

## STAFF PAPER

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**Prepared for joint Capital Markets Advisory Committee and  
Global Preparers Forum meeting**

<b>Project</b>	<b>IASB Update</b>		
<b>Paper topic</b>	<b>IASB &amp; Interpretations Committee Update</b>		
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This paper has been prepared for discussion at a public meeting of the Capital Markets Advisory Committee and the Global Preparers Forum. The views expressed in this paper do not represent the views of the International Accounting Standards Board® (“the Board”) or any individual member of the Board. Comments on the application of IFRS® Standards do not purport to set out acceptable or unacceptable application of IFRS Standards. Technical decisions are made in public and reported in IASB *Update*.

## Introduction

1. This report provides the Global Preparers Forum (GPF) and Capital Market Advisory Committee (CMAC) with an update on the due process activities for the standard-setting activities of the International Accounting Standards Board (the Board) in the period between March and May 2016. This report is primarily for information.

## Structure of this paper

2. During 2016 the Board focused on progressing the main projects, implementation activities and reshaping the future agenda following the Agenda Consultation undertaken at the end of 2015. Consequently, this paper is structured as follows:
  - (a) Technical work overview between March and May 2016:
    - (i) finalising major projects in paragraphs 4 to 32;
    - (ii) consistency of the application of IFRS Standards in paragraphs 33-38;
    - (iii) reshaping the future agenda following Agenda Consultation in paragraphs 39-43.
  - (b) The Technical Activities report is set out in Appendices, as follows:

Information about the Capital Markets Advisory Committee (CMAC) is available at <http://www.ifrs.org/The-organisation/Advisory-bodies/CMAC/Pages/CMAC.aspx>

Information about the Global Preparers Forum (GPF) is available at <http://www.ifrs.org/The+organisation/Advisory+bodies/GPF/>

- (i) Appendix A—work plan as at 20 May 2016;
  - (ii) Appendix B—Implementation projects.
3. This document is accompanied by the summary of the feedback from CMAC (Agenda Paper 1A) and GPF (Agenda Paper 1B) at their last meeting in February 2016 and March 2016, respectively and the next steps taken by the IASB.

## Technical work overview

### ***Insurance Contracts***

#### *New IFRS Standard for insurance contracts*

4. At the February 2016 Board meeting the Board completed its planned deliberations and, after reviewing the due process steps, granted the staff permission to begin the balloting process.
5. The Board expects to publish the Standard around the end of 2016.

#### *Amendments to existing IFRS 4*

6. In May 2016, the Board completed its redeliberations of the Exposure Draft of proposed amendments to the existing Insurance Contracts Standard, IFRS 4 *Insurance Contracts*. These 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. It is anticipated that the amendments will be issued in September 2016.
7. This project was discussed with CMAC at its February 2016 meeting.

### ***Conceptual Framework***

8. The Board published the *Conceptual Framework* ED in May 2015. The *Conceptual Framework* sets out the concepts that underlie the preparation and presentation of financial statements. 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.

9. At its meeting in April 2016 the Board discussed its approach to redeliberations of the *Conceptual Framework* ED. The Board decided that it would redeliberate the topics that have proved controversial or those topics for which new information has become available. On other topics, the Board will discuss whether to confirm the proposals in the ED but would not undertake significant additional analysis. The redeliberations began during the May 2016 Board meeting.
10. The Board plans to issue a revised *Conceptual Framework* in early 2017.

### ***Disclosure Initiative***

11. The Disclosure Initiative is a portfolio of projects being undertaken with the aim of improving the effectiveness of disclosures in financial reporting, including both implementation and research projects.
12. During 2016, the Board continue to make progress with those projects. The Board has already finished some narrow scope amendments (to IAS 1 *Presentation of Financial Statements* and IAS 7 *Statement of Cash Flows*) and continues developing other projects, such as for example:
  - (a) Principles of Disclosure—review of IAS 1 and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*; and
  - (b) Standards-level review of disclosures;
  - (c) Practice Statement on the application of materiality.

#### *Principles of Disclosure*

13. 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 (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.
14. 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 different constituents and advisory bodies (ASAF, GPF and CMAC) regularly during 2014 and 2015.

15. Due to significant changes in the staffing of the project (and particularly at senior staff level) the drafting of the DP is taking longer than anticipated. An ambitious target for publishing the DP was originally set for the end of Q1 of 2016; however, we now anticipate that the DP will be published in Q3 of 2016.
16. At their March 2016 meeting GPF members discussed preparers' experience with improving effectiveness of disclosures.

*Standards-level review of disclosures*

17. 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](#).
18. 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.
19. 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.
20. At their March 2016 meeting GPF members discussed the approaches to drafting.

*Materiality Practice Statement*

21. The ED of the Materiality Practice statement was published in October 2015 with a comment period of 120 days. In developing the ED, the Board conducted outreach with national and regional standard-setters regarding local guidance and practice on the application of materiality. It has also spoken to the advisory bodies.
22. The Board has received 97 comment letters in response to the ED. At its meeting in April 2016 the Board discussed the comments received on the ED. It will continue its discussions in June 2016. It is expected that the Practice Statement will be issued in early 2017.

23. At this meeting, the GPF and CMAC members will discuss guidance developed for the *Materiality Practice Statement*.

### ***Rate-regulated Activities***

24. The Board published a DP in September 2014 that considered common features of rate regulation and explored which of them, if any, create a combination of rights and obligations distinguishable from the rights and obligations arising from activities that are not rate-regulated. The DP explores several possible approaches for the Board to consider when deciding how best to report the financial effects of a defined type of rate regulation.
25. 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.
26. At its March 2016 meeting GPF discussed examples of rate regulation.
27. At the April 2016 Board meeting the staff presented a project update, including a summary of responses on the Agenda Consultation. The Board asked the staff to develop an accounting model to reflect the effects of rate regulation.

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

28. 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.
29. The Board published a Discussion Paper in April 2014. 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.

30. 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 the dynamic risk management activities as a basis for determining the recognition, measurement and disclosures approach.
31. The staff are currently considering alternative approaches for recognition and measurement along with the information needs arising from an entity's dynamic risk management activities. The staff are participating as observers to the work that the European Financial Reporting Advisory Group (EFRAG) is undertaking to better understand the key drivers and parameters used in core demand deposit modelling.
32. The Board has decided that the project should remain in the Research programme with the aim of publishing a second DP.

### **Consistency in the application of major Standards**

33. The Board have continued to take steps to support the consistent application of IFRS Standards.
34. IFRS 16 *Leases* was issued in January 2016 and has a mandatory effective date of 1 January 2019. The Board is currently undertaking a number of activities to support implementation of the Standard, including developing a series of educational webcasts and organising conferences. IFRS stakeholders can also inform us about implementation questions through the website.
35. In April 2016, the Board published clarifying amendments 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). The Board 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.
36. The Board does not plan to schedule any further TRG discussions but continues to support the implementation of IFRS 15—for example, it has created an implementation page for IFRS 15. In addition, some Board members and staff

observed the FASB TRG meeting in April 2016—no issues arose from that meeting that require consideration by the Board.

37. The Board have similarly not held further meetings of the Transition Resource Group for Impairment of Financial Instruments.
38. Please refer to Appendix B for more details on the work on Implementation projects.

## Agenda Consultation

39. A key focus area for the Board this quarter has been its consideration of the feedback received to its Request for Views 2015 *Agenda Consultation*. The comment period for the request for views closed on 31 December 2015 and the Board commenced its deliberations:
  - (a) In March 2016 - on the general feedback received on the Agenda Consultation.
  - (b) In April 2016 - on the feedback received on the individual projects.
40. At its meeting in May 2016 the Board discussed the draft work plan strategy and the draft work plan for 2017-2021. In summary, the draft work plan strategy suggested that the focus of the Board's activities should now switch from transaction-specific Standards-level projects to show a greater emphasis on:
  - (a) implementation and the support of consistent application.
  - (b) standard-setting that enhances consistency between individual Standards and the *Conceptual Framework*, and builds on the revised *Conceptual Framework* in areas such as the definition of a liability and the distinction between liabilities and equity.
  - (c) promoting more effective communication of relevant financial information from preparers to users of financial statements. (The Disclosure Initiative, and the projects on primary financial statements including performance reporting, on goodwill and impairment, and on financial instruments with characteristics of equity have all been

identified as important for communication to users of financial statements.<sup>1)</sup>

- (d) a Research programme that is realistic and achievable. The Research programme should consist of projects that have clear objectives, aimed at gathering evidence needed to support decisions on whether to add projects to the Standards-level programme.

41. The draft work plan strategy also noted that the Board will devote some resources to wider corporate reporting matters, and will continue to develop its IFRS taxonomy, which is important for the development of electronic data gathering and analysis.

42. The Board generally agreed with the draft work plan strategy. However, the Board:

- (a) thought that the strategy should give greater prominence to improving communication effectiveness, as a key strategic theme for the next five years;
- (b) recommended that the staff develop a plan to involve national and regional standard-setters more effectively in the Board's research activities;
- (c) requested that the staff modify the presentation of the work plan to clarify the time scales and resourcing of individual projects; and
- (d) recognised the constraints on stakeholders' resources and its own resources and recommended that its work plan should address a limited number of topics in a timely manner.

43. The Board's work plan strategy and revised draft work plan will be discussed at the June 2016 meeting of the IFRS Advisory Council. The staff will include advice received at the Advisory Council meeting in a revised draft work plan for

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<sup>1</sup> All those projects were discussed with either GPF or CMAC in their past meeting or will be discussed at this meeting.



discussion by the Board at its July 2016 meeting. Please refer to [agenda paper 2](#)<sup>2</sup> for the June 2016 Advisory Council meeting for more information on:

- (a) Feedback received on the Agenda Consultation;
- (b) Draft work plan strategy 2017-2021 and explanation of the approach for developing the draft work plan.

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<sup>2</sup> Please use this link: <http://www.ifrs.org/Meetings/MeetingDocs/Advisory%20Council/2016/June/2016-06-AP2-Agenda-Consultation.pdf>

## Appendix A: Work plan as at 20 May 2016

### Major projects

Next major milestone					
	Current activity	Within 3 months	Within 6 months	After 6 months	
<b>Upcoming Standards and other pronouncements</b>					
Insurance Contracts	Drafting IFRS			Issue IFRS	
Conceptual Framework	Analysis			Issue Conceptual Framework	
<b>Published Exposure Drafts</b>					
Disclosure Initiative—Materiality Practice Statement	Analysis		Decide Project Direction		
<b>Published Discussion Papers</b>					
Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging	Analysis			Publish DP	
Rate-regulated Activities	Analysis			Publish DP	
<b>Upcoming Discussion Papers</b>					
Disclosure Initiative—Principles of Disclosure	Drafting DP		Publish DP		
The Disclosure Initiative is a portfolio of Implementation and Research projects.					

## Implementation

Next major milestone					
	Current activity	Within 3 months	Within 6 months	After 6 months	
<b>Narrow-scope amendments</b>					
Annual Improvements 2014–2016	Analysis	Decide Project Direction			
Annual Improvements 2015–2017	Analysis		Decide Project Direction		
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	Drafting IFRS		Issue IFRS		
Clarifications to IFRS 8 arising from the Post-implementation Review (Proposed amendments to IFRS 8)	Drafting ED		Publish ED		
Clarifications of Classification and Measurement of Share-based Payment Transactions (Proposed amendments to IFRS 2)	Drafting IFRS	Issue IFRS (Expected June 2016)			
Classification of Liabilities (Proposed amendment to IAS 1)	Analysis			Issue IFRS	
Definition of a Business	Drafting ED	Publish ED (Expected June 2016)			
Disclosure Initiative—Changes in Accounting Policies and Estimates	Analysis			Publish ED	
Fair Value Measurement: Unit of Account The work carried out in this project will be fed into the PIR of IFRS 13.					
Remeasurement at a Plan Amendment, Curtailment or Settlement / Availability of a Refund of a Surplus from a Defined Benefit Plan (Proposed amendments to IAS 19 and IFRIC 14)	Analysis		Decide Project Direction		
Remeasurement of previously held interests - obtaining control or joint control in a joint operation that constitutes a business (Proposed amendments to IFRS 3 and IFRS 11)	Drafting ED	Publish ED (Expected June 2016)			
Transfers of Investment Property (Proposed amendments to IAS 40)	Analysis		Issue IFRS		
<b>Interpretations</b>					
Draft IFRIC Interpretation—Uncertainty over Income Tax Treatment	Analysis		Decide Project Direction		
Draft IFRIC Interpretation—Foreign Currency Transactions and Advance Consideration	Analysis			Issue Interpretation	

***Research projects***

- A1. At its May 2016 meeting the Board has made some tentative decisions about the next steps for some research projects, and the future shape of the Research Programme more generally, based on the feedback received on the 2015 Agenda Consultation.
- A2. The Board will seek input from the IFRS Advisory Council before finalising those decisions. Current work plan does not reflect the tentative decisions and it will be updated further when decisions are finalised.
- A3. For more information about the latest Agenda Consultation and the draft work plan please refer to paragraphs 39 - 43 of this paper.

## Appendix B: Update on the Implementation Projects

- B1. In the period March to May 2016, the Interpretations Committee met in March 2016 and May 2016.
- B2. Activities in the period include:
- (a) Tentative decisions to develop draft Interpretations or propose amendments:
    - (i) IFRS 9 *Financial Instruments* and IAS 28 *Investments in Associates and Joint Ventures*—Accounting for long-term interests;
    - (ii) IAS 12 *Income Taxes*—Accounting for income tax consequences of payments on, and issuing costs of, financial instruments that are classified as equity; and
    - (iii) IAS 16 *Property, Plant & Equipment*—Accounting for proceeds from selling items produced while an item of property, plant and equipment is made ready for its intended use.
  - (b) Finalisation of agenda decisions:
    - (i) IFRS 9 *Financial Instruments* and IAS 39 *Financial Instruments: Recognition and Measurement*—Derecognition of modified financial assets;
    - (ii) IFRS 9 *Financial Instruments*—Determining hedge effectiveness for net investment hedges;
    - (iii) IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*—Variable payments for asset purchases;
    - (iv) IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*—Accounting for repayable cash receipts;
    - (v) IAS 32 *Financial Instruments: Presentation*—Classification of liability for a prepaid card in the issuer’s financial statements;
    - (vi) IAS 32 *Financial Instruments: Presentation*—Offsetting and cash-pooling arrangements; and
    - (vii) IAS 36 *Impairment of Assets*—Recoverable amount and carrying amount of a cash-generating unit.
  - (c) Tentative agenda decisions published for comment:
    - (i) IFRS 9 *Financial Instruments* and IAS 39 *Financial Instruments: Recognition and Measurement*—Fees and costs included in the ‘10 per cent’ test;
    - (ii) IFRS 11 *Joint Arrangements* and IFRS 10 *Consolidated Financial Statements*—Accounting for loss of control transactions;
    - (iii) IAS 32 *Financial Instruments: Presentation*—Accounting for a written put option over non-controlling interests to be settled by a variable number of the parent’s shares; and
    - (iv) IFRIC 12 *Service Concession Arrangements*—Accounting for service concession arrangements for which the infrastructure is leased.

- B3. Further information on the issues discussed and the decisions reached at the meetings can be found [here](#)<sup>3</sup>.
- B4. Table 1 of this paper sets out the current maintenance projects that the Board is undertaking.

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<sup>3</sup> <http://www.ifrs.org/Updates/IFRIC-Updates/Pages/IFRIC-Updates.aspx>

**Table 1: Maintenance Projects**

<b>Maintenance projects as at 20 May 2016</b>			
<b>Project</b>	<b>Objective</b>	<b>Status</b>	<b>The Board's next steps</b>
<b>Annual Improvements to IFRS 2014–2016 Cycle &amp; 2015-2017</b>	The Board has adopted the Annual Improvements process to deal efficiently with a collection of narrow-scope amendments to Standards, even though the amendments are unrelated.	In November 2015 the Board published an ED <i>Annual Improvements to IFRSs 2014-2016 Cycle</i> . The ED closed for comment on 17 February 2016.  One amendment has been identified for inclusion in the 2015-2017 Cycle.	To decide the project direction within 6 months.
<b>Clarifications to IFRS 8 arising from the Post-implementation Review</b> (Proposed amendments to IFRS 8)	The Board discussed proposals 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.	To publish an ED within 6 months.
<b>Clarification of Classifications of Share-based Payment Transactions</b> (Proposed amendments to IFRS 2) ( <i>Closed for comment 25 March 2015</i> )	The Board proposes 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.	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.	To issue an amendment to IFRS 2 in June 2016.

<b>Maintenance projects as at 20 May 2016</b>			
<b>Project</b>	<b>Objective</b>	<b>Status</b>	<b>The Board's next steps</b>
<b>Classification of Liabilities</b> (Proposed amendments to IAS 1)	The objective of this project is to clarify when rights to defer settlement affect the classification of liabilities.	At its December 2015 meeting the Board considered a summary of feedback on the ED. At its February 2016 meeting the Board started to discuss some of the main comments received on the ED.	To issue an amendment to the Standard after 6 months.  This project has been held back until after the Board has redeliberated the definitions of assets and liabilities in the <i>Conceptual Framework</i> ED.
<b>Definition of a Business</b>	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.	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 ED.	To publish proposed amendments to IFRS 3 in June 2016.
<b>Disclosure Initiative—changes in accounting policies and estimates</b>	To clarify the distinction between a change in accounting policy and a change in accounting estimate	The Board decided in April 2016 to develop and Exposure Draft.	To publish proposed amendments to IAS 8 after 6 months.



<b>Maintenance projects as at 20 May 2016</b>			
<b>Project</b>	<b>Objective</b>	<b>Status</b>	<b>The Board's next steps</b>
<b>Remeasurement on a plan amendment, curtailment or settlement/Availability of a refund of a surplus from a defined benefit plan</b> (Proposed amendments to IAS 19 and IFRIC 14)	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.	An ED was published in June 2015 and closed for comment in October 2015. The comments received are being analysed.	To decide on the project's direction within 6 months.
<b>Remeasurement of previously held interests—obtaining control or joint control in a joint operation that constitutes a business</b> (Proposed amendment to IFRS 3 and IFRS 11)	The Board has tentatively decided to publish a narrow-scope amendment to clarify when an entity should remeasure previously held interests.	At its meeting in December 2015 the Board confirmed that it is satisfied that all due process steps have been complied with and gave the staff permission to commence the balloting process.	To publish proposed amendments to IFRS 3 and IFRS 11 in June 2016.
<b>Transfers of Investment Property</b> (Proposed amendments to IAS 40)	This proposed narrow-scope amendment would bring the requirements on transfers of investment property more in line with the principle for classification of investment property.	ED published in December 2015.  The Interpretations Committee recommended to the Board that it should proceed with the proposed amendments to IAS 40.	To publish proposed amendments within 6 months subject to approval from the Board.