IFRS™

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STAFF PAPER

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IFRS® Interpretations Committee Meeting

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

Background

1. The IFRS Interpretations Committee (the Committee) works together with the International Accounting Standards Board (the Board) in supporting the application of IFRS Standards. The Committee responds to application questions submitted by stakeholders by either:

    (a) issuing educative agenda decisions when the principles and requirements in the Standards provide an adequate basis for an entity to determine its accounting. In this case, the agenda decision includes educative material, pointing to the relevant principles and requirements; or

    (b) developing an IFRS Interpretation, or a narrow-scope amendment to the Standards, when the issue can be resolved effectively by adding to, or changing, the existing requirements.

2. Sometimes, the Committee is unable to respond to a question submitted. This is the case when the issue can be addressed effectively only by considering it in a broader context—any narrow-scope standard setting would risk creating new questions or

inconsistencies. In this respect, paragraphs 5.16 and 5.17 of the *Due Process Handbook—June 2016* says the Committee should address issues that, among others:

> 'can be resolved efficiently within the confines of existing IFRSs and the *Conceptual Framework for Financial Reporting*…The issue should be sufficiently narrow in scope that it can be addressed in an efficient manner by the Committee, but not so narrow that it is not cost-effective for the Committee and interested parties to undertake the due process that would be required when making changes to IFRSs.'

3. If an issue does not meet this agenda criterion, the Committee issues an agenda decision explaining the Committee's conclusion that the issue could not be resolved in isolation of a wider consideration of the particular topic area. In such cases, the issue is reported to the Board for further consideration.

Objective and structure

4. This paper provides the Committee with a summary of the status of issues previously reported to the Board. It is structured as follows:

   (a) methodology for selection of issues discussed in this paper;

   (b) summary of our findings; and

   (c) issue selected for further consideration by the Committee.

5. The paper has three appendices:

   (a) Appendix A summarises issues the Board is considering as part of its active work plan.

   (b) Appendix B summarises issues the Board will consider as part of its future work plan.

   (c) Appendix C summarises issues the Board considered and did not add to its work plan.

Methodology for selection of issues discussed in this paper

6. In May 2012, the Trustees of the IFRS Foundation completed their review of the efficiency and effectiveness of the Committee (click here to access the report from that review). Having considered the feedback on that review, the Trustees changed the Committee's agenda criteria—that criteria is outlined in paragraphs 5.16 and 5.17 of the *Due Process Handbook*.

7. Accordingly, we reviewed all agenda decisions issued by the Committee from May 2012 to November 2016. We then selected all agenda decisions in which the Committee concluded that the issue was too broad for it to address. In addition, we selected any issues that the Committee referred to the Board but for which it did not publish an agenda decision. We identified a total of 25 issues, further discussed in this paper.

Summary of our findings

8. We have identified one issue, which we recommend for further discussion by the Committee. This is discussed in paragraphs 17-20 of the paper.

9. The Board either is considering, will consider or has already considered the other 24 issues discussed in this paper.

Issues the Board is considering as part of its active work plan (10 issues)

10. The Board is considering seven issues as part of active projects—four of these are part of its project on Financial Instruments with Characteristics of Equity (FICE).

11. In addition, the Board is considering three issues as part of post-implementation reviews (PIRs) on its work plan.

12. Refer to Appendix A for further details on these issues.

Issues the Board will consider as part of its future work plan (five issues)

13. The Board plans to consider four issues as part of projects included in its research pipeline[1]. In addition, the Committee identified a group of issues relating to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* in January 2016. On the basis of recommendations made by the Committee, the Board agreed to conduct a PIR of IFRS 5. We expect the Board to consider all of these issues as part of the planned PIR.

14. Refer to Appendix B for further details on these issues.

Issues the Board considered and did not add to its work plan (nine issues)

15. The Board specifically considered nine issues on which it has decided to do no further work at this time.

16. Refer to Appendix C for further details on these issues.

Issue selected for further consideration by the Committee

IAS 28 Investments in Associates and Joint Ventures—*the acquisition of an interest in an associate or joint venture under common control*

Background

17. In May 2013, the Committee discussed how an entity accounts for the acquisition of an interest in an associate or joint venture from an entity under common control. In particular, the submitter asked whether it is appropriate to apply the scope exemption for business combinations under common control in IFRS 3 *Business Combinations* by analogy.

18. The Committee noted that accounting for the acquisition of an interest in an associate or joint venture under common control would be better considered within the context

[1] Projects included in the Board's research pipeline are projects that are not currently active, but on which the Board expects to start, or restart, work before the next Agenda Consultation, which is expected to start around 2021. Click here for further information on the research pipeline.

of broader projects on accounting for business combinations under common control (BCUCC) and the equity method of accounting.

19. The project on BCUCC is an active project on the Board's work plan. In addition, the Board's research pipeline includes a project on the equity method. The Board, however, has already decided that the scope of the BCUCC project would initially focus on business combinations under common control and group restructurings—the project would not initially address this issue. In addition, although the Board has not yet decided upon the scope of the equity method research project, we understand from the project team that, given the focus areas of the project, the Board is unlikely to consider this issue as part of that project.

Staff recommendation and next steps

20. On the grounds that this issue is not currently within the scope of an active or future Board project, we recommend that the Committee reconsider the issue. If the Committee agrees with our recommendation, we will bring a paper to a future Committee meeting analysing the issue.

Question for the Committee
Does the Committee agree with the staff recommendation to reconsider how an entity accounts for the acquisition of an interest in an associate or joint-venture under common control?

Appendix A

Issues the Board is considering as part of its active work plan

Issue #	Issue	Status	Additional background information
1	IAS 1 *Presentation of Financial Statements*—Current/non-current classification of liabilities—January 2013 The classification of a term loan callable by the lender at any time (ie as a current or non-current liability).	The Board is addressing the issue within the maintenance project *Classification of Liabilities*. The issue is being analysed and a final amendment is expected after six months.	The Committee initially proposed an amendment as part of the 2010-2012 Annual Improvements Cycle. However, after considering the feedback, the Committee recommended that the Board address this through a narrow-scope project, rather than as part of the annual improvements cycle.

Issue #	Issue	Status	Additional background information
2	IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*—distinguishing between a change in accounting policy and change in an accounting estimate—March 2014	The Board is addressing the issue within the maintenance project *Changes in Accounting Policies and Accounting Estimates*. The Board expects to publish an exposure draft of proposed amendments to IAS 8 within six months.	The Committee recommended that the Board address the issue through a narrow-scope amendment to IAS 8.
3	IAS 18 *Revenue*, IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and IAS 39 *Financial Instruments: Recognition and Measurement*—Regulatory assets and liabilities—November 2012 Whether to recognise a regulatory asset or liability when a regulated entity is permitted to recover costs, or required to refund some amounts, independently of the delivery of future services.	The Board issued IFRS 14 *Regulatory Deferral Accounts*. In addition, this issue is being addressed as part of the Board's standard-setting project on *Rate-regulated Activities*.	N/A

Issue #	Issue	Status	Additional background information
Issues the Board is considering as part of the FICE project			
4	IFRS 3—Mandatory purchases of non-controlling interests in business combinations—March 2013 Accounting for mandatory purchases of non-controlling interests that arise as a result of business combinations; specifically, a sequence of transactions that begins with an acquirer gaining control of an entity and is followed shortly thereafter by the acquisition of additional ownership interests as a result of a regulatory requirement that obliges the acquirer to offer to purchase the ownership interests of non-controlling-interest shareholders.	The Board will consider the issue as part of its active research project on FICE. The project is in the analysis stage and a discussion paper is expected after six months.	The Committee's views on the recognition of a liability for the mandatory tender offer were reported to the Board. The Committee noted that the Board could address this issue as part of its post-implementation review of IFRS 3. After considering the Committee's views and recommendations, the Board tentatively decided to discuss this issue when it discusses put options written on non-controlling interests.

Issue #	Issue	Status	Additional background information
5	IAS 32 *Financial Instruments: Presentation*—classification of a particular financial instrument as a liability or equity—January 2014 The financial instrument does not have a stated maturity date but was mandatorily convertible into a variable number of the issuer's own equity instruments if the issuer breached the Tier 1 Capital ratio (described as a 'contingent non-viability event'). The financial instrument is issued at par and the value of the equity instruments that will be delivered at conversion is equal to that fixed par amount. Interest payments on the instrument are payable at the discretion of the issuer.	The Board will consider the issue as part of its active research project on FICE. The project is in the analysis stage and a discussion paper is expected after six months.	N/A
6	IAS 32—Put options written on non-controlling interests—January 2013 The accounting for changes in the carrying amount of a financial liability for a put option, written to a non-	The Board will consider the issue as part of its active research project on FICE. The project is in the analysis stage	The Committee published a draft Interpretation in May 2012. However, after considering the feedback, the Committee referred the issue to the Board for further

Issue #	Issue	Status	Additional background information
	controlling interest shareholder (NCI put), in the consolidated financial statements of a parent.	and a discussion paper is expected after six months.	consideration. In June 2013, the Board decided to incorporate this project into the broader project looking at the distinction between liabilities and equity.
7	IAS 32—Written put options over non-controlling interests to be settled by a variable number of the parent's shares—November 2016 The accounting for a written put option over non-controlling interests in consolidated financial statements. The put has a strike price that will, or may, be settled by the exchange of a variable number of the parent's own equity instruments.	The Board will consider the issue as part of its active research project on FICE. The project is in the analysis stage and a discussion paper is expected after six months.	N/A

Issue #	Issue	Status	Additional background information
Issues being considered as part of PIRs			
8	IFRS 11 *Joint Arrangements* and IFRS 10 *Consolidated Financial Statements*—Loss of control transactions—July 2016 The accounting for retained interests in the assets and liabilities of a joint operation when an entity loses control of a business, or an asset (or group of assets) that is not a business. In the transaction discussed, the entity either retains joint control of a joint operation or is a party to a joint operation (with rights to assets and obligations for liabilities) after the transaction.	The PIR of IFRS 11 is on the Board's active work plan and is expected to be initiated after six months. The Board will consider this issue in scoping the PIR.	Because of the similarity between the transaction discussed by the Committee and a sale or contribution of assets to an associate or a joint venture, the Committee concluded that the Board should consider the accounting for the two transactions concurrently.
9	IFRS 11—output versus ownership in a joint operation—March 2015 The joint operator's share of the output purchased differs from its ownership interest in a joint operation.	The PIR of IFRS 11 is on the Board's active work plan and is expected to be initiated after six months. The Board will consider this issue in scoping the PIR.	The Committee noted concerns about the sufficiency of the requirements in IFRS 11 on the accounting by a joint operator in the circumstances described.

Issue #	Issue	Status	Additional background information
10	IAS 41 *Agriculture* and IFRS 13—Valuation using a residual method—March 2013 The valuation of biological assets using the residual method when highest and best use of land is different from its current use.	The Board has commenced the PIR of IFRS 13. The Board tentatively decided to include the application of highest and best use when measuring the fair value of non-financial assets in Phase 2 of the PIR. In addition, the PIR will explore the need for education on measuring the fair value of biological assets (see IASB Update January 2017).	N/A

Appendix B

Issues the Board will consider as part of its future work plan

Issue #	Issue	Status	Additional background information
Issues the Board will consider as part of projects on the Board's research pipeline or future PIRs			
1	IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*—Variable payments for asset purchases—March 2016 The accounting for variable payments to be made for the purchase of an item of property, plant and equipment or an intangible asset that is not part of a business combination.	The Board will consider this issue as part of its project on *Variable and Contingent Consideration*, which is included in the Board's research pipeline.	N/A
2	IAS 28—Equity Method—Share of Other Net Asset Changes—May 2011 The accounting for the investor's share of changes in the investee's net assets that (a) are not the investor's share of the investee's profit or loss or other comprehensive income or (b) that are not distributions received.	The Board will consider this issue as part of its project on the *Equity Method*, which is included in the Board's research pipeline.	The Board initially proposed amendments to IAS 28 to address this issue. However, it did not finalise these amendments.

Issue #	Issue	Status	Additional background information
3	IAS 37—liabilities arising from emission trading schemes—May 2014 The measurement of a liability that arises from an obligation to deliver allowances in an emission trading scheme. The request asked whether, applying IAS 37, the measurement of the liability for the obligation to deliver allowances should reflect current values of allowances at the end of each reporting period.	The Board will consider this issue as part of its project on *Pollutant Pricing Mechanisms*, which is included in the Board's research pipeline.	N/A
4	IFRIC 12 *Service Concession Arrangements*—Payments made by an operator to a grantor in a service concession arrangement—July 2016 How an operator accounts for variable payments it makes to a grantor in a service concession arrangement within the scope of IFRIC 12.	The Board will consider this issue as part of its project on *Variable and Contingent Consideration*, which is included in the Board's research pipeline.	N/A
5	IFRS 5—Various issues—January 2016	The Board will consider these issues as part of its planned	N/A

Issue #	Issue	Status	Additional background information
	The Interpretations Committee discussed a number of IFRS 5 related issues including: 1) how to present intragroup transactions between continuing and discontinued operations; 2) the scope of the held-for-sale classification; 3) accounting for a disposal group consisting mainly of financial instruments; 4) impairment of a disposal group; 5) reversal of an impairment loss relating to goodwill in a disposal group; 6) the definition of 'major line of business' in presenting discontinued operations; and 7) the presentation requirements in paragraph 28 of IFRS 5.	PIR of IFRS 5. The Board decided to conduct a PIR of IFRS 5 on the basis of the recommendation made by the Committee.	

Appendix C

Issues the Board considered and did not add to its work plan

Issue #	Issue	Status	Additional background information
1	IFRS 2 *Share-based Payment*—Transactions in which settlement is contingent on future events—January 2010 The accounting for share-based payment transactions in which the manner of settlement is contingent on a future event that is outside the control of both the entity and the counterparty.	In May 2016 the Board decided not to add a research project on IFRS 2 to its work plan. The Board specifically considered this issue in making its decision (see paragraphs A23-A25 of Agenda Paper 16A from the May 2016 Board meeting).	The Committee recommended that the Board issue a narrow-scope amendment to IFRS 2 to say that an entity should classify a share-based payment as cash-settled or equity-settled in its entirety, depending on which outcome is probable. However, the Board expressed concerns with this approach, noting that it may conflict with the requirements in IAS 32, which requires an entity to generally recognise a liability when it has an unavoidable obligation to deliver cash or another financial instrument. Probability is generally

Issue #	Issue	Status	Additional background information
			not relevant when making this assessment. Further, some Board members considered such instruments to be similar to share-based payments (a) for which the counterparty has the choice of settlement and (b) which are classified as cash-settled share-based payment arrangements. They noted that, in both circumstances, the entity has a potentially unavoidable obligation to pay cash.
2	IFRS 3—Continuing employment—January 2013 The accounting for contingent payments to selling shareholders when those selling shareholders become, or continue as, employees. The question is whether paragraph B55(a) of IFRS 3 is conclusive in determining that payments to an employee forfeited upon termination of	The PIR of IFRS 3 identified this issue as one of low significance. The Board considered whether a project on this (and other issues similarly identified through the	N/A

Issue #	Issue	Status	Additional background information
	employment are remuneration for post-combination services and not part of the consideration for an acquisition.	PIR of IFRS 3) should be added to its work plan. At its July 2016 meeting, the Board decided not add this project to its work plan.	
3	IFRS 9 *Financial Instruments* and IAS 39—Derecognition of modified financial assets—May 2016 When a modification or exchange of financial assets results in derecognition of the original asset.	Having considered feedback on its 2015 Agenda Consultation, the Board identified this issue as a potential agenda item (see paragraph A29 of Agenda Paper 24F from the April 2016 Board meeting). At its meeting in May 2016, the Board decided not to add this project to its work plan.	In making this decision, the Board considered feedback from the Interpretations Committee.

Issue #	Issue	Status	Additional background information
4	IFRS 13 *Fair Value Measurement*—Portfolios—May 2013 The interaction between the use of Level 1 inputs and the portfolio exception outlined in IFRS 13.	The Board included a non-authoritative example to address this issue in the Exposure Draft *Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value*. However, in April 2015 the Board discussed comments received, which did not reveal significant diversity in practice. The Board decided not to publish the proposed illustrative example in IFRS 13 as a separate document.	N/A

Issue #	Issue	Status	Additional background information
5	IAS 12 *Income Taxes*—recognition of deferred tax for a single asset in a corporate wrapper—July 2014 The accounting for deferred tax in the consolidated financial statements of a parent, when a subsidiary has only one asset and the parent expects to recover the carrying amount of that asset by selling the shares in the subsidiary.	Having considered feedback on its 2015 Agenda Consultation, the Board decided not to add a project on IAS 12 to its work plan.	In making its decision, the Board considered income tax issues arising though the use of corporate wrappers (see paragraphs 43-45 of Agenda Paper 19A for the Board's May 2016 meeting).
6	IAS 19 *Employee Benefits*—employee benefit plans with a guaranteed return on contributions or notional contributions—May 2014 The accounting for plans with a guaranteed return on contributions or notional contributions. These plans are part of a range of plan designs that incorporate features that were not envisaged when IAS 19 was first developed.	Having considered feedback on its 2015 Agenda Consultation, the Board decided not to add a project on IAS 19 to its work plan.	In making its decision, the Board specifically considered this issue (see Appendix B of Agenda Paper 15 of the Board's May 2016 meeting).

Issue #	**Issue**	**Status**	**Additional background information**
7	IAS 19—Actuarial Assumptions: discount rate—November 2013 The determination of the rate used to discount post-employment benefit obligations. Can corporate bonds with a rating lower than 'AA' can be considered to be high quality corporate bonds?	Having considered feedback on its 2015 Agenda Consultation, the Board decided not to add a project on IAS 19 to its work plan.	In making its decision, the Board specifically considered this issue (see Appendix B of Agenda Paper 15 of the Board's May 2016 meeting).
8	IAS 21 *The Effects of Changes in Foreign Exchange Rates*—Foreign exchange restrictions and hyperinflation —November 2014 The translation and consolidation of the results and financial position of foreign operations in Venezuela. The issue arises because of strict foreign exchange controls in Venezuela, including the existence of several official exchange rates that may not fully reflect (a) the local rate of hyperinflation and (b) restrictions over the amount of local currency that can be exchanged.	Having considered feedback on its 2015 Agenda Consultation, the Board decided not to add a project on IAS 21 to its work plan.	In making its decision, the Board specifically considered this issue (see Agenda Paper 24E of the Board's May 2016 meeting).

Issue #	Issue	Status	Additional background information
9	IAS 40 *Investment Property*—July 2013 Accounting for a structure that appears to lack the physical characteristics of a building.	At its December 2014 meeting, the Board decided not to pursue this issue further. This is because there appeared to be limited demand for fair value accounting for these types of structures, and limited diversity in practice.	N/A