

# AGENDA PAPER

IFRS Foundation Trustees meeting

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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 International Accounting Standards Board ('the Board') in October to December 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 9 to 22.
  - (b) The Technical Activities report is set out in Appendices, as follows:
    - (i) Appendix A—Major projects;
    - (ii) Appendix B—Implementation projects;
    - (iii) Appendix C—Research projects; and
    - (iv) Appendix D—Compliance report.
  - (c) Details of due process documents published or issued in the period are set out in paragraphs 3 to 5.

### Due process documents

3. In the period October to December 2015 the Board has issued: *Effective date of amendments to IFRS 10 and IAS 28*. The Board also issued IFRS 16: *Leases* on 13 January 2016, concluding its project to improve the accounting for leases (see Agenda Paper 3D for further details).
4. In the same period the Board has published the following Exposure Drafts (ED):
  - (a) *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*;
  - (b) *Transfers of Investment Property—Proposed amendment to IAS 40*; and
  - (c) *Annual Improvements to IFRSs 2014-2016 Cycle*.
5. The Interpretations Committee has also published two draft IFRIC Interpretations:
  - (a) *Uncertainty over Income Tax Treatments*; and

- (b) *Foreign Currency Transactions and Advance Consideration.*

## **IFRS Taxonomy™**

6. In addition to the above due process documents, as approved at its October 2015 meeting<sup>1</sup>, the Trustees of the IFRS Foundation have published for public comment a proposed enhanced due process for the development and maintenance of the IFRS Taxonomy. The proposed changes entail giving the Board a role in reviewing and approving the content of the IFRS Taxonomy.
7. The main proposed revisions are:
- (a) that the Board approves IFRS Taxonomy content reflecting new or amended Standards;
  - (b) that IFRS Taxonomy content reflecting common practice is subject to review by three to five members of the Board ('the IFRS Taxonomy Review Panel');
  - (c) the formalisation of enhancements that were implemented in January 2014, namely the creation of the IFRS Taxonomy Consultative Group and the establishment of a process whereby public consultation is sought on IFRS Taxonomy updates that are released during the year; and
  - (d) the inclusion of enhancements that reflect current practices and processes, but that are not documented in the *Due Process Handbook for XBRL Activities*.

## **Compliance report**

8. A list of the Board papers that were posted after the posting deadline in the period October to December 2015 is set out in Appendix D.

## **Technical Activities—Key Issues**

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

9. The Board published an Exposure Draft in December 2015 proposing amendments to the existing insurance contracts Standard, IFRS 4 *Insurance Contracts*. The amendments result from the Board's consideration of issues that may arise from applying IFRS 9 *Financial Instruments* prior to the new insurance contracts Standard.
10. The deadline for comment letters is 8 February 2016 and the Board intends to complete its redeliberations as soon as possible following this date.
11. The Board is nearing completion of its deliberations on its project on Insurance Contracts; see Agenda Paper 3C of this meeting.

### ***Revenue from Contracts with Customers***

12. The Board published an ED in July 2015 proposing clarifications to IFRS 15 *Revenue from Contracts with Customers*. The clarifications result from the Board's consideration of issues discussed by the Revenue Transition Resource Group (TRG).

<sup>1</sup> Agenda Paper 3E of that meeting refers.

13. The ED closed for comment on 28 October 2015. 74 respondents commented on the ED.
14. The Board considered the feedback and substantively completed its redeliberations of the proposals in December 2015. Respondents generally supported the Board's approach and the Board largely reaffirmed the proposals. The Board, however, considered further the benefits of convergence and decided to make the same amendments to the requirements in the Standard on identifying performance obligations as had been made by the FASB in October 2015. This preserves full convergence of a core part of the Standard with the FASB's version of the Standard.
15. The Board plans to issue the final amendments to IFRS 15 towards the end of Q1 of 2016.
16. In relation to the TRG, the Board does not plan to schedule further discussion of its RTRG (further details are given in Agenda Paper 3E for this meeting). The Board is now of the view that stakeholders need to know that they can continue their implementation process with the confidence that IFRS 15 will not be subject to further changes. To that end, the Board has emphasised that it does not expect to make any further amendments to the Standard until after the Post-implementation Review. The Board is concerned that the TRG is itself viewed as being inextricably linked to possible changes to the Standard, thus creating uncertainty for stakeholders.
17. The TRG will not be disbanded, and will be available for consultation if needed. If the FASB holds further discussions with its TRG, then Board members and staff members will observe those discussions.
18. The Board will continue to monitor implementation. If a significant and pervasive issue arises, the Board would consider whether a public discussion would be helpful to assist practice.

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

19. The Board issued amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* on 17 December 2015, postponing indefinitely the effective date of the amendment *Sales or Contribution of Assets between an Investor and its Associate or Joint Venture* issued in September 2014.

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

20. The Board issued its Request for Views *2015 Agenda Consultation* on 11 August 2015. The comment period closed on 31 December 2015. The staff are currently analysing the comment letters and other feedback. The staff plan to present this analysis to the Board at its meeting in April 2016.
21. At this meeting the staff will provide the DPOC with a verbal update of the feedback to the Agenda Consultation, based on their initial review of comment letters.
22. In Q4 of 2015 the Board has discussed the staff findings on a number of research projects but has not made tentative decisions; see Appendix C of this report. The feedback to the 2015 Agenda Consultation will help inform the Board in its decisions on the next steps it should take in several of the research projects.

## Appendix A Major projects—Work plan as at 18 December 2015

	Current activity	Next major milestone			Timing changes
		Within 3 months	Within 6 months	After 6 months	
<b>Upcoming Standards</b>					
<b>Insurance Contracts</b>	Analysis			Issue IFRS	No change
<b>Leases</b>	Drafting IFRS	Issue IFRS			No change
<b>Published Exposure Drafts</b>					
<b>Conceptual Framework</b> [Comment period ended 25 November 2015]	Public Consultation		Decide project direction		No change
<b>Materiality Practice Statement</b> [Comment period ends 26 February 2016]	Public Consultation		Decide project direction		No change
<b>Upcoming Exposure Drafts</b>					
<b>Disclosure Initiative— Changes in accounting policies and estimates</b>	Analysis			Publish ED	ED planned for Q2 of 2016
<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>Upcoming Discussion Papers</b>					
<b>Principles of Disclosure</b>	Analysis		Publish DP		Was targeted for Q1 of 2016, now Q2 of 2016
<b>Standards-level review of Disclosures</b>	Analysis				Timing yet to be determined

## Major Projects

### Insurance Contracts

Last due process document	Revised ED published in June 2013 with a comment period of 120 days.  <i>In March 2015 the Board published on its website an overview of its tentative decisions on the general model that would apply to insurance contracts without participation features, and the Board's reasons for reaching those decisions.<sup>2</sup></i>
Current status	The Board commenced its redeliberating its proposals set out in the ED in January 2014.
DPOC role	Monitor the Board's activities in developing the Standard.
Timing	The Board had expected to complete its redeliberations in Q4 of 2015, however, it now aims to complete redeliberations in February 2016. It plans to issue a Standard in 2016.

A1. This project is reviewed in Agenda Paper 3C of this meeting.

### Leases

Last due process document	Revised ED published in May 2013.
Current status	IFRS 16 <i>Leases</i> was issued on 13 January 2016. IFRS 16 completes the Board's project to improve the accounting for leases. Please refer to <i>IFRS 16 Leases: Quality control—the process from permission to ballot to publication</i> , Agenda Paper 3D of this meeting, for further information.
DPOC role	The DPOC completed its life-cycle review in April 2015.

### The Conceptual Framework

Last due process document	ED published in May 2015 with an amended comment period of 150 days.
Current status	The comment period for the ED ended on 25 November 2015.
DPOC role	Monitor the Board's redeliberations of the ED.
Timing	The Board will discuss a strategy for redeliberations in April 2016 with a view to issuing a revised <i>Conceptual Framework</i> in early 2017.

A2. 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

<sup>2</sup> Access the document [Insurance Contracts without Participation Features](#).

specific Standard. However, it identifies principles for the Board 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.

- A3. The Board published a Discussion Paper (DP) in July 2013 and an ED in May 2015. During development of the ED the Board 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).
- A4. During the comment period on the *Conceptual Framework* ED the Board conducted outreach meetings to raise awareness of and obtain feedback on our proposals. Meetings were held in Asia, Australia, Canada, China, Europe (including several joint meetings with EFRAG), Japan, Latin America, New Zealand and the US. Meetings have been held with a range of stakeholders including standard-setters, regulators, users of financial statements, preparers, academics and auditors.
- A5. The Board has received over 220 comment letters on the ED. The staff plan to present the Board with a comment letter analysis in March 2016.

### ***Disclosure Initiative***

- A6. The Disclosure Initiative is a portfolio of projects that aim to improve 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.
- A7. 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.
- A8. 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 published); and
  - (c) narrow-scope amendments to IAS 8 (Exposure Draft to be issued).
- A9. In addition to these implementation projects, the Board has published an ED of a Practice Statement on the application of materiality.
- A10. In the period October to December 2015 the Board has focussed on completing the narrow-scope amendments to IAS 7 and the drafting on the *Principles of Disclosure* DP. The drafting of the DP has taken longer than anticipated and it is now expected the DP will be published in Q2 of 2016.

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

Last due process document	No due process documents issued.
Current status	The Board is developing a DP.
DPOC role	Monitor the Board’s development of the DP.
Timing	DP to be published in Q2 of 2016.

- A11. 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 Standards. 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.
- A12. The Board agreed the scope of the project in April 2014 and discussed the project regularly during 2014 and 2015. Advice on specific topics was sought from the ASAF at its meetings in June, September and December 2014 as well as in March, July and December 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 Board meetings, including the International Organization of Securities Commissions (IOSCO); the European Securities and Markets Authority (ESMA) on the disclosure of non-IFRS financial information; and investors and users of financial statements.

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

- A13. 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](#).
- A14. The advice of the ASAF was sought in December 2015 prior to discussions with the Board. At its December 2015 meeting, the Board agreed a plan for this project which includes:
- (a) developing a set of principles, processes, and tools in the form of a drafting guide for the Board’s internal use when developing disclosure requirements in new or amended Standards;
  - (b) testing this guide on targeted Standards.
- A15. The Board will decide the next steps of the project following completion of the drafting guide.
- A16. This project will be informed by the principles being developed in the Principles of Disclosure project, including the feedback the Board receives on that DP.

### **Amendments to IAS 7**

- A17. The Board has published an ED of narrow-focus amendments to IAS 7. The ED aimed to respond to investors' requests for better information about changes in an entity's debt, including non-cash movements and to improve the disclosures about liquidity, including restrictions on cash and cash equivalents. A number of outreach meetings were held with investors to understand whether these proposals would meet investors' informational needs.
- A18. The Board commenced its redeliberations of the proposals in Q2 of 2015.
- A19. At its meeting in September 2015 the Board tentatively decided to proceed with the proposed amendment to improve disclosures about changes in an entity's debt. The Board decided, however, to continue its work on improving liquidity disclosures. Consequently, the amendments will only address changes in an entity's debt, including non-cash movements,
- A20. The Board plans to issue the amendments to IAS 7 in Q1 of 2016. The one-month delay is due to a sweep issue which arose in the balloting process.

### **Amendments to IAS 8**

- A21. At its meeting in May 2015 the Board 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 Board 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 planned for Q2 of 2016.

### **Materiality Practice Statement**

Last due process document	Draft Practice statement published in October 2015 with a comment period of 120 days.
Current status	The Board is conducting outreach during the comment period.
DPOC role	Monitor the Board's redeliberations of the ED.
Timing	Pending feedback to the ED it is expected that the Practice Statement to be issued in late 2016 or early 2017.

- A22. The Board 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 Assurances Standards Board (IAASB) about how materiality is applied in practice and the need for potential guidance.
- A23. The Board 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 continue to undertake outreach and liaise with securities regulators to assist them develop helpful, non-mandatory guidance that is globally accepted.

***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 Board is redeliberating proposals.
DPOC role	Monitor the Board's redeliberations of the DP.
Timing	Not yet determined.

- A24. 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.
- A25. The Board received 126 comment letters in response to the DP. The staff discussed the comments received with the Board in Q1 of 2015. A summary of the comment letters and other feedback (including from users) received is available on the IASB's pages on the IFRS Foundation website.
- A26. 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.
- A27. Although the Board received support from constituents for addressing the issue of accounting for dynamic risk management, there was 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.
- A28. At its meeting in May 2015 the Board decided to start work on the next stage of this project by seeking to understand the information needs of constituents concerning dynamic risk management activities as a basis for determining the recognition, measurement and disclosures approach. 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.
- A29. The IASB staff are currently considering alternative approaches for recognition and measurement along with the information needs arising from an entity's dynamic risk management activities.
- A30. The Board 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 Board is redeliberating proposals.
DPOC role	Monitor the Board's redeliberations of the DP.
Timing	Not yet determined.

- A31. The Board received 118 comment letters in response to the DP. The staff provided a preliminary analysis of the comments to the Board at its meeting in February 2015. Responses to the DP suggested that:
- a type of rate regulation termed 'defined rate regulation' in the DP creates distinguishable financial effects.
  - the financial effects of defined rate regulation may not be faithfully represented by the existing predominant practice in applying IFRS Standards.
  - 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.
- A32. A summary of the comment letters and other feedback (including from users) is available on the project page on the IASB's pages on the IFRS Foundation website.
- A33. The project's consultative group met in March 2015 for an initial discussion of the issues raised in the feedback to the DP.
- A34. The Board decided in May 2015 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 only become apparent as the project progresses. The Board also decided that the development of a second DP would be the fastest way to progress the project.
- A35. In July 2015, discussions were held with both the Board 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 2015 the staff discussed with the ASAF the implications of the proposals in the *Conceptual Framework* ED for the direction of the Rate-regulated Activities project.
- A36. The staff are continuing to gather evidence about matters that need to be addressed within the scope of the project. In addition, the staff are assessing the feedback on the *Conceptual Framework* ED project before bringing further analysis to subsequent Board meetings.

## Appendix B—Implementation Projects Work plan as at 18 December 2015

	Current activity	Within 3 months	Within 6 months	After 6 months	Timing update
<b>Annual Improvements to IFRS 2014–2016 Cycle</b>	Public consultation		Decide project direction		ED published
<b>Annual Improvements to IFRS 2015–2017 Cycle</b>	Analysis			Publish ED	New project
<b>Applying IFRS 9 <i>Financial Instruments</i> with IFRS 4 <i>Insurance Contracts</i></b> [Comment period ends 8 February 2016]	Public consultation	Analysis			No change
<b>Clarifications to IFRS 8 arising from the Post-implementation Review</b> (Proposed amendment to IFRS 8)	Drafting ED		Publish ED		Target date for ED set
<b>Clarifications of Classification and Measurement of Share-based Payment Transactions</b> (Proposed amendment to IFRS 2)	Drafting IFRS	Issue Standard			Target date for IFRS set
<b>Clarifications to IFRS 15: <i>Revenue from Contracts with Customers</i> Issues Emerging from TRG discussions</b>	Drafting IFRS	Issue Standard			Target date for IFRS set
<b>Classification of Liabilities</b> (Proposed amendment to IAS 1)	Public consultation	Decide project direction			Slippage due to scheduling.
<b>Definition of a business</b>	Drafting ED		Publish ED		Move from research projects
<b>Disclosure Initiative—Amendments to IAS 7</b>	Drafting IFRS	Issue Standard			Delayed due to sweep issue
<b>Fair Value Measurement: Unit of Account</b>	Analysis			Issue IFRS	No change
<b>Recognition of Deferred Tax Assets for Unrealised Losses</b> (Proposed amendments to IAS 12)	Drafting Standard	Issue Standard			No change
<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)	Analysis		Decide project Direction		No change
<b>Remeasurement of a previously held interests—obtaining control or joint control in a joint operation that constitutes a business</b> (Proposed amendments to IFRS 3 and IFRS 11)	Drafting ED		Publish ED		New project
<b>Transfers of Investment Property</b> (Proposed amendments to IAS 40)	Public Consultation		Decided project direction		ED published
<b>Draft IFRIC Interpretations (DI)</b>					
<b>Uncertainties in Income Taxes</b>	Public Consultation		Decided project direction		No change
<b>Foreign Currency Transactions and Advance Consideration</b>	Public Consultation		Decided project direction		No change

### **Interpretations Committee**

- B1. Since the last Technical Update report, the Interpretations Committee has held one meeting, in November 2015. The Interpretations Committee will hold its next meeting in January 2016. Activities in the period include:
- (a) Finalisation of a tentative agenda decision published for comment in July 2015: IAS 2 *Inventories* and IAS 38 *Intangible Assets*—Should interest be accreted on prepayments in long-term supply contracts?
  - (b) At the November 2015 meeting, 10 submissions to the Committee were discussed:
    - (i) six of the submissions discussed led to the publication of tentative agenda decisions, which were published for comment for 60 days; and
    - (ii) four 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) The Interpretations Committee also discussed a request from the Board for comments on its proposed amendments to the definition of a business in IFRS 3 *Business Combinations*.

### **Implementation Projects**

#### ***Annual Improvements to IFRS 2014–2016 Cycle and 2015-2017 Cycle***

- B2. The Board has adopted the Annual Improvements process to deal efficiently with a collection of narrow-scope amendments to IFRS Standards, even though the amendments are unrelated.
- B3. The Board published an ED in November 2015 in relation to the 2014-2016 Cycle. The ED has a 90-day comment period.
- B4. The Board has started to accumulate matters for inclusion in the 2015-2017 Cycle.

#### ***Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts***

- B5. See paragraphs 9 and 10 of this report.

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

- B6. The Board discussed proposals to make clarifications to IFRS 8 with respect to issues identified by the Post-implementation Review.
- B7. 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.
- B8. It is anticipated now that the ED will be published in Q2 of 2016.

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

- B9. The Board 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.

- B10. At its meeting in December 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 final amendments.
- B11. It is anticipated that the ED will be published in Q1 of 2016.

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

- B12. See paragraphs 12 to 18 of this report.

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

- B13. The Board published an ED in February 2015 with the aim of clarifying when the rights to defer settlement affect the classification of liabilities.
- B14. The ED closed for comment period on 10 June 2015. The Board received 88 comment letters. The Board's redeliberations are continuing.

***Definition of a Business (Proposed amendments to IFRS 3)***

- B15. The Board has tentatively decided to make clarifying amendments to IFRS 3 with respect to issues identified by the Post-implementation Review relating to the application of the Definition of a Business. The proposals to be published in the ED are very similar to proposals published by the FASB.
- B16. The Board confirmed, at its meeting in December 2015, that it has completed all necessary due process steps and expects to publish the ED in Q2 2016.

***Disclosure Initiative-Amendments to IAS 7***

- B17. This project is part of the Disclosure Initiative see paragraphs A17 to A20.

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

- B18. The Board 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.
- B19. 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.
- B20. At its meeting in March 2015 the Board was presented with a comment letter analysis. The comment letter analysis revealed that the majority of respondents agreed with the Board's conclusions that the unit of account is the investment as a whole. However the majority of respondents did not think the measurement proposals in the ED would result in relevant measurements.
- B21. At its meeting in April 2015 the Board 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 Board 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.
- B22. The ASAF was consulted at its meeting in October 2015. At its meeting in November 2015 the Board discussed further research that has been undertaken. At that meeting the Board was informed that the number of entities that would potentially be affected by the measurement proposals in the ED had been assessed as being limited.

- B23. The staff will discuss whether to proceed with the project with the Board at its January 2016 meeting.

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

- B24. The Board 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.
- B25. The Board 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 Q1 of 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)***

- B26. The Board 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.
- B27. The ED closed for comment on 19 October 2015. The Interpretations Committee is expected to start discussing comments received in Q1 of 2016.

***Remeasurement of previously held interests—obtaining control or joint control in a join operation that constitutes a business (Proposed amendments to IFRS 3 and IFRS 11)***

- B28. The Board has tentatively decided to publish a narrow-scope amendment to clarify when an entity should remeasure previously held interests.
- B29. The Board confirmed, at its meeting in December 2015, that it has completed all necessary due process steps and expects to publish the proposals with its proposed clarifications to the Definition of a Business in Q2 of 2016.

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

- B30. The Board published an ED in November 2015 of a narrow-scope amendment to IAS 40. The proposals aim to bring the guidance on transfers of investment property more in line with the principle for the classification of investment property.
- B31. The ED is open for comment until 18 March 2016.

***Uncertainty in Income Tax***

- B32. The objective of this draft Interpretation 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.
- B33. The draft Interpretation was published on 21 October 2015 and is open for comment until 19 January 2016.

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

- B34. The 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*.
- B35. The draft Interpretation was published on 21 October 2015 and is open for comment until 19 January 2016.

## Appendix C—Research projects Work plan as at 18 December 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>Discount Rates</b>	The Board has begun reviewing the staff findings from the research and will decide on the next steps following the review.
<b>Goodwill and Impairment</b>	The Board has begun discussions. This project was started as a result of the Post-implementation Review of IFRS 3 <i>Business Combinations</i> .
<b>Income taxes</b>	Board discussions are planned for early 2016.
<b>Pollutant Pricing Mechanisms</b>	The Board has begun discussions and the next step is likely to be a DP in 2016.
<b>Post-employment Benefits (including Pensions)</b>	The Board has reviewed the staff findings from the research. The next steps are on hold, awaiting feedback on the Agenda Consultation.
<b>Primary Financial Statements (previously Performance Reporting)</b>	To develop more detailed plans for the current project, the initial work will involve: <ul style="list-style-type: none"> <li>• reviewing approaches explored in the old Financial Statement Presentation project, to assess which of them merit further investigation; and</li> <li>• initial informal outreach to identify the gaps and perceived deficiencies in existing requirements and practices.</li> </ul>
<b>Provisions, Contingent Liabilities and Contingent Assets</b>	The Board has reviewed the staff findings from the research. The next steps are on hold, awaiting developments in the <i>Conceptual Framework</i> project.
<b>Share-based Payments</b>	The Board has reviewed the staff findings from the research. The next steps are on hold, awaiting feedback on the Agenda Consultation.
<b>Development phase</b>	The Board has completed its assessment work and is developing proposals to respond to the problem(s) identified.
<b>Business Combinations under Common Control</b>	Board discussions about the staff findings from the 2015 research are expected to commence early in 2016 and the next step is likely to be a DP later in 2016.
<b>Disclosure Initiative—Principles of Disclosure</b>	The Principles of Disclosure and Standards-level Review are components of the research programme.
<b>Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging</b>	The Board has begun discussions and the next step is likely to be a DP .
<b>Equity Method of Accounting</b>	The Board will discuss in Q1 of 2016 how to proceed with the project, in light of feedback on the 2015 Agenda Consultation and from the Accounting Standards Advisory Forum (ASAF). Later research will consider whether there is a need for a fundamental review of the equity method.
<b>Financial Instruments with Characteristics of Equity</b>	The Board 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 Board is not currently working on this project.
<b>Foreign Currency Translation</b>	The Board 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 2015 Agenda Consultation.
<b>High Inflation</b>	The Board 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 2015 Agenda Consultation.

### 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.*

#### ***Discount rates***

- C1. Different discount rates are used in different Standards. The staff are assessing why those differences exist and their effects. The Board began considering the staff analysis during Q4 of 2015.

#### ***Goodwill and impairment***

- C2. This research project is considering 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.
- C3. The Board has had initial discussions on the three issues but has not made any decisions.
- C4. There is strong support for the Board to stay converged with the FASB. Consequently, the two Boards expect to have a joint meeting in early 2016 to discuss their respective projects.

#### ***Income taxes***

- C5. The Board has received feedback that questions the decision-usefulness of some of the information provided by IAS 12 *Income Taxes*. The Board and the Interpretations Committee have also received many questions about the application of IAS 12.
- C6. The staff are currently analysing the results of a surveys of users of financial statements and other stakeholders. This analysis, together with feedback on the 2015 Agenda Consultation, will help the Board to assess what, if any, future action it should take.

#### ***Pollutant pricing mechanisms***

- C7. There is significant diversity in how pollutant pricing mechanisms, including emissions trading schemes, are accounted for in practice. Discussions were held in June 2015 with the Board, the GPF and CMAC and in July 2015 with the ASAF to explore possible accounting models to help reduce this diversity. Further discussion with both the Board and the ASAF in October highlighted some interactions with the *Conceptual Framework* ED, particularly around the definition of a liability.
- C8. The staff are currently considering the implications of the feedback to the *Conceptual Framework* ED. The assessment stage is nearing completion. The Board expects to publish a DP in 2016.

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

- C9. 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.

C10. At its November 2015, the Board received an update on its research project on post-employment benefits. The views of the ASAF were sought at its meeting in December 2015.

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

C11. In June 2015, the Board 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 Board 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 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 Standards 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 staff have presented their research findings to members of the ASAF and the Board. 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 Board 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.

- C19. At its November 2015, meeting the Board considered a report on its research project on IFRS 2. The report included:
- (a) an analysis of identified application issues and their causes;
  - (b) an analysis of the two existing measurement models in IFRS 2 for equity- and cash-settled share-based payment transactions; and
  - (c) various approaches for moving forward, including: a Post-implementation Review, further research on the grant date fair value measurement model, narrow-scope amendments to IFRS 2 or discontinuance of the research project.
- C20. The Board will consider whether to proceed with this project, and if so how, when it has considered the feedback on the 2015 Agenda Consultation.

### Development stage projects

*These are research projects for which the Board has completed the preliminary assessment and decided that the project warrants further investigation. Generally, the Board 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 Board 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.*

- C21. ***Dynamic Risk Management and Disclosure Initiative—Principles of Disclosure*** are development-phase research projects; their progress is reviewed in paragraphs A6 to A30.

#### ***Business combinations under common control***

- C22. 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. Some constituents have raised concerns about diversity in practice in accounting for such transactions. The Board expects to publish a DP in 2016.
- C23. The advice of the ASAF was sought at its meeting in December 2015.

#### ***Equity method of accounting***

- C24. 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.
- C25. The Board discussed an initial proposal for simplifying the equity method of accounting with the ASAF in October and December 2015.
- C26. The Board will consider the next steps in this project based on the feedback from ASAF and the 2015 Agenda Consultation.

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

- C27. 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 can 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.

## Inactive projects

*Inactive projects are projects for which the Board has no current plans to undertake additional work.*

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

- C28. 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 Board published the team's findings in April 2010. In October 2010 the Board 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.
- C29. However, in response to the feedback from the 2011–2012 Agenda Consultation, the Board assigned a low priority to the project. As a result, the Board has not carried out any further direct research to date and has not received strong demand to do so.

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

- C30. In the research project on foreign currency translation, the Board 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.
- C31. The Board completed its assessment of these issues in October 2014 and has no current plans to undertake additional work. The Board plans to remove this project from the research programme, subject to feedback in the current Agenda Consultation.

### ***High inflation***

- C32. In this research project on high inflation, the Board 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.
- C33. The Board completed its assessment of these issues in April 2015 and has no current plans to undertake additional work. The Board plans to remove this project from the research programme, subject to feedback in the current Agenda Consultation.

## Appendix D—Compliance Report

A list of papers that were posted after the posting deadline is as follows:

Agenda Paper	Name	Posted	Reason
<b>October 2015</b>			
3C	Leases: Disclosure requirements for leases within the scope of IFRS 5	Posted 16 Oct	This paper discussed a sweep issue arising from review comments received from board members on the 2 <sup>nd</sup> pre-ballot draft of IFRS 16 <i>Leases</i> . In the light of the planned timing of distribution of the ballot draft of IFRS 16, it was important to discuss this at the October board meeting
<b>November 2015</b>			
2A	Insurance Contracts: Comparison of the general model and the variable fee approach	Re-posted 10 Nov	Reposted for minor corrections.
<b>December 2015</b>			
7	Revenue from Contracts with Customers: Cover note	Posted 9 Dec	Due to working with FASB with a different time line.
7C	Revenue from Contracts with Customers Licensing—feedback on ED Clarifications to IFRS 15 and redeliberations	Re-posted 10 Dec	Reposting for corrections.
7E	Revenue from Contracts with Customers: Topics for which the Board did not propose any clarifications—feedback on ED Clarifications to IFRS 15 and redeliberations	Posted 07 Dec	Due to working with FASB with a different time line.
7F	Revenue from Contracts with Customers: Summary of feedback on proposed amendments to principal versus agent considerations	Posted 9 Dec	Due to working with FASB with a different time line.
	<b>FASB Memo No. 8</b> Revenue Recognition—Gross Versus Net Revenue Reporting: Comment Letter Summary	Posted 9 Dec	FASB paper.
7G	Revenue from Contracts with Customers Principal versus Agent Considerations (Redeliberations) FASB Memo No. 9	Posted 9 Dec	Due to working with FASB with a different time line.