STAFF PAPER

April 2019

Accounting Standards Advisory Forum

Project	Accounting Standards Advisory Forum		
Paper topic	IASB® Project Update & Agenda Planning		
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Introduction

1. The aim of this paper is to:

   (a) discuss the agenda topics for the July 2019 Accounting Standards Advisory Forum (ASAF) meeting;

   (b) provide ASAF members with a short update on the International Accounting Standards Board's (Board) technical projects; and

   (c) provide ASAF members with feedback on how the staff and the Board have considered (or will consider) the advice given at the December 2018 ASAF meeting.

Project update and agenda planning

2. There are three appendices to this paper:

   (a) Appendix A sets out the suggested agenda topics for the July 2019 ASAF meeting.

   (b) Appendix B is an update of the Board's Work Plan and includes details of advice previously requested from ASAF. Further details of the projects are available on the IFRS Foundation website.

   (c) Appendix C sets out a table summarising the feedback from the December 2018 ASAF meeting and how the staff or the Board have considered (or will consider) this feedback.

Questions to ASAF members
1. Do ASAF members have any comments on the proposed agenda topics for the July 2019 ASAF meeting (Appendix A)? 2. Do ASAF members wish to add items arising from their jurisdiction to the proposed agenda topics? 3. Do ASAF members have any comments on the project update (Appendix B)?

Forthcoming consultations

3. We would like to bring to your attention that the staff plan to ask the Board to set shorter than usual comment periods for the exposure drafts of Amendments to IFRS 9 *Financial Instruments*: IBOR Reform and the Effects on Financial Reporting, and Amendments to IFRS 17 *Insurance Contracts.*

4. The staff will ask the Board, at its March 2019 meeting (Agenda paper 14A), to approve a comment period of 45 days for the exposure draft of Amendments to IFRS 9. At a future meeting, the staff will ask the Board to approve a comment period of 90 days or less for the exposure draft of Amendments to IFRS 17. Both comment periods will be subject to approval by the Due Process Oversight Committee permission.

ASAF Agenda Topics

Meeting	Agenda topic
December 2018 (Actual)	Better Communication—Primary Financial Statements
	Management Commentary Practice Statement
	Business Combinations under Common Control
	Pension Benefits that Depend on Asset Returns
	IFRS 17 *Insurance Contracts*
	Financial Instruments with Characteristics of Equity
	Goodwill and Impairment
	Project update
April 2019 (Actual)	Accounting treatment of ICOs (Initial Coin Offerings) and tokens in France (ANC)
	Management Commentary Practice Statement
	Amendments to IFRS 17 *Insurance Contracts*
	Onerous Contracts–Costs of fulfilling a contract (Amendment to IAS 37)
	Accounting Policy Changes (Amendments to IAS 8)
	Provisions
	Application of IFRS Practice Statement 2: *Making Materiality Judgements* to reporting climate related and other emerging risk issues on financial statements (AASB)
	Improving the impairment testing model in IAS 36 Impairment of Assets (AASB)
	Business Combinations under Common Control
	SMEs that are Subsidiaries
	Disclosure Initiative—Targeted Standards-level Review of Disclosures
	Due Process Handbook Review
	Project update
July 2019 (Proposed)	Goodwill and Impairment
	Management Commentary Practice Statement
	Better Communication—Primary Financial Statements
	Rate-regulated Activities
	Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
	Disclosure Initiative—Targeted Standards-level Review of Disclosures
	IBOR Reform and the Effects on Financial Reporting

Project Update as at 12 February 2019

Project	Project objective	Past ASAF advice
Research Projects		
Business Combinations under Common Control (BCUCC)	The Board is discussing whether it can develop requirements that would improve the comparability and transparency of accounting for business combinations under common control to help investors compare and better understand information that companies provide in financial statements about such transactions. The Board plans to publish a Discussion Paper in H1 of 2020.	**December 2018** ASAF members provided views on whether a current value approach should be applied to all BCUCC that affect non-controlling shareholders and if not, how that distinction should be made. **July 2018** ASAF members discussed the findings from the Hong Kong Institute of Certified Public Accountants (HKICPA) and Organismo Italiano di Contabilità (OIC) in their research survey with investors on BCUCC. ASAF members provided advice on the approaches developed by staff for transactions within the scope of the project. **December 2017** ASAF members discussed the: (a) clarifications of the scope of the project; and (b) factors to consider in selecting an appropriate accounting method for transactions within the scope of the project. **April 2016** ASAF members commented on the proposed direction of the project. **December 2015** The HKICPA presented a paper on how BCUCC are accounted for in Hong Kong. ASAF members discussed how the predecessor method should be applied when a BCUCC takes place. **March 2015** ASAF members discussed the staff's preliminary view on which method to apply for a BCUCC. ASAF also discussed a paper by the Canadian Accounting Standards Board, which set out the historical and current accounting practices in Canada for BCUCC, with specific reference to the Canadian related party accounting Standard.

Project Update as at 12 February 2019

Project	Project objective	Past ASAF advice
Disclosure Initiative—Principles of Disclosure	The Board has added separate projects to its agenda to: (a) develop guidance to help improve the way the Board drafts disclosure requirements in IFRS Standards and perform a targeted Standards-level review of disclosure requirements; and (b) develop guidance and examples to help entities apply materiality judgements to accounting policy disclosure. The Board plans to publish a project summary from the *Principles of Disclosure* project in March 2019.	**April 2018** ASAF members provided advice on the following topics: (a) location of information—specifically, IFRS information outside the financial statements and non-IFRS information inside the financial statements; and (b) accounting policy disclosures. **December 2017** The IASB provided an initial overview of comments on the Discussion Paper. In response ASAF members advised on the project's next steps. **July 2017** ASAF members shared initial feedback from their jurisdictions on the proposals in the Discussion Paper. Advice was previously requested on all major topics discussed in the *Principles of Disclosure* Discussion Paper.
Discount Rates	The Board examined why different IFRS® Standards require different discount rates. The Board identified some discount rate issues that may be investigated while doing other projects. The Board published a summary of the research findings in February 2019.	**July 2015** ASAF discussed the findings from the research work. **September 2014** ASAF discussed the proposed scope and approach of this project.
Dynamic Risk Management	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 how it manages those activities. The Board plans to have the core model developed by the second half of 2019.	**March 2017** ASAF discussed the research findings from the work undertaken by the European Financial Reporting Advisory Group (EFRAG). **April 2016** ASAF received an update on the project and the plans for future deliberations. **July 2015** ASAF provided advice on additional information needs relating to an entity's dynamic interest rate risk management activities not identified through comment letters on the Discussion Paper or through outreach activities.

Project	Project objective	Past ASAF advice
Extractive Activities	The Board has started work on its research project on extractive activities. This research project aims to gather evidence to help the Board decide whether to start a project to develop proposals on accounting requirements that would amend or replace IFRS 6 *Exploration for and Evaluation of Mineral Resources*. Before deciding the scope and direction of this research project, the Board has asked those national standard-setters who contributed to a Discussion Paper about extractive activities to make the Board aware of any developments since the paper's 2010 publication.	**October 2018** ASAF members provided advice on: (a) significant changes in extractive activities in their jurisdiction since the Board issued the 2010 Discussion Paper *Extractive Activities* that they think the Board should be aware of as it starts its research; and (b) views on whether users understand the diversity of accounting practice for extractive activities and how they cope with this diversity.

Project Update as at 12 February 2019

Project	Project objective	Past ASAF advice
Financial Instruments with Characteristics of Equity	The objective of this project is to improve the information that companies provide in their financial statements about financial instruments they have issued, by: (a) investigating challenges with the classification of financial instruments applying IAS 32 *Financial Instruments: Presentation*; and (b) considering how to address those challenges through clearer principles for classification and enhanced requirements for presentation and disclosure. The Board published a Discussion Paper *Financial Instruments with Characteristics of Equity* in June 2018. The Discussion Paper closed for comment on 7 January 2019; the Board will consider the feedback at its meeting in March 2019.	**December 2018** ASAF members shared feedback from outreach activities in their jurisdiction on the proposals in the Discussion Paper. **October 2018** ASAF members shared initial views on the proposals in the Discussion Paper. **July 2018** An education session was held for ASAF members on the Discussion Paper. **March 2017** ASAF members discussed possible examples that illustrate the practical implications of the model that will be included in the forthcoming Discussion Paper. **December 2016** We asked ASAF members' advice on the project outreach and messaging. **July 2016** We asked ASAF members' advice on how to apply the 'no practical ability to avoid' concept to classification of liabilities and equity. **March 2015** ASAF members discussed examples of financial instruments with characteristics of equity. ASAF members also discussed the feedback on EFRAG's Discussion Paper *Classification of Claims*. **September 2014** ASAF members provided views on which of two broad alternatives the Board should pursue when proceeding with the project.

Goodwill and Impairment	Following feedback from the Post-implementation Review of IFRS 3 *Business Combinations*, the Board is investigating making improvements to IFRS 3 and IAS 36 *Impairment of Assets*. The Board has finalised its discussion on the objectives for the next stage of this research in light of findings from the research performed to date and is now exploring possible improvements to disclosures about acquisitions and possible simplifications to the accounting for goodwill and the impairment test. The Board plans to publish a Discussion Paper in the second half of 2019.	**December 2018** ASAF members provided views on: (a) staff's ideas for identifying better disclosures about business combinations. (b) amortisation of goodwill and whether members believe it is feasible to estimate the useful life of goodwill. **October 2018** The staff provided a summary of the feedback received from the CMAC and GPF meetings and asked ASAF members' advice on the disclosure objectives and requirements. **July 2018** ASAF members were asked for their views on proposed disclosure improvements and their ideas on how to improve disclosures about business combinations, goodwill and impairment of goodwill. **April 2018** ASAF members provided advice on: (a) a staff proposal for an approach that would amend the impairment testing of goodwill by considering movements in headroom. Headroom is the excess of the recoverable amount of a cash-generating unit (or group of units) over the carrying amount of that unit (or group of units). (b) the requirement in IFRS 3 to recognise all identifiable intangible assets acquired in a business combination separately from goodwill. **September 2017** ASAF members discussed: (a) proposals in the EFRAG Discussion Paper *Goodwill Impairment Test: Can it be improved?*; and (b) staff proposals to improve the effectiveness of the impairment test. **July 2017** ASAF members discussed two papers by the Accounting Standards Board of Japan (ASBJ): (a) Possible Approaches to Addressing the Too-Little-Too-Late issue; (b) Research Paper No.3: *Analyst Views on Financial Information about Goodwill*. In addition, ASAF members discussed staff proposals for simplifying and improving the impairment test model.

Project	Project objective	Past ASAF advice
Goodwill and Impairment (continued)		**July 2016** ASAF members discussed findings from the research on Goodwill and Impairment undertaken by the ASBJ and European Financial Reporting Advisory Group (EFRAG). **December 2015** We asked ASAF members for advice on the Board's tentative decisions from meetings in October and November 2015.
Pension Benefits that Depend on Asset Returns	This is a narrow-scope research project designed to address only some types of pension benefits paid that depend, wholly or partly, on the return on a specified pool of assets. Applying IAS 19 *Employee Benefits*, a company: (a) uses assumptions about future returns on the specified assets in estimating the amount of the benefits to be paid to employees; and (b) applies a discount rate in determining the 'present value' of the estimated benefits—their value today.	**December 2018** ASAF members provided views on the approach being taken to address the measurement inconsistency identified for these types of benefits.
Provisions	The objective of this research project is to obtain evidence on whether to start a project to develop proposals to amend aspects of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.	The project was added to the Board's workplan in December 2018.

Project Update as at 12 February 2019

Project	Project objective	Past ASAF advice
Standard-setting and other projects		
Management Commentary	To update IFRS Practice Statement 1 *Management Commentary* issued in 2010. In undertaking the project, the Board will consider how broader financial reporting could complement and support IFRS financial statements. The Board plans to issue a Discussion Paper the first half of 2020.	**December 2018** ASAF members provided advice on the following topics: (a) applying materiality – helping preparers identify what to disclose in the management commentary to meet investor needs; and (b) principles for preparing management commentary – how to improve the coherence, balance and comparability of the management commentary. **December 2017** ASAF received an update on the Board's deliberations.
Primary Financial Statements	The Board is exploring targeted improvements to the structure and content of the primary financial statements, with a focus on the statement(s) of financial performance. The Board expects to issue either a Discussion Paper or an Exposure Draft in the second half of 2019.	**December 2018** ASAF members provided views on the expected effects of the Board's tentative proposals. **July 2018** ASAF members provided advice on whether to move this project from the Board's research agenda to the standard-setting agenda. The Board subsequently added the project to its standard setting agenda at its September 2018 meeting. **April 2018** At the April meeting ASAF members: (a) provided advice on possible improvements to the statement(s) of financial performance for financial institutions; (b) received an update of the Board's tentative decisions at its March 2017 and September 2017 Board meetings to develop general principles for aggregation and disaggregation as well as some improvements to the requirements in IAS 1 Presentation of Financial Statements for the presentation of an analysis of expenses by function and by nature; and (c) provided advice on some further aspects identified which could improve the level of aggregation and disaggregation of financial information. **December 2017** ASAF members provided advice on introducing an investing category and comparable subtotals in the statement of financial performance. The views of ASAF members were also requested on better ways to communicate other comprehensive income.

Project	Project objective	Past ASAF advice
Primary Financial Statements		**September 2017** ASAF members discussed: (a) research by the New Zealand Accounting Standards Board on the views of investors about the usefulness of alternative performance measures; and (b) feedback on the UK Financial Reporting Council's Discussion Paper *Improving the Statement of Cash Flows.* **July 2017** ASAF members discussed papers on: (a) the presentation of earnings before interest and tax (EBIT); (b) the presentation of a management operating performance measure; and (c) the presentation of the share of profit or loss of associates and joint ventures. **March 2017** ASAF members discussed the outcome of the initial research and proposed scope of the project. **July 2016** We asked ASAF members' advice on the scope of the project. ASAF also discussed the UK Financial Reporting Council's Discussion Paper *Improving the Statement of Cash Flows*. **December 2015** ASAF members received a verbal update on the project.
Rate-regulated Activities	The Board is developing a new accounting model to give users of financial statements better information about a company's incremental rights and obligations arising from its rate-regulated activities. The Board will continue its discussions before deciding to publish a second Discussion Paper or an Exposure Draft, which it aims to publish in the second half of 2019.	**October 2018** ASAF members provided advice on identifying a disclosure objective and related disclosure requirements for the model. **April 2018** ASAF members were updated on the Board's tentative decisions on two aspects of the accounting model being developed for defined rate regulation (the model): (a) unit of account and asset/liability definitions; and (b) scope of the model.

Project	Project objective	Past ASAF advice
		ASAF members were asked for advice on how best to communicate the rationale for the Board's tentative decisions. **September 2017** ASAF members discussed illustrative examples, exploring issues relating to the measurement of regulatory assets or regulatory liabilities. **July 2017** ASAF members' advice on the draft model was requested. **March 2017** ASAF received an update on the Board's deliberations. **December 2016** We asked ASAF's advice on the core principles and key features of the model.
Disclosure Initiative projects		
Disclosure Initiative—Targeted Standards-level Review of Disclosures	The Board is currently: (a) developing guidance for the Board itself to use when developing and drafting disclosure requirements; and (b) testing that guidance by applying it to IAS 19 *Employee Benefits* and IFRS 13 *Fair Value Measurement*.	**July 2018** ASAF members provided advice on: (a) the Board's process for developing and drafting disclosure requirements; and (b) which IFRS Standard(s) could be the subject of the Board's targeted Standards-level review of disclosures, including ASAF members' reasons for selecting these IFRS Standard(s).
Disclosure Initiative—Accounting Policies	To develop guidance and examples to help entities apply materiality judgements to accounting policy disclosure.	**April 2018** ASAF members provided advice on this topic in April 2018 (in the Disclosure Initiative—Principles of Disclosure session). The Board's next step is to publish an Exposure Draft of proposed amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements*. We will seek further advice from ASAF when the Exposure Draft has been published.

Project	Objective	Status/ASAF discussions	Next steps
Maintenance projects			
Projects highlighted in blue have been or will be discussed at ASAF meetings.			
2019 Comprehensive Review of the *IFRS for SMEs* Standard	To obtain views on whether and, if so, how to update the *IFRS for SMEs* Standard for IFRS Standards and amendments not currently incorporated into the *IFRS for SMEs* Standard.	The Board established the proposed project timeline for the 2019 Comprehensive Review of the *IFRS for SMEs* Standard at its February 2019 meeting.	Issue a Request for Information H2 2019.
Accounting Policies and Estimates (Amendments to IAS 8)	To clarify the distinction between a change in accounting policy and a change in an accounting estimate—the two are accounted for differently.	The Exposure Draft closed for comment on 15 January 2018. **April 2018** ASAF members provided advice on the next steps in the project. **October 2018** ASAF members provided advice on the proposed course of action to respond to feedback received on the Exposure Draft.	Decide project direction April 2019.
Accounting Policy Changes (Amendments to IAS 8)	To amend IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* 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 costs and benefits of applying the change retrospectively.	The Exposure Draft closed for comment on 27 July 2018. Feedback on the Exposure Draft was discussed in December 2018. The Board considered one aspect of the Exposure Draft in December 2018 and decided to confirm its proposal not to amend IAS 8 to specify when entities apply accounting policy changes resulting from Agenda Decisions published by the Interpretations Committee. **July 2017** ASAF discussed the staff proposals.	The Board will decide the project direction at a future meeting.

Project	Objective	Status/ASAF discussions	Next steps
Maintenance projects			
Projects highlighted in blue have been or will be discussed at ASAF meetings.			
Amendments to IFRS 17 ***Insurance Contracts***	In October 2018, the Board considered the concerns and implementation challenges identified during entities' implementation of IFRS 17 and commenced a process of evaluating the need for making possible amendments to the Standard.	During its meetings from November 2018 to February 2019 the Board has discussed most of the topics initially considered in October 2018. The Board expects to discuss the remaining topics at its March 2019 meeting. **December 2018** ASAF members provided advice on six topics in IFRS 17 that the Board is considering for possible amendments to the Standard.	Issue an Exposure Draft around the end of the first half of 2019.
Availability of a Refund (Amendments to IFRIC 14)	To amend IFRIC 14 to clarify the accounting when other parties have rights to make particular decisions about a company's defined benefit plan.	The Board will continue its discussions at a future meeting.	Issue an IFRS Amendment.
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	To clarify whether companies classify debt as current or non-current in particular situations.	The Board resumed discussion on this project at its September 2018 meeting.	Issue an IFRS Amendment.
Onerous Contracts -Costs of Fulfilling a Contract (Amendment to IAS 37)	To clarify the meaning of the term 'unavoidable costs' in the definition of an onerous contract.	The Exposure Draft is open for comment until 15 April 2019. ASAF members' views are being requested on the Exposure Draft.	Exposure Draft feedback.
Deferred tax related to assets and liabilities arising from a single transaction (Proposed amendments to IAS 12)	To narrow the initial recognition exemption in paragraphs 15 and 24 of IAS 12 *Income Tax* so that it would not apply to transactions that give rise to both taxable and deductible temporary differences, to the extent the amounts recognised for the temporary differences are the same.	The Board has decided to propose a narrow-scope amendment to IAS 12.	Issue an Exposure Draft in Q2 2019.

Project Update as at 12 February 2019

Project	Objective	Status/ASAF discussions	Next steps
Maintenance projects			
Projects highlighted in blue have been or will be discussed at ASAF meetings.			
IBOR Reform and the Effects on Financial Reporting	The Board is exploring the possible effects on financial reporting of interbank offered rate (IBOR) reform.	The Board has tentatively decided to amend IFRS Standards to address concerns related to the uncertainties arising from IBOR reform in the period leading up to the reform, provided the economic effects of any amendments are represented in financial reporting.	Issue an Exposure Draft in Q2 2019.
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 decided not to amend IFRS 8. **December 2017** ASAF members provided advice on the project's next steps.	Feedback Statement published February 2019.
Property, Plant and Equipment—Proceeds before Intended Use (Proposed amendments to IAS 16)	To reduce diversity in how companies account for proceeds from selling items produced while testing an item of plant or equipment before it is ready for its intended purpose.	The Board discussed a summary of the feedback on the Exposure Draft at its December 2017 meeting. **July 2018** ASAF members provided advice on the next steps for this project taking into consideration the feedback received in comment letters and from additional outreach. **July 2017** ASAF members discussed the Exposure Draft proposals.	Issue an IFRS Amendment.
Updating a Reference to the Conceptual Framework (Proposed amendments to IFRS 3)	The Board is considering whether and how to update a reference to the *Conceptual Framework* in IFRS 3 *Business Combinations.*	**October 2018** ASAF members provided advice on the next steps for the project.	Issue an Exposure Draft in Q2 2019.

Project	Objective	Status/ASAF discussions	Next steps
Maintenance projects			
Projects highlighted in blue have been or will be discussed at ASAF meetings.			
Next Annual Improvements Cycle			
Fees in the '10 per cent' test for derecognition (Proposed amendments to IFRS 9)	To amend IFRS 9 *Financial Instruments* 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 its meeting in April 2017, the Board tentatively decided to amend IFRS 9 as part of the next annual improvements cycle.	Issue an Exposure Draft in Q2 2019.
Lease Incentives (Proposed amendments to IFRS 16 Illustrative Examples)	To amend Illustrative Example 13 accompanying IFRS 16 *Leases* as part of the next annual improvements to IFRS Standards. The proposed amendment would remove from the example the illustration of the reimbursement of leasehold improvements by the lessor.	At its meeting in May 2018, the Board tentatively decided to amend Illustrative Example 3 accompanying IFRS 16 as part of the next annual improvements cycle.	
Subsidiary as a First-time Adopter (Proposed amendments to IFRS 1)	To amend IFRS 1 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.	At its meeting in December 2017, the Board tentatively decided to amend IFRS 1 as part of the next annual improvements cycle.	
Taxation in Fair Value Measurements (Proposed amendments to IAS 41)	To amend IAS 41 to remove the requirement to exclude cash flows from taxation when measuring the fair value of biological assets using a present value technique.	At its meeting in December 2017, the Board tentatively decided to amend IAS 41 as part of the next annual improvements cycle.	

<table>
<tr><th>Topic</th><th>Summary of ASAF advice</th><th>How the advice has been/will be applied</th></tr>
<tr><td colspan="3">Financial Instruments with Characteristics of Equity
The ASAF members shared feedback from outreach activities in their jurisdictions on the proposals in the Discussion Paper Financial Instruments with Characteristics of Equity (Discussion Paper).</td></tr>
<tr><td>Comments on classification proposals</td><td>ASAF members acknowledged the potential advantages of the proposals in the Discussion Paper including:
(a) Clearer classification principles would provide a better basis for developing more detailed application guidance and determining classification of innovative financial instruments as they emerge.
(b) Users of financial statements acknowledge that there is room for improvement in IAS 32 Financial Instruments: Presentation and are interested in having an approach that distinguishes between claims that depend on the entity’s available economic resources and those which are independent of such resources.
The members also noted concerns regarding the proposals in the Discussion Paper including:
(a) The cost of applying classification proposals set out in the Discussion Paper, including the cost of reassessing classification decisions on existing financial instruments may outweigh the benefits. This concern stems from the new terminology introduced in the Discussion Paper.
(b) Potential new interpretive issues may arise.
(c) The clarity of the ‘amount’ and ‘timing’ features needs improvement, including aspects of the ‘amount’ feature, such as ‘available economic resources’.
(d) Additional guidance is needed as how to consider economic compulsion and indirect obligations when determining whether rights and obligations arise from the contractual terms.</td><td>In March 2019 the Board will receive an update on the Key themes emerging from the feedback received and the Board will consider the detailed comment letter analysis in Q3.
Feedback from ASAF members will be shared with the Board at future meetings.</td></tr>
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Topic	Summary of ASAF advice	How the advice has been/will be applied
	(e) The potential change in the classification from equity to financial liabilities of cumulative preference shares and some hybrid bonds[1] could disrupt some markets. (f) The interaction with the definition of financial liabilities in the Discussion Paper and the *Conceptual Framework for Financial Reporting*. (g) More guidance is needed for compound financial instruments, particularly the accounting for NCI puts in the separate financial statements. (h) Support for retaining the puttable exception. (i) Classification outcomes applying the Board's preferred approach for two types of financial instruments: a hybrid instrument prevalent in Korea which would change its classification to a financial liability and a bond with warrant containing anti-dilution provisions which would remain classified as a financial liability.	
Comments on presentation proposals	ASAF members reported mixed views on the Discussion Paper's proposal to present income and expenses arising from particular financial liabilities within other comprehensive income (OCI) without recycling. They also reported a lack of support for the presentation proposals in relation to attribution of total comprehensive income to equity instruments.	
Comments on disclosure proposals	ASAF members reported more support had been received for the disclosure proposals compared to other parts of the Discussion Paper. Members comments included: (a) The Board needs to address the interaction between the disclosure proposals in Discussion Paper the *Principles of Disclosure* project.	In March 2019 the Board will receive an update on the Key themes emerging from the feedback received and the Board will consider the detailed comment letter analysis in Q3.

[1] The EFRAG member said that the European hybrid bonds market in 2018 represents about 5% of the total market for new issuance of bonds and approximately EUR 20 billion in Euro market.

Topic	Summary of ASAF advice	How the advice has been/will be applied
	(b) Practical challenges could arise in regard to providing a sufficient amount of information on terms and conditions of financial instruments whilst avoiding disclosure overload. (c) A concern regarding the practical challenges acknowledged regarding the proposed disclosure of the priority of claims on liquidation on a consolidated basis, including a definition of liquidation. (d) Questions had been raised on the interaction between the accounting within equity of put options written on non-controlling interests (NCI puts) as set out in the Discussion Paper and the requirements in IFRS 10 *Consolidated Financial Statements*.	Feedback from ASAF members will be shared with the Board at future meetings.
Other comments	ASAF members made the following additional comments: (a) The Board should undertake an effect analysis considering the risk of unintended consequences resulting from the introduction of the new concepts. (b) The Board should focus on addressing practical issues including: (i) How regulatory and legal requirements should be considered when applying the Board's preferred approach; and (ii) The Board should proceed with proposed improvements to disclosures even if it decided not to proceed with the classification proposals. (c) Some of the application issues with IAS 32 arise not because of unclear principles but rather due to confusion as to what unit of account such principles apply to.	In March 2019 the Board will receive an update on the Key themes emerging from the feedback received and the Board will consider the detailed comment letter analysis in Q3. Feedback from ASAF members will be shared with the Board at future meetings.

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<tr><td colspan="3">Business Combinations Under Common Control (BCUCC)
The objective of this session was to seek ASAF members' views on whether a current value measurement approach based on the acquisition method set out in IFRS 3 Business Combinations should be applied to all or some BCUCC that affect non-controlling shareholders in the receiving entity and if not all, how the distinction should be made on when to use a current value measurement approach.</td></tr>
<tr><td>Approach for transactions that affect non-controlling interest</td><td>Many ASAF members supported the use of a current value approach for BCUCC in some circumstances. Some ASAF members supported the use of that approach when NCI is present in the receiving entity. Some of those members suggested that a current value approach should not be restricted to the circumstances when the receiving entity's equity instruments are traded in a public market. However, those members acknowledged distinguishing when to use a current value approach for private entities when NCI is present would be difficult. Some ASAF members suggested alternative ways of making this distinction for transactions that affect NCI:
(a) Ask NCI in the receiving entity whether they want current value information, similar to the exemption from producing consolidated financial information in IFRS 10 Consolidated Financial Statements.
(b) Leave the decision about using a current value approach to the entity's management.
(c) Consider the notion of 'public accountability' described in the IFRS for SMEs Standard.
Some ASAF members supported using a current value approach in some situations for BCUCC but suggested the following alternative ways of approaching the problem instead of focussing on the information needs of primary users of the receiving entity's financial statements:
(a) Consider the commercial substance of a BCUCC in determining the appropriate measurement approach.
(b) Consider whether the transaction is an acquisition or a reorganisation.
(c) Start the problem analysis considering BCUCC between wholly-owned entities instead of considering transactions where NCI in the receiving entity is affected.</td><td>The staff will consider ASAF members' views in developing recommendations for the Board.</td></tr>
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Topic	Summary of ASAF advice	How the advice has been/will be applied
	(d) Develop general principles for BCUCC before considering specific examples. One member did not agree with the use of a current value approach for transactions within the scope of the project. Instead, the member advocated the use of a predecessor method and noted that a predecessor method is currently used in the member's jurisdiction.	
Pension Benefits that Depend on Asset Returns *The objective of this session was to obtain ASAF members' advice on whether the measurement approach described in Agenda Paper 7 would be helpful in solving the measurement inconsistency described in that paper when applying IAS 19 Employee Benefits to pension benefits that depend on asset returns.*		
	Most ASAF members supported the research project and the proposal to address the specified measurement inconsistency. One member recommend the Board consider the impact of any 'backloading' features and interactions with benefits that include guarantees. Another member expressed concerns about the approach that the Board is exploring. The member suggested applying an approach similar to the approach described in paragraph 17 of Agenda Paper 7 where, applying paragraph 115 of IAS 19, the fair value of qualifying insurance policies that exactly match the amount and timing of some or all of the benefits payable under the plan is deemed to be equal to the present value of the defined benefit obligation. Several members offered to share their research findings on exploring similar matters in their region.	Advice received from ASAF members is being considered as the staff continue to conduct the research and formulate recommendations for the Board.

Topic	Summary of ASAF advice	How the advice has been/will be applied
IFRS 17 *Insurance Contracts* *The objective of this session was to ask ASAF members' advice on six topics in IFRS 17* Insurance Contracts *that the Board is considering for possible amendments to the Standard.*		
Scope of IFRS 17 – Loans and other forms of credit that transfer insurance risk	Some ASAF members welcomed the staff analysing possible amendments to IFRS 17 to exclude from its scope some or part of insurance contracts that have as their primary purpose the provision of loans or other forms of credit in a way that would meet the criteria set by the Board. Those ASAF members provided the following comments for this topic: (a) The Board should consider allowing an entity to choose to apply either IFRS 17 or IFRS 9 *Financial Instruments* to account for those contracts and that the entity should be required to apply that choice consistently. (b) One member observed that it would be difficult to amend IFRS 17 to exclude some additional insurance contracts from the scope of the Standard. Therefore, stakeholders in her jurisdiction do not think that the Board could amend the scope of IFRS 17 without unduly disrupting implementation processes that are already under way.	The Board considered the advice from ASAF members when discussing this topic at the February 2019 Board meeting (refer to Agenda Paper 2A *Loans that transfer significant insurance risk*). The Board tentatively decided to amend the scope of IFRS 17 and IFRS 9 so that an entity would be permitted to apply either IFRS 17 or IFRS 9 to insurance contracts that provide insurance coverage only for the settlement of the policyholder's obligation created by the contract.
Acquisition cash flows for renewals outside the contract boundary	Some ASAF members supported the staff preliminary view that it might be possible to amend IFRS 17 to require or allow an entity to allocate insurance acquisition cash flows directly attributable to a contract not just to that contract, but also to expected renewals of that contract in a way that would meet the criteria set by the Board. One member expressed concerns about possible amendments to IFRS 17 requirements about acquisition cash flows. She noted that: (a) deferring acquisition cash flows for renewals is not common in her jurisdiction; and	The Board considered the advice from ASAF members when discussing this topic at the January 2019 Board meeting (refer to Agenda Paper 2A *Insurance acquisition cash flows for renewals outside the contract boundary*). The Board tentatively decided to amend IFRS 17 so that an entity would:

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	(b) it is difficult in practice to distinguish the acquisition costs that pertain to the original insurance contract from those that pertain to a renewed insurance contract.	(a) allocate part of the insurance acquisition cash flows to expected contract renewals; (b) recognise those cash flows as an asset until the contract renewals are recognised; and (c) assess the recoverability of the asset each period.
Contractual service margin: coverage units in the general model	Most ASAF members supported the staff exploring possible amendments to IFRS 17 for the determination of coverage units of insurance contracts to which the general model applies. One member noted that amending the requirements about coverage units for general model contracts might have a pervasive effect on IFRS 17 and agreed that the Board should consider only amendments that would not unduly disrupt implementation processes that are already under way.	The Board considered the advice from ASAF members when discussing this topic at the January 2019 Board meeting (refer to Agenda Paper 2E *Recognition of the contractual service margin in profit or loss in the general model*). The Board tentatively decided to amend IFRS 17 so that an entity would recognise in profit or loss the contractual service margin of insurance contracts to which the general model applies considering both insurance coverage and any investment return service.
Reinsurance contracts held: initial recognition when underlying insurance contracts are onerous	Half of the ASAF members agreed that the Board should explore possible amendments to IFRS 17 about the initial recognition of reinsurance contracts held when the underlying groups of insurance contracts is onerous in a way that would meet the criteria set by the Board. One ASAF member suggested that the Board should consider an approach similar to the risk mitigation exception in paragraphs B115–B118 of IFRS 17 for reinsurance contracts held.	The Board considered the advice from ASAF members when discussing this topic at the January 2019 Board meeting (refer to Agenda Paper 2B *Reinsurance contracts held—onerous underlying insurance Contracts* and Agenda Paper 2D *Reinsurance contracts held—*

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	Two ASAF members suggested that the Board should explore possible solutions to address other concerns and implementation challenges raised by stakeholders about the measurement of reinsurance contracts held, notably the ineligibility of reinsurance contracts for the variable fee approach and the expected cash flows arising from underlying insurance contracts not yet issued.	*underlying insurance contracts with direct participation features*). The Board tentatively decided to amend IFRS 17 so that when an entity recognises losses on onerous insurance contracts at initial recognition it would also recognise a gain on reinsurance contracts held, to the extent that the reinsurance contracts (i) cover the losses of the underlying contracts on a proportionate basis and (ii) are entered into before the onerous underlying contracts are issued. The Board also considered the concerns and implementation challenges expressed about the ineligibility of reinsurance contracts for the variable fee approach (refer to Agenda Paper 2D *Reinsurance contracts held—underlying insurance contracts with direct participation features*) and the requirement to reflect expected cash flows arising from underlying insurance contracts not yet issued in the measurement of reinsurance contract held (refer to Agenda Paper 2E *Future cash flows in the measurement of reinsurance contracts held*). The Board tentatively decided to retain the requirements in IFRS 17 without any

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		amendments.
Separate presentation of groups of assets and groups of liabilities	Half of the ASAF members agreed with the staff recommendation for the December 2018 Board meeting that, for cost-benefit reasons, the Board should consider amending IFRS 17 for the presentation of insurance contracts on the statement of financial position to require entities to present portfolios of assets separately from portfolios of liabilities (rather than groups of assets separately from groups of liabilities).	The Board considered the advice from ASAF members when discussing this topic at the December 2018 Board meeting (refer to Agenda Paper 2A *Presentation of insurance contracts on the statement of financial position*). The Board tentatively decided to amend IFRS 17 so that an entity would present insurance contract assets and insurance contract liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts.
Transition – Modified retrospective approach: further modifications	A few ASAF members agreed with the staff preliminary thoughts that it might be possible to amend IFRS 17 for the modified retrospective approach by introducing additional modifications in a way that would meet the criteria set by the Board.	The Board considered the advice from ASAF members when discussing this topic at the February 2019 Board meeting (refer to Agenda Paper 2D *Transition—Modified retrospective approach*). The Board tentatively decided to amend IFRS 17 by introducing an additional specified modification that an entity could use when applying the modified retrospective approach. At transition an entity would account liabilities for claims settlement acquired in a business combination as a 'liability for incurred

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		claims’ if the entity does not have reasonable and supportable information to apply a retrospective approach. The Board also tentatively decided that an entity applying the fair value approach would be permitted to choose to classify such liabilities as a ‘liability for incurred claims’.

Feedback from the December 2018 ASAF meeting

Topic	Summary of ASAF advice	How the advice has been/will be applied
Management Commentary *The objective of this session was to provide an update to the ASAF members on the Board's tentative decision on the objective of management commentary as part of the update to IFRS Practice Statement 1 Management Commentary (Practice Statement) and receive their advice on the suggested proposals by the staff.*		
Applying materiality in preparing Management Commentary	A third of the ASAF members expressed concerns on the proposed two-step approach for identifying material information for inclusion into management commentary. Their view was that identifying material information is a holistic and integrated process. One member said such a distinction may be difficult in practice. One member said that the materiality judgements for management commentary may be different than for the financial statements because the scope of management commentary is broader. The member questioned whether the Practice Statement should ask for disclosures of 'material risks' or 'principal risks' and suggested that further tools or guidance would be needed so that preparers produce management commentaries which are not of excessive volume. Another member noted that they had some concerns about the discussion of the long-term success in terms of future cash flows. This approach could be associated with discounted cash flow methodology and could result in omitting from management commentary issues which are not material today. One member noted in their jurisdiction a legal requirement expects the management commentary to provide information to a broader population of stakeholders than just to primary users. The member asked whether the materiality assessment for management commentary should take into consideration these other stakeholders.	Feedback from ASAF members will be shared with the Board at a future meeting.
Principles for preparing Management Commentary	Some ASAF members expressed support for *coherence* or a *coherent* narrative but did not consider it necessarily addresses or achieve completeness. A member agreed that a coherent narrative is important but thought that a complete management commentary may be difficult to achieve. Another member noted concerns that completeness could deter from management's freedom to tell their story.	The feedback on the principle of neutrality, particularly the possible tension between neutrality and providing information through the eyes of management, is included for further discussion at this ASAF meeting.

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	Most ASAF members expressed their views on the principle of *comparability* in management commentary. Members' comments included: (a) Comparability among competitors within a same industry can be difficult to achieve. (b) A challenge for achieving comparability is that companies provide metrics with the same name but calculate them differently. (c) It is illogical to consider management of different companies have comparable views and perspectives. (d) Management need the freedom to tell their own stories and these stories differed from company to company and industry to industry. A comparability principle can hinder inclusion of information from the eyes of management. (e) The management commentary should focus on consistency and transparency of information because this puts users in the best position to assess comparability. Most ASAF members commented on the principle of *neutrality* in management commentary, with a few members saying that the term 'balanced' may be more appropriate. Members' comments included: (a) An entity's management would be biased while providing information about their company and as a result, neutrality can be hard to achieve. (b) The eyes of management are not neutral, and there is a natural tension between some of the qualitative characteristics. (c) Further explanation is required on how neutrality ties into the concept of reporting through the eyes of management. (d) The word neutrality is understandable for standard setters, but it might not communicate the message that the Practice Statement is trying to convey to management.	Feedback from ASAF members will also be shared with the Board at a future meeting.

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<tr><th>Topic</th><th>Summary of ASAF advice</th><th>How the advice has been/will be applied</th></tr>
<tr><td></td><td>(e) Neutrality is not being ‘middle of the road’ but instead it is about being balanced and factual and explaining both sides of the equation to enable users to make their own judgments.

A few ASAF members shared their views on whether verifiability should be emphasised as a principle for management commentary as highlighted by the Management Commentary Consultative Group. ASAF members’ comments included:

(a) Support for the idea of having forward-looking information in the management commentary, but would not recommend emphasising verifiability because forward-looking information is difficult to verify and, as a result, preparers would be deterred from providing such information.

(b) Verifiability principle should be a principle because users use the information in the management commentary for decision making.

(c) A concern it would be difficult to verify and provide assurance on forward-looking information and non-financial information.</td><td></td></tr>
<tr><td colspan="3">Goodwill and Impairment

The objective of this session was to obtain ASAF members’ advice on the disclosure objective and requirements. ASAF members’ views were sought on amortisation of goodwill, including whether members believe it is feasible to estimate the useful life of goodwill.</td></tr>
<tr><td>Improved disclosures for business combinations</td><td>ASAF members welcomed the enhanced disclosure requirements in relation to business combinations proposed by the staff during recent meetings of the Capital Markets Advisory Committee (CMAC) and the Global Preparers Forum (GPF).

ASAF members had mixed views on the concerns of GPF members about the enhanced disclosure requirements. Some members did not share the concerns expressed by GPF members, emphasising that management should be held accountable for the decisions that they have made, and that it is surprising that management may not track or monitor such information.</td><td>The feedback from ASAF members, along with that received from GPF and CMAC members, has been used to update the staff’s ideas for improved disclosures for business combinations which are currently planned to be presented to the Board in April 2019. The feedback also highlighted stakeholder concerns with the ideas</td></tr>
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Topic	Summary of ASAF advice	How the advice has been/will be applied
	ASAF members had mixed views on the staff's proposal for enhanced disclosures relating to business combinations and their subsequent performance. Comments by those members that agreed included: (a) The proposed disclosures could help users understand the financial effects of business combinations and provide users with some assurance about the recoverability of goodwill. The member also suggested enhancing IFRS 8 *Operating Segments* disclosure requirements to include the carrying amount of goodwill allocated to each segment, as well as disclosing separately the carrying amount of goodwill tested for impairment at segment level, and the carrying amount of goodwill tested at a lower level. (b) The enhanced disclosures would alleviate the pressure on the role of goodwill in providing stewardship information. (c) The enhanced disclosures were however missing management's final conclusion and justification of the carrying amount of the goodwill. (d) The enhanced disclosures would prompt management to exercise more caution when preparing forecasts, which would in turn lead to more timely recognition of goodwill impairments. (e) An objective-based approach allowed flexibility to accommodate different acquisition strategies. Some ASAF members shared concerns similar to those of GPF members. These members noted: (a) Companies update their KPI targets regularly and do not focus on the initial acquisition targets for their internal monitoring purposes. These members believe information on the subsequent performance of business combinations should be part of the management commentary. (b) The information would be sensitive and difficult to track.	which will be considered in the April Board paper.

Topic	Summary of ASAF advice	How the advice has been/will be applied
	(c) Support for disclosures on subsequent performance but were concerned with the feasibility and cost of implementing the proposals. A suggestion that further outreach should be performed to understand the information entities could provide and also thought the information should be part of the management commentary. There were mixed views were expressed on whether the disclosures should be required only for some fundamental acquisitions. Members suggested: (a) Assessing the materiality of the acquisition in the wider context of the corporate strategy. (b) The focus should be not on the materiality of the acquisition, but rather on the materiality of the resulting disclosures. (c) Not introducing another level of materiality. ASAF also discussed the further disclosure idea which would require entities to disclose its equity and profit or loss excluding the financial impacts of acquired intangible assets that would not be recognised if they had been generated internally and goodwill. ASAF member comments included: (a) Some members disagreed with this idea because they were of the view that such information can be derived from information that is already available in the financial statements. (b) A member noted that the disclosure would require an entity to determine which acquired intangible assets would have qualified for recognition if they had been generated internally. (c) Another member commented that the disclosure may provide a solution only for some investors because different investors make different adjustments.	

Topic	Summary of ASAF advice	How the advice has been/will be applied
Amortisation of goodwill	More ASAF members expressed support for amortisation of goodwill than those who did not. Some members supported amortisation from a conceptual stand point whereas other members stressed that they supported amortisation as a pragmatic solution rather than for its conceptual soundness. Specifically: (a) A member said goodwill is not an asset, but rather a residual that arises from a change in measurement bases. Nevertheless, he saw a case for amortisation of goodwill over the periods when the assets acquired are consumed because the measurement differences are also released over those periods. (b) Some members agreed with the view that the objective of the subsequent accounting for acquired goodwill is to reduce its carrying amount to zero as the benefits are consumed. (c) A member commented that amortisation would allow the allocation of the cost of the acquisition to the accounting periods in which the acquisition resulted in an increase in earnings. A member commented that one of the arguments against amortisation was that it could distract attention from assessing whether the business combination was successful. Regarding the determination of useful life of goodwill, ASAF members supported the following possibilities: (a) A useful life prescribed by the Board. (b) A useful life determined by management, perhaps subject to a cap prescribed by the Board. (c) A useful life based on the weighted average useful life of the acquired assets or the core assets of the cash generating unit. (d) A useful life based on the payback period.	The views of ASAF members will be incorporated into the staff's future Board paper on whether to reintroduce amortisation.

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	ASAF members also made the following comments: (a) The Board should expedite the project due to growing concern by regulators and the market over the large goodwill balances for listed entities in her jurisdiction. (b) Preparers supporting amortisation generally preferred the approach as a simpler alternative to the impairment only model. On the other hand, those preparers opposing amortisation are concerned that it will reduce entities' equity.	
Better Communication – Primary Financial Statements *The objective of this session was to seek ASAF members' comments on the expected effects of the Board's tentative decisions.*		At a future Board meeting, the Board will discuss whether to publish an Exposure Draft or a Discussion Paper. The Board will consider all feedback received about the likely effects of the proposals in making that decision.
Management Performance Measures (MPMs)	ASAF members were generally supportive of the Board's tentative decisions on MPMs, although some members said that providing tax and NCI effects for each adjustment would be costly for preparers. A member said some stakeholders, including credit analysts, thought the disclosure of tax and NCI effects would not be useful to users of financial statements. ASAF member comments included: (a) regulators from different jurisdictions may hold different views on MPMs depending on their current practices. For example, regulators in countries where MPMs are only used outside financial statements may object to the tentative decisions. (b) MPMs fit better in the management commentary.	ASAF members' feedback about MPMs will be reported to the Board at a future Board meeting.

Topic	Summary of ASAF advice	How the advice has been/will be applied
	(c) the Board should clarify the relationship between the Board's tentative decisions on MPMs and IFRS 8 *Operating Segments*. (d) more guidance is needed on how the tax effects of MPM adjustments should be calculated.	
Subtotals	ASAF members are generally supportive of the Board's tentative decisions on subtotals. Most members said the tentative decisions on operating profit would improve economic decision-making by investors and would not be costly to implement. However, some members said that some jurisdictions already define and require presentation of an operating profit, which differs from the Board's tentative decisions on operating profit. Two members suggested that the Board should describe the concepts that underpin each subtotal to be proposed. The staff clarified that the subtotals have underlying concepts, but better communication of those concepts is needed. Two members said it is difficult to distinguish between integral and non-integral investments in associates and joint ventures.	
Disaggregation	The ANC member said their stakeholders wanted to disaggregate expenses using a mix of functional and natural line items in some cases. The member also asked the Board to consider the possible implications of the draft proposals on disaggregation for the IFRS Taxonomy.	