IFRS

STAFF PAPER

June 2019

IFRS® Interpretations Committee meeting

Project	**Matters reported to the Board**
Paper topic	Update

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Background

1. The IFRS Interpretations Committee (Committee) works together with the International Accounting Standards Board (Board) in supporting the application of IFRS Standards. The Committee responds to application questions submitted by stakeholders by either:
   (a) publishing an agenda decision with explanatory material when IFRS Standards provide an adequate basis for an entity to determine its accounting; or
   (b) recommending an amendment to IFRS Standards or an IFRIC Interpretation, when the issue can be resolved effectively by adding to or changing the existing requirements.

2. At times, the Committee is unable to respond to a question submitted. This is the case when the question can be addressed effectively only by considering it in a broader context—any narrow-scope standard setting would risk creating new questions or inconsistencies. In this respect, paragraphs 5.16 and 5.17 of the *Due Process Handbook* says the Committee should address questions that, among others:

   ‘can be resolved efficiently within the confines of existing IFRSs and the *Conceptual Framework for Financial Reporting*…The issue should be sufficiently narrow in scope that it can be addressed in an efficient manner by the Committee, but not so narrow that it is not cost-effective for the Committee and interested parties to undertake the due process that would be required when making changes to IFRSs.'

3. If a matter does not meet this agenda criterion, the Committee issues an agenda decision explaining the Committee's conclusion that the matter could not be resolved in isolation of a wider consideration of the particular topic area. In such cases, the matter is reported to the Board for further consideration.

Objective and structure

4. This paper provides the Committee with a summary of the status of matters previously reported to the Board. It is structured as follows:

   (a) methodology for selection of matters discussed in this paper; and

   (b) summary of our findings.

5. The paper has three appendices:

   (a) Appendix A summarises matters the Board is considering as part of its active work plan.

   (b) Appendix B summarises matters the Board will consider as part of its future work plan.

   (c) Appendix C summarises matters the Board considered and did not add to its work plan.

Methodology for selection of matters discussed in this paper

6. Agenda Paper 13 to the March 2017 Committee meeting (March 2017 agenda paper) had provided the Committee with information about the status of topics the Committee had referred to the Board since May 2012. This paper therefore includes:

   (a) all matters identified in the March 2017 agenda paper that were being considered by the Board as part of its active work plan or that the Board was going to consider as part of its future work plan at that time.

(b) all matters the Committee has reported to the Board between March 2017 and March 2019.

7. We have identified a total of 27 matters, discussed further in this paper.

Summary of our findings

Matters reported to the Board

8. We have not identified any matters to recommend for further discussion by the Committee at this stage. The Board either is considering, will consider or has already considered 24 of the 27 matters discussed in this paper—these are discussed further in the appendices to this paper.

9. The Board has not not yet completed its discussion on commodity loans (March 2017). It discussed the topic at its meetings in January and July 2018. The Board decided to consider at a future meeting the feasibility of possible narrow-scope standard-setting to address commodity loans.

10. One topic—Customer's Right to Receive Access to the Supplier's Software Hosted on the Cloud (March 2019)—was reported to the Board at its April 2019 meeting. Respondents to the tentative agenda decision highlighted shortcomings in the requirements of IAS 38 *Intangible Assets* in their application to intangible asset arrangements linked to digitalisation. We recommended that the Board consider this matter as part of its next Agenda Consultation[1].

Other matter

11. In November 2017, the Committee published an agenda decision on Acquisition of a Group of Assets. That agenda decision includes two reasonable readings of requirements in IFRS Standards to allocate the transaction price to the identifiable assets acquired and liabilities assumed when:

[1] Work will start on the Board's next Agenda Consultation in 2019.

(a) the sum of the individual fair values of the identifiable assets and liabilities is different from the transaction price; and

(b) the group includes identifiable assets and liabilities initially measured both at cost and at an amount other than cost.

12. Because *Definition of a Business* (Amendments to IFRS 3) affects what constitutes the acquisition of a business (and consequently the acquisition of a group of assets), the Committee asked us to monitor the implementation of that amendment. Those amendments are effective for transactions with an acquisition date on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.

Matters the Board is considering as part of its active work plan (eight matters)

13. The Board is considering eight matters as part of active projects—four of these are part of its project on Financial Instruments with Characteristics of Equity (FICE).

14. Refer to Appendix A for further details.

Matters the Board will consider as part of its future work plan (12 matters)

15. The Board will consider six matters as part of projects included in its research pipeline[2]. The Board will consider four matters as part of post-implementation review (PIR) of IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*.

16. In addition, the Committee identified a group of matters related to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* in January 2016. Based on recommendations made by the Committee, the Board agreed to conduct a PIR of IFRS 5. We expect the Board to consider these matters as part of that PIR.

17. Refer to Appendix B for further details.

[2] Projects included in the Board's research pipeline are projects that are not currently active, but on which the Board expects to start, or restart, work before the next Agenda Consultation. Click here for further information on the research pipeline.

Matters the Board considered and did not add to its work plan (four issues)

18. The Board specifically considered four matters on which it has decided to do no further work at this time.

19. Refer to Appendix C for further details on these matters.

Question for Committee members
Do Committee members have any questions or comments on this paper?

Appendix A
Matters the Board is considering as part of its active work plan

#	Matter	Status	Additional background information
1	IAS 1 *Presentation of Financial Statements*—Current/Non-current Classification of Liabilities—January 2013 The classification of a term loan callable by the lender at any time (ie as a current or non-current liability).	The Board is addressing this within the maintenance project *Classification of Liabilities as Current or Non-current*. The Board expects to publish final amendments to IAS 1 in H2 2019.	The Committee recommended that the Board address the matter through a narrow-scope amendment to IAS 1.
2	IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*—Distinguishing Between a Change in Accounting Policy and Change in an Accounting Estimate—March 2014	The Board is addressing this within the maintenance project *Accounting Policies and Accounting Estimates*. The Board published an Exposure Draft in September 2017. The Board is considering feedback on the proposed amendments, discussed most recently at its April 2019 meeting.	The Committee recommended that the Board address the matter through a narrow-scope amendment to IAS 8.

#	Matter	Status	Additional background information
3	IAS 18 *Revenue*, IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and IAS 39 *Financial Instruments: Recognition and Measurement*—Regulatory Assets and Liabilities—November 2012 Whether to recognise a regulatory asset or liability when a regulated entity is permitted to recover costs, or required to refund some amounts, independently of the delivery of future services.	The Board issued IFRS 14 *Regulatory Deferral Accounts*. In addition, this matter is being addressed as part of the Board's standard-setting project on *Rate-regulated Activities*.	N/A
4	IAS 28 *Investments in Associates and Joint Ventures*—Acquisition of an Associate or Joint Venture from an Entity Under Common Control—September 2017 How an entity accounts for the acquisition of an interest in an associate or joint venture from an entity under common control.	The Board has discussed the scope of its *Business Combinations under Common Control* research project—this acquisition transaction is not within the project's scope. Nonetheless, the Board will consider the interaction between the accounting for transactions included in the project's scope and that for other transactions under common control	The Committee published a tentative agenda decision in June 2017, but decided not to finalise the agenda decision.

#	Matter	Status	Additional background information
		(such as the transaction discussed by the Committee) as the project progresses.	
Matters the Board is considering as part of the FICE project			
5	IFRS 3—Mandatory Purchases of Non-controlling Interests in Business Combinations—March 2013 Accounting for mandatory purchases of non-controlling interests that arise as a result of business combinations; specifically, a sequence of transactions that begins with an acquirer gaining control of an entity and is followed shortly thereafter by the acquisition of additional ownership interests as a result of a regulatory requirement that obliges the acquirer to offer to purchase the ownership interests of non-controlling-interest shareholders.	The Board published Discussion Paper *Financial Instruments with Characteristics of Equity* in June 2018. The Board is considering feedback on the discussion paper.	N/A

#	Matter	Status	Additional background information
6	IAS 32 *Financial Instruments: Presentation*—Classification of a Particular Financial Instrument as a Liability or Equity—January 2014 The financial instrument does not have a stated maturity date but was mandatorily convertible into a variable number of the issuer's own equity instruments if the issuer breached the Tier 1 Capital ratio (described as a 'contingent non-viability event'). The financial instrument is issued at par and the value of the equity instruments that will be delivered at conversion is equal to that fixed par amount. Interest payments on the instrument are payable at the discretion of the issuer.	The Board published Discussion Paper *Financial Instruments with Characteristics of Equity* in June 2018. The Board is considering feedback on the discussion paper.	N/A

#	Matter	Status	Additional background information
7	IAS 32—Put Options Written on Non-controlling Interests—January 2013 Accounting for changes in the carrying amount of a financial liability for a put option, written to a non-controlling interest shareholder (NCI put), in the parent's consolidated financial statements.	The Board published Discussion Paper *Financial Instruments with Characteristics of Equity* in June 2018. The Board is considering feedback on the discussion paper.	The Committee published a draft Interpretation in May 2012. However, after considering the feedback, the Committee referred the matter to the Board.
8	IAS 32—Written Put Options Over Non-controlling Interests to be Settled by a Variable Number of the Parent's Shares—November 2016 The accounting for a written put option over non-controlling interests in consolidated financial statements. The put has a strike price that will, or may, be settled by the exchange of a variable number of the parent's own equity instruments.	The Board published Discussion Paper *Financial Instruments with Characteristics of Equity* in June 2018. The Board is considering feedback on the discussion paper.	N/A

Appendix B
Matters the Board will consider as part of its future work plan

#	Matter	Status	Additional background information
Matters the Board will consider as part of projects on the Board's research pipeline or future PIRs			
1	IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*—Variable Payments for Asset Purchases—March 2016 The accounting for variable payments to be made for the purchase of an item of property, plant and equipment or an intangible asset that is not part of a business combination.	The Board will consider this as part of its project on *Variable and Contingent Consideration*, which is included in the Board's research pipeline.	N/A
2	IFRIC 12 *Service Concession Arrangements*—Payments Made by an Operator to a Grantor in a Service Concession Arrangement—July 2016 How an operator accounts for variable payments it makes to a grantor in a service concession arrangement within the scope of IFRIC 12.	The Board will consider this as part of its project on *Variable and Contingent Consideration*, which is included in the Board's research pipeline.	N/A

#	Matter	Status	Additional background information
3	IAS 37—Liabilities Arising from Emission Trading Schemes—May 2014 The measurement of a liability that arises from an obligation to deliver allowances in an emission trading scheme. The request asked whether, applying IAS 37, the measurement of the liability for the obligation to deliver allowances should reflect current values of allowances at the end of each reporting period.	The Board will consider this as part of its project on *Pollutant Pricing Mechanisms*, which is included in the Board's research pipeline.	N/A
Matters being considered as part of the Equity Method project			
4	IAS 27 *Separate Financial Statements*—Investment in a subsidiary accounted for at cost: Step acquisition (January 2019) Determining the cost of a subsidiary when an entity had previously applied IFRS 9 *Financial Instruments* in accounting for its interest in that subsidiary before obtaining control.	A similar question arises regarding the cost of an associate or joint venture applying the equity method. The Board may therefore consider this as part of its project on the *Equity Method*.	The Committee noted its preference for the fair value as deemed cost approach even though that approach is not the only approach that could be applied based on existing requirements.

#	Matter	Status	Additional background information
5	IAS 28—Equity Method—Share of Other Net Asset Changes—May 2011 The accounting for the investor's share of changes in the investee's net assets that (a) are not the investor's share of the investee's profit or loss or other comprehensive income or (b) that are not distributions received.	The Board will consider this as part of its project on the *Equity Method*.	The Board initially proposed amendments to IAS 28 to address this matter. However, it did not finalise those amendments.
6	IAS 28— Fund Manager's Assessment of Significant Influence—March 2017 Whether a fund manager assesses significant influence over a fund that it manages and in which it has an investment, and, if so, how it makes this assessment.	The Board will consider this as part of its project on the *Equity Method*.	N/A
Matters being considered as part of PIRs			
7	IFRS 10 *Consolidated Financial Statements*—Investment Entities and Subsidiaries—March 2017 The accounting by an investment entity for a subsidiary that is also an investment entity.	The Board will consider this as part of its PIR of IFRS 10, IFRS 11 and IFRS 12 (expected to start in 2019).	Respondents to the tentative agenda decision asked whether the requirement to account for

#	Matter	Status	Additional background information
			investment entity subsidiaries at fair value through profit or loss provides useful information.
8	IFRS 11 *Joint Arrangements* and IFRS 10—Loss of Control Transactions—July 2016 The accounting for retained interests in the assets and liabilities of a joint operation when an entity loses control of a business, or an asset (or group of assets) that is not a business. In the transaction discussed, the entity either retains joint control of a joint operation or is a party to a joint operation (with rights to assets and obligations for liabilities) after the transaction.	The Board will consider this as part of its PIR of IFRS 10, IFRS 11 and IFRS 12 (expected to start in 2019).	Because of the similarity between this transaction and a sale or contribution of assets to an associate or joint venture, the Committee recommended that the Board consider the accounting for the two transactions concurrently.

#	Matter	Status	Additional background information
9	IFRS 11—Output Versus Ownership in a Joint Operation—March 2015 The joint operator's share of the output purchased differs from its ownership interest in a joint operation.	The Board will consider this as part of its PIR of IFRS 10, IFRS 11 and IFRS 12 (expected to start in 2019).	The Committee noted concerns about the sufficiency of the requirements in IFRS 11 on accounting by a joint operator in the circumstances described.
10	IFRS 11—Liabilities in Relation to a Joint Operator's Interest in a Joint Operation—March 2019 One of the joint operators, as the sole signatory, enters into a lease contract with a third-party lessor for an item of property, plant and equipment that will be operated jointly as part of the joint operation's activities. The joint operator that signed the lease contract has the right to recover a share of the lease costs from the other joint operators.	The Board will consider this as part of its PIR of IFRS 10, IFRS 11 and IFRS 12 (expected to start in 2019).	Respondents to the tentative agenda decision suggested that the Board consider more broadly the accounting for this type of joint operation as part of its PIR of IFRS 11.

#	Matter	Status	Additional background information
11	IFRS 5—Various Matters—January 2016 The Interpretations Committee discussed a number of IFRS 5 related matters including: 1) how to present intragroup transactions between continuing and discontinued operations; 2) the scope of the held-for-sale classification; 3) accounting for a disposal group consisting mainly of financial instruments; 4) impairment of a disposal group; 5) reversal of an impairment loss relating to goodwill in a disposal group; 6) the definition of 'major line of business' in presenting discontinued operations; and 7) the presentation requirements in paragraph 28.	The Board will consider these matters as part of its planned PIR of IFRS 5. The Board decided to conduct a PIR of IFRS 5 based on the Committee's recommendation.	N/A

#	Matter	Status	Additional background information
12	IFRS 5, IFRS 9, IAS 39— Discontinuation of Cash Flow Hedge Accounting—November 2016 Application of IFRS 9/IAS 39 to transactions of a subsidiary when the subsidiary is held for sale.	The Board will consider this as part of its planned PIR of IFRS 5.	N/A

Appendix C
Matters the Board considered and did not add to its workplan

#	Matter	Status	Additional background information
1	IFRS 9—Modification or Exchange of Financial Liabilities that do not Result in Derecognition—June 2017 The Committee received a request regarding the accounting for a modification or exchange of a financial liability measured at amortised cost that does not result in derecognition of the financial liability.	At its July 2017 meeting, the Board considered the matter and decided not to undertake standard-setting. The Board explained why standard-setting is not necessary in the Basis for Conclusions on *Prepayment Features with Negative Compensation* (Amendments to IFRS 9).	The Committee published a tentative agenda decision in March 2017. The Committee decided not to finalise the tentative agenda decision, and referred the matter to the Board.
2	IFRS 9 *Financial Instruments*—Presentation of Interest Revenue for Particular Financial Instruments—March 2018 Whether the requirement in paragraph 82(a) of IAS 1 affects the presentation of fair value gains and losses on derivative instruments that are not part of a designated and effective hedging relationship (applying the hedge accounting requirements in IFRS 9 or IAS 39).	The Board discussed the presentation of net interest income as part of its project on *Dynamic Risk Management* at its April 2019 meeting—see Agenda Paper 4C. The Board is discussing the classification of income and expenses by financial entities as part of its project	Respondents to the tentative agenda decision suggested that the Board consider as part of a research project the presentation of interest by financial institutions in the statement of profit or loss.

#	Matter	Status	Additional background information
		on *Primary Financial Statements*, although not directly considering this matter as part of that project.	
3	IAS 41 *Agriculture* and IFRS 13—Valuation Using a Residual Method—March 2013 The valuation of biological assets using the residual method when highest and best use of land is different from its current use.	These matters were considered as part of the PIR of IFRS 13. On 14 December 2018 the Board published a Project Report and Feedback Statement in which it concluded that IFRS 13 is working as intended and, accordingly, did not propose any amendments to IFRS 13. The Board will continue liaising with the valuation profession, monitor new developments in practice and promote knowledge development and sharing.	N/A
4	IAS 41 and IFRS 13— Biological Assets Growing on Bearer Plants—June 2017 Some respondents to the tentative agenda decision described difficulties preparers face in practice when determining a fair value of the produce growing on their bearer plants. They requested this feedback be provided to the Board as part of its PIR of IFRS 13.		N/A