STAFF PAPER

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Prepared for the Global Preparers Forum Meeting

Project	**IASB update**
Paper topic	Follow up on issues discussed at the November 2016 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 November 2016. 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 November 2016 GPF meeting

Topic	Summary of GPF views presented[2]	Action taken / next steps
Post-implementation Review of IFRS 13 *Fair Value Measurement* GPF members were asked about major issues encountered by preparers with how IFRS 13 *Fair Value Measurement* works in practice.	The GPF members noted that IFRS 13 is generally working well however they commented on some matters. 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. 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	The feedback from GPF during Phase 1 of the project was included in Agenda Paper 7C[3] for the January 2017 Board meeting. At that meeting the Board decided to issue a Request for Information (RFI) seeking information on the most significant matters raised during Phase 1 of this Post-implementation Review. The Board expects to issue the RFI in Q2 of 2017.

[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-Nov-2016-Minutes.pdf

[3] Reference: http://www.ifrs.org/Meetings/MeetingDocs/IASB/2017/January/AP07C-IFRS-13.pdf

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	their opinion. 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	

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	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.	
Education Initiative commercial publications GPF members were asked for suggestions on how the Education Initiative could make the following commercial publications more useful: • *A Guide through IFRS Standards* (the 'Green Book'); and • *A Briefing for Chief Executives, Audit Committees and Boards of Directors*.	GPF members made a number of suggestions for improving *A Guide through IFRS Standards* (the Green Book). Suggestions focussed on: (a) The basis of preparation. (b) Additions and/or modifications to the content. (c) Format of the publication. (d) Language and timing of the publication. 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 a number of suggestions for developing the publication. Members considered which Standards to summarise and what to focus on for each Standard. Members commented that if resources are short, it might be preferable to concentrate on the Green Book before this publication.	The feedback received is being considered in the development of the 2017 edition of the Green Book. This is expected to be issued during summer 2017. The feedback is informing our thinking on new directions for the Briefing.

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Definition of a Business The comment deadline for the recent Exposure Draft *Definition of a Business and Accounting for Previously Held Interests* (Proposed amendments to IFRS 3 and IFRS 11) had recently passed so the staff took opportunity to discuss in more depth GPF members' views on the proposals. 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 referred to the proposed amendments on assessing substantive processes when an integrated set of activities does not generate outputs and stated that the amendments would be 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 such as mineral reserves and mining equipment might be separate but depend on each other and are often viewed as one unit. 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 (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	Feedback received from the GPF was shared with the Board in Agenda Paper 13[4] for its meeting in February 2017.

[4] Reference: http://www.ifrs.org/Meetings/MeetingDocs/IASB/2017/February/AP13-Definition-of-a-business.pdf

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	entity to recognise a group of complementary intangible assets as a single asset. (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. 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 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. (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	

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	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).	