

STAFF PAPER

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Project	2015 Agenda Consultation		
Paper topic	Draft work plan 2017-2021		
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Purpose

1. This paper discusses how the feedback received in response to the International Accounting Standards Board’s (the Board’s) request for views *2015 Agenda Consultation* (the RFV) and outreach conducted as part of its public consultation has given rise to a strategy for setting the Board’s work plan. Messages received by the Trustees of the IFRS Foundation® (the Trustees) in response to their request for views *Trustees’ Review of Structure and Effectiveness: Issues for the Review* (the Trustees’ RFV) are also relevant to this discussion.
2. Feedback on these consultations was summarised in Agenda Paper 24A *Comment letter and outreach summary* and Agenda Paper 24B *Trustees’ Review of Structure and Effectiveness* and discussed by the Board at its March 2016 meeting. At its April 2016 meeting, the Board also discussed Agenda Paper 24B *Effect of comments received on setting the work plan* and Agenda Paper 24C *Overview of investor feedback*. This paper summarises those discussions and explains how they have been reflected in developing the draft work plan contained in this paper.
3. In addition, at its public meetings in April 2016 and May 2016, the Board has, or will have, discussed current and possible research projects to help it decide which projects to retain in, or add to, its research programme, and decide which research projects should be conducted first. Appendix B *Prioritisation of research projects* summarises the factors considered when prioritising the research projects.

4. In this paper Board members will be asked:
- (a) whether they agree with the strategy for developing the Board's work plan as laid out in this paper;
 - (b) what comments they have on the draft work plan included at Appendix A;
 - (c) what information should be presented to the IFRS Advisory Council (the Advisory Council) as part of its discussions of the draft work plan; and
 - (d) whether they would like to seek advice on any specific topics from the Advisory Council at its June 2016 meeting.

Structure of this paper

5. This paper is organised as follows:
- (a) feedback that affected the development of the work plan;
 - (b) resourcing and the Board's capacity to deliver its work plan;
 - (c) draft work plan for discussion (other than research projects);
 - (d) draft research programme for discussion;
 - (e) questions for the Board and next steps;
 - (f) Appendix A–Presentation of the draft work plan for discussion;
 - (g) Appendix B–Prioritisation of individual research projects; and
 - (h) Appendix C–Implementation projects at 22 April 2016.

Feedback that affected the development of the work plan

6. Respondents to the consultation commented on the Board's development of its work plan in terms of:
- (a) the balance of the Board's activities;
 - (b) addressing investors' needs;

- (c) the level and pace of change; and
- (d) the Board's work plan strategy.

Balance of the Board's activities

7. Most respondents to the RFV thought that:
- (a) the completion of the projects on leases (now completed) and insurance contracts should be a very high priority.
 - (b) it is important that IFRS Standards continue to be a principle-based set of Standards and that any guidance clarify those principles rather than introduce complexity through rules. In accordance with that view, most respondents thought completion of the revised *Conceptual Framework* should be treated as a high priority because it is fundamental in developing Standards that are based on clear principles.
 - (c) the disclosure initiative is highly important to most respondents, across all types of respondents and all regions. There was widespread support for the project on principles of disclosure.
 - (d) the Board should focus on its maintenance and implementation activities, rather than on new Standards-level projects. Important implementation activities include support for new and recently issued Standards and important maintenance activities include resolving issues arising from inconsistent application and from inconsistencies between individual Standards. Many respondents suggested that the goal of the Board's implementation and maintenance activities was the consistent application of IFRS Standards, although some respondents acknowledged that the primary responsibility for consistent application rests with regulators, local standard-setters, auditors and preparers. For brevity, the draft work plan uses the concise label 'implementation projects' to cover both implementation and maintenance activities .
 - (e) there was general support for an evidence-based approach to research. However, some respondents were unclear about the strategy, objectives and processes of the programme and the relationship between research

and the Board's other technical activities. We heard mixed views about the number of projects on the research programme, although there were widespread concerns that running too many research projects actively at the same time could place unreasonable demands on stakeholders and stretch the Board's resources too thin.

- (f) the introduction of post-implementation reviews (PIRs) was welcome. Some respondents thought PIRs should be extended to older Standards. There was widespread support for the Board's suggestion to carry out a PIR of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Some also suggested a PIR of IAS 28 *Investments in Associates and Joint Ventures*, perhaps with the planned PIRs of the 'consolidation package' of Standards (IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in other Entities*).
- (g) Several respondents noted that the RFV did not mention the *IFRS for SMEs*® Standard.

Addressing investors' needs

8. Many respondents suggested that a main prioritisation factor in developing the work plan should be the importance of the topic to investors. Investors themselves had asked that greater emphasis is placed on topics that are important to them.
9. Investors:
 - (a) requested that the Board refocus its standards-level projects away from topics that relate to single types of transactions and, instead, address topics that could make financial reporting more relevant, or could turn financial reporting into a more effective means of communication; such topics might include principles of disclosure (and other aspects of the Board's Disclosure Initiative) and reporting financial performance.
 - (b) would like the Board to place a high priority on projects that would significantly enhance the information that they receive, without requiring significant systems changes and other implementation effort.

They think that such projects would deliver more significant improvements, and more quickly ('quick wins'), than would be achieved by more ambitious and technically complex projects.

10. Some respondents to the RFV and to the Trustees' RFV suggested that the Board should widen its activities to include monitoring wider corporate reporting. Investors generally put greater emphasis than other respondents on wider corporate reporting issues, and extending the Board's activities to include topics such as human and intellectual capital and climate change, than did other respondents. At its January 2016 meeting, the Trustees requested that the Board allocate some modest resources to monitoring wider corporate reporting activities.

Level and pace of change

11. Some respondents thought that the Board's work plan as a whole was delivering change at the right pace and at a level of detail appropriate to principles-based standard-setting. These respondents thought that the Board had struck the right balance between the need to deliver improvements and the ability of stakeholders to provide high quality input to consultations.
12. Other respondents pointed to the level of consultation needed in recent years on four major projects (IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers*, IFRS 16 *Leases*, insurance contracts) and thought that this level of activity had led to 'standard-setting fatigue' amongst stakeholders.
13. Respondents also referred to the level of activity on maintenance and implementation projects undertaken in recent years. These respondents thought that this degree of change was excessive. These respondents thought that there were too many narrow-scope amendments and the Board should focus its maintenance activities on PIRs of recently issued Standards and broader reviews of other Standards where a number of issues have arisen.
14. The exception to this view was investors who thought that the Board should focus more on targeted improvements ('quick wins'), rather than Standards-level projects—with the exception of some broader projects of particular relevance to investors such as principles of disclosure and primary financial statements. Moreover, many investors said that the pace of change had been too slow. They

thought that progress on some projects, such as performance reporting, should have been faster.

15. A clear message in outreach and the responses to the RFV was that respondents found the recent level of changes to IFRS Standards a burden. Stakeholders' capacity to cope with change is necessarily limited, and this places a clear constraint on the rate and level of change to IFRS Standards. Thus, many respondents requested a stable platform or a period of calm:
- (a) These respondents thought that change is a burden to all stakeholders. Some respondents noted that small and medium entries, in particular, often lack specialist technical support in house, and find change particularly burdensome.
 - (b) Some respondents thought that a period of calm would allow entities to develop and enhance their reporting infrastructure and improve the quality and efficiency of their financial reporting activities.
 - (c) Others thought that a stable platform would allow stakeholders to focus their effort and resources on implementing the major new Standards including the system and process changes required. These respondents did not recommend taking major new Standards-level projects onto the Board's agenda.
 - (d) Respondents suggested that the Board should switch its focus from major, transaction-specific standards-level projects to its other activities, with an emphasis on implementation support and the maintenance of principles-based IFRS standards.
 - (e) A few respondents pointed to the steps that jurisdictions need to take to include new or revised IFRS Standards in their reporting frameworks as a further burden on stakeholders.

The Board's work plan strategy

16. Many respondents asked what the Board's strategy was for determining the balance of its activities and allocating resources. Some respondents said it was difficult for them to suggest how the Board's activities should be balanced, or individual projects prioritised, without knowing that strategy.

17. In order to develop a work plan strategy, the Board considered at its March and April 2016 meetings the messages received from stakeholders.
18. Several commentators, particularly in outreach, suggested that when deciding on its work plan, the Board should identify one or more ‘themes’ to provide both a framework for that process and context for respondents:
 - (a) Many investors suggested focussing on the needs of investors as a theme.
 - (b) Several types of respondents considered maintaining the relevance of the information reported in financial statements to be an important theme.
 - (c) The IFRS Advisory Council did not identify a theme, although some members suggested that consistency of application or the relevance of IFRS Standards might be suitable themes.
 - (d) ASAF suggested that the Board should consider projects in terms of ‘themes’, rather than as individual agenda requests.
 - (e) One comment letter respondent suggested ‘strengthening the fundamental pillars of financial reporting’ as a theme.
19. Maintaining the relevance of IFRS Standards, fulfilling investors’ information needs and supporting the consistent application of IFRS Standards were themes that recurred in a number of different forums.
20. In addition, several respondents suggested that the Board’s strategy for deciding its work plan should be aligned with the Trustees’ stated goals as laid out in the Trustees’ RFV. Some thought that the Board should have waited to hear the outcome of that strategic review before consulting on its agenda. Other respondents thought it was appropriate to carry out both consultations in tandem, to provide inputs to both consultations.
21. The Trustees strategic goals were published in the Trustees’ RFV. These goals, and the topics identified for consultation in the Trustees’ RFV, are:

1	Develop a single set of high quality, understandable, enforceable and globally accepted Standards based on clearly articulated principles. (The Trustees’ RFV contained five questions on maintaining the relevance of those Standards.)
2	Pursue the global adoption of IFRS Standards. (The Trustees’ RFV did not include any questions on global adoption.)
3	Support the consistent application and implementation of IFRS Standards globally. (The Trustees’ RFV contained one question on activities to encourage the consistent application of IFRS Standards.)
4	Ensure that the IFRS Foundation is independent, stable and accountable. (The Trustees’ RFV contained nine questions on the governance of the IFRS Foundation.)

22. Goals 2 (the pursuit of global adoption of IFRS Standards) and 4 (the independence, stability and accountability of the IFRS Foundation) will not be achieved principally by taking specific projects onto the Board’s work plan. The staff think, however, that in setting its work plan the Board should include the satisfaction of the organisation’s goals 1 and 3 as one of its agenda-setting objectives. The staff think that these goals are echoed in the themes in paragraph 19.

Proposed work plan strategy 2017-2021

23. The messages received emphasised that stakeholders have limited capacity to manage change. Stakeholders referred, in particular, to the level of change that will be required to implement IFRS 9, IFRS 15 and IFRS 16. Completion of the insurance contract project will also have a fundamental effect on entities that issue insurance contracts. Stakeholders asked the Board to focus on maintaining the relevance of IFRS Standards and improving the ease and consistency with which those Standards are implemented and applied, by refocussing the Board’s work plan away from major standards-level projects.

24. The staff think that rebalancing the Board’s activities away from major projects to the maintenance of existing IFRS Standards and to implementation support, as suggested by respondents, would reduce the burden of change for all stakeholders (investors and other users of financial statements, preparers, auditors, regulators).
25. Change is particularly burdensome if it affects how transactions are recognised and measured, because this type of change:
- (a) places a burden on investors who need to understand what these changes mean. Consequently, investor-driven topics related to ‘quick-wins’ tend to focus on improvements to disclosure and presentation.
 - (b) requires revisions to transaction processing and financial reporting systems. Limiting those changes should limit the burden on many preparers.
26. The staff think that an increased focus on disclosure and presentation, rather than transaction-specific major projects, would:
- (a) provide better information to users without changing the measurement or recognition of individual transactions; and thus
 - (b) is likely to be more of a benefit to users and less of a burden to all stakeholders (including users) than are major, transaction-specific standard-setting projects.
27. Many types of respondents also thought that fulfilling investors’ need for information supports the objective of financial reporting, supports the Trustees in their goal of developing high quality Standards and should be a high priority for the Board. They suggested that promoting more effective communication from preparers to investors should be a persuasive prioritising factor for the Board.

Summary

28. The comments received suggest 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.)
- (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.

29. As a result of the feedback in paragraph 28(c), the Board is in the process of developing improvements to presentation and disclosure that are designed to make the communication of financial information more effective. Following the January 2016 meeting of the Trustees, at which they decided that the Board should devote some resources to wider corporate reporting matters, this new work stream will also include such matters as the Corporate Reporting Dialogue, Integrated Reporting, climate change and environmental reporting. The Board is also active in developing its IFRS taxonomy which is important for the development of electronic data gathering and analysis.

Question 1 for Board members

Do you agree with the staff's strategy for developing the work plan as laid out in this paper?

Resourcing and the Board's capacity to deliver its work plan

30. The RFV did not contain any information about the level of resources available to the Board and few respondents commented on this matter.
31. In developing a draft work plan, the staff considered whether the draft work plan would be consistent with both:
- (a) the organisation's capacity to deliver the work proposed (see paragraphs 33–39; and
 - (b) stakeholders' ability to cope with any changes to IFRS Standards that would arise, or to take part in any public consultation required, during the work plan period (see paragraphs 40–43).

The forecast work plan period

32. In Agenda Paper 24B, the staff recommend that the Board confirm its proposal in the RFV that the interval between agenda consultations be extended from three to five years. When considering the timing of project milestones or the availability of resources we have focussed on the annual periods 2017-2021 for convenience.

Level of available resources

33. In developing a draft work plan for discussion, the staff have considered a number of factors that would affect the Board's capacity to deliver the work plan:
- (a) the effect on resources of the change in the balance of its activities;
 - (b) likely staff capacity; and
 - (c) help offered by other organisations, including national standard setters.

Effect on resources of the change in the balance of its activities

34. Some respondents suggested that the Board's Standards-levels activity could and should decrease once the Standards on leases and on insurance contracts are issued. This would permit stakeholders to focus their efforts on the quality of implementation of recent major, complex Standards and permit investors to focus on understanding the effects of applying such Standards.
35. Many respondents suggested that once staff become free after publication of the major Standards, they should be transferred to implementation support activities. The Board has already been doing this. After the Board issued IFRS 9, IFRS 15 and IFRS 16, key project staff were retained on each of those projects to provide post-implementation support by developing educational materials, conducting outreach and supporting transition resource groups. The staff expect that trend to continue.
36. However, standard-setting will not cease. In the staff view, there will always be a significant level of standard-setting activity. The staff expect that the principles of disclosure and other aspects of the disclosure initiative will remain high priority standards-level major projects throughout the forecast work plan period. Messages received on the importance of promoting effective communication, especially to investors, suggest that other investor-driven projects such as primary financial statements are also likely to use significant standard-setting resources in the forecast period 2017-2020. In addition, at least some topics currently on the research programme may in due course give rise to Standards-level projects.

Likely staff capacity

37. In developing the draft work plan, the staff considered whether the Board is likely to have available in the staff the specific skill sets, knowledge and level of experience that would be required to deliver the draft work plan.

Help offered by other organisations, including national standard-setters

38. Many respondents to the RFV offered help with developing individual topics, including national standard-setters and other specialists such as actuaries and valuation specialists, or suggested that others could provide help. The Board appreciates these offers which provide it with access to a wider resource pool and

this could contribute a wider range of skills and knowledge and deeper experience of local conditions in particular geographical or subject areas.

39. Nevertheless, the staff do not think that access to this wider pool will result in a significant net increase in the overall scale of the Board's resources. In order for this collaborative work to be most effective, the Board will need to devote sufficient resources to set terms of references for the work, liaise with the collaborative body and monitor the work. Moreover, additional resources provided by other bodies cannot overcome inherent limitations on the capacity of stakeholders to monitor potential changes and implement those changes when finalised.

Stakeholders' ability to deal with change or proposed change

40. The Board also asked the staff when developing a draft work plan to consider the ability of stakeholders to deal with change. The Board had received a clear message that stakeholders wanted a period of calm for the reasons given in paragraph 15. Stakeholders also felt burdened by 'standard-setting fatigue' as noted in paragraph 12.
41. The Board discussed at its April meeting whether it would focus in the longer term on projects that improve effective communication by improving presentation and disclosure and place less emphasis on changes to recognition and measurement. The Board expects that this would place less burden on stakeholders than would be placed by major transaction-specific projects that significantly change recognition and measurement requirements. Even so, as noted in paragraph 36, standard-setting activities will continue during the forecast work plan period.
42. Developing high quality, global Standards rests on the ability of all stakeholders, across a range of types and jurisdictions, to engage with the Board when it develops its proposals. The Board is sensitive to stakeholders' comments about 'consultation fatigue' and is aware that stakeholders have only a limited capacity to respond to consultation on its proposals.
43. Consequently, in developing the draft work plan for discussion, the staff considered the number, complexity and timing of due process documents that

would be published during the forecast period in order to avoid proposing a work plan that would place excessive burdens on stakeholders.

Staff conclusion on the level of resources

44. For the reasons noted above, the staff have concluded that the current level of resources available to the Board is about right to enable it to carry out the work plan, without overwhelming stakeholders. In assessing the feasibility of the draft work plan set out below, the staff assumed that:
- (a) there should be no significant increase in the Board's resources. Any such increase could not overcome the inherent limitations on the capacity of stakeholders to monitor potential changes and implement those changes when finalised;
 - (b) for the same reason, although national standard-setters and other bodies could provide valuable resources, relying on their resources is unlikely to increase significantly the overall extent of the Board's own output; and
 - (c) there should be no significant decrease in the Board's resources. Although the recent major standard-setting projects have been completed, or will soon be completed, the Board will need to continue to devote significant resources to supporting the implementation of those standards, maintaining existing standards, and pursuing projects that improve the effective communication of financial information.

Draft work plan for discussion (other than research projects)

45. In its discussions in March and April 2016, it was clear that the Board accepted many of the messages received:
- (a) completing the insurance contracts project and the revision of the *Conceptual Framework* are important;
 - (b) addressing principles of disclosure and other topics important to investors should be a key prioritising factor;

- (c) there is a need to continue to provide sufficient support to implementing newly issued-standards, to maintain the high quality of IFRS Standards and to promote their consistent application; and
- (d) PIRs provide valuable information about the effect of applying individual Standards and should be treated as a high priority.

46. We developed the draft work plan by considering the messages above and then assessing what resources the Board's main high priority projects and activities (other than research projects) would require throughout the annual forecast periods 2017-2021:

Project	Activity 2017-2021
<i>Major Standards-level projects</i>	
<i>Conceptual Framework</i>	Completion in 2017, with some limited post-issuance activities, principally education, in 2017/18.
Insurance contracts	Completion around the end of 2016, followed by post-issuance support through 2017 and 2018.
Rate-regulated activities	The Board has asked the staff to develop an accounting model for it to assess. Owing to the temporary nature of IFRS 14, standard-setting activity will be needed to conclude this project.
Implementation and other activities	
Implementation activities	<p>This includes implementation and adoption support activities, narrow-scope improvements to Standards and the Education Initiative. The current post-issuance support for IFRS 9 <i>Financial Instruments</i>, IFRS 15 <i>Revenue from Contract with Customers</i> and IFRS 16 <i>Leases</i> is likely to continue for some time.</p> <p>(The current implementation work plan is included as Appendix C to illustrate the level and type of implementation projects that might need to be carried out during the forecast period.)</p>
PIRs	<p>A series of PIRs will be conducted throughout the period, in the following sequence:</p> <ul style="list-style-type: none"> • First: PIR of IFRS 13 <i>Fair Value Measurement</i> • Second: PIR of IFRS 10, IFRS 11, IFRS 12 • Third: PIR of IFRS 5.
SMEs	Interim consultation is possible—public consultation in 2019 is likely.

47. The Board will need to commit a substantial amount of its resources to these areas of its activities. Moreover, it is likely that stakeholders will also need to devote significant financial reporting resources to engaging with the Board’s proposals or dealing with any changes to IFRS Standards.

Draft research programme for discussion

48. The staff next considered how the remaining resources could be used to provide the greatest benefits in delivering the Board's research programme.

Topics considered for inclusion on the research programme

49. At its March and April meetings, the Board discussed the prioritisation of research projects in general and the messages received about the importance and urgency of individual research projects. Those discussions have continued at the May meeting, all based on a series of Agenda Papers. The prioritisation factors underlying those discussions are summarised in Appendix B.
50. Additional projects that were suggested by respondents to the RFV and considered by the Board, but not included in the research programme, are discussed in Agenda Paper 24C *New project suggestions* for discussion at the May 2016 meeting. This was a follow up to Agenda Paper 24F *New projects suggestions* as discussed at the April 2016 meeting.
51. One topic included within the April 2016 discussions was whether the scope of IFRS Standards should be extended to include not-for-profit entities (paragraphs 16-17 and A32 of Agenda Paper 24F). At its April 2016 meeting, the Board tentatively decided to await further discussions of this topic by the Trustees at their May 2016 meeting. In developing a draft work plan for discussion in May the staff has assumed that the Trustees will conclude that the Board should not expand its remit at this time. The Foundation staff will recommend to the Trustees in May that the Board should, however, participate in any future working groups on this topic.

Resourcing constraints

52. Both Board members and stakeholders suffer frustration when projects appear not to be progressing in a timely manner. Consequently, in developing a draft research programme, the staff have assumed that sufficient resources should be dedicated to individual projects to ensure that they progress in a timely manner, while still retaining the required high quality. Consequently, the staff think that

the Board should focus its research activities at any one time on fewer active research projects than are listed on its current research programme.

53. To achieve this, the staff have divided the draft work plan into two sections:
- (a) Active research projects, on which work is being done; and
 - (b) Inactive research projects. The Board expects active work on these projects to start, or restart, at some point during the forecast period 2017-2021.

Prioritisation of individual topics

54. In classifying research projects as inactive or inactive, the staff relied on a number of sources of input:
- (a) messages received from comment letter respondents and from respondents to an online survey, as summarised in papers presented at the Board meetings in April and May 2016; and
 - (b) messages received in outreach and in discussions with the Board's consultative forums, including research topics nominated by the IFRS Advisory Council at its November 2015 meeting.
55. These sources of feedback and their effect on setting the work plan are discussed in greater detail in *Effect of comments received on setting the work plan* Agenda Paper 24B of the April 2016 Board meeting.
56. In assessing the prioritisation of individual research projects, no single criterion among those discussed in Appendix B ranked consistently over any other. Some research projects, such as primary financial statements, were considered high priority because they were of high importance to investors. Other research projects, such as business combinations under common control and financial instruments with characteristics of equity, were considered high priority because any resulting standard-setting activity could fill gaps in IFRS Standards or could build on the *Conceptual Framework*. Others have given rise to repeated requests for review in a number of different forums; an example is goodwill and impairment, which was investigated during the PIR of IFRS 3 *Business Combinations*.

Evolution of the Board's approach to research

57. The Board introduced the research programme in 2012 after the 2011 Agenda Consultation. Its purpose is to analyse possible financial reporting problems to provide the Board with sufficient evidence to decide whether to add a project to its Standards-level programme. Throughout 2011-2015 the Board focussed on completing its major projects and on revising the *Conceptual Framework*. Consequently, the research programme was not treated as a high priority.
58. The RFV could not, therefore, include examples of completed research projects to illustrate the life cycle of a research project. The RFV did not contain a history that showed how projects were added to the research programme, what happened when a research project is completed or how a research project transfers to the standards-level programme. Respondents also expressed concern about the lack of clarity about the distinction between assessment stage research projects and development stage research projects. They commented that it is not clear how projects move from the assessment stage to the development stage.
59. Following feedback received on the agenda consultation the staff think it is important that stakeholders understand that:
- (a) The research programme is separate from the Standards-level major projects. A research project is not a phase of a Standards-level project. Moreover, Standards-level projects are not necessarily either more important or more urgent than research projects.
 - (b) The objective of a research project is to gather evidence about whether a problem exists and whether further research is needed. In order to complete a research project the Board needs to assess whether there is a problem that is worth solving (assessment) and, if so, that a feasible, effective and cost-effective solution exists (development).
 - (c) This two stage approach provides a useful discipline to ensure that both tasks are carried out before taking a decision to add a Standards-level project to the work plan. It also ensures that if it becomes clear during the assessment that no problem exists, the Board should not invest further resource in its development.

(d) Nevertheless, the staff think this distinction should not be too rigid. It is not always necessary to carry out an assessment phase before the development stage. In practice, they could overlap. In some cases the evidence needed for assessment may come from other work such as a PIR or work by the Interpretations Committee.

60. The staff think that it is often difficult to categorise research projects between the assessment and development stage and that the distinction is not useful to stakeholders. Accordingly, in the draft work plan, the staff have not made a distinction between these stages.

Draft research programme

61. In developing the draft research programme, the staff identified four types of projects:

- (a) research projects that will be active at the beginning of the forecast period 2017-2021;
- (b) active projects that are close to completion and for which no work is likely to be required in 2017-2021;
- (c) projects that will initially be inactive, but should become active during the forecast period 2017-2021; and
- (d) projects that should be removed from the research programme.

Active at the beginning of the forecast period 2017-2021

62. In the light of feedback received and of the Board's discussions in April and May, the staff think that the following research projects should be actively pursued from the beginning of the forecast period 2017-2021 for the reasons given:

Project	Comments
Business combinations under common control	Highly ranked by comment letter respondents from a wide range of countries, and in emerging market outreach. Nominated by the Advisory Council. (This project is discussed further in Agenda Paper 23 of the April 2016 Board meeting.)
Disclosure initiative	The principal project remaining in the disclosure initiative is on principles of disclosure. This project was the highest ranked topic by comment letter respondents and was the second highest ranked topic in the online survey. This topic was also nominated by the Advisory Council.
Dynamic risk management	Fundamentally important to those entities affected. The aim is to consider problems with respect to dynamic portfolio hedges, currently covered by IAS 39 <i>Financial Instruments: Recognition and Measurement</i> , that are not solved in IFRS 9. (This project is discussed further in Agenda Paper 4 of the May 2016 Board meeting.)
Financial instruments with characteristics of equity	A fundamental topic to those affected. A high priority to comment letter respondents. Nominated by investors in the online survey. The staff notes that the FASB will soon consult about taking on this topic. (This project is discussed further in Agenda Paper 5 of the April 2016 Board meeting.)
Goodwill and impairment	A high priority topic to comment letter respondents. Important in outreach across a range of geographies; raised in a number of forums over a number of years.

	<p>High importance in the online survey; nominated by the Advisory Council. (This project is discussed further in Agenda Paper 18 of the May 2016 Board meeting.)</p>
<p>Primary financial statements</p>	<p>The scope and objective of the project is currently being developed.</p> <p>High importance to most comment letter respondents, nominated by the Advisory Council, top-rated by both users and non-users in the online survey.</p> <p>A key topic in the Board’s initiative to promote effective communication.</p> <p>The staff note that the FASB is currently working on performance reporting.</p> <p>(This project is discussed further in Agenda Papers 21 of the April and May 2016 Board meeting.)</p>

Active projects that are close to completion

63. The projects on Discount rates and on Share-based payment are close to completion. No further work is likely in the forecast period 2017 to 2021. These projects were discussed in Agenda Paper 17 of the April 12016 Board meeting (discount rates) and Agenda paper 16 of the May 2016 Board meeting (share-based payment).

Projects that will initially be inactive

64. The staff think that there are three types of inactive research projects:
- (a) projects that depend on other activities;
 - (b) projects that can become active if and when resources become available; and
 - (c) inactive projects for which no work is likely to occur during the forecast period 2017-21, but that are likely to require work beyond that point.

Projects that depend on other activities

65. The following projects are dependent on other activities:

Equity method	Awaiting feedback from the information-gathering phase of the PIR of IFRS 11. (This project is discussed further in Agenda Paper 26 of the May 2016 Board meeting.)
Provisions, Contingent Liabilities and Contingent Assets (review of IAS 37)	Initial research is now complete. The remaining step is to consider the implications of the revised <i>Conceptual Framework</i> . Unlikely to be active until 2018 or 2019. (This project is discussed further in Agenda Paper 22 of the April 2016 Board meeting.)

Projects that can become active as resources become available

66. The staff think that the topics listed in the following table will remain inactive until resources become available.

<p>Foreign exchange rates</p>	<p>A number of stakeholders have expressed concerns about cases when an official exchange rate is not realistic, particularly for some currencies subject to hyperinflation. When resources permit, the staff think that the Board should conduct a feasibility review to consider whether it likely to be feasible to develop a narrow-scope amendment. (This project is discussed further in Agenda Paper 24E of the May 2016 Board meeting.)</p>
<p>Pollution pricing mechanisms</p>	<p>Temporarily inactive awaiting staff and Board resources. Those resources are likely to become available in 2017. (This project is discussed further in Agenda Paper 20 of the April 2016 Board meeting.)</p>
<p>Post-employment benefits</p>	<p>At the May 2016 meeting, the staff will recommend further research to investigate whether it is feasible to develop a solution to address an ‘accounting mismatch’ concern for hybrid plans without undertaking a comprehensive review of IAS 19. That research would consider an approach applying solely to benefits that vary with the level of returns on specified assets. (See May 2016 Board Agenda Paper 15 <i>Comments received on the research project</i>.) This feasibility work might commence in 2017.</p> <p>The staff recommends no further research on other aspects of accounting for post-employment benefits.</p>
<p>SMEs that are subsidiaries</p>	<p>The staff recommend that the Board should investigate whether it is feasible to allow subsidiaries that are SMEs to use the recognition and measurement of (full) IFRS Standards combined with the disclosure requirements from the <i>IFRS for SMEs</i>. (This project is discussed further in Agenda Paper 24C of the May 2016 Board meeting.)</p>
<p>Variable and</p>	<p>A cross-cutting issue that has arisen in several topics and</p>

contingent consideration	<p>has been discussed by the Interpretations Committee and the Board. The staff recommend that this topic is investigated when resources become available. The objective of the initial stage of the research would be to identify when a liability should be recognised for a future variable payment and how that liability should be measured, remeasured and presented.</p> <p>Depending on the outcome of this research project, the Board may reconsider the need for a research project on collaborative arrangements.</p> <p>(These projects are both discussed further in Agenda Paper 24C of the May 2016 Board meeting.)</p>
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67. In addition, the staff think it may be worth developing a proposal to withdraw IAS 26 *Accounting and Reporting by Retirement Benefit Plans*. The staff suggest asking national standard-setters in due course to report whether there are any obstacles to developing a proposal to withdraw IAS 26.

Inactive projects for which work is unlikely

68. The following project is currently inactive and no research activity is currently planned.

Extractive industries	<p>IFRS 6 <i>Exploration for and Evaluation of Mineral Resources</i> is a temporary statement and is subject to a number of exemptions. A more permanent solution will be required eventually. The staff recommend that the Board carries out no work on this topic in the period 2017-2021.</p> <p>(This project is discussed further in Agenda Paper 24D of the May 2016 Board meeting.)</p>
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Projects that should be removed from the research programme

69. The staff recommend that the following projects are removed from the research programme for the reasons given:

<p>Foreign currency translation</p>	<p>In October 2014 the Board considered the output of this research project and decided to take no further action. The Board did not receive sufficient reasons in the agenda consultation to change that decision. (This project is discussed further in Agenda Paper 24E of the May 2016 Board meeting.)</p>
<p>High inflation</p>	<p>In April 2015 the Board considered the output of this research project and decided to take no further action. The Board did not receive sufficient reasons in the agenda consultation, or in the subsequent discussion with ASAF, to change that decision. (This project is discussed further in Agenda Paper 24F of the May 2016 Board meeting.)</p>
<p>Income taxes</p>	<p>The staff think that research performed so far, and the feedback received, indicate that:</p> <ul style="list-style-type: none"> • a fundamental review of the Standard is not required; • no narrow scope amendments are worth pursuing; and • it may be worth developing some educational material, especially to explain the nature of the information provided by the temporary difference approach. <p>(This project is discussed further in Agenda Paper 19 of the May 2016 Board meeting.)</p>
<p>Intangible assets and R&D</p>	<p>Any attempt to address recognition and measurement of intangible assets and R&D would be likely to require significant resources, with very uncertain prospects for any significant improvement in financial reporting. Because of the wide range of intangible assets, any</p>

	<p>attempt to improve disclosures would also require significant resources. The staff are not aware of any suggestions for either wide-ranging or targeted disclosure improvements that would produce significant benefits.</p> <p>On the current research programme, intangible assets and R&D are listed together with extractive activities. The Board has done no work on any of these topics in recent years. As noted in paragraph 68, the staff recommend that extractive activities remains on the list of inactive research projects. The staff believe that the Board will be able to progress any possible future work on extractive activities more effectively and more efficiently without trying to address intangible assets at the same time. (This project is discussed further in Agenda Paper 24D of the May 2016 Board meeting.)</p>
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Questions for the Board and next steps

Question 2 for Board members

Do you have any comments on the draft work plan as presented in Appendix A?

Next steps

70. The staff propose taking material based on this Agenda Paper to the June 2016 meeting of the Advisory Council for discussion.
71. The staff intend taking feedback from the meeting of the Advisory Council to the Board in July 2016 as input to the Board's final work plan.

Question 3 and 4 for Board members

What information do you think should be presented to the Advisory Council in support of their discussions of the draft work plan?

Are there any specific topics on which you would like specific advice from the Advisory Council?

Appendix A Presentation of the draft work plan for discussion

A1. Draft major standards-level projects and implementation activities for discussion:

Project	2017	2018	2019	2020	2021
Major standards-level projects:					
Conceptual Framework					
Insurance contracts					
Rate-regulated activities		?	?		
Other activities:					
Implementation activities					
PIRs					
SMEs					
	Period of significant activity				
	Period of planning or post-issuance activity				

A2. The draft research programme for discussion

NB The timings in the research programme indicate the expected level of resources utilised. They are not intended as a forecast for when documents will be published.

Active research projects	2017	2018	2019	2020	2021
Business combinations under common control					
Disclosure initiative, including principles of disclosure project					
Dynamic risk management					
Financial instruments with characteristics of equity					
Goodwill and impairment					
Primary financial statements					
	Period of significant activity (including significant activity on standard-setting that may be needed after the research is complete.)				

The following projects are expected to be completed in 2016 and, consequently, do not appear on the active research programme for the annual forecast period 2017-2021:

- a. Discount rates
- b. Share-based payment

Inactive research projects	Status and potential timing
Equity method	Awaiting feedback from the information-gathering phase of the PIR of IFRS 11. The project direction will be assessed at that time.
Pollution pricing mechanism	Will recommence when resources become available.
Provisions, Contingent Liabilities and Contingent Assets (review of IAS 37)	Dependent on the completion of the <i>Conceptual Framework</i> . Unlikely to start before 2018 or 2019.
SMEs that are subsidiaries	Timing will depend on the outcome of a preliminary feasibility review and the availability of resources.
Variable and contingent consideration	Will commence when resources become available.

The staff recommend that no work is carried out on the inactive research project relating to extractive industries in the period to 2021.

Appendix B Prioritisation of individual research projects

B1. The Board received a number of messages in response to its RFV about how projects on the research programme should be prioritised (summarised in this appendix). In March, April and May, the Board discussed (or will have discussed) those factors and how they affect the prioritisation of potential research projects.

Factors that affect the ranking of individual research projects

B2. Paragraph 55 of the RFV states that in prioritising individual projects on its work plan and allocating resources to them, the Board considers various factors, including:

- (a) the importance of the matter to those who use financial reports;
- (b) the urgency of the problem to be resolved;
- (c) interactions with other current or possible projects;
- (d) the complexity and breadth of the problem to be resolved, and the feasibility of possible solutions being developed;
- (e) the capacity of stakeholders to respond to proposals, both as individual proposals and across the work plan as a whole;
- (f) the overall balance of the work plan and the overall balance in the pipeline of research projects that may ultimately come forward to the Standards-level programme; and
- (g) the availability of sufficient time from Board members and of staff resources.

B3. Some users suggested that the primary factor to consider should be whether a project addresses the needs of users of financial statements. One suggestion was that the Board should put more priority on simple projects that can meet a user need without delay and less on more comprehensive projects that may take longer to deliver benefits to users of financial statements.

- B4. Other suggestions for classifying research projects included prioritising those that would:
- (a) reinforce the principle-based nature of IFRS Standards and strengthen the underlying concepts. by:
 - (i) eliminating inconsistencies between Standards or between Standards and the *Conceptual Framework*;
 - (ii) developing further the principles in the *Conceptual Framework*;
 - (iii) addressing related or cross-cutting issues that may affect two or more Standards.
 - (b) strengthen preparers' ability to communicate information in the financial statements effectively and reinforce the relevance of IFRS Standards by:
 - (i) addressing gaps in IFRS requirements;
 - (ii) addressing emerging issues or changes in economic conditions or business patterns, or evolving information needs of users of financial statements;
 - (iii) improving transparency by making communications with users more straightforward and addressing issues for which existing accounting practice may not fairly present the entity's economic activities;
 - (iv) reducing complexity for investors or preparers;
 - (v) increasing the understandability of the requirements and the information produced.
 - (c) support the implementation of IFRS Standards and their consistent application by:
 - (i) addressing implementation problems in a timely manner;
 - (ii) addressing an inconsistency in application;
 - (iii) addressing issues identified through PIRs.
 - (d) support the IFRS Foundation in achieving its stated goals, such as by:
 - (i) improving global comparability through increased convergence.

- (ii) addressing local carve-outs and barriers to adoption.
- (iii) dealing with issues that are wide spread and not limited to one jurisdiction or one industry.

B5. The staff also note that some topics may be urgent because:

- a) a Standard was intended to be only a temporary solution to the issue; or
- b) the topic has been problematic for some time and this has been dealt with on a temporary basis by excluding that type of transaction from the scope of individual IFRS Standards.

Convergence as a prioritisation factor

B6. We heard mixed views about the importance of convergence with US GAAP or with other national GAAPs when considering the Board’s work plan. Some respondents discussed how to maintain convergence of Standards that are already fully or nearly converged with US GAAP. Others suggested that the Board should seek further convergence with other GAAPs, and especially with US GAAP, by working together on topics that are taken onto either Board’s work plan.

B7. Other respondents were not in favour of increasing the convergence of IFRS Standards with US GAAP. These respondents think that convergence had led IFRS Standards away from principles-based standard-setting and that developing complex and detailed requirements consumed the Board’s resources. Many of these respondents thought that the Board should instead concentrate on servicing those who have adopted IFRS Standards and should improve those Standards as much as possible.

B8. The staff notes that the Financial Accounting Standards Board (FASB) intends to issue an Invitation to Comment on its agenda. At its 3 February 2016 meeting, the FASB recommended that the following financial reporting topics be included in its Invitation to Comment:

- (a) performance reporting, other comprehensive income, cash flows and segment reporting;
- (b) distinguishing liabilities from equity;

- (c) intangible assets; and
- (d) pensions and other post-retirement benefits.

B9. The IASB staff think that the FASB will issue an Invitation to Comment in Q2 2016. We will continue to monitor that consultation process.

A methodology for weighting prioritisation factors

B10. Several respondents wanted to know how prioritisation factors would be weighted by the Board. Different respondents to the RFV weighted factors differently. Some of the factors or project classifications overlapped. Consequently, most respondents accepted that the Board would need to consider a range of factors when considering which projects to carry out and how to prioritise them.

B11. In developing the work plan, the staff considered the various prioritisation suggestions received and considered whether a matrix of factors could be constructed that would apply equally to all topics when prioritising individual research projects. The staff think that:

- (a) it would be difficult to devise such a matrix given the number of possible factors to be considered and the variation in weighting that might be put on each factor.
- (b) all factors suggested have merit when prioritising individual topics and the key factor that influences the Board’s decision may differ from one project to another.
- (c) in assessing the overall balance of the work plan, the Board may well wish to include some projects that rank highly on some factors and other projects that score highly on other factors.

B12. The staff suggested that, rather than constructing a matrix of factors, it may be easier when reviewing individual research projects to use the various prioritising factors as a tool to identify which projects support the overall objective of the Board’s work plan, ie the achievement of the Trustees’ and the Board’s goals.

B13. At the April 2016 Board meeting the Board also considered top level messages about the prioritisation of individual research projects by reviewing the priority

assigned to individual projects by comment letter respondents, participants in an online survey (split between users and non-users) and the IFRS Advisory Council. This analysis is available in paragraphs 33-38 of Agenda Paper 24B of the April 2016 meeting.

Appendix C Implementation projects at 22 April 2016

- C1. The implementation projects that are on the Board’s work plan as at 22 April 2016 are listed below to illustrate the level and type of implementation projects that might need to be carried out during the forecast period 2017-2021.

Annual Improvements 2014–2016
Annual Improvements 2015-2017
Amendments to IFRS 4: Applying IFRS 9 <i>Financial Instruments</i> with IFRS 4 <i>Insurance Contracts</i>
Clarifications to IFRS 8 arising from the Post-implementation Review
Clarifications of Classification and Measurement of Share-based Payment Transactions
Classification of Liabilities
Definition of a Business
Disclosure Initiative—Changes in Accounting Policies and Estimates
Fair Value Measurement: Unit of Account
Remeasurement at a Plan Amendment, Curtailment or Settlement / Availability of a Refund of a Surplus from a Defined Benefit Plan
Remeasurement of previously held interests - obtaining control or joint control in a joint operation that constitutes a business.
Transfers of Investment Property (Proposed amendments to IAS 40)
Draft IFRIC Interpretation—Uncertainty over Income Tax Treatment
Draft IFRIC Interpretation—Foreign Currency Transactions and Advance Consideration