STAFF PAPER

15-16 June 2017

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

Project	IASB update		
Paper topic	Follow up on issues discussed at the March 2017 GPF meeting		
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The purpose of the session

1. This paper provides a brief, high-level update to the Global Preparers Forum (GPF)[1] on how the International Accounting Standards Board® ("the Board") or the staff considered the advice received during the GPF meeting held in March 2017. It is for information only.

[1] Information about the GPF's past meetings (including detailed notes from the meetings) can be found at http://www.ifrs.org/About-us/IASB/Advisory-bodies/GPF/Pages/GPF-meetings.aspx.

Update on advice received at the March 2017 GPF meeting

Topic	Summary of GPF views presented[2]	Action taken / next steps
Implementation activities and maintenance projects: IFRS 1: A reserve of a subsidiary that adopts IFRSs later than parent company	The question regards a situation in which a subsidiary applies the exemption in paragraph D16(a) of IFRS 1 *First-time Adoption of International Financial Reporting Standards* to its foreign currency translation reserve (FCTR). GPF members were asked whether they have seen this situation in practice and, if so, the accounting treatment applied. GPF members indicated that they did not consider this situation in which a subsidiary can apply the exemption in paragraph D16(a) of IFRS 1 to its foreign currency translation reserve (FCTR) to be common. Some members said standard setting is not needed in this respect. Members noted that IFRS 1 is available to a subsidiary on its date of transition to IFRSs, irrespective of the decisions made by the parent. One member thought that, in such a situation, a subsidiary should be able to use the same amount of FCTR in its financial statements that is used in its parent's consolidated financial statements.	The issue and feedback from the GPF was discussed at the Committee meeting in March 2017 (feedback was provided orally because the GPF meeting was held after agenda papers were provided to the Committee members).
Implementation activities	GPF members were asked if they agree with the proposed amendments	The issue is the subject of

[2] For the details on the feedback received from GPF, please follow this link: http://www.ifrs.org/About-us/IASB/Advisory-bodies/GPF/Documents/GPF-March-2017-Meeting-Summary.pdf

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and maintenance projects: IAS 12: Income tax consequences of payments on financial instruments classified as equity	to IAS 12 in the Exposure Draft *Annual Improvements to IFRS Standards® 2015-2017 Cycle*. The proposed amendments clarify that an entity should account for all income tax consequences of dividends in the same way, regardless of how the tax arises. Many GPF members agreed with the proposed amendments to IAS 12. Some members suggested that the Board should consider any possible consequences on an entity's effective tax rate and on earnings per share before finalising the amendments. Some also said it might be difficult to assess whether a payment is a distribution of profit.	proposals in the Exposure Draft *Annual Improvements to IFRS Standards® 2015-2017 Cycle*. The comment deadline was 12 April 2017. The staff will summarise the feedback received, including that from the GPF, at a future Board meeting.
Implementation activities and maintenance projects: IAS 28: Long-term interests in associates and joint ventures	GPF members were also asked if they agree with the proposed amendments to IAS 28. The Board proposes to clarify that an entity is required to apply IFRS 9 *Financial Instruments*, including its impairment requirements, to long-term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint venture but to which the equity method is not applied. GPF members generally agreed with the proposed amendments and with the Board's decision not to revisit the accounting for long-term interests at this stage. Some members said:	The issue is the subject of proposals in the Exposure Draft *Annual Improvements to IFRS Standards® 2015-2017 Cycle*. The comment deadline was 12 April 2017. Feedback received, including the comments provided by GPF members, was considered by the Board at its May meeting.

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	• the application of the proposed amendments could result in inappropriate outcomes in some situations; • the Board should consider how an entity accounts for long-term interests in its separate financial statements; and • in substance, the nature of long-term interests is similar to equity investments in an associate. Accordingly, an entity should apply IAS 28 to account for long-term interests.	
Implementation activities and maintenance projects: IAS 12: Interest and penalties related to income taxes	GPF members were asked about their experience of interest and penalties related to income taxes (interest and penalties). Specifically, GPF members were asked whether interest and penalties are material, how they account for interest and penalties and the implications of those accounting treatments. GPF members said that interest and penalties can, in some cases, be material, and may become more significant as tax authorities become more aggressive in collecting taxes. GPF members said that, in some cases, it is difficult to identify interest and penalties separately from income tax amounts, particularly in jurisdictions for which entities negotiate a combined position with a tax authority.	The issue and feedback from the GPF was discussed at the Committee meeting in March 2017 (feedback was provided orally because the GPF meeting was held after agenda papers were provided to the Committee members).

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	Some GPF members said that they account for interest and penalties applying IAS 12 *Income Taxes*, while others apply IAS 37 *Provisions, Contingent Liabilities and Contingent Asset*s. GPF members said that, in their view, the most significant implication of applying IAS 12 to interest and penalties rather than IAS 37 relates to where an entity presents these amounts in the statement of profit or loss.	
Impairment of goodwill The staff asked for ideas from the GPF members about possible simplifications to the goodwill impairment testing requirements in IAS 36 *Impairment of Assets*.	Several GPF members favoured an indicator approach to provide relief from annual testing and relaxing the restrictions on cash flows to be included in computing value in use. In relation to the indicator approach, one GPF member asked the staff to consider whether missing the budgeted targets should be an indicator that triggers impairment testing. In relation to the one-model approach, a few GPF members indicated a preference for a model that uses value in use because they think that: • in practice, entities end up using value in use because there is usually no observable price for a CGU, and when an observable price is available, that price is not a better reflection of the value of the CGU, for example if the price is observed only for a small block of shares and does not reflect a control premium; and	The staff presented the feedback from the GPF to the Board in the May 2017 Board meeting (see Appendix A of Agenda Paper 18A). The staff will consider the feedback in developing the Board's views about possible approaches to simplify the impairment testing model in IAS 36.

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	• value in use better reflects the fact that an entity holds, for example, property, plant and equipment for use in the production or supply of goods or services; Individual GPF members had other suggestions for clarifications or changes that the Board could make to IAS 36. One GPF member said that the objective of the research project should not be to simplify the impairment testing, but to make the testing more robust.	
IFRS Taxonomy, common practice and supporting materials Staff discussed: • Reporting areas where improvements to the IFRS Taxonomy may be needed to cover sufficiently IFRS reporting practice ie common practice; • Additional taxonomy	GPF members had the following general suggestions on areas for future common practice reviews: • Work closely with industry groups, other taxonomy standard setters and organisations that review accounting trends, such as for example the American Institute of CPAs. • One GPF member suggested reducing the number of common practice elements. This member expressed a concern that structured electronic reports may encourage investors to compare information that has been defined differently across entities and countries. The staff responded to this concern stating that this risk applies regardless of the format used to deliver the data.	The IFRS Taxonomy team continues to consider how to best engage external stakeholders in the review of common practice projects.

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materials preparers might need to support consistent and accurate mark-up of IFRS financial statements using the IFRS Taxonomy.	GPF members did not have any views on additional taxonomy guidance or supporting materials.	
Business Combinations under Common Control (BCUCC) The staff: • discussed the staff's preliminary views on reporting BCUCC; and • asked for initial reactions on those preliminary views.	Only a few GPF members provided questions or comments on the topic. Some supported the staff preliminary view, in particular Approach 1 ie to apply the predecessor method to all business combinations under common control and group restructurings. Others suggested that: • it is possible to distinguish BCUCC with different economic characteristics; however, no specific suggestions were made; • the Board should clarify the description of BCUCC, in particular the description of common control; and • if the predecessor method is used to account for BCUCC, a requirement to disclose fair value information would create an extra burden on preparers.	The Board expects to resume deliberations in H2 2017. Feedback received from the GPF will be shared with the Board in future deliberations.