect the effects of the regulatory revenue requirement when the entity performs specified activities in a different period than the period in which it bills customers for those activities.</p> <p>The advice of ASAF was requested on the features of rate regulation in developing the DP.</p>	<p>(c) Segregating identifiable rate adjustments from the overall changes in value of the regulatory licence.</p> <p>March 2017</p> <p>We will discuss the Board’s tentative decisions, if any, on the project.</p>
Post-implementation reviews			
IFRS 13 <i>Fair Value Measurement</i>		Project only recently commenced.	<p>December 2016</p> <p>ASAF members’ advice is requested on the scope of the second phase of the PIR of IFRS 13.</p>

Project Update

Maintenance projects as at 20 October 2016			
<i>(Shaded boxes in this table identify projects we have or plan to discuss with ASAF)</i>			
Project	Objective	Status	Next steps
Changes in Accounting Policies and Estimates (Proposed amendments to IAS 8)	The objective of the proposed amendment is to clarify the existing distinction between a change in accounting policy and a change in accounting estimate.	September 2016 The Board considered the feedback from ASAF at its September 2016 meeting. At that meeting the Board tentatively decided to amend its previous tentative decisions.	Publish an ED within 6 months.
Clarifications to IFRS 8 arising from the Post-implementation Review	The objective of the project is to clarify IFRS 8 <i>Operating Segments</i> with respect to issues identified by the PIR.	At its meeting in June 2015 the Board confirmed that it is satisfied that all due process steps to date have been complied with and instructed the staff to commence the balloting process for the ED. At its meeting in October 2016, the Board discussed two sweep issues that had arisen in the balloting process for the ED.	Publish an ED within 6 months.
Classification of Liabilities (Proposed amendments to	The objective of this project is to clarify when rights to defer settlement affect the	At its December 2015 meeting the Board considered a summary of feedback on the ED. At its February 2016 meeting the	Because the project focuses on the nature of rights and obligations, further discussion will take place

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IAS 1)	classification of liabilities.	Board started to discuss some of the main comments received on the ED.	after the <i>Conceptual Framework</i> is progressed.
Definition of a Business and Accounting for Previously Held Interests (Proposed amendment to IFRS 3 and IFRS 11)	The project aims to resolve the difficulties that arise when an entity is determining whether it has acquired a business or a group of assets.	Comment period closed on 31 October 2016. The project was discussed at the September 2016 ASAF meeting.	Decide project direction within 6 months.
Foreign Currency Transactions and Advance Consideration (IFRIC Interpretation)	To provide requirements for identifying the date of the transaction for recognition of income, assets or expenses when advance consideration is paid or received in a foreign currency.	At its meeting in October 2016 the Board ratified the Interpretation.	To issue the IFRIC Interpretation within 3 months.
Property, Plant and Equipment: Proceeds before Intended Use (Proposed amendments to IAS 16)	The project aims to address identified diversity relating to proceeds from selling items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management.	At its meeting in October 2016 the Board tentatively decided to proceed with recommendations from the Interpretations Committee for a narrow scope amendment to IAS 16.	To publish an ED after 6 months. We will discuss this project with ASAF after the ED is published.

Project Update

<p>Remeasurement of a Plan Amendment, Curtailment or Settlement/Availability of a refund of a surplus from a defined benefit plan</p> <p>(Amendments to IAS 19 and IFRIC 14)</p>	<p>To clarify:</p> <p>(a) the availability of a refund of a surplus from a defined benefit plan when an independent trustee has unilateral power; and</p> <p>(b) the remeasurement of a plan amendment, curtailment or settlement.</p>	<p>At its meeting in September 2016 the Interpretations Committee decided to recommend that the Board finalise the amendment.</p>	<p>Decide project direction within 3 months.</p>
<p>Transfer of Investment Property</p> <p>(Amendment to IAS 40)</p>	<p>This narrow-scope amendment will clarify the requirements on transfers of investment property.</p>	<p>At its meeting in July 2016 the Board tentatively decided to proceed with finalising the amendment to IAS 40.</p>	<p>To issue the amendment to IAS 40 within 3 months.</p>
<p>Uncertainty over Income Tax Treatments</p> <p>(IFRIC Interpretation)</p>	<p>To provide requirements for the recognition and measurement of current and deferred taxes when there is uncertainty over income tax treatments.</p>	<p>At its September 2016 meeting the Interpretation Committee decided to proceed with the Interpretation.</p>	<p>Subject to ratification by the Board, issue an IFRIC Interpretation after 6 months.</p>

Project Update

<p>Annual Improvements to IFRS 2014–2016 Cycle & 2015-2017 Cycle</p>	<p>The Board has adopted the Annual Improvements process to deal efficiently with a collection of minor or narrow-scope amendments to Standards.</p>	<p>At its meeting in July 2016 the Board confirmed that:</p> <ul style="list-style-type: none"> (a) it had completed all the necessary due process steps in relation to the 2014–2016 Cycle. (b) it had completed all the necessary due process steps in relation to proposing amendments within the 2015-2017 Cycle. 	<p>To issue 2014-2016 final amendments within 3 months.</p> <p>To publish 2015-2017 ED of proposed amendments within 3 months.</p>
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Topic	Advice	Action
Information Needs of Users of New Zealand Capital Markets Entity Reports		
Disclosure Initiative	<p>The New Zealand Accounting Standards Board (NZASB), presented a research report on the information needs of users of the financial statements of for-profit entities operating in New Zealand capital markets.</p> <p>ASAF members discussed the methodology and contrasted the findings in the report to their jurisdictions.</p>	<p>The findings from the report and the discussion at ASAF will be used when the Board considers the scope of its Primary Financial Statements project and next steps in its Principles of Disclosure project.</p>
Rate-regulated Activities		
Economic value of financial information on rate-regulated activities	<p>The Accounting Standards Board of Canada, introduced a staff paper setting out preliminary research on the rate-regulated environment and decision-useful information for users of financial statements. It also highlights the importance of rate-regulated entities in Canada and the interconnectedness of these entities in the North American markets.</p>	<p>The paper provides useful input on the needs of investors related to rate-regulated activity. It is hoped that inputs from other ASAF members will help supplement the Canadian-focus of this paper.</p>
Accounting for Rate-regulated Activities from a conceptual perspective	<p>The KASB introduced a paper exploring how the Conceptual Framework and IFRS 15 <i>Revenue from Contracts with Customers</i> could be used as a starting point for developing a new accounting model to report the financial effects of rate regulation.</p>	<p>IASB staff will ask ASAF members, at its meeting in December 2016, to explore the staff's preliminary proposals for some elements of a new accounting model and whether the core principles and key features of the model address ASAF members' previously-raised concerns.</p>

Conceptual Framework		
Measurement and the Conceptual Framework	<p>EFRAG presented a paper suggesting how the <i>Conceptual Framework</i> guidance on the selection of a measurement basis can be improved.</p> <p>ASAF members had differing views on the proposals in the paper.</p>	The discussion will help staff in developing the Conceptual Framework.
Measurement: redrafting the factors to consider in selecting a measurement basis	<p>ASAF members discussed the factors to consider when selecting a relevant measurement basis</p> <p>ASAF members' views were sought on the staff's proposed redraft of the Measurement Chapter of the Conceptual Framework. Overall ASAF members were supportive of the direction of the proposed redraft.</p>	
Presenting information about financial performance	The ASAF members asked for clarification on the Board's tentative decisions.	The matters will be considered in drafting the Conceptual Framework.
The Linkage between Financial Performance and Measurement	The ASBJ presented a paper that emphasised the linkages between presentation of information about financial performance and the selection of a measurement basis. In particular, the paper suggested that different measurement bases could be selected to provide information about financial performance and financial position. ASAF members had differing views on the proposals in the paper.	The staff will consider the implications of the discussion when developing a paper on situations in which more than one measurement basis could provide relevant information.

Definition of a business		
FASB Update	The FASB provided an update on its project and the tentative decisions made in redeliberations of its ED.	
The IASB project	<p>ASAF members’ views were sought on the IASB ED, specifically the drafting of the ED which aims to provide consistent outcomes with the FASB proposals. ASAF members’ comments included:</p> <ul style="list-style-type: none"> (a) support for the IASB goal to provide clearer application guidance regarding the definition of a business. (b) a suggestion that the IASB clarify in the Basis for Conclusions that even though the IASB wording is different from the FASB wording, it is intended to have the same outcome. (c) the threshold proposed in the screening test might result in unintended consequences in certain acquisitions. (d) the illustrative examples needed further development. (e) a preference for the FASB wording on the description of an organised workforce. 	The advice will be presented to the Board alongside the Comment Letter Summary for the ED.

Project updates and agenda planning		
<p>Working with national standard-setters—Examples of better communication</p>	<p>ASAF members were asked to identify entities in their jurisdictions that have improved how they communicate in their financial statements and would be willing to be included as examples in a report by the Board. The examples would focus on illustrating the principles of effective communication and on the process those entities had gone through to achieve the improvements.</p>	<p>An update will be provided at the December 2016 ASAF meeting.</p>