STAFF PAPER

8-9 May 2017

Emerging Economies Group

Project	Administrative Issues		
Paper topic	Arrangement for future meetings & feedback		
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Administrative issues

1. The aim of this paper is to:

   (a) discuss the agenda topics for the November 2017 Emerging Economies Group (EEG) meeting;

   (b) identify a location for the H2 of 2018 EEG meeting; and

   (c) provide EEG members with feedback on how the staff or the Board have considered (or will consider) the advice that was given at the November 2016 EEG meeting.

Next meeting

2. The next meeting of the EEG is on 4-5 December 2017 in São Paulo, Brazil.

3. We would like to discuss with members topics for discussion at the next EEG meeting. At the last EEG meeting the following possible topic were identified:

   - Financial Instruments with Characteristics of Equity
   - Business Combinations Under Common Control
   - High Inflation

4. We have also received suggestions from EEG members on future topic for discussion, including:

   - Goodwill and Impairment

- Functional Currency
- Primary Financial Statements
- IFRS for SMEs
- Implementation issues (IFRS 9 *Financial Instruments*, IFRS 15 *Revenue for Contracts with Customers*, IFRS 16 *Leases*).

Location for future meetings

5. The Malaysian Accounting Standards Board have offered to host the meeting of EEG in H1 of 2018. We believe it is practical to have locations identified for at least the next two EEG meetings. We would like identify the location for the H2 2018 EEG meeting.

Feedback

6. Appendix A of this paper sets out a table summarising the feedback received at the November 2016 EEG meeting and how the staff or the Board have used this feedback.

Questions

Questions:	
1	What are members' suggestions for topics at the next EEG meeting?
2.	Is an EEG member able to host the H2 2018 meeting?
3.	Do members have any comments on the feedback set out in Appendix A?

FEEDBACK SUMMARY

Topic	Advice	Action
***IAS 37* Provisions, Contingent Liabilities and Contingent Assets**		
Applying IAS 37	The EEG discussed some implementation challenges that arise in applying IAS 37. Members noted that in deciding if an item meets the definition of a liability: ▪ identifying the obligating event can be difficult; and ▪ deciding what the unit of account is (a single item or a group of items) is important. The EEG members: ▪ did not support the Board's previous proposals to remove from the recognition criteria the requirement that "it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation". ▪ supported a proposal that a single liability should be measured at the most likely outcome and a group of liabilities should be measured at expected value; ▪ agreed that legal costs of defending a claim should not be included in the measurement of the liability; ▪ agreed that clarification is required as to what the risk adjustment should include; and ▪ thought it would be useful for the Board to provide further guidance on measuring onerous contracts, including what costs can be included in measuring the loss.	The *Conceptual Framework* project team have been updated on the EEG members' comments. The discussion will also assist in any future project on IAS 37.

Topic	Advice	Action
	EEG members discussed some specific circumstances related to IAS 37, including: ▪ what the obligating event is in relation to decommissioning liabilities, including whether the presentation requirements in current IFRS Standards provide useful information; and ▪ the relationship between IAS 37 and IAS 12 *Income Taxes*.	
IAS 37 - Case Study	EEG members discussed the interaction between IAS 37 and IFRS 15 *Revenue from Contracts with Customers,* including the identification of the obligating event when a property developer is required to perform activities not specifically linked to the contract with the customer. The members discussed the following questions: ▪ what is the unit of account–the overall development or each phase of the development? ▪ what is the obligating event? ▪ what happens to borrowing costs? ▪ in which order does an entity apply the requirements of IAS 37 and IFRS 15?	This topic has been discussed with IASB staff. A case study was developed and discussed at the IFASS meeting in March 2017.
Implications of the *Conceptual Framework* proposals	Darrel Scott summarised the Board's proposals to change the definition of a liability arising from the *Conceptual Framework* project. EEG members agreed with the proposed changes; however, they said the Board should explain how past practice gives rise to constructive obligation.	This feedback was discussed with the *Conceptual Framework* team.

Topic	Advice	Action
Financial Statements of Subsidiaries		
	Igor Sukharev from the Russian Federation's Ministry of Finance presented a paper on the preparation of separate financial statements when the entity is exempt from issuing consolidated financial statements. EEG members noted: ▪ the cost of preparing subsidiary financial statements needs to be justified by their use; ▪ there are differences between parent entity and non-parent entity separate financial statements; ▪ any project of the preparation of separate financial statements needs a clear objective; and ▪ non-controlling interests and intercompany transactions are important disclosures for subsidiary financial statements.	The EEG members decided to continue the discussion at a future meeting but to consider the objective of the project and how it relates to the Board's technical Work Plan.
***IFRS 13* Fair Value Measurement**		
	Michelle Sansom presented an overview of the Post-implementation Review of IFRS 13 *Fair Value Measurement* and asked EEG members for feedback on the implementation of IFRS 13. EEG members noted that the Group had discussed the application of IFRS 13 at its meeting in May 2011. At this meeting EEG members raised the following topics: ▪ price x quantity differences between a level-one valuation and level-three valuation. At level-one, the value cannot be adjusted for a controlling premium, whereas a level-three valuation permits adjustment for a controlling premium. ▪ differences in how IFRS 13 is applied to bearer plants.	This feedback was discussed with the *IFRS 13 post implementation* team. The feedback has helped to develop the Request for Views that will be published in Q2 of 2017.

Topic	Advice	Action
	▪ level 1 and level 2 property measurements. ▪ identifying an entity's principal market. ▪ determining the 'highest' and 'best' use where there is volatility in the market. ▪ measuring contingent consideration.	