

## STAFF PAPER

December 2019

## Accounting Standards Advisory Forum

<b>Project</b>	<b>Accounting Standards Advisory Forum</b>		
<b>Paper topic</b>	<b>IASB<sup>®</sup> Project Update &amp; Agenda Planning</b>		
<b>CONTACT(S)</b>	Michelle Sansom Dehao Fang	<a href="mailto:msansom@ifrs.org">msansom@ifrs.org</a> <a href="mailto:fdehao@ifrs.org">fdehao@ifrs.org</a>	+44 (0)20 7246 6963 +44 (0)20 7246 6416

This paper has been prepared for discussion at a public meeting of the Accounting Standards Advisory Forum. 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<sup>®</sup> Standards do not purport to set out acceptable or unacceptable application of IFRS Standards. Technical decisions are made in public and reported in IASB<sup>®</sup> *Update*.

## Introduction

1. The aim of this paper is to:
  - (a) discuss the agenda topics for the April 2020 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 October 2019 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 April 2020 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 October 2019 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 April 2020 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)?

## ASAF Agenda Topics

Meeting	Agenda topic
<b>October 2019 (Actual)</b>	Financial Instruments with Characteristics of Equity
	Dynamic Risk Management
	IBOR Phase 2
	Disclosure Initiative – Accounting Policy Disclosure
	2020 Agenda Consultation
	Accounting Estimation (Korea Accounting Standards Board)
<b>December 2019<sup>1</sup> (Actual)</b>	2020 Agenda Consultation
	Accounting for Intangible Assets (KASB)
	Post-implementation review of IFRS 10 <i>Consolidated Financial Statements</i> , IFRS 11 <i>Joint Arrangements</i> and IFRS 12 <i>Disclosure of Interests in Other Entities</i>
	IFRS 17 <i>Insurance Contracts</i>
<b>April 2020 (Proposed)</b>	Primary Financial Statements
	Goodwill and Impairment
	Disclosure Initiative—Targeted Standards-level Review of Disclosures
	Financial Instruments with Characteristics of Equity
	IBOR Phase 2
	Extractive Activities

<sup>1</sup> The staff will discuss plans for fieldwork for the upcoming consultation documents on *Primary Financial Statements* and *Goodwill and Impairment* during the admin session with ASAF member.

Project	Project objective	Past ASAF advice
<b>Research Projects</b>		
<p>Business Combinations under Common Control (BCUCC)</p>	<p>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.</p> <p>The Board plans to publish a Discussion Paper in the first half of 2020.</p>	<p><b>July 2019</b> ASAF members provided views on the staff’s analysis of when a current value approach and a predecessor approach should be used for BCUCC transaction. Members also provided views on particular aspects of both approaches.</p> <p><b>April 2019</b> ASAF members provided views on the accounting approach to business combination under common control between entities that are wholly owned by the controlling party, including transactions that affect lenders and other creditors in the receiving entity and those undertaken in preparation for an initial public offering.</p> <p><b>December 2018</b> 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.</p> <p><b>July 2018</b> 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.</p> <p>ASAF members provided advice on the approaches developed by staff for transactions within the scope of the project.</p> <p><b>December 2017</b> ASAF members discussed the:</p> <ul style="list-style-type: none"> <li>(a) clarifications of the scope of the project; and</li> <li>(b) factors to consider in selecting an appropriate accounting method for transactions within the scope of the project.</li> </ul> <p><b>April 2016</b> ASAF members commented on the proposed direction of the project.</p>

Project	Project objective	Past ASAF advice
<p>Business Combinations under Common Control (BCUCC)</p>		<p><b>December 2015</b> 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.</p> <p><b>March 2015</b> ASAF members discussed the staff’s preliminary view on which method to apply for a BCUCC.</p> <p>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.</p>
<p>Dynamic Risk Management</p>	<p>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.</p> <p>The Board plans to start outreach on the core model to gather stakeholders’ views in the first half of 2020.</p>	<p><b>October 2019</b> ASAF members provided feedback on the overview of the core model being developed by the Board.</p> <p><b>March 2017</b> ASAF discussed the research findings from the work undertaken by the European Financial Reporting Advisory Group (EFRAG).</p> <p><b>April 2016</b> ASAF received an update on the project and the plans for future deliberations.</p> <p><b>July 2015</b> 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.</p>

<p>Extractive Activities</p>	<p>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 <i>Exploration for and Evaluation of Mineral Resources</i>.</p> <p>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.</p>	<p><b>October 2018</b> ASAF members provided advice on:</p> <ul style="list-style-type: none"> <li>(a) significant changes in extractive activities in their jurisdiction since the Board issued the 2010 Discussion Paper <i>Extractive Activities</i> that they think the Board should be aware of as it starts its research; and</li> <li>(b) views on whether users understand the diversity of accounting practice for extractive activities and how they cope with this diversity.</li> </ul>
<p>Financial Instruments with Characteristics of Equity</p>	<p>The objective of this project is to improve the information that companies provide in their financial statements about financial instruments they have issued, by:</p> <ul style="list-style-type: none"> <li>(a) investigating challenges with the classification of financial instruments applying IAS 32 <i>Financial Instruments: Presentation</i>; and</li> <li>(b) considering how to address those challenges through clearer principles for classification and enhanced requirements for presentation and disclosure.</li> </ul> <p>The Board published a Discussion Paper <i>Financial Instruments with Characteristics of Equity</i> in June 2018.</p> <p>The Board has discussed the comments received on the Discussion Paper. At its September 2019 meeting, the Board tentatively decided to consider making clarifying amendments to IAS 32. The Board will decide the project direction in the second half of 2020.</p>	<p><b>October 2019</b> ASAF members shared their views on the tentative direction of the project.</p> <p><b>December 2018</b> ASAF members shared feedback from outreach activities in their jurisdiction on the proposals in the Discussion Paper.</p> <p><b>October 2018</b> ASAF members shared initial views on the proposals in the Discussion Paper.</p> <p><b><i>ASAF members provided advice for development of the Discussion Paper between September 2014 and July 2018.</i></b></p>

<p>Goodwill and Impairment</p>	<p>Goodwill is an asset recognised when one company acquires another company. Goodwill reflects expected future economic benefits produced by assets acquired in a merger or acquisition that are not recognised separately. Each year, the company that makes the acquisition assesses whether the goodwill is impaired.</p> <p>Some stakeholders have stated that impairment of goodwill is not always recognised in a timely fashion and investors have stated that disclosures required by IFRS Standards do not provide enough information to enable them to understand whether the acquired business is performing as was expected at the time of the acquisition.</p> <p>Some companies have stated that the impairment test required for goodwill under IAS 36 <i>Impairment of Assets</i> is costly and complex. Some stakeholders have also stated that the separate recognition and measurement of some intangible assets is challenging.</p> <p>The Board will present in a discussion paper its preliminary view that:</p> <ul style="list-style-type: none"> <li>(a) it should require better disclosures about business combinations;</li> <li>(b) it cannot make the impairment test more effective;</li> <li>(c) it should not reintroduce amortisation of goodwill;</li> <li>(d) it should introduce a requirement to present total equity before goodwill;</li> <li>(e) it should provide relief from the mandatory annual quantitative impairment test;</li> <li>(f) it should improve the calculation of value in use; and</li> <li>(g) it should continue to require identifiable intangible assets to be recognised separately from goodwill.</li> </ul> <p>The Board plans to publish a Discussion Paper in Q1 2020.</p>	<p><b>December 2018</b> ASAF members provided views on:</p> <ul style="list-style-type: none"> <li>(a) staff’s ideas for identifying better disclosures about business combinations.</li> <li>(b) amortisation of goodwill and whether members believe it is feasible to estimate the useful life of goodwill.</li> </ul> <p><b>October 2018</b> The staff provided an update on the Goodwill and Impairment project. There was no specific request for feedback from ASAF members.</p> <p><b>July 2018</b> 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.</p> <p><b>April 2018</b> ASAF members provided advice on:</p> <ul style="list-style-type: none"> <li>(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).</li> <li>(b) the requirement in IFRS 3 to recognise all identifiable intangible assets acquired in a business combination separately from goodwill.</li> </ul> <p><b>September 2017</b> ASAF members discussed:</p> <ul style="list-style-type: none"> <li>(a) proposals in the EFRAG Discussion Paper <i>Goodwill Impairment Test: Can it be improved?</i> and</li> <li>(b) staff proposals to improve the effectiveness of the impairment test.</li> </ul> <p><b>July 2017</b> ASAF members discussed two papers by the Accounting Standards Board of Japan (ASBJ):</p> <ul style="list-style-type: none"> <li>(a) Possible Approaches to Addressing the Too-Little-Too-Late issue;</li> <li>(b) Research Paper No.3: <i>Analyst Views on Financial Information about Goodwill</i>.</li> </ul> <p>In addition, ASAF members discussed staff proposals for simplifying and improving the impairment test model.</p>
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<p>Goodwill and Impairment (continued)</p>		<p><b>July 2016</b> ASAF members discussed findings from the research on Goodwill and Impairment undertaken by the ASBJ and European Financial Reporting Advisory Group (EFRAG).</p> <p><b>December 2015</b> We asked ASAF members for advice on the Board’s tentative decisions from meetings in October and November 2015.</p>
<p>Pension Benefits that Depend on Asset Returns</p>	<p>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 <i>Employee Benefits</i>, a company:</p> <ul style="list-style-type: none"> <li>(a) uses assumptions about future returns on the specified assets in estimating the amount of the benefits to be paid to employees; and</li> <li>(b) applies a discount rate in determining the ‘present value’ of the estimated benefits—their value today.</li> </ul>	<p><b>December 2018</b> ASAF members provided views on the approach being taken to address the measurement inconsistency identified for these types of benefits.</p>
<p><b>Research Projects approaching completion</b></p>		
<p>Provisions</p>	<p>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 <i>Provisions, Contingent Liabilities and Contingent Assets</i>.</p>	<p><b>April 2019</b> ASAF members provided advice on whether the Board should undertake a project of targeted improvements to IAS 37, including the scope of the possible project.</p>
<p>Subsidiaries that are SMEs</p>	<p>The objective of the project is to assess whether it is feasible to permit subsidiaries that are SMEs to apply the recognition and measurement requirements of IFRS Standards with the disclosure requirements of the <i>IFRS for SMEs</i> Standard.</p>	<p><b>April 2019</b> ASAF members provided advice on:</p> <ul style="list-style-type: none"> <li>(a) jurisdictional practices relating to the project;</li> <li>(b) likelihood of jurisdictions adopting a Standard if the Board issued a Standard; and</li> <li>(c) potential challenges that may arise in applying the proposed approach.</li> </ul>

Standard-setting and other projects		
<p>Management Commentary</p>	<p>To update IFRS Practice Statement 1 <i>Management Commentary</i> issued in 2010. In undertaking the project, the Board will consider how broader financial reporting could complement and support IFRS financial statements.</p> <p>The Board plans to issue an Exposure Draft the second half of 2020.</p>	<p><b>July 2019</b> ASAF members provided advice on the following topics:</p> <ul style="list-style-type: none"> <li>(a) applying the notion of narrative coherence in determining what information should be included in the management commentary; and</li> <li>(b) identifying and reporting factors that affect an entity’s long-term success.</li> </ul> <p><b>April 2019</b> ASAF members provided inputs in relation to:</p> <ul style="list-style-type: none"> <li>(a) the interaction between management commentary and other reports;</li> <li>(b) providing information ‘through the eyes of management and the interplay with users’ information needs and with the concept of neutrality;</li> <li>(c) forward-looking information in management commentary; and</li> <li>(d) information about tax in management commentary.</li> </ul> <p><b>December 2018</b> ASAF members provided advice on the following topics:</p> <ul style="list-style-type: none"> <li>(a) applying materiality – helping preparers identify what to disclose in the management commentary to meet investor needs; and</li> <li>(b) principles for preparing management commentary – how to improve the coherence, balance and comparability of the management commentary.</li> </ul> <p><b>December 2017</b> ASAF received an update on the Board’s deliberations.</p>
<p>Primary Financial Statements</p>	<p>The Board is developing improvements to how information is communicated in the financial statements, with a focus on the information included in the statement of profit or loss.</p> <p>The Board expects to publish an Exposure Draft in December 2019.</p>	<p><b>July 2019</b> ASAF members provided views on:</p> <ul style="list-style-type: none"> <li>(a) possible approaches to structuring new requirements;</li> <li>(b) likely pressure points for the project in their respective jurisdictions; and</li> <li>(c) their communication strategy for the project.</li> </ul> <p><b>December 2018</b> ASAF members provided views on the expected effects of the Board’s tentative proposals.</p>

<p>Primary Financial Statements (continued)</p>		<p><b>July 2018</b> ASAF members provided advice on whether to move this project from the Board’s research agenda to the standard-setting agenda. At its September 2018 meeting the Board added the project to its standard setting agenda.</p> <p><b>April 2018</b> ASAF members:</p> <ul style="list-style-type: none"> <li>(a) provided advice on possible improvements to the statement(s) of financial performance for financial institutions;</li> <li>(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 <i>Presentation of Financial Statements</i> for the presentation of an analysis of expenses by function and by nature; and</li> <li>(c) provided advice on some further aspects identified which could improve the level of aggregation and disaggregation of financial information.</li> </ul> <p><b>December 2017</b> 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.</p> <p><b>September 2017</b> ASAF members discussed:</p> <ul style="list-style-type: none"> <li>(a) research by the New Zealand Accounting Standards Board on the views of investors about the usefulness of alternative performance measures; and</li> <li>(b) feedback on the UK Financial Reporting Council’s Discussion Paper <i>Improving the Statement of Cash Flows</i>.</li> </ul> <p><b>July 2017</b> ASAF members discussed papers on:</p> <ul style="list-style-type: none"> <li>(a) the presentation of earnings before interest and tax (EBIT);</li> <li>(b) the presentation of a management operating performance measure; and</li> <li>(c) the presentation of the share of profit or loss of associates and joint ventures.</li> </ul>
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<p>Primary Financial Statements (continued)</p>		<p><b>March 2017</b> ASAF members discussed the outcome of the initial research and proposed scope of the project.</p> <p><b>July 2016</b> ASAF members’ provided advice on the scope of the project.</p> <p>ASAF also discussed the UK Financial Reporting Council’s Discussion Paper <i>Improving the Statement of Cash Flows</i>.</p> <p><b>December 2015</b> ASAF members received a verbal update on the project.</p>
<p>Rate-regulated Activities</p>	<p>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.</p> <p>The Board expects to publish an Exposure Draft in the first half of 2020.</p>	<p><b>October 2018</b> ASAF members provided advice on identifying a disclosure objective and related disclosure requirements for the model.</p> <p><b>April 2018</b> 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.</p> <p>ASAF members were asked for advice on how best to communicate the rationale for the Board’s tentative decisions.</p> <p><b>September 2017</b> ASAF members discussed illustrative examples, exploring issues relating to the measurement of regulatory assets or regulatory liabilities.</p> <p><b>July 2017</b> ASAF members’ advice on the draft model was requested.</p> <p><b>March 2017</b> ASAF received an update on the Board’s deliberations.</p> <p><b>December 2016</b> We asked ASAF’s advice on the core principles and key features of the model.</p>

<p>2020 Agenda Consultation</p>	<p>To seek formal public input on the strategic direction and balance of the Board’s work programme for the period from 2022 to 2026, including the criteria for assessing projects that may be added to the Board’s standards-level programme.</p> <p>The Board plans to publish a request for information in the second half of 2020.</p>	<p><b>October 2019</b> ASAF member provided views on the Board’s intended approach to developing the Request for Information for the 2020 Agenda Consultation.</p>
<p><b>Disclosure Initiative projects</b></p>		
<p>Disclosure Initiative—Accounting Policies</p>	<p>To develop guidance and examples to help entities apply materiality judgements to accounting policy disclosure.</p> <p>The Board has published an <i>Exposure Draft</i> which is open for comment until 29 November 2019.</p>	<p><b>October 2019</b> ASAF members shared their views on the proposals set out in the exposure draft.</p> <p><b>April 2018</b> ASAF members provided advice on this topic (in the Disclosure Initiative—<i>Principles of Disclosure</i> session). The Board has published an Exposure Draft of proposed amendments to IAS 1 and IFRS Practice Statement 2 <i>Making Materiality Judgements</i>.</p>
<p>Disclosure Initiative—Targeted Standards-level Review of Disclosures</p>	<p>The Board is currently:</p> <ul style="list-style-type: none"> <li>(a) developing guidance for the Board itself to use when developing and drafting disclosure requirements; and</li> <li>(b) testing that guidance by applying it to IAS 19 <i>Employee Benefits</i> and IFRS 13 <i>Fair Value Measurement</i>.</li> </ul> <p>The Board plans to publish an Exposure Draft in the second half of 2020.</p>	<p><b>April 2019</b> ASAF members provided advice on items of information that users identified as effective in meeting their objectives for IAS 19 and IFRS 13 disclosure.</p> <p><b>July 2018</b> ASAF members provided advice on:</p> <ul style="list-style-type: none"> <li>(a) the Board’s process for developing and drafting disclosure requirements; and</li> </ul> <p>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).</p>

IFRS Foundation projects		
Due Process Handbook Review	<p>To update the Handbook in line with the Board’s and the Interpretations Committee’s developing due process conventions, relating particularly to effects analyses and Agenda Decisions.</p> <p>The proposed amendments to the <i>Due Process Handbook</i> were issued on 1 August 2019. The Exposure Draft was closed for comment until 29 July 2019.</p> <p>The Due Process Oversight Committee will consider the feedback at its meeting in December 2019.</p>	<p><b>April 2019</b> ASAF members provided views in relation to the IFRS Foundation Trustees’ tentative decisions to amend the <i>Due Process Handbook</i>.</p>

Project	Objective	Status/ASAF discussions	Next steps
<b>Maintenance projects</b>			
<i>Projects highlighted in blue have been or will be discussed at ASAF meetings.</i>			
<b>2019 Comprehensive Review of the IFRS for SMEs Standard</b>	To obtain views on whether and, if so, how to update the <i>IFRS for SMEs</i> Standard for IFRS Standards and amendments not currently incorporated into the <i>IFRS for SMEs</i> Standard.	The Board is developing a Request for Information as part of the 2019 Comprehensive Review of the <i>IFRS for SMEs</i> .	Issue a Request for Information in Q1 2020.
<b>Accounting Policies and Accounting Estimates</b> (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 Board is considering feedback on the Exposure Draft.  <b>April 2018</b> ASAF members provided advice on the next steps in the project.  <b>October 2018</b> ASAF members provided advice on staff’s planned recommendations on the definitions of accounting estimate and accounting policy.	Issue an IFRS Amendment.
<b>Accounting Policy Changes</b> (Amendments to IAS 8)	To amend IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> 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 Board discussed feedback on the Exposure Draft in December 2018. The Board decided not to amend IAS 8 to specify when entities apply accounting policy changes resulting from agenda decisions. The Board will consider other aspects of the proposed amendments at a future meeting.  <b>April 2019</b> ASAF members provided advice on the next steps in the project, considering comment letter feedback in relation to Board’s proposals.	Decide project direction.

Project	Objective	Status/ASAF discussions	Next steps
<b>Maintenance projects</b>			
<i>Projects highlighted in blue have been or will be discussed at ASAF meetings.</i>			
<b>Amendments to IFRS 17 Insurance Contracts</b>	To make targeted amendments to IFRS 17 to ease implementation of the Standard by reducing implementation costs and making it easier for entities to explain the results of applying IFRS 17 to investors and others.	<p>The Board published an Exposure Draft of proposed amendments to IFRS 17 in June 2019.</p> <p><b>April 2019</b> ASAF members provided views on the Board’s tentative decisions on the possible amendments to IFRS 17.</p> <p><b>December 2018</b> ASAF members provided advice on six topics in IFRS 17 that the Board is considering for possible amendments to the Standard.</p>	Exposure Draft Feedback
<b>Availability of a Refund</b> (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.
<b>Classification of Liabilities as Current or Non-current</b> (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 January 2020.
<b>Deferred tax related to assets and liabilities arising from a single transaction</b> (Proposed amendments to IAS 12)	To narrow the initial recognition exemption in paragraphs 15 and 24 of IAS 12 <i>Income Tax</i> 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 published an Exposure Draft of proposed narrow-scope amendment to IAS 12 on 17 July 2019.	Exposure Draft Feedback

Project	Objective	Status/ASAF discussions	Next steps
<b>Maintenance projects</b>			
<i>Projects highlighted in blue have been or will be discussed at ASAF meetings.</i>			
<b>IBOR Reform and its Effects on Financial Reporting (Phase 2)</b>	The Board is considering potential replacement issues based on the input gathered from research activities as well as the feedback received in comment letters on the Exposure Draft for Phase 1 of the project.	<p>The Board is assessing the potential financial reporting implications when an existing interest rate benchmark is replaced with an alternative interest rate, ie replacement issues. The Board will start deliberations on these matters during Q3 2019.</p> <p><b>October 2019</b> ASAF members provided views on the proposed scope of the issues to be addressed in Phase 2 of the project.</p> <p><b>July 2019</b> ASAF members to provide inputs on:</p> <ul style="list-style-type: none"> <li>(a) the current state of interest rate benchmark reform in their jurisdictions;</li> <li>(b) the specific financial reporting issues that were identified; and</li> <li>(c) whether and how the issues identified in (b) should be addressed in the next phase of the project.</li> </ul>	Issue an Exposure Draft.
<b>Onerous Contracts - Costs of Fulfilling a Contract</b> (Amendment to IAS 37)	To clarify the meaning of the term ‘unavoidable costs’ in the definition of an onerous contract.	<p>The Board is considering feedback on the Exposure Draft.</p> <p><b>April 2019</b> ASAF members shared their preliminary views on the proposals in the Exposure Draft.</p>	Issue an IFRS Amendment in the first half of 2020.

Project	Objective	Status/ASAF discussions	Next steps
<b>Maintenance projects</b>			
<i>Projects highlighted in blue have been or will be discussed at ASAF meetings.</i>			
<b>Property, Plant and Equipment—Proceeds before Intended Use</b> (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.	At its June 2019 meeting, the Board decided to finalise the proposed amendments.  <b>July 2018</b> ASAF members provided advice on the next steps for this project taking into consideration the feedback received in comment letters and from additional outreach.  <b>July 2017</b> ASAF members discussed the proposals in the Exposure Draft.	Issue an IFRS Amendment in Q1 2020.
<b>Updating a Reference to the Conceptual Framework</b> (Proposed amendments to IFRS 3)	The Board is considering whether and how to update a reference to the <i>Conceptual Framework</i> in IFRS 3 <i>Business Combinations</i> .	The Board issued an Exposure Draft of proposed amendments to IFRS 3 in May 2019  <b>October 2018</b> ASAF members provided advice on the next steps for the project.	Exposure Draft Feedback

Project	Objective	Status/ASAF discussions	Next steps
<b>Maintenance projects</b>			
<i>Projects highlighted in blue have been or will be discussed at ASAF meetings.</i>			
<b>Annual Improvements</b>			
<b>Fees in the ‘10 per cent’ test for derecognition</b> (Proposed amendments to IFRS 9)	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.	The Board published the Exposure Draft <i>Annual Improvements to IFRS Standards 2018–2020</i> on 21 May 2019. The Exposure Draft includes these proposed amendments.	The comment period ended on 20 August 2019. The Board will consider feedback on the Exposure Draft in its November 2019 meeting.
<b>Lease Incentives</b> (Proposed amendments to IFRS 16 Illustrative Examples)	To amend Illustrative Example 13 accompanying IFRS 16 <i>Leases</i> to remove from the example the illustration of the reimbursement of leasehold improvements by the lessor.		
<b>Subsidiary as a First-time Adopter</b> (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.		
<b>Taxation in Fair Value Measurements</b> (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.		

Topic	Summary of ASAF advice	How the advice has been/will be applied
<p><b>Financial Instruments with Characteristics of Equity (FICE)</b>  <i>The objective of this session was to seek ASAF members' inputs on the direction of the project.</i></p>		
	<p>Most ASAF members supported the Board's tentative decision to proceed with the project and make clarifying amendments to IAS 32.</p> <p>Some members said they would have preferred the Board undertake a fundamental review of the approach to distinguish liabilities and equity, but have supported the Board's approach due to practical difficulties in a fundamental review.</p> <p>Some members cautioned that without considering the broader fundamentals, the Board could be faced with difficulties as the project progresses.</p> <p>Two members also provided examples that highlight practical issues prevalent in their jurisdictions.</p>	<p>The staff will consider ASAF members' views in developing recommendations for the Board.</p>
<p><b>Dynamic Risk Management (DRM)</b>  <i>The objective of this session was to provide an update on the project and request input from members on potential ways forward with regards to outreach on the core version of the DRM model.</i></p>		
	<p>Members suggested the Board undertake outreach with:</p> <ul style="list-style-type: none"> <li>(a) accounting experts and risk managers, focusing mainly on banks which are the primary users of the proposed model;</li> <li>(b) regulators to understand how capital requirement might be affected by changes in derivative fair value through OIC;</li> <li>(c) European entities which applied a carved-out version of IAS 39;</li> <li>(d) users of financial statements;</li> <li>(e) insurance entities to understand potential implications in connection with implementation of IFRS 17;</li> <li>(f) manufacturing companies which are exposed to commodity price risk; and</li> <li>(g) mining companies which are exposed to currency risk.</li> </ul>	<p>The staff will consider the ASAF members' suggestions with regards to the outreach plan when selecting the participants and formulating the questions.</p> <p>The staff note the Board decided to focus only on banks using dynamic risk management to manage interest rate for the outreach.</p>

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	<p>Other comments and suggestions made by members included:</p> <ul style="list-style-type: none"> <li>(a) the Board should clarify that the purpose of the model is to reduce existing tension between accounting and risk management practices;</li> <li>(b) how the model could be operationalised, for example in relation to required documentation when a bank constantly rebalances its portfolio for risk optimisation;</li> <li>(c) the model accommodates different forms of interest rate risk management practices, and allows companies to continue hedge accounting when the new requirements replace IAS 39; and</li> <li>(d) the Board should consider setting up a consultative group for the project with the aim of improving project efficiency.</li> </ul>	
<p><b>IBOR Reform and its Effects on Financial Reporting (Phase 2)</b>  <i>The objective of this session was to provide an update to the members on the IBOR Reform project and request further inputs from the members on potential issues to be considered during Phase II of the project.</i></p>		
	<p>Some members suggested the Board to adopt a principle-based approach and solve the most prominent and urgent areas first. Suggested focus areas for Phase 2 of the project included:</p> <ul style="list-style-type: none"> <li>(a) modification and derecognition of contracts, which could affect continuity in hedge accounting;</li> <li>(b) multiple exposure hedges where entities manage both currency risk and interest rate risk at the same time; and</li> <li>(c) classification within the fair value hierarchy in IFRS 13; and</li> <li>(d) potential implication to other IFRS Standards.</li> </ul>	<p>The staff will consider ASAF members' suggestions as part of the analysis and deliberations of the Phase 2 issues.</p>
<p><b>Disclosure Initiative—Accounting Policy Disclosure</b>  <i>The objective of this session was to seek members' preliminary views on the Exposure Draft Disclosure of Accounting Policies.</i></p>		
	<p>Most members generally agree with the proposed amendment to require entities to present 'material' accounting policies instead of 'significant' account policies. Some of these members commented that this would help to eliminate immaterial disclosures and enhance the visibility of critical information.</p> <p>However, some ASAF members suggested that the proposed amendment might not result in dramatic change in practice, while others highlighted potential translation issues that may arise when the requirements are translated.</p>	<p>Staff will consider members' feedback as part of the comment letter analysis.</p>

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	<p>Other comments made by members included:</p> <ul style="list-style-type: none"> <li>(a) clarification is needed on the meaning of ‘entity-specific’ accounting policies;</li> <li>(b) certain accounting policies would still be of interest to users even if they are not material;</li> <li>(c) companies disclosing accounting policies which essentially summarise existing requirements in certain complex IFRS Standards could be beneficial to less sophisticated users; and</li> <li>(d) the Board should consider combining its various on-going projects on IAS 8 to offer better clarity on the scope of the projects and minimise the number of potential amendments to Standards.</li> </ul>	
<p><b>2020 Agenda Consultation</b>  <b><i>The objective of this session was to seek members’ views on the intended approach with respect to the 2020 Agenda Consultation.</i></b></p>		
	<p>Members commented that the following should be clearly articulated in the in the <i>Request for Information</i>:</p> <ul style="list-style-type: none"> <li>(a) the Board’s capacity to add new projects;</li> <li>(b) descriptions of potential projects to include in the Request for Information for stakeholder comment; and</li> <li>(c) the Board’s criteria for assessing existing deficiency in reporting and determining the appropriate work plan.</li> </ul> <p>One member commented that the Board should focus on completing its existing projects during the period between 2022 and 2026, as well as the post-implementation review of recently issued IFRS Standards.</p> <p>Members agreed to discuss and develop information about potential projects to include in the Request for Information for stakeholder comment at its December 2019 meeting.</p>	<p>Staff will report feedback from ASAF members at a future Board meeting and consider their feedback in developing the Request for Information.</p>