

## STAFF PAPER

July 2016

## IFRS® Interpretations Committee Meeting

Project	Foreign Currency Transactions and Advance Consideration		
Paper topic	Due Process		
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This paper has been prepared for discussion at a public meeting of the IFRS Interpretations Committee (the Interpretations Committee). Comments on the application of IFRS Standards do not purport to set out acceptable or unacceptable application of those IFRS Standards—only the Interpretations Committee or the International Accounting Standards Board (the Board) can make such a determination. Decisions made by the Interpretations Committee are reported in IFRIC® *Update*. The approval of a final Interpretation by the Board is reported in IASB® *Update*.

**Objective**

1. This paper sets out the due process steps taken in the development of the IFRIC Interpretation *Foreign Currency Transactions and Advance Consideration* (the Interpretation).
2. This paper is structured as follows:
  - (a) Confirmation of due process steps (paragraph 7);
  - (b) Re-exposure (paragraphs 8–10);
  - (c) Permission to ballot (paragraph 11);
  - (d) Support for the Interpretation (paragraph 12);
  - (e) Effective date and transition (paragraph 13); and
  - (f) Proposed timetable for balloting and ratification by the International Accounting Standards Board (the Board) (paragraphs 14 and 15).
3. Appendix A presents the actions the Interpretations Committee has taken to meet the due process requirements as set out in paragraphs 7.14–7.22 of the *Due Process Handbook* for finalising an Interpretation.

## **Background**

1. The Interpretations Committee published a draft IFRIC Interpretation *Foreign Currency Transactions and Advance Consideration* in October 2015.
2. The draft Interpretation included proposals on how to determine the spot exchange rate to use on initial recognition of the asset, expense or income (or part of it) applying paragraphs 21–22 of IAS 21 *The Effects of Foreign Exchange Rates* when consideration is paid or received in advance. The draft Interpretation proposed that the date of the transaction for use on initial recognition of the asset, expense or income is the date of initial recognition of the non-monetary asset or non-monetary liability relating to advance consideration.
3. The draft Interpretation had a 120-day comment period, which ended on 19 January 2016. 45 comment letters were received. Agenda paper 7A of the May 2016 Interpretations Committee meeting sets out a summary of the feedback received on the draft Interpretation.

## **Staff analysis and recommendation**

### ***Confirmation of due process steps***

4. Appendix A of this paper summarises the due process steps we have taken in developing the Interpretation. We note that the required due process steps for the issue of the final Interpretation have been completed.

### ***Re-exposure***

5. The staff recommend that the Interpretations Committee need not re-expose the Interpretation. In making this recommendation, the staff have considered the requirements of paragraphs 6.25–6.29 of the *Due Process Handbook*.

6. Overall, respondents supported the proposals in the draft Interpretation and no substantial issues were identified. The Interpretations Committee has requested a number of clarifications; the clarifications are consistent with the proposals set out in the draft Interpretation and do not include substantial changes.
7. Consequently, we think that there are no substantial changes being made on which respondents have not had the opportunity to comment. Therefore, re-exposure would be unlikely to reveal any new concerns.

### ***Permission to ballot***

8. The Interpretations Committee has undertaken the due process activities ‘required’ in the *Due Process Handbook* (see Appendix A) to finalise the Interpretation. If the Interpretations Committee is satisfied that it has been provided with sufficient analysis, and has undertaken appropriate consultation to support the issuance of the final Interpretation, the staff request permission to start the balloting process.

### ***Support for the Interpretation***

9. Any Interpretations Committee member who plans to object to the Board issuing the final Interpretation is asked to make their intention known at this meeting. Paragraph 7.20 of the *Due Process Handbook* requires the technical staff to identify to the Board how many Interpretations Committee members object to the Interpretation and their reasons for doing so. Consequently, if any member plans to object to the Board issuing the Interpretation, they will be asked to provide an explanation of their reasons for the objection.

### ***Effective date and transition***

10. The effective date and the transition proposals are discussed in paragraphs 30 to 49 of Agenda paper 3A for this meeting.

***Proposed timetable for balloting and ratification by the Board***

11. The balloting process for the Interpretation will commence in July 2016 with the issue of the final Interpretation planned towards the end of 2016.
12. We plan to ask the Board to ratify the Interpretation at its meeting in October 2016, once the balloting process is complete.

**Questions for the Interpretations Committee**

1. **Re-exposure**—does the Interpretations Committee agree with the staff recommendation not to re-expose the Interpretation?
2. **Permission to ballot**—is the Interpretations Committee satisfied that the due process requirements have been met and that it has undertaken sufficient consultation and analysis to begin the balloting process for the Interpretation?
3. **Support**—does any member of the Interpretations Committee plan to object to the Board issuing the Interpretation?

## Appendix A—Due Process Steps

<i>Step</i>	<i>Required /Optional</i>	<i>Metrics or evidence</i>	<i>Evidence provided to the Due Process Oversight Committee (DPOC)</i>	<i>Actions</i>
<b>Consideration of information gathered during consultation</b>				
<b>The Interpretations Committee posts all comment letters received in response to the draft Interpretation on the project website.</b>	Required if request issued.	Letters have been posted on the project website.	The Board has reported on the progress, including a summary of statistics of respondents, as part of its technical update report at Trustee meetings.	All letters have been posted to the website.
<b>Interpretations Committee meetings are held in public and all decisions are made in public.</b>	Required.	Meetings held.  Project website contains a full description with up-to-date information.  Meeting papers have been posted in a timely fashion.	The Board has reported on progress as part of its technical update report at Trustee meetings.	The website has been updated.  Meeting papers have been posted on time.
<b>The Interpretations Committee is satisfied that sufficient outreach has been undertaken.</b>	Required.	Analysis of outreach has been undertaken, or an explanation has been given as to why no additional outreach was necessary.	The Interpretations Committee has reported on progress as part of its technical update report at Trustee meetings.	Yes.
<b>Email alerts are issued to registered recipients.</b>	Optional.	Evidence that alerts have occurred.	The DPOC has received a report of outreach activities.	Yes.
<b>Finalisation</b>				
<b>Due process steps are reviewed by the Interpretations Committee.</b>	Required.	Summary of all due process steps discussed by the Board before an Interpretation is issued.	The DPOC has received a summary report of the due process steps that have been followed before the Interpretation is issued.	As set out in this Agenda paper.
<b>Consideration for the need for re-exposure of the Interpretation.</b>	Required.	An analysis of the need to re-expose has been considered at a public Interpretations Committee meeting, using the agreed criteria.	The Board has discussed its thinking on the issue of a re-exposure with the DPOC.	As set out in this Agenda paper.

The IFRS Interpretations Committee is the interpretative body of the International Accounting Standards Board, the independent standard-setting body of the IFRS Foundation.

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<i>Step</i>	<i>Required /Optional</i>	<i>Metrics or evidence</i>	<i>Evidence provided to the Due Process Oversight Committee (DPOC)</i>	<i>Actions</i>
<b>The Interpretations Committee sets an effective date for the Interpretation, considering the need for effective implementation.</b>	Required.	Effective date has been set, with full consideration of the implementation challenges.	The DPOC has been informed of any proposed shortening of the period for effective application before the Interpretation is released.	See Agenda paper 3A of this meeting.
<b>Ratification of an Interpretation by the Board.</b>	Required.	The Board has discussed the Interpretation at a public meeting.	The DPOC has been informed of the Board's discussions, including whether any Board members are dissenting from the Interpretation.	Planned for October 2016.  A copy of this paper will be sent to the DPOC.
<b>Drafting</b>				
<b>Drafting quality assurance steps are adequate.</b>	Required.	The Translations team has been included in the review process.	The DPOC has received a summary report of the due process steps followed before the Interpretation is issued.	To be undertaken as part of the balloting process.
<b>Drafting quality assurance steps are adequate.</b>	Required.	The XBRL team has been included in the review process.	The DPOC has received a summary report of the due process steps followed before the Interpretation is issued.	To be undertaken as part of the balloting process.
<b>Drafting quality assurance steps are adequate.</b>	Optional.	The Editorial team has been included in the review process.  In addition, external reviewers have been used to review drafts for editorial review and the comments have been collected and considered by the Interpretations Committee.	The DPOC has received a summary report of due process steps followed before the ED is issued, including the extent to which external reviewers have been used in the drafting process.	To be undertaken as part of the balloting process.
<b>Drafting quality assurance steps are adequate.</b>	Optional.	Review draft has been made available to members of the International Forum of Accounting Standard-Setters (IFASS) and comments have been collected and considered by the Interpretations Committee.	The DPOC has received a summary report of the due process steps followed before the Interpretation is issued.	To be undertaken as part of the balloting process  The DPOC will be sent a copy of this Agenda paper.

<i>Step</i>	<i>Required /Optional</i>	<i>Metrics or evidence</i>	<i>Evidence provided to the Due Process Oversight Committee (DPOC)</i>	<i>Actions</i>
<b>Publication</b>				
<b>Interpretation is issued.</b>	Required.	Official release.	The DPOC has been informed of the release.	See this Agenda paper.
<b>Press release to announce final IFRS Standard.</b>	Required.	Release has been announced in a timely fashion. Media coverage of the release.	The DPOC has received a copy of the press release and a summary of the media coverage.	To be agreed at a later date.