

STAFF PAPER

2 March 2018

Prepared for the 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 and does 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 the 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® (Board) for the period November 2017 to 16 February 2018. This agenda paper is for information only.

Structure of this paper

2. This paper provides a summary of the technical projects, organised as follows.
 - (a) A list of the due process documents published in the period (paragraphs 3 and 4).
 - (b) A review of the Board's activities in the period:
 - (i) Section 1—the Board's recent discussions (paragraphs 5-18); and
 - (ii) Section 2—IFRS Implementation activities (paragraphs 19-23).

- (c) A summary of all projects on the Board's work plan, is set out as follows:
- (i) Appendix A—Standard-setting, research and related projects;
 - (ii) Appendix B— IFRS Interpretation Committee activities, Implementation and maintenance projects;
 - (iii) Appendix C—Taxonomy Activities; and
 - (iv) Appendix D—Work plan as at 31 January 2018.

IFRS Due Process Documents this period

3. In the period under review the Board issued:
- (a) Annual Improvements to IFRS Standards *2015-2017 Cycle* (December 2017): and
 - (b) *Plan Amendment, Curtailment or Settlement* (Amendments to IAS 19) (February 2018).
4. Concerning the IFRS Taxonomy the Board published:
- (a) the Proposed Taxonomy Update on IFRS Taxonomy 2017 Annual Improvements (November 2017); and
 - (b) the IFRS Taxonomy Update on IFRS 17 *Insurance Contracts* (January 2018).

Section 1—Board’s recent discussions

Management Commentary Practice Statement

5. At its November 2017 meeting the Board added to its standard-setting agenda a project to revise and update the IFRS Practice Statement *Management Commentary* (Practice Statement), issued in 2010.
6. In updating the Practice Statement the Board will consider:
 - (a) developments in other narrative reporting initiatives—for example, the benefits of focusing on business-critical resources and long-term value creation; and
 - (b) gaps in current narrative reporting guidance such as challenges in reporting forward-looking information, inconsistent reporting on business models, and short-term reporting on strategies.
7. The Board aims to maintain the principles-based approach already adopted in the existing Practice Statement but improve management reporting by providing improved guidance.

Primary Financial Statements

8. The Board discussed the Primary Financial Statements project at its November 2017, December 2017 and January 2018 meetings.
9. At its November 2017 meeting the Board discussed the presentation of an income/expenses from investments category, a finance/income category and additional subtotals following these categories in the statement(s) of financial performance. The Board tentatively decided:
 - (a) to require presentation of both categories in the statement(s) of financial performance;
 - (b) to define income/expense from investments using a principle-based approach and provide examples of items typically in this category; and
 - (c) to identify five line items that constitute finance income/expense category.
10. At its December 2017 meeting the Board tentatively decided to require entities to identify a management performance measure either as a subtotal in statement(s) of

financial performance presented in accordance with IAS 1 *Presentation of Financial Statements*, or in a separate reconciliation that reconciles that measure with a measure that is defined in IFRS Standards.

11. At the November 2017 meeting, the Board also considered how to present the share of profit or loss of associate and joint venture entities accounted for using the equity method. The Board did not make a decision about a preferred presentation. In December 2017, the Board sought the advice of the Accounting Standards Advisory Forum (ASAF) on this topic. ASAF members advised the Board to discuss alternative approaches to the presentation of the share of profit or loss of associate and joint venture entities in a Discussion Paper. The ASAF also provided feedback on the other topics discussed at the November 2017 meeting.
12. The Board also discussed better ways to communicate other comprehensive income and some improvements to eliminate presentation options in IAS 7 *Statement of Cash Flows* in December 2017.
13. At its January 2018 meeting the Board discussed introducing management performance measures in the financial statements and presenting the share of the profit or loss of ‘integral’ associates and joint ventures in the statement(s) of financial performance. The Board tentatively decided that:
 - (a) all entities should specify their key performance measure(s) in the financial statements;
 - (b) if any of these measures are not specified or defined in IFRS Standards, an entity should identify such measures as management performance measures; and
 - (c) the key performance measures identified in the financial statements should include, as a minimum, the key performance measures communicated in the annual report.

Goodwill and Impairment

14. The Board has continued to discuss improvements to the impairment test for assets, including goodwill. The Board tentatively decided:
 - (a) to focus on improving the application of IAS 36 *Impairment of Assets* by using the unrecognised headroom (the excess of the recoverable amount

over the carrying amount) of a cash-generating unit (or a group of units) as an additional input in the impairment testing of goodwill; and

(b) not to consider reintroducing amortisation of goodwill.

15. In January 2018 the Board discussed whether it could simplify the value in use calculation without making the impairment test in IAS 36 less robust. The Board tentatively decided to consider removing:

(a) the requirement for an entity to exclude from the value in use calculation cash flows resulting from a future restructuring or a future enhancement; and

(b) the explicit requirement to use pre-tax inputs to calculate the value in use and to disclose the pre-tax discount rates used. Instead an entity would be required:

(i) to use internally consistent assumptions about cash flows and discount rates; and

(ii) to disclose the discount rates actually used.

Business Combinations under Common Control

16. At its December 2017 meeting the Board clarified the scope of the Business Combinations under Common Control (BCUCC) project. The Board also discussed methods of accounting for transactions in the project's scope.

17. The Board sought the advice of the Emerging Economies Group (EEG) and the ASAF on this project during December 2017.

Dynamic Risk Management

18. In November 2017, the Board discussed two accounting models that could better reflect dynamic risk management in financial reporting. The Board has tentatively decided to develop an accounting model based on cash flow hedge mechanics.

Section 2—Implementation Activities

IFRS Interpretations Committee

19. The IFRS Interpretations Committee (Committee) met on 20 November 2017 and 16 January 2018. It considered a number of matters (see paragraphs B1 and B2 of this report) and published three tentative agenda decisions relating to the new Standards: IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*. It also published two agenda decisions, one relating to IFRS 3 *Business Combinations* and one relating to IAS 28 *Investments in Associates and Joint Ventures*.

Supporting implementation of Standards

20. The Transition Resource Group for Insurance Contracts (TRG) held a conference call on 13 November 2017. The members discussed the operating procedures for the TRG.
21. The TRG met on 6 February 2018. A paper summarising the discussion is [available](#).¹
22. We have continued investor education sessions, with staff and Board members holding meetings with members of our Investors in Financial Reporting programme (IIFR), other buy side firms, sell side firms and credit ratings agencies.
23. The Board has also published three further educational webcasts on IFRS 17 *Insurance Contracts*.

¹ February 2018 TRG for IFRS 17 meeting summary available at: <http://www.ifrs.org/-/media/feature/meetings/2018/february/trg-for-ic/meeting-summary-trg-for-ifrs-17-february-2018.pdf?la=en&hash=75728FE4C812D376AE26A671FF1F9AA8CAC436AB>

Appendix A—Standard-setting, research and related projects

Section 1- Summary of research projects

Business Combinations under Common Control

Project objective	The Board is discussing whether it can develop requirements that would improve the comparability and transparency of accounting for business combinations under common control and help investors to better compare and understand information about such transactions that companies provide in financial statements.
Current status	The Board has recommenced its deliberations and at its meeting in December 2017 discussed the scope of the project and methods of accounting.
Use of consultative groups (this period)	<p>This was the main topic for the EEG meeting in December 2017. EEG members:</p> <ul style="list-style-type: none"> (a) received an update on the project, including an overview of research and outreach undertaken; (b) provided input on the scope of the project; and (c) discussed the factors to consider in selecting an appropriate accounting method for transactions within the scope of the project. <p>ASAF December 2017: discussed items (b) and (c) from the EEG meeting.</p>
Next due process steps	Publish a Discussion Paper (DP) in H2 2018.

Discount rates

Project objective	The Board examined why IFRS Standards require different discount rates. The Board identified some discount rate issues that may be investigated while doing other projects.
Current status	The Board has concluded no separate standard-setting activity is required.
Next steps	Publish a research summary in Q2 2018.

Dynamic Risk Management

Project objective	The Board is exploring whether it can develop an accounting model that will provide users of financial statements with better information about a company's dynamic risk management activities and their impact on the company's economic resources.
Current status	Based on feedback from the previous DP the Board is revising its proposals. At its December 2017 meeting the Board discussed the proposed project plan to develop an accounting model for dynamic risk management.
Next due process step	The Board intend to publish a discussion paper subsequent to obtaining feedback on the core model. The staff anticipate receiving feedback during H1 2019 on the core model.

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.
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Current status	The Board met in January 2018 to discuss an issue raised on a draft of the forthcoming DP. The Board tentatively decided to raise questions regarding this issue in the forthcoming DP before proposing any particular accounting requirements.
Next due process step	Publish a DP in Q2 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 continued its discussions at its December 2017 and January 2018 meetings.
Next due process step	Publish a DP or Exposure Draft (ED) in H2 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	On-going Board discussions in November 2017, December 2017 and January 2018.

Use of consultative groups (this period)	ASAF December 2017: discussed the papers presented to the Board in November and December 2017.
CMAC Discussions	October 2017: CMAC members were provided with an update on the status of the project. They were asked for input on useful subtotals for the presentation of financial performance of banks.
Next due process step	Publish either a DP or an ED in H1 2019.

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.
Current status	The Board discussed a high level preliminary summary of comment letter feedback at its meeting in December 2017.
Use of consultative groups (this period)	ASAF December 2017: the staff shared a high level preliminary summary of the comment letter feedback with ASAF members and asked for their advice on possible next steps for the project.
CMAC Discussions	October 2017: Members of CMAC were provided with an overview of the investor feedback and asked whether this feedback aligned with their views and what areas they thought should be prioritised by the Board.
Next due process step	The Board will discuss a full comment letter and outreach feedback summary on the DP in February 2018.

Share-based Payment

Project objective	The Board examined why IFRS 2 <i>Share-based Payments</i> generated many application questions for the IFRS Interpretations Committee.
Current status	The Board has concluded no standard-setting activity is required.
Next steps	Publish a research summary in Q2 2018.

Section 2—Summary of 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.
Comment letter summary	The Board considered the comment letter summary on the ED at its meeting in March 2016.
Current status	The Board received an update on the finalisation of the project at its January 2018 meeting.
Next due process step	It is expected that the revised <i>Conceptual Framework</i> will be published in March 2018 together with the accompanying <i>References to the Conceptual Framework</i> .

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; comment period ended 15 January 2018.
Use of consultative	ASAF December 2017: ASAF members were asked for their comments on the proposed clarifications to the definition.

groups (this period)	
Next steps	The Board will consider the comment letter analysis in April 2018.

Management Commentary

Project objective	To revise and update the Practice Statement <i>Management Commentary</i> issued in 2010.
Current status	Added to the Board's agenda in November 2017. The Board will commence discussions in Q2 2018.
Use of consultative groups (this period)	ASAF December 2017: ASAF members were provided with an update on developments in wider corporate reporting and the Board's decision to update the Practice Statement. ASAF members were asked for comments on the scope and areas that should be covered by this project and for any other views.
Next steps	Publish an ED.

Rate-regulated Activities

Project objective	To consider whether (or how) IFRS Standards should be amended to reflect the effects of rate regulation.
Comment letter summary	The Board considered the comment letter summary on the DP at its meeting in February 2015.
Current status	The Board is continuing its discussions on developing a model to account for the effects of rate-regulated activities.
Use of consultative groups (this period)	Consultative Group for Rate Regulation October 2017: Members of that group provided input on operational issues and views on the next steps the Board should take.

Next steps	Publish either a DP or an ED in H1 2019.
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Section 3—Summary of other projects and activities

Post-implementation review (PIR) of IFRS 13 Fair Value Measurement

Project Objective	To examine the effects of IFRS 13 <i>Fair Value Measurement</i> on financial reporting.
Current status	The Board published a Request for Information (RFI). The comment letter period closed on 22 September 2017. In January 2018, the Board received feedback on the RFI, an external academic literature review and research conducted by the staff.
Use of consultative groups (this period)	ASAF December 2017: Provided feedback on the comments received in response to the RFI.
CMAC Discussions	October 2017: Members of CMAC were provided with an overview of the investor feedback and asked for their input on specific portions of the feedback as well as any general views on the project.
Next steps	Feedback Statement.

Appendix B—IFRS Interpretation Committee activities, Implementation and maintenance projects

IFRS Interpretation Committee activities

B1. The Committee met in November 2017 and January 2018. It published the following tentative and final agenda decisions. Those agenda decisions include information that explains how an entity applies IFRS Standards to the particular question submitted:

IFRS Interpretation Committee’s tentative agenda decisions
Presentation of interest revenue for particular financial instruments (IFRS 9 <i>Financial Instruments</i> and IAS 1 <i>Presentation of Financial Statements</i>).
Revenue recognition in a real estate contract that includes the transfer of land (IFRS 15 <i>Revenue from Contracts with Customers</i>).
Right to payment for performance completed to date (IFRS 15 <i>Revenue from Contracts with Customers</i>).
IFRS Interpretations Committee’s agenda decisions
Acquisition of a group of assets (IFRS 3 <i>Business Combinations</i>).
Contributing property, plant and equipment to an associate (IAS 28 <i>Investments in Associates and Joint Ventures</i>)

B2. The Committee also decided the following:

- (a) to add to its standard-setting agenda a project to clarify the meaning of the term ‘unavoidable costs’ relating to the definition of an onerous contract in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and
- (b) to recommend that the Board propose an amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards* to provide a subsidiary that becomes a first-time adopter of IFRS Standards later than its parent with additional practical relief for cumulative translation differences.

B3. The following table details the current status of the Board’s maintenance projects.

Progress on narrow-scope amendments			
Project	Objective	Status	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 2017. The ED comment letter deadline was 15 January 2018.	Consider the comment letter summary in March 2018.
Accounting Policy Changes (Proposed Amendments to 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's discussions for this stage of the project are complete.	Publish an ED in March 2018.
Availability of a Refund (Amendments to IFRIC 14)	To clarify the accounting when other parties have rights to make particular decisions about a company's defined benefit plan.	Following comments on the effects of the proposals, 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.	Issue an IFRS Amendment.

Progress on narrow-scope amendments			
Project	Objective	Status	Next steps
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.	The Board will continue its discussion after completing the revision of the <i>Conceptual Framework for Financial Reporting</i> .	Issue an IFRS Amendment in H2 2018.
Definition of a Business (Amendments to IFRS 3)	To clarify 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.	The Board has concluded its redeliberations of the proposed amendments.	Issue an IFRS Amendment in Q2 2018.
Fees in the ‘10 per cent’ test for derecognition (Proposed Amendments to IFRS 9)	As part of the next Annual Improvements Cycle, to clarify which fees and costs a company includes in a quantitative ‘10 per cent’ test for assessing whether to derecognise a financial liability.	At a future meeting the Board will consider the required due process.	Publish an ED.
Improvements to IFRS 8 Operating Segments (Proposed Amendments to IFRS 8 and IAS 34)	To clarify the meaning of ‘chief operating decision maker’ and to improve the disclosure requirements for operating segments.	The Board discussed the comment letter summary in November 2017.	Decide project direction in March 2018.

Progress on narrow-scope amendments			
Project	Objective	Status	Next steps
<p>Property, Plant and Equipment: Proceeds before Intended Use</p> <p>(Proposed Amendments to IAS 16)</p>	<p>To reduce the diversity in how companies account for the proceeds from selling items produced while testing an item of plant or equipment before it is ready for its intended purpose.</p>	<p>The Board discussed a summary of the feedback on the Exposure Draft in December 2017.</p>	<p>The Committee will deliberate the proposed amendments at a future meeting, taking the feedback into consideration.</p>
<p>Subsidiary as a first-time adopter</p> <p>(Proposed amendments to IFRS 1)</p>	<p>As part of the next Annual Improvements Cycle, to require a subsidiary that measures its assets and liabilities at its date of transition to IFRS Standards using the amounts reported by its parent to also measure cumulative translation differences using the amounts reported by its parent.</p>	<p>At a future meeting the Board will consider transition requirements and the required due process steps.</p>	<p>Publish an ED.</p>
<p>Taxation in Fair Value Measurements</p> <p>(Proposed amendments to IAS 41)</p>	<p>As part of the next Annual Improvements Cycle, to remove the requirement for entities to exclude cash flows for taxation when measuring the fair value of biological assets using a present value technique.</p>	<p>At a future meeting the Board will consider transition requirements and the required due process steps</p>	<p>Publish an ED.</p>

Appendix C—IFRS Taxonomy projects

IFRS Taxonomy

- C1. Updates to the IFRS Taxonomy are released when the Board issues new or amended IFRS standards that affect IFRS Taxonomy content. Updates may also be released after an analysis of disclosures commonly reported in practice or to reflect improvements to the content or technology of the IFRS Taxonomy.
- C2. Each year, the IFRS Foundation publishes a compilation of Taxonomy Updates released in the previous year (the annual IFRS Taxonomy). The annual IFRS Taxonomy 2018 is expected to be released in March 2018.

IFRS Taxonomy Update—Annual Improvements

Project objective	<p>Improve the IFRS Taxonomy content including:</p> <ul style="list-style-type: none"> • changes to support consistent tagging of reporting related to continuing and discontinued operations; and • additions to better reflect the disaggregation of disclosures in IAS 19 <i>Employee Benefits</i> and the disclosures in IFRS 7 <i>Financial Instruments: Disclosures</i> relating to the initial application of IFRS 9 <i>Financial Instruments</i>.
Current status	Comment period closed on 29 January 2018.
Next due process step	<p>Discuss feedback received at the February 2018 meeting of the IFRS Taxonomy Consultative Group.</p> <p>To be reviewed by the IFRS Taxonomy Review Panel² and subsequently changes to be included in the annual 2018 IFRS Taxonomy.</p>

² The IFRS Taxonomy Review Panel consists of three to five Board members and one senior technical director. In accordance with the agreed due process, the IFRS Taxonomy Review Panel reviews (but does not approve) IFRS

IFRS Taxonomy Update—Common Practice (IFRS 13)

Project objective	To identify 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	Discuss proposed addition to the IFRS Taxonomy at the April 2018 meeting of the IFRS Taxonomy Consultative Group. To be reviewed by the IFRS Taxonomy Review Panel.

IFRS Taxonomy Update—Prepayment Features with Negative Compensation (Amendments to IFRS 9)

Project objective	To update the IFRS Taxonomy for the presentation and disclosure requirements of the amendments to IFRS 9.
Current status	Analysing feedback on the Proposed Taxonomy Update
Next due process step	Discuss feedback received at the February 2018 meeting of the IFRS Taxonomy Consultative Group. To be approved by the Board and subsequently changes to be included in the annual IFRS Taxonomy 2018.

- C3. In December 2017, the IFRS Foundation released a new guide *Using the IFRS Taxonomy – A preparer’s guide*. This guide helps preparers understand the IFRS Taxonomy content. Its aim is to support the quality and consistency of data tagging applied to IFRS disclosures. Members of the IFRS Taxonomy Consultative Group and members of the IFRS Taxonomy Review Panel reviewed a draft of the guide.

Taxonomy content not directly reflecting new or amended IFRS Standards. This includes updates reflecting new common practice content or where appropriate annual improvements to the IFRS Taxonomy.

Appendix D—Work plan as at 31 January 2018

Description	Next milestone	Expected date for next milestone as at 31.01.2018
Research Projects		
Business Combinations under Common Control	Discussion Paper	H2 2018
Discount Rates	Research summary	Q2 2018
Dynamic Risk Management	Core Model	H1 2019
Financial Instruments with Characteristics of Equity	Discussion Paper	Q2 2018
Goodwill and Impairment	Discussion Paper or Exposure Draft	H2 2018
Primary Financial Statements	Discussion Paper or Exposure Draft	H1 2019
Principles of Disclosure	Report Discussion Paper feedback to Board	February 2018
Share-based Payment	Research summary	Q2 2018
Standard-setting and related projects		
Conceptual Framework	Conceptual Framework	March 2018
Disclosure Initiative: Definition of Material (Amendments to IAS 1 and IAS 8)	Report Exposure Draft feedback to Board	April 2018
Management Commentary	Exposure Draft	No date
Rate-regulated Activities	Discussion Paper or Exposure Draft	H1 2019

Description	Next milestone	Expected date for next milestone as at 31.01.2018
Narrow-scope amendments		
Accounting Policies and Accounting Estimates (Amendments to IAS 8)	Report Exposure Draft feedback to Board	March 2018
Accounting policy changes (Amendments to IAS 8)	Exposure Draft	March 2018
Availability of a Refund (Amendments to IFRIC 14)	IFRS Amendment	No date
Classification of Liabilities (Amendments to IAS 1)	IFRS Amendment	H2 2018
Definition of a Business (Amendments to IFRS 3)	IFRS Amendment	Q2 2018
Fees in 10% test for derecognition (Amendments to IFRS 9) Annual Improvements (next cycle)	Exposure Draft	No date
Improvements to IFRS 8 Operating Segments (Amendments to IFRS 8 and IAS 34)	Decide Project direction	March 2018
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	IFRS Amendment	[Issued] February 2018
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	IFRS Amendment	No date
Subsidiary as a First-time Adopter (IFRS 1)	Exposure Draft	No date
Taxation in Fair Value Measurements (IAS 41)	Exposure Draft	No date

Description	Next milestone	Expected date for next milestone as at 31.01.2018
Post-implementation review		
IFRS 13 <i>Fair Value Measurement</i>	Feedback Statement	No date
Other		
IFRS Taxonomy Update – 2017 Annual Improvements	Proposed update Feedback	February 2018
IFRS Taxonomy Update—Common Practice (IFRS 13)	Proposed Update	Q2 2018
IFRS Taxonomy Update – Prepayment Features with Negative Compensation (Amendments to IFRS 9)	Proposed Update Feedback	February 2018