

## Technical activities: update

1. This paper provides the IFRS Advisory Council with a summary of the technical activities of the International Accounting Standards Board® ('Board').

## Overview since the April 2017 meeting

### **IFRS 17 Insurance Contracts**

2. The Board issued IFRS 17 *Insurance Contracts* in May 2017. This is the first truly international IFRS Standard for insurance contracts and will help investors and others better understand insurers' risk exposure, profitability and financial position.
3. IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 4 had given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar companies.
4. IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values instead of historic cost. The information will be updated regularly, providing more useful information to users of financial statements.
5. The Board has begun its activities supporting the implementation of this new Standard, effective 2021, through a series of webinars, podcasts and articles throughout July to September. In September the Board announced the composition of a Transition Resource Group for IFRS 17. The TRG will hold its first meeting in November 2017. Four further meetings are provisionally scheduled for 2018. Agenda Paper 8 at this meeting will provide more information about how we support the implementation of IFRS 17.

## **Conceptual Framework**

6. The Board continues to work intensively on finalising the Conceptual Framework project. We expect to publish a revised *Conceptual Framework* and to update references to the *Conceptual Framework* in IFRS Standards in quarter 1 of 2018.

## **Better Communication**

7. The Board has made good progress on the technical projects it is undertaking under the theme of ‘Better Communication in Financial Reporting’. The Board published its Discussion Paper *Principles of Disclosure* just before the Advisory Council’s April meeting and the comment period closed on 2 October. We have had an encouraging response with about 90 comment letters received to date. The Board expects to consider the feedback to the Discussion Paper in quarter 1, 2018. Agenda Paper 5 at this meeting is based on *Better Communications in Financial Reporting—Making disclosures more meaningful*, published 5 October 2017. That report discusses how the principles laid out in the Discussion Paper have been applied to real-world examples of more effective communication in published financial statements.
8. In September, the Board published Practice Statement 2 *Making Materiality Judgements*. This publication encourages companies to apply judgment instead of using IFRS requirements as a checklist, so that financial statements focus on the information that is useful to investors. The Practice Statement gathers all the materiality requirements in IFRS Standards and adds practical guidance and examples companies may find helpful in deciding whether information is material. The Practice Statement is not mandatory and neither changes requirements nor introduces new ones. At the same time, the Board also took the opportunity to consult separately on proposed clarifications to the definition of ‘material’ in IFRS Standards in the Exposure Draft *Definition of Material*.
9. The Board has continued its technical discussions on Primary Financial Statements. The Board’s discussions have focussed on the structure of the statement(s) of financial performance, considering the introduction of an investing category and additional subtotals, and the analysis of expenses by function and by nature.

## **Research Programme**

10. At its September 2017 meeting, the Board discussed an update on its research programme, which is progressing satisfactorily. The Research programme has taken a renewed shape as a result of the Agenda Consultation. In order to reduce the burden on stakeholders, we have decided to limit

how many topics we work on at any one time. This will also enable us to deliver our conclusions in a more timely manner.

11. During the period the Board concluded its planned technical discussions for a Discussion Paper on Financial Instruments with Characteristics of Equity. The Discussion Paper will investigate improvements to the classification requirements for financial instruments that have characteristics of both liabilities and equity, as well as improvements to presentation and disclosure requirements for such instruments. The Board expects to publish the Discussion Paper in the first half of 2018.
12. The Board also issued a Request for Information in May 2017 on the Post-implementation Review of IFRS 13 *Fair Value Measurement*.
13. Updates on the other research projects are included in the work plan summary below.
14. In completing the recent Agenda Consultation, the Board also set up a pipeline of research projects. These are not on the active work plan now, but we expect the Board to do a significant amount of the research in each of them before the next agenda consultation. These projects are included as Appendix A to this paper.

### **Implementation activities**

15. The Board and the IFRS Interpretations Committee (Committee) have continued to support the implementation of recently-issued IFRS Standards. Activities in the period included:
  - a. two webcasts on IFRS 16 *Leases*.
  - b. seven webcasts on IFRS 17 *Insurance Contracts*.
  - c. meetings with investors on IFRS 16 and IFRS 17.
  - d. Committee discussions of a question on classification and measurement in IFRS 9 *Financial Instruments* and a question on revenue recognition in a real estate contract (IFRS 15 *Revenue from Contracts with Customers*). The Committee published agenda decisions on both questions.
  - e. various implementation events across the world, including implementation sessions at conferences in Amsterdam, Malaysia, Japan and Dubai.
16. The Committee has met on three occasions in the period. It has published eight final agenda decisions and has two tentative agenda decisions currently open for comment. Those agenda decisions include information that explain how an entity applies IFRS Standards to the particular question submitted to the Committee. The Committee also decided to research some possible narrow-scope standard-setting relating to IFRS 1 *First-time Adoption of International Financial Reporting Standards* and IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

17. The Board published IFRIC 23 *Uncertainty over Income Tax Treatments* in June 2017. This Interpretation adds to the requirements in IAS 12 *Income Taxes* by specifying how to reflect the effects of uncertainty in accounting for income taxes.
18. The Board expects to publish an amendment to IFRS 9 *Financial Instruments* in October 2017 that will enable companies to measure at amortised cost some pre-payable financial assets with so-called negative compensations.

### **The Board's work plan at September 2017**

19. The tables on the following pages include more detailed technical summaries as follows:
  - a. Standard-setting and related projects;
  - b. Research projects;
  - c. Narrow-scope amendments and IFRIC Interpretations;
  - d. IFRS Taxonomy;
  - e. Post-implementation reviews; and
  - f. Documents issued in 2017.

PROJECT	OBJECTIVE
<b>Standard-setting and related projects</b>	
<p><b>Conceptual Framework</b></p> <p>We are finalising the drafting of the revised <i>Conceptual Framework for Financial Reporting</i> for publication in Q1 of 2018.</p>	To provide the Board with a more complete, clear and updated set of concepts to use when it develops or revises IFRS Standards.
<p><b>Disclosure Initiative—Definition of Material</b></p> <p>An Exposure Draft was published in September 2017 for comment by 15 January 2018.</p>	To clarify what information is material in preparing financial statements.
<p><b>Rate-regulated Activities</b></p> <p>Discussions continue and a meeting with the consultative group for rate regulation will be held on 26 October 2017. A consultation document is expected to be published in H1 2018.</p>	To consider whether (or how) IFRS Standards should be amended to reflect how entities report the effects of rate regulation.
<b>Research projects</b>	
The purpose of the research programme is to collect evidence on the nature and extent of perceived financial reporting problems and assess ways to improve financial reporting or remedy a deficiency to help the Board decide whether it should start an IFRS Standards project.	
<p><b>Business Combinations under Common Control</b></p> <p>Work on this project has recommenced with a Discussion Paper expected in H2 2018.</p>	To determine whether diversity in accounting for business combinations under common control can be reduced; currently IFRS Standards do not address such transactions.
<p><b>Disclosure Initiative: Principles of Disclosure</b></p> <p>The Discussion Paper was published in March 2017 for comment by 2 October 2017. The Board will consider feedback on the Discussion Paper in Q1 2018.</p>	To explore possible principles of disclosure that could help the Board develop better disclosure requirements and help preparers communicate information more effectively with users of financial statements.
<p><b>Dynamic Risk Management</b></p> <p>Work on this project will continue in 2017. A Discussion Paper is expected in H2 2018.</p>	To assess whether the Board can develop an approach to reporting dynamic risk management activities. The Board received diverse views on the Discussion Paper <i>Accounting for Dynamic Risk Management: A Portfolio Revaluation Approach to Macro Hedging</i> published in 2014.
<p><b>Financial Instruments with Characteristics of Equity</b></p> <p>A Discussion Paper is expected to be published in H1 2018.</p>	To investigate whether improvements can be made in how companies classify financial instruments that have characteristics of both liabilities and equity. The project will examine both presentation and disclosure requirements.
<p><b>Goodwill and Impairment</b></p> <p>The Board is expected to decide on proposals late in 2017. A Discussion Paper is expected in H1 2018.</p>	To assess whether, and if so how, to address issues raised in the post-implementation review of IFRS 3 <i>Business Combinations</i> . Issues include identifying and measuring intangible assets acquired in a business combination; subsequent accounting for goodwill; and impairment testing of goodwill and of other non-current, non-financial assets.
<p><b>Primary Financial Statements</b></p> <p>The Board has continued its technical discussions, with a view to publishing a consultation document in H1 2018.</p>	To examine targeted improvements to the structure and content of the primary financial statements with a particular focus on the statement(s) of financial performance.
<p><b>Discount Rates</b></p> <p>The Board concluded the work on this project in March 2017 and plans to publish a summary of the research findings in H1 2018.</p>	To review discount rate requirements in IFRS Standards to identify whether there are any inconsistencies the Board should consider addressing.

<p><b>Share-based Payment</b></p> <p>The Board has concluded the work on this project and plans to publish a summary of the research findings in H1 2018.</p>	<p>To identify the most common areas of complexity in accounting for share-based payments and their main causes to assess whether the Board should consider addressing them.</p>
<p><b>Narrow-scope amendments and IFRIC Interpretations</b></p>	
<p><b>Accounting Policies and Accounting Estimates</b></p> <p>An Exposure Draft was published in September 2017, for comment by 15 January 2018.</p>	<p>To clarify the existing distinction between a change in an accounting policy and a change in an accounting estimate.</p>
<p><b>Accounting Policy Changes</b></p> <p>An Exposure Draft is expected in H1 2018.</p>	<p>To lower the impracticability threshold that an entity applies in determining whether the application of a voluntary change in an accounting policy should be retrospective, if the change results from an Agenda Decision published by the IFRS Interpretations Committee.</p>
<p><b>Availability of a Refund</b></p> <p>Further research will be undertaken in 2017 with a view to publishing an amendment in H1 2018.</p>	<p>To clarify the availability of a refund of a surplus from a defined benefit pension plan when independent trustees have particular powers.</p>
<p><b>Classification of Liabilities</b></p> <p>The Board will recommence its technical discussions after the revised <i>Conceptual Framework</i> is issued in 2018.</p>	<p>To clarify when rights to defer settlement affect the classification of liabilities as current or non-current.</p>
<p><b>Definition of a Business</b></p> <p>Deliberations on this project are expected to end in 2017, with a view to issuing an amendment in H1 2018.</p>	<p>To resolve the difficulties that arise when an entity is determining whether it has acquired a business or a group of assets.</p>
<p><b>Fees in the '10 per cent' test for derecognition</b></p> <p>The Board will publish a proposal to amend IFRS 9. The timing of publication depends on the identification of other matters for inclusion in the annual improvements process..</p>	<p>To clarify which fees and costs are included in the test for derecognition.</p>
<p><b>Improvements to IFRS 8 Operating Segments</b></p> <p>An Exposure Draft was published in March 2017, with comments due by 31 July 2017.</p>	<p>To clarify the definition and role of the chief operating decision maker with respect to issues identified by the post-implementation review of IFRS 8.</p>
<p><b>Long-term Interests in Associates and Joint Ventures</b></p> <p>An amendment to IAS 28 is expected to be published in October 2017.</p>	<p>To clarify that a company applies IFRS 9 to long-term interests in an associate or joint venture if it does not apply the equity method to those investments.</p>
<p><b>Plan Amendment, Curtailment or Settlement</b></p> <p>An amendment to IAS 19 is expected to be issued in December 2017.</p>	<p>To clarify the accounting when a plan amendment, curtailment or settlement occurs.</p>
<p><b>Prepayment Features with Negative Compensation</b></p> <p>The amendment to IFRS 9 is expected to be published in October 2017.</p>	<p>To enable companies to measure at amortised cost some pre-payable financial assets with so-called negative compensation.</p>
<p><b>Property, Plant and Equipment—Proceeds before Intended Use</b></p> <p>An Exposure Draft was published in June 2017 with comments due by 19 October 2017.</p>	<p>To address diversity relating to proceeds from selling items produced while an item of property, plant and equipment is being developed for use.</p>
<p><b>Annual Improvements 2015-2017</b></p> <p>An Exposure Draft was published in January 2017 for comment by April 2017. The Board expects to issue final amendments in December 2017.</p>	<p>The Board has adopted the Annual Improvements process to deal efficiently with a collection of unrelated minor amendments to IFRS Standards.</p>
<p><b>IFRS Taxonomy</b></p>	

<p>The IFRS Taxonomy aims to provide a tool to help entities digitally report IFRS financial statements (including those prepared under IFRS for SMEs). The taxonomy is a classified scheme of IFRS presentation and disclosure requirements. It is the only official representation of those requirements in a taxonomy form.</p>	
<p><b>Proposed IFRS Taxonomy Update IFRS 17 Insurance Contracts</b></p> <p>A Proposed Update was published in May 2017 for comment by 18 September 2017. The Board will consider feedback on the Proposed Update in October 2017.</p>	<p>To produce a Taxonomy Update based on the presentation and disclosure requirements of IFRS 17.</p>
<p><b>Proposed IFRS Taxonomy Update Prepayment Features with Negative Compensation</b></p> <p>A Proposed Update will be published in October 2017 at the same time as the amendment to IFRS 9.</p>	<p>To produce a Taxonomy Update based on the presentation and disclosure requirements of the amendment to IFRS 9.</p>
<p><b>IFRS Taxonomy Update Common Practice IFRS 13 Fair Value Measurement</b></p> <p>A Proposed Update is expected in H1 2018.</p>	<p>To produce a Taxonomy Update based on common practice elements related to the presentation and disclosure requirements of IFRS 13. This project is linked with the post-implementation review of IFRS 13.</p>
<p><b>Post-implementation Reviews</b></p>	
<p>In 2016, the staff conducted research for Phase 1 of the Post Implementation Review of IFRS 13 <i>Fair Value Measurement</i>. The Board published a Request for Views on this topic in May 2017 for comment by 22 September 2017.</p>	

Documents issued in 2017	Issued date	Effective date
<b>Standard-setting and related projects</b>		
IFRS 17 <i>Insurance Contracts</i>	May 2017	1 January 2021
Practice Statement 2 <i>Making Materiality Judgements</i>	September 2017	n/a
<b>Narrow-scope amendments</b>		
None to date	-	-
<b>IFRIC Interpretations</b>		
IFRIC 23 <i>Uncertainty over Income Tax Treatments</i>	June 2017	1 January 2019
<b>IFRS Taxonomy</b>		
IFRS Taxonomy 2017 including Common Practice Taxonomy Update <i>Agriculture, leisure, franchises, retail and financial institutions</i>	March 2017	n/a

## Appendix A Research pipeline

<b>Pipeline projects—now inactive, but likely to start or restart during the period 2017-2021</b>		
<i>Project</i>	<i>Description</i>	<i>Comments from the September 2017 Board paper</i>
Equity Method	The equity method is used in accounting for investments in associates and joint ventures. The project had been assessing whether practice problems could be addressed by amending the equity method or whether a more fundamental review is required.	The Board last discussed previous work on this topic in July 2015 (with a limited update in the Agenda Consultation in May 2016). Do not start until we have some input from PIR of IFRS 11. May not need to wait for end of that PIR.
Extractive Activities	This project would assess whether the Board should introduce accounting requirements for exploration, evaluation, development and production of minerals, and oil and gas.	The Board published a Discussion paper <i>Extractive Activities</i> in 2010. Neither the Board nor the staff have worked on this topic since reviewing the responses.
Pollutant Pricing Mechanisms	This project had been assessing whether the Board should consider addressing any diversity that may exist in accounting for pollutant pricing mechanisms (including emission trading schemes).	The Board last discussed previous work on this topic in October 2015 (with a limited update in the Agenda Consultation in April 2016).
Provisions	This project had been assessing whether the Board should consider amending any aspects of IAS 37 in the light of possible changes to the <i>Conceptual Framework</i> .	Most of the research has already been done in previous work. The Board discussed this in July 2015 (with a limited update in the Agenda Consultation in April 2016). The remaining step is to update and finalise the assessment of implications of the <i>Conceptual Framework</i> . A natural time to start is after finishing the <i>Conceptual Framework</i> , or shortly before.



Variable and Contingent Consideration	The Board will determine the scope and objective of this project when it becomes an active project. There may be some need to follow up research on risk-sharing and collaborative arrangements	This project came out of referrals from the IFRS Interpretations Committee. The first step would be some initial scoping work to assess how broad this project is.
<i>Narrow-scope studies to assess whether targeted amendments are feasible</i>		
<i>Project</i>	<i>Description</i>	<i>Comments from the September 2017 Board paper</i>
High Inflation—the scope of IAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>	The project’s objective will be to assess the feasibility to extend IAS 29 to cover economies subject to high inflation without amending other requirements of that Standard.	Aim: consider extending scope to cover high inflation. Do not look at rest of IAS 29. The Group of Latin American Standard Setters (GLASS) is doing some fact-finding.
Pensions—benefits that depend on asset returns	The projects’ objective will be to assess whether it would be feasible to develop an approach that focuses on the relationship between the cash flows included in the measurement of those benefits and the discount rate.	Aim: consider capping asset returns used in estimates of asset-dependent benefits. Cap at discount rate, to avoid existing anomaly. Do not look at rest of IAS 19. We are monitoring an EFRAG project on hybrid pensions.
SMEs that are subsidiaries—disclosures	The projects objective will be to assess whether it is feasible to permit SMEs to use the recognition and measurement requirements in IFRS Standards and the disclosure requirements in IFRS fir SMEs.	Aim: consider combining SME disclosures with full recognition and measurement. Some tailoring of disclosures needed to dovetail them with the recognition and measurement, but do not tinker. Feasibility study: do preparers have appetite for this approach? How much tailoring needed? What would Standard look like (not 3 <sup>rd</sup> regime)? Some national standard setters have done projects (or are

		doing) projects on SME disclosures. They rethought the disclosures from scratch, which we do not intend to do.
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<b>Forthcoming PIRs</b>
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IFRS 10 <i>Consolidated Financial Statements</i> , IFRS 11 <i>Joint Arrangements</i> , IFRS 12 <i>Disclosure of Interests in Other Entities</i>
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IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>
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