

STAFF PAPER

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Prepared for joint Capital Markets Advisory Committee meeting

Project	IASB® and Interpretations Committee Update		
Paper topic	Technical activities: Update		
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This paper has been prepared for discussion at a public meeting of the Capital Markets Advisory Committee. The views expressed in this paper do not represent the views of the International Accounting Standards Board (Board) or any individual member of the Board. Comments on the application of IFRS® Standards do not purport to set out acceptable or unacceptable application of IFRS Standards. Technical decisions are made in public and reported in IASB® Update.

Introduction

1. This report provides the Capital Markets Advisory Committee (CMAC) with an update on the activities of the International Accounting Standards Board® ('the Board') in the period between June and (the end of) September 2017. This agenda paper is for information only.

Structure of this paper

2. A summary of the technical projects is set out in Appendices, as follows:
 - (a) Appendix A—Standard-setting, research and related projects;
 - (b) Appendix B— IFRS Interpretation Committee activities and implementation projects;
 - (c) Appendix C—Taxonomy activities; and
 - (d) Appendix D—Work plan as at (end of) September 2017.

Due process documents

3. In the period under review the Board issued;
 - (a) In June 2017, IFRIC 23 *Uncertainty over Income Tax Treatments*; and
 - (b) In September 2017, IFRS Practice Statement 2 *Making Materiality Judgements*.

4. In the period under review the Board has published:
- (a) in June 2017, the exposure draft (ED) *Property, Plant and Equipment—Proceeds before Intended Use* (Proposed amendments to IAS 16);
 - (b) also in June 2017, draft guidance on applying the *IFRS for SMEs*[®] Standard to financial guarantees in a parent’s separate financial statements;
 - (c) in July 2017, illustrative tagging for the proposed IFRS Taxonomy Update *IFRS Taxonomy 2017—IFRS 17 Insurance Contracts*.
 - (d) in September 2017, IAS 8 *Accounting Policies and Accounting Estimates* (Proposed amendments to IAS 8); and
 - (e) also in September 2017, *Definition of Material* (Proposed amendments to IAS 1 and IAS 8).

Appendix A—Standard-setting, research and related projects

Section 1- Summary of research projects

Disclosure Initiative: Principles of Disclosure

Project objective	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.
Last due process document	The DP was published in March 2017 with a six-month comment period.
Current status	The DP's comment period closed on 2 October 2017.
CMAC discussions	GPF / CMAC June 2017: consulted on specific aspects of the DP.
Next due process step	The Board to consider a summary of comment letters on the DP in H1 2018.

Primary Financial Statements

Project objective	To examine targeted improvements to the structure and content of the primary financial statements, with a focus on the statement(s) of financial performance.
Current status	At its September 2017 meeting the Board made tentative decisions on the topics discussed from the June 2017 Board meeting. The tentative decisions focussed on the structure of the statement(s) of financial performance— and the introduction of an investing category and additional subtotals and the analysis of expenses by function and by nature.

CMAC discussions	GPF/CMAC June 2017: views sought on introducing additional subtotals.
Next due process step	To publish a DP or an ED in H1 2018.

Business Combinations under Common Control

Project objective	To determine whether diversity in accounting for business combinations under common control can be reduced; currently IFRS Standards do not address such transactions, including some transactions relating to initial public offerings.
Current status	The Board received an education session at their September 2017 meeting.
Next due process steps	Publish a DP in H2 2018.

Dynamic Risk Management

Project objective	To assess whether the Board can develop an approach to reporting dynamic risk management activities. The Board received diverse views on the DP <i>Accounting for Dynamic Risk Management: A Portfolio Revaluation Approach to Macro Hedging</i> published in 2014.
Last due process document	DP published in April 2014 with a comment period of 180 days.
Current status	Ongoing technical deliberations. Education session given to the Board in September 2017.

Next due process step	Publish a DP in H2 2018.
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Financial Instruments with Characteristics of Equity

Project objective	To investigate improvements to the classification requirements for financial instruments that have characteristics of both liabilities and equity, as well as exploring improvements to presentation and disclosure requirements.
Current status	The Board has completed its technical discussions and the DP is being drafted.
Next due process step	To publish a DP in H1 2018.

Goodwill and impairment

Project objective	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.
Current status	The Board will continue its discussions through the second half of 2017 before deciding the next steps.
CMAC discussions	GPF/CMAC June 2017: detailed discussion on indicator-based impairment test.
Next due process step	To publish a DP in H1 2018.

Discount rates

Project objective	To review discount rate requirements in IFRS Standards to identify whether there are any inconsistencies the Board should consider addressing.
Current status	The Board has concluded no separate standard-setting activity is required.
Next steps	Publish a research summary in H1 2018.

Share-based payment

Project objective	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.
Current status	The Board has concluded no standard-setting activity is required.
Next steps	Publish a research summary in H1 2018.

Section 2 – Summary of all standard-setting and related projects

Conceptual Framework

Project objective	To provide the Board with a more complete, clear and updated set of concepts to use when it develops or revises IFRS Standards.
Last due process document	ED published in May 2015.
Comment letter summary	The Board considered the comment letter summary on the ED at its meeting in March 2016.
Current status	The Board completed its deliberations at its March 2017 meeting. In September 2017 the Board discussed comments received on the pre-ballot draft of the revised <i>Conceptual Framework</i> . The Board tentatively decided that a trade-off may need to be made between relevance and faithful representation and specifically between relevance and measurement uncertainty.
Next due process step	It is expected that the revised <i>Conceptual Framework</i> will be published in Q1 of 2018.

Disclosure Initiative: Materiality Practice Statement

Project objective	To provide guidance on how to apply judgement in deciding whether information is material in preparing IFRS financial statements.
Last due process document	ED of the Practice Statement published in October 2015 with a comment period of 120 days.
Comment letter summary	The Board considered the comment letter summary on the ED at its meeting in April 2016.
Current status	Practice statement published in September 2017.

Disclosure Initiative: Definition of Material

Project objective	To clarify the definition of what information is material in preparing financial statements.
Current status	ED published in September 2017.
Next due process steps	Comment letter deadline 15 January 2018.

Rate-regulated Activities

Project objective	To consider whether (or how) IFRS Standards should be amended to reflect the effects of rate regulation.
Last due process document	DP published September 2014.
Comment letter summary	The Board considered the comment letter summary on the ED at its meeting in February 2015.
Current status	<p>The Board will continue its discussions through the second half of 2017 before deciding whether to publish a second Discussion Paper or an Exposure Draft.</p> <p>The Board received an education session at its meeting in September 2017.</p>
CMAC discussions	CMAC March 2017: discussion on the illustrative examples of Regulatory assets and regulatory liabilities.
Next due process step	Publish either a DP or an ED in H1 2018.

Section 3—Summary of other projects and activities

Post-implementation review of IFRS 13 Fair Value Measurement

- A1. The Board is examining the effect of *IFRS 13 Fair Value Measurement* on financial reporting. IFRS 13 came into effect in 2013, introducing a framework for measuring fair value.
- A2. The Board has published a Request for Information (RFI). The comment letter period closed on the 22 September 2017. The Board will consider feedback on the RFI in December 2017.
- A3. In June 2017, GPF and CMAC members discussed specific issues from the RFI. At this coming meeting, the staff will provide a high-level oral summary of feedback from the RFI.

Wider Corporate Reporting

- A4. In March 2017, the Board discussed the results to date of the research into the area of Wider Corporate Reporting and the Board tentatively decided to consider playing a more active role. The Advisory Council in April 2017 agreed with the principle of the Board playing a more active role in Wider Corporate Reporting and supported the Board undertaking further research in this area. However, Council members expressed caution about a proposal to revise and update the Management Commentary Practice Statement. There has been further research undertaken in the period from May until September.

Appendix B—IFRS Interpretation Committee activities and implementation projects

IFRS implementation activities

B1. The Board and the IFRS Interpretations Committee (Committee) have continued to support the implementation of recently-issued IFRS Standards. Activities in June to September 2017 included:

- (a) a webcast on IFRS 16 *Leases* disclosure requirements (July 2017);
- (b) six webcasts on IFRS 17 *Insurance Contracts* (June, July and August 2017);
- (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—see paragraph B2 below
- (e) various implementation events across the world, including implementation sessions at conferences in Amsterdam, Malaysia and Japan.

IFRS Interpretation Committee activities

B2. The Committee met in June and September 2017. It published the following tentative and final agenda decisions. Those agenda decisions include information that explain how an entity applies IFRS Standards to the particular question submitted:

IFRS Interpretation Committee's tentative agenda decisions
Acquisition of a group of assets that does not constitute a business (IFRS 3).
Revenue recognition in a real estate contract (IFRS 15).
Contributing property, plant and equipment to an associate (IAS 28).
IFRS Interpretations Committee's agenda decisions
Subsidiary as a first-time adopter (IFRS 1)
Financial assets eligible for the election to present changes in fair value in other comprehensive income (IFRS 9)
Interest and penalties related to income taxes (IAS 12).
Discount rate in a country that has adopted another country's currency (IAS 19).
Centrally cleared client derivatives (IAS 32).
Tax arising from payments on participating equity instruments (IAS 33).
Goods acquired for promotional activities (IAS 38).
Biological assets growing on bearer plants (IAS 41).

B3. The Committee also decided the following:

- a) To recommend that the Board propose an annual improvement to amend IAS 41 regarding taxation in fair value measurements;
- b) To research possible narrow-scope standard-setting on unavoidable costs within the onerous contracts requirements in IAS 37; and
- c) To research possible narrow-scope standard-setting for components of equity when a subsidiary becomes a first-time adopter of IFRS Standards later than its parent.

Progress on narrow-scope amendments and IFRIC Interpretations			
Project	Objective	Status	The Board's/IFRS Interpretations Committee's next steps
Accounting Policies and Accounting Estimates (Proposed amendments to IAS 8)	To clarify the existing distinction between a change in an accounting policy and a change in an accounting estimate.	ED published in September.	The Board published the ED in September. The ED has a comment letter deadline of 15 January 2018.
Accounting Policy Changes (Proposed amendments to IAS 8)	The Board has tentatively decided to amend IAS 8 to lower the impracticability threshold regarding retrospective application of voluntary changes in accounting policies that result from agenda decisions. The proposed threshold would include a consideration of the benefits and costs of applying the change retrospectively.	The Board will discuss due process steps, and then begin the balloting process.	Issue an ED in H1 of 2018.

Progress on narrow-scope amendments and IFRIC Interpretations			
Project	Objective	Status	The Board's/IFRS Interpretations Committee's next steps
Availability of a Refund (Amendments to IFRIC 14)	The Board has proposed amending IFRIC 14 to clarify the accounting when other parties have rights to make particular decisions about a company's defined benefit plan.	Before finalising the amendments, the Board will perform further work to assess whether it can establish a more principles-based approach in IFRIC 14 for an entity to assess the availability of a refund of a surplus.	The Board will consider the findings from its further work at a future meeting. Issue an IFRS amendment in H1 2018.
Borrowing costs eligible for capitalisation (Amendments to IAS 23)	As part of the <i>Annual Improvements to IFRS Standards 2015-2017 Cycle</i> the Board has proposed amending IAS 23 to clarify which borrowing costs are eligible for capitalisation in particular circumstances.	The Board has tentatively decided to finalise the proposed amendments with no substantive changes.	Issue an IFRS amendment in December 2017.
Classification of Liabilities (Amendments to IAS 1)	To clarify whether companies classify debt as current or non-current if they have a right to renew the debt.	On hold.	The Board will continue its discussion alongside the final stages of revising the <i>Conceptual Framework for Financial Reporting</i> . Issue an amendment H1 2018.

Progress on narrow-scope amendments and IFRIC Interpretations			
Project	Objective	Status	The Board's/IFRS Interpretations Committee's next steps
Definition of a Business (Proposed amendments to IFRS 3)	The Board has proposed clarifying how a company determines whether it has acquired a business or a group of assets. The accounting models differ for those two types of transactions.	Comment period closed on 31 October 2016. The Board is redeliberating the proposed amendments and in June 2017 resumed discussions on the comments received on the ED <i>Definition of a Business and Accounting for Previously Held Interests</i> . CMAC March 2017: Providing feedback on the ED.	The Board expects to complete its discussions on the feedback on its proposals in H1 2018.
Fees in the '10 per cent' test for derecognition (Amendments to IFRS 9)	The Board will publish a proposal to amend IFRS 9 <i>Financial Instruments</i> to clarify which fees and costs a company includes in a quantitative '10 per cent' test for assessing whether to derecognise a financial liability.	On hold.	The timing of publication of the proposed amendments depends on the identification of other matters for inclusion in the annual improvements process.
Improvements to IFRS 8 Operating Segments (Proposed amendments to IFRS 8 and IAS 34)	The Board has published an ED proposing to clarify the meaning of 'chief operating decision maker' and to improve the disclosure requirements for operating segments.	Analysing feedback received on the ED. The comment letter period closed on 31 July 2017. CMAC March 2017: discussion on the Exposure Draft.	The ED Feedback will be assessed in December 2017.

Progress on narrow-scope amendments and IFRIC Interpretations			
Project	Objective	Status	The Board's/IFRS Interpretations Committee's next steps
Income tax consequences of payments on instruments classified as equity (Amendments to IAS 12)	As part of the <i>Annual Improvements to IFRS Standards 2015-2017 Cycle</i> the Board has proposed amending IAS 12 to clarify that the requirements in paragraph 52B apply to all income tax consequences of dividends.	The Board has tentatively decided to finalise the amendments with no substantive changes.	Issue an IFRS amendment in December 2017.
Long-term interests in associates and joint ventures (Amendments to IAS 28)	The Board has proposed clarifying that a company applies IFRS 9 <i>Financial Instruments</i> to long-term interests in an associate or joint venture if it does not apply the equity method to those interests.	Drafting amendments.	Issue an IFRS amendment in October 2017.
Plan Amendment, Curtailment or Settlement / Availability of a Refund (Amendments to IAS 19)	The Board has proposed amending IAS 19 to clarify the accounting when a plan amendment, curtailment or settlement occurs.	The Board has tentatively decided to finalise the amendments separately from the amendments to IFRIC 14 on <i>Availability of a Refund</i> .	Issue an IFRS amendment in December 2017.

Progress on narrow-scope amendments and IFRIC Interpretations			
Project	Objective	Status	The Board's/IFRS Interpretations Committee's next steps
Prepayment Features with Negative Compensation (Previously called Symmetric Prepayment Options) (Amendments to IFRS 9)	To examine whether amortised cost measurement would provide relevant and useful information for instruments that contain symmetric prepayment options and otherwise have contractual cash flows that are solely payments of principal and interest.	Drafting amendments.	Issue an IFRS amendment in October 2017.
Previously held interests in a joint operation (Amendments to IFRS 3 and IFRS 11)	The Board has proposed amending IFRS 3 <i>Business Combinations</i> and IFRS 11 <i>Joint Arrangements</i> to clarify how a company accounts for obtaining control (or joint control) of a business that is a joint operation if the company already holds an interest in that business.	The Board confirmed that the amendments meet the criteria for inclusion as part of annual improvements. The Board plans to issue the amendments as part of <i>Annual Improvements to IFRS Standards 2015-2017 Cycle</i> .	Issue an IFRS amendment in December 2017.
Property, Plant and Equipment: Proceeds before Intended Use (Proposed amendments to IAS 16)	The Board has examined how companies account for the proceeds from selling items produced while testing an item of plant or equipment before it is used for its intended purpose. The Board has proposed narrow-scope amendments to reduce the diversity in accounting for those proceeds.	The ED is open for comment until 19 October 2017.	To discuss feedback received on the ED in December 2017.

Appendix C—IFRS Taxonomy projects

IFRS Taxonomy

- C1. Each year, the Taxonomy team release a compilation of Taxonomy Updates released in the previous year (the Annual Taxonomy). This year the Annual Taxonomy was released in March 2017.












IFRS Taxonomy Update on Insurance Contracts











Project objective	A Taxonomy Update based on the presentation and disclosure requirements of the new Insurance Contracts Standard.
Current status	Drafting Proposed Taxonomy Update (PTU) of IFRS 17.
Next due process step	The proposed Taxonomy Update was published at the same time as IFRS 17 (May 2017).
Timing	To discuss feedback on the ED in December 2017.













IFRS Taxonomy Update—Common Practice (IFRS 13)

Project objective	The IFRS Taxonomy team is analysing a selection of financial statements for potential common practice elements related to the presentation and disclosure requirements of IFRS 13 <i>Fair Value Measurement</i> .
Current status	In progress.
Next due process step	In accordance with the agreed due process, the Board does not approve Common Practice Updates. However, a group of 5 Board members reviews the proposed additions to the IFRS Taxonomy before the update is finalised.
Timing	The timing of the review is expected to be linked with the Post-implementation review of IFRS 13 in H1 2018.

Appendix D—Work plan as at (end of) September 2017

Project	Next milestone	Expected date	Open for comment
 Accounting Policies and Accounting Estimates (Amendments to IAS 8)	Exposure Draft Feedback	Q1 2018	 Submit letter by 15/01/18: Exposure Draft
 Accounting policy changes (Amendments to IAS 8)	Exposure Draft	H1 2018	
 Availability of a refund (Amendments to IFRIC 14)	IFRS Amendment	H1 2018	
 Borrowing costs eligible for capitalisation (Amendments to IAS 23)	IFRS Amendment	December 2017	
 Business Combinations under Common Control	Discussion Paper	H2 2018	
 Classification of Liabilities (Amendments to IAS 1)	IFRS Amendment	H1 2018	
 Conceptual Framework	Conceptual Framework	Q1 2018	
 Definition of a business (Amendments to IFRS 3)	IFRS Amendment	H1 2018	
 Definition of Material (Amendments to IAS 1 and IAS 8)	Exposure Draft Feedback	Q1 2018	 Submit letter by 15/01/18: Exposure Draft

Project	Next milestone	Expected date	Open for comment
 Discount Rates	Research Summary	H1 2018	
 Dynamic Risk Management	Discussion Paper	H2 2018	
 Fees in the '10 per cent' test for derecognition (Amendments to IFRS 9)	Exposure Draft		
 Financial Instruments with Characteristics of Equity	Discussion Paper	H1 2018	
 Goodwill and Impairment	Discussion Paper	H1 2018	
 IFRS Taxonomy Update—Common Practice (IFRS 13)	Proposed Update	H1 2018	
 IFRS Taxonomy Update—IFRS 17 Insurance Contracts	Proposed Update Feedback	December 2017	
 Improvements to IFRS 8 Operating Segments (Amendments to IFRS 8 and IAS 34)	Exposure Draft Feedback	December 2017	
 Income tax consequences of payments on instruments classified as equity (Amendments to IAS 12)	IFRS Amendment	December 2017	
 Long-term interests in associates and joint ventures (Amendments to IAS 28)	IFRS Amendment	October 2017	

Project	Next milestone	Expected date	Open for comment
 Plan Amendment, Curtailment or Settlement (Amendment to IAS 19)	IFRS Amendment	December 2017	
 Post-implementation Review of IFRS 13 Fair Value Measurement	Request for Information Feedback	December 2017	 Submit letter by 22/09/17: Request for Information
 Prepayment Features with Negative Compensation (Amendments to IFRS 9)	IFRS Amendment	October 2017	
 Previously Held Interests in a Joint Operation (Amendments to IFRS 3 and IFRS 11)	IFRS Amendment	December 2017	
 Primary Financial Statements	Discussion Paper or Exposure Draft	H1 2018	
 Principles of Disclosure	Discussion Paper Feedback	H1 2018	 Submit letter by 02/10/17: Discussion Paper
 Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	Exposure Draft Feedback	December 2017	 Submit letter by 19/10/17: Exposure Draft
 Rate-regulated Activities	Discussion Paper or Exposure Draft	H1 2018	
 Share-based Payment	Research Summary	H1 2018	