CONTACT(S)	Izabela Ruta	iruta@ifrs.org	+44 (0)20 7246 6957

Introduction

1. The Global Preparers Forum (GPF) held a meeting in London on 29 November 2016.

2. In this meeting, GPF members discussed the following topics:

   (a) IASB® and IFRS® Interpretations Committee (the Interpretations Committee) Update (paragraphs 3-4);

   (b) Post-implementation Review of IFRS 13 *Fair Value Measurement* (paragraphs 5-10);

   (c) Education Initiative commercial publications (paragraphs 11-13);

   (d) Definition of a Business (paragraphs 14-16).

IASB and Interpretations Committee Update (Agenda Paper 1)

3. The IASB Executive Technical Director provided an overview of the International Accounting Standards Board (the Board)'s work plan, focusing on how it reflects messages received during the Board's 2015 Agenda Consultation. He said that the four key conclusions of the Agenda Consultation process are:

   (a) the need to complete the projects on Insurance Contracts and on the Conceptual Framework;

   (b) the importance of promoting better communication between preparers and users of financial statements. The projects under that theme are: Primary Financial Statements, Principles of Disclosure, the Materiality Practice Statement and IFRS Taxonomy;

   (c) the importance of continuing to develop implementation support of new Standards; and

(d) the need for a more focused research programme in order to make more timely progress by:

(i) focusing the active research programme on fewer projects; and

(ii) creating a pipeline of future research projects, on which the Board which will not start work immediately but expects to carry out work before the next agenda consultation.

4. There was a discussion on the following topics:

(a) the relevance of IFRS Standards—considering the recent developments in Integrated Reporting and the increasing use of alternative performance measures (APMs). The Executive Technical Director explained that in its 2015 Review of Structure and Effectiveness, Trustees advised the Board to dedicate modest staff resources to wider corporate reporting and to co-operate with, and monitor the developments of, bodies such as the Corporate Reporting Dialogue, and the International Integrated Reporting Council. The Advisory Council had further encouraged the Board to monitor developments, but not take the lead in this area. In addition, APMs will be addressed in the Principles of Disclosure and Primary Financial Statements projects.

(b) the process with respect to national standard-setters' projects that contribute to IASB projects, referring to the UK Financial Reporting Council (FRC)'s work on the statement of cash flows. The Executive Technical Director clarified that the recently issued FRC discussion paper is a staff paper that represents neither the FRC's views nor the Board's. The feedback received on this Discussion Paper will inform the IASB project on Primary Financial Statements, which is subject to the IASB's own due process.

Post-implementation Review (PIR) of IFRS 13 Fair Value Measurement (Agenda Paper 2)

5. As a part of Phase 1 of the PIR on IFRS 13, the staff sought feedback from the GPF members on their experience with implementing IFRS 13.

6. The GPF members noted that IFRS 13 is generally working well however they commented on some matters.

7. Several GPF members stated that IFRS 13 requires entities to measure a quoted investment by reference to the market price of the individual instruments comprised in the investment (ie apply the so-called P×Q approach). These members think that, in some circumstances, this measurement was not relevant for the unit of account being measured at fair value as it is not able to reflect its key features (for example, the value of acquiring control in an investee). These GPF members stated that, in their experience, auditors and regulators favoured the P×Q approach and because of this they were of the view that there was no diversity in practice.

8. Several GPF members also questioned the effectiveness of the disclosures required under IFRS 13 (in particular the disclosures for instruments measured at Level 3 of fair value hierarchy) as in many instances the information was presented in a too aggregated manner for it to be useful in their opinion.

9. Individual GPF members commented on further matters including:

   (a) using market inputs when markets did not appear to be efficient, ie they questioned whether it is appropriate to always prioritise Level 1 inputs;

   (b) measuring the fair value was inherently difficult for instruments such as unquoted equity shares, some biological assets, intercompany loans and the measurement of own credit risk of industrial entities. Some members questioned whether fair value is the most appropriate measurement basis for some of these instruments;

   (c) the interaction of IFRS 13, which assumes that fair value can always be measured, with other IFRS Standards that require fair value only when it can be reasonably or reliably measured yet no guidance exists on when a measurement is reasonable/reliable; and

   (d) usefulness of determining an asset's recoverable amount on the basis of market prices which may reflect use other than the asset's current use. This approach may result in no impairment even if the asset's current and intended use was not going to create sufficient cash flows to recover its carrying amount.

Next steps

10. At its January 2017 meeting the Board will discuss the feedback received during the first phase of the PIR of IFRS 13 for the purposes of determining the scope of the review.

Education Initiative commercial publications (Agenda Paper 3)

11. Matt Tilling, the new Director of Education, introduced himself, the Business Development Director and a colleague from the Education Initiative. The Director of Education gave an overview of the four key areas of work of the Education Initiative: conferences; academic outreach; continuing professional development; and publications. The purpose of the session was to discuss possible improvements to the Education Initiative's two key commercial publications.

12. GPF members made the following suggestions for improving *A guide through IFRS Standards* (the Green Book):

    (a) The basis of preparation was discussed at length.

        (i) There was general agreement that it would be good to change the basis of preparation so that it includes only the Standards that are currently effective;

        (ii) One GPF member wished to have both versions (Standards that are effective; and the latest versions of the Standards that have been issued even if they are not effective);

        (iii) One GPF member asked for a version for those that had adopted the 2013 version of IFRS 9;

        (iv) One GPF member asked for users to have the option (in an online version) to select which Standards they were implementing and get a customised version;

    (b) Ideas for addition or modifications to the book:

        (i) The Transition Resource Group discussions as additional annotations;

        (ii) Flag future developments by noting where ongoing IFRIC discussions and ongoing agenda projects relate to an existing Standard;

(iii) Include the Basis for Conclusions and illustrative examples with the Standard, rather than in a separate volume; although another GPF member preferred them to remain in a separate volume;

(iv) Match the disclosure requirements to the XBRL tagging;

(v) Add links to other education material;

(vi) Add examples if possible, e.g. sample disclosures.

(c) Ideas related to the format of the publication:

(i) Make it available in CD format;

(ii) Divide the book up so that each publication was just one Standard;

(iii) Move away from the focus on books to an online focus;

(d) Ideas related to language and timing:

(i) Publish in additional languages;

(ii) Publish earlier in the year than at present;

13. In general GPF members questioned whether the format of the publication *A Briefing for Chief Executives, Audit Committees and Boards of Directors* was appropriate for the target audience. GPF members made the following suggestions:

(a) Change the focus so that it addresses only what will change, ie ignore the stable Standards and summarise only the Standards that have been issued but are not yet effective; also summarise Exposure Drafts issued because these will impact future Standards;

(b) Add the consequences of applying each Standard, for example, whether performance measures will change;

(c) If we retain information about the stable Standards:

(i) limit what we say about any particular Standard to the judgements and estimates used in implementing that Standard; this would arm audit committee members on how best to challenge management;

(ii) re-organise the summaries in the order in which the financial statements are presented;

(iii) add an index;

(d) Build on the existing “Snapshots”/“Project Summary and Feedback Statements”/ “Effects Analysis”;

(e) Limit to 10 pages in total;

(f) If resources are short, concentrate on the Green Book before this publication.

Definition of a Business (Agenda Paper 4)

14. The purpose of this session was to understand and discuss GPF members’ views on the Exposure Draft *Definition of a Business and Accounting for Previously Held Interests* (Proposed amendments to IFRS 3 and IFRS 11) (the ‘Exposure Draft’).

15. GPF members were asked whether the proposed amendments were practical, helpful and operational. Some GPF members welcomed the proposed amendments. One GPF member noted that the screening test was practical, helpful and would reduce complexity in making the assessment. Another GPF member noted that the proposed amendments on assessing substantive processes when an integrated set of activities does not generate outputs are useful. Other comments primarily focussed on:

(a) need for further clarification of what would constitute a single asset/group of similar assets. This is because of the:

(i) interdependency of assets – for example, certain tangible assets might be separate but depend on each other and are often viewed as one unit (for example, mineral reserves and mining equipment). It was not clear if they could be treated as either one asset or a group of similar assets.

(ii) negative definition of ‘group of similar assets’ rather than positive – some GPF members recommended using a positive definition, for example, grouping assets that share a similar risk profile.

(iii) complementary intangible assets – one GPF member questioned how the proposed requirements interact with the requirements of paragraph 37 of IAS 38 which allows an entity to recognise a group of complimentary intangible assets as a single asset. A Board member noted that the purpose of the screening test is different from IAS 38 and the requirements do not necessarily need to be aligned.

(b) operationality of the screening test:

(i) one GPF member noted that the screening test appeared to be based on a relative comparison of values and might therefore, lead some businesses to be accounted for as assets. For example, suppose that an entity acquires a set of activities where substantially all of the fair value is concentrated in a single intangible asset (such as a mine or a patent) but the entity also acquires a workforce that performs a critical process. In this case, the screening test might lead the entity to conclude it has not acquired a business (because substantially all fair value is concentrated in a single asset) and this conclusion might not be appropriate in some cases. Accordingly, one member suggested that 'substantially all' may not be the appropriate criteria and the assessment should not be based on an assessment of relative values. However, another GPF member challenged whether, in the scenario described, there would be a material difference between accounting for the purchase as a business combination or an asset acquisition.

(ii) one GPF member suggested that the test should not be mandatory, but rather an indicator or a rebuttable presumption. A Board Member noted that the purpose was to simplify the assessment and questioned whether having the test as an indicator or a rebuttable presumption would achieve the desired outcome of reducing preparer costs and efforts or would instead lead to an additional judgement criterion.

(iii) another GPF member noted that the test may need to be amended to adapt to bargain purchase transactions.

(c) Some GPF members questioned how an entity would assess whether it has acquired a significant process when the entity acquires a workforce through a contract arrangement (such as a white label arrangement) or acquires a workforce for a short period of time. One member noted that it may be useful to expand the discussion in paragraph B12C of the proposed amendments.

(d) Other comments:

(i) One GPF member noted that changes proposed to key concepts (such as the definition of outputs) are useful and positive.

(ii) One GPF member noted that although the outcomes are intended to be aligned with US GAAP, differences in wording may create problems for dual-listed entities.

(iii) Two GPF members thought example D (acquisition of a manufacturing facility) was misleading and recommended amending that example. One GPF member also disagreed with the conclusion in Example K (acquisition of a mortgage loan portfolio).

Next steps

16. Feedback received from the GPF will be shared with the Board when it redeliberates the proposals in the Exposure Draft. The Board expects to start redeliberating the proposals in the first quarter of 2017.

Next meeting

17. The next GPF meeting will be held on 8 March 2017.