

## Welcome to the IASB Update

The IASB met in public on 18-19 June 2013 at the IASB offices in London, UK. The FASB joined the IASB for one session via video from its offices in Norwalk.

The topics for discussion were:

- Financial Instruments: Classification and Measurement;
- Comprehensive review of the *IFRS for SMEs*;
- *IFRIC Update*;
- *Annual Improvements to IFRSs 2011-2013 Cycle*; and
- *Annual Improvements to IFRSs 2010-2012 Cycle*.

## Financial Instruments: Classification and Measurement

At the June 18 2013 meeting the IASB and the FASB continued discussing feedback received on their respective proposals on the classification and measurement of financial instruments. No tentative decisions were made at this meeting.

*Agenda Paper 6A*

The IASB staff presented to the IASB and the FASB a summary of the feedback received from users of financial statements on the IASB's

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### Future Board meetings

The IASB meets at least once a month for up to five days.

The next Board meetings in 2013 are:

18-26 July  
12-20 September

To see all Board meetings for 2013, [click here](#).

### Archive of IASB Update

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### Podcast summaries

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Exposure Draft. The sources of this feedback were:

- a. an online survey for users of financial statements;
- b. outreach meetings with users of financial statements, including joint outreach with the FASB; and
- c. joint outreach with the FASB on their proposed Accounting Standards Update (ASU) *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*.

The IASB's online survey for users of financial statements closed on 31 May 2013, and the planned outreach meetings had been substantially completed at the time of the meeting. Overall the IASB had received feedback on its Exposure Draft from over 60 individual users and user groups covering different regions and industries.

#### *Agenda Paper 6B*

The FASB and the IASB also discussed the comment letter and outreach summary of the FASB's February 2013 Exposure Draft *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* and April 2013 Exposure Draft *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities—Proposed Amendments to the FASB Accounting Standards Codification*®.

The comment period for the FASB's proposed ASU ended on 15 May 2013.

#### **Next steps**

At future joint meetings, the staff will present a more detailed analysis of specific issues, starting with the contractual cash flow characteristics assessment for classifying financial assets. The IASB and the FASB will begin joint redeliberations on the project starting in July 2013.

## **Comprehensive review of the *IFRS for SMEs***

The IASB met on 19 June to discuss the remaining issues in the comprehensive review of the *IFRS for SMEs*.

#### *IFRS Advisory Council discussions*

The staff provided the IASB with a short summary of discussions from the IFRS Advisory Council. The IFRS Advisory Council met on 10 June to discuss three issues relating to the *IFRS for SMEs*:

- a. Whether to permit use of the *IFRS for SMEs* by publicly accountable entities.
- b. How to address changes to full IFRS during reviews of the *IFRS for SMEs*.
- c. How frequently should reviews of the *IFRS for SMEs* take place?

The staff noted that a majority of Advisory Council members favoured:

- a. keeping the requirement in paragraph 1.5 of the *IFRS for SMEs* that prevents publicly accountable entities from stating compliance with the *IFRS for SMEs*;
- b. prioritising the need to provide SMEs with a stable, independent and standalone Standard over maintaining close alignment with full IFRS; and
- c. increasing the time between future reviews of the *IFRS for SMEs* from three to five years.

#### *Section 29 Income Tax (Agenda Paper 8A)*

Section 29 *Income Tax* is based on the IASB's March 2009 Exposure Draft *Income Tax* (the '2009 ED'). At its April 2013 meeting, the IASB tentatively decided that because the 2009 ED was not finalised, the requirements in Section 29 should be aligned with IAS 12 *Income Taxes*, taking into account appropriate modifications in the light of users' needs and cost-benefit considerations.

At this meeting the staff presented their first draft of a revised Section 29. IASB members generally supported the process that the staff had followed in redrafting the section. A few IASB members provided suggestions for the staff to consider during drafting. The IASB was not asked to approve the final drafting of the section at this meeting.

#### *Additional issues identified by the staff (Agenda Paper 8B)*

At this meeting the IASB considered a few additional issues identified by the staff outside the IASB's 2012 Request for Information process. The IASB made the following tentative decisions to amend the *IFRS for SMEs* to:

- a. add an undue cost or effort exemption from the requirement to offset deferred tax assets and liabilities if significant detailed scheduling would be required;
- b. amend paragraph 9.3(b) of the *IFRS for SMEs* to clarify that all subsidiaries acquired with the intention of sale or disposal within one year should be excluded from consolidation;
- c. include leases with an interest rate variation clause linked to market interest rates within the scope of Section 20 *Leases*, rather than Section 12 *Other Financial Instruments Issues*;
- d. require that the liability component of a compound financial instrument is accounted for consistently with similar standalone financial liabilities and, therefore, that amortised cost measurement is only appropriate if the liability component meets the conditions in paragraph 11.9 of the *IFRS for SMEs*;
- e. make a number of amendments to Section 26 *Share-based Payment* to clarify that equity instruments of other group entities are within its scope and that the simplification in paragraph 26.17 of the *IFRS for SMEs* for group plans applies only to the measurement of the share-based payment expense and not its recognition; and
- f. clarify that Section 26 applies to all share-based payment transactions in which the identifiable consideration received by an entity appears to be less than the fair value of the equity instruments granted or liability incurred and not just those established under law.

All IASB members agreed with the above decisions.

The IASB also discussed whether to permit SMEs relief from the requirement to use option pricing models to determine the fair value of share options issued in share-based payment transactions. The IASB tentatively decided not to change the current requirements. Thirteen IASB members agreed with this decision.

#### **Next steps**

The IASB has now completed discussing the main issues identified during the comprehensive review of the *IFRS for SMEs*. The next step will be for the IASB staff to present to the IASB and the Due Process Oversight Committee a summary of the due process steps undertaken, before preparing an Exposure Draft of the proposed amendments to the *IFRS for SMEs*.

## **IFRIC Update**

The IASB received an update from the May 2013 meeting of the IFRS Interpretations Committee. Details of this meeting were published in *IFRIC Update*, which is available by [clicking here](#).

## ***Annual Improvements to IFRSs 2011-2013 Cycle***

### *Comment letter analysis*

The IASB discussed the proposed amendments included in the Exposure Draft *Annual Improvements to IFRSs 2011-2013 Cycle* published in November 2012. On the basis of the comments that the IASB received from respondents and the recommendations of the IFRS Interpretations Committee, the IASB tentatively decided to finalise all the four proposed improvements. The four amendments that the IASB tentatively decided to finalise are:

- a. IFRS 1 *First-time Adoption of International Financial Reporting Standards*—Meaning of effective IFRSs;
- b. IFRS 3 *Business Combinations*—Scope exception for joint ventures;
- c. IFRS 13 *Fair Value Measurement*—Scope of paragraph 52 (portfolio exception); and
- d. IAS 40 *Investment Property*—clarifying the interrelationship of IFRS 3 with IAS 40 when classifying property as investment property or owner-occupied property.

The IASB also tentatively decided that the effective date of the amendments should be 1 July 2014.

All IASB members agreed with the above decisions.

### *Due process steps*

The IASB staff explained the due process steps the IASB has taken since the publication of the Exposure Draft and noted that the applicable due process steps have been completed.

All IASB members agreed that the IASB has complied with the due process requirements to date.

### ***Next steps***

The IASB staff will start drafting the ballot of the final amendments.

## ***Annual Improvements to IFRSs 2010-2012 Cycle***

### ***IFRS 2 Share-based Payment—length of the performance target with respect to the period of service***

The IASB discussed a sweep issue that had been raised during the drafting of the final amendment to IFRS 2 *Share-based Payment* regarding the length of the performance target with respect to the period of service within the proposed definition of *performance condition*. This issue had been included as part of the proposed amendment to the definition of *vesting conditions*, which was presented to the IASB in February 2013 as part of the *Annual Improvements to IFRSs 2010-2012 Cycle*.

The IASB tentatively decided to allow the start of the assessment period for the performance target to precede the service period provided that:

- a. the assessment period for the performance target substantially coincides with the service period; and
- b. the assessment period for the performance target does not extend beyond the end of the service period.

All IASB members tentatively agreed to finalise the proposed amendment on this basis.

## Next steps

The IASB plans to finalise the amendment to IFRS 2 as part of the *Annual Improvements to IFRSs 2010-2012 Cycle*, which will be published in the fourth quarter of 2013.

## Work plan—projected targets as at 21 June 2013

Major IFRSs				
Next major project milestone				
	2013 Q1	2013 Q2	2013 Q3	2013 Q4
<b>IFRS 9: <i>Financial Instruments</i> (replacement of IAS 39)</b>				
<b>Classification and Measurement (Limited Amendments)</b>			Redeliberations	
<b>Impairment</b> [comment period ends 5 July 2013]			Redeliberations	
<b>Hedge Accounting</b>			Target IFRS	
<b>Accounting for Macro Hedging</b>			Target DP	
	2013 Q1	2013 Q2	2013 Q3	2013 Q4
<b>Insurance Contracts</b> [comment period ends 25 October 2013]				Redeliberations
<b>Leases</b> [Comment period ends 13 September 2013]				Redeliberations
<b>Rate-regulated Activities</b>				
<b>Interim IFRS</b> [comment period ends 4 September 2013]				Redeliberations
<b>Rate Regulation</b>				Target DP
<b>Revenue Recognition</b>			Target IFRS	
<b>IFRS for SMEs: Comprehensive Review 2012–2014—see <a href="#">project page</a></b>				
Implementation				
Next major project milestone				
	2013 Q1	2013 Q2	2013 Q3	2013 Q4
<b>Narrow-scope amendments</b>				
<b>Acquisition of an Interest in a Joint Operation</b> (Proposed amendments to IFRS 11)				Target IFRS

<b>Actuarial Assumptions: Discount Rate</b> (Proposed amendments to IAS 19)				Target ED
<b>Annual Improvements 2010–2012</b>				Target IFRS
<b>Annual Improvements 2011–2013</b>				Target IFRS
<b>Annual Improvements 2012–2014</b>				Target ED
<b>Bearer Plants</b> (Proposed amendments to IAS 41)		Target ED		
<b>Clarification of Acceptable Methods of Depreciation and Amortisation</b> (Proposed amendments to IAS 16 and IAS 38)				Target IFRS
<b>Defined Benefit Plans: Employee Contributions</b> (Proposed amendments to IAS 19) [comment period ends 25 July 2013]				Target IFRS
<b>Disclosure Requirements about Assessment of Going Concern</b> (Proposed amendments to IAS 1)				Target ED
<b>Equity Method: Share of Other Net Asset Changes</b> (Proposed amendments to IAS 28)				Target IFRS
<b>Fair Value Measurement: Unit of Account</b>				Target ED
<b>Novation of Derivatives and Continuation of Hedge Accounting</b> (Proposed amendments to IAS 39 and IFRS 9)		Target IFRS		
<b>Put Options Written on Non-controlling Interests</b> (Proposed amendments to IAS 32)				Target ED
<b>Recognition of Deferred Tax Assets for Unrealised Losses</b> (Proposed amendments to IAS 12)				Target ED
<b>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</b> (Proposed amendments to IFRS 10 and IAS 28)				Target IFRS
<b>Separate Financial Statements (Equity Method)</b> (Proposed amendments to IAS 27)				Target ED
<b>Post-implementation reviews</b>	<b>2013 Q1</b>	<b>2013 Q2</b>	<b>2013 Q3</b>	<b>2013 Q4</b>
<b>IFRS 8 Operating Segments</b>		Publish report on Post-implementation Review		
<b>IFRS 3 Business Combinations</b>		Develop scope of review		
<b>Conceptual Framework</b>				
Next major project milestone				
	<b>2013 Q1</b>	<b>2013 Q2</b>	<b>2013 Q3</b>	<b>2013 Q4</b>
<b>Conceptual Framework (chapters addressing elements of financial statements, measurement, reporting entity and presentation and disclosure)</b>		Target DP		

<b>Disclosures: Discussion Forum</b> [Feedback Statement published 28 May 2013. <a href="#">Click here.</a> ]				
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### Research Projects

Research projects involve preliminary research to help the IASB evaluate whether to add a topic to its work plan. The IASB will begin research on the following topics in due course.

<b>Business combinations under common control</b>	
<b>Discount rates</b>	
<b>Emissions trading schemes</b>	
<b>Equity method of accounting</b>	
<b>Extractive activities</b>	
<b>Financial instruments with characteristics of equity</b>	
<b>Financial reporting in high inflationary economies</b>	
<b>Foreign currency translation</b>	
<b>Income taxes</b>	
<b>Intangible assets</b>	
<b>Liabilities—amendments to IAS 37</b>	
<b>Post-employment benefits (including pensions)</b>	
<b>Share-based payments</b>	

### Completed IFRSs

Major projects	Issued date	Effective date	Year that post-implementation review is expected to start*	
<b>Amendments to IAS 19 <i>Employee Benefits</i></b>	June 2011	1 January 2013	2015	
<b>IFRS 10 <i>Consolidated Financial Statements</i></b>	May 2011	1 January 2013	2016	
<b>IFRS 11 <i>Joint Arrangements</i></b>	May 2011	1 January 2013	2016	
<b>IFRS 12 <i>Disclosure of Interests in Other Entities</i></b>	May 2011	1 January 2013	2016	
<b>IFRS 13 <i>Fair Value Measurement</i></b>	May 2011	1 January 2013	2015	
<b>IFRS 9 <i>Financial Instruments</i></b>	October 2010	1 January 2015	TBC	

\*A post-implementation review normally begins after the new requirements have been applied internationally for two years, which is generally about 30-36 months after the effective date.

Narrow-scope amendments	Issued date	Effective date	
<b>Annual Improvements 2009-2011</b>			
<ul style="list-style-type: none"> <li>• <b>IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i>:</b> <ul style="list-style-type: none"> <li>○ Repeated application of IFRS 1</li> </ul> </li> </ul>	May 2012	1 January 2013	

<ul style="list-style-type: none"> <li>○ Borrowing costs</li> <li>• IAS 1 <i>Presentation of Financial Statements</i>—Clarification of the requirements for comparative information</li> <li>• IAS 16 <i>Property, Plant and Equipment</i>—Classification of servicing equipment</li> <li>• IAS 32 <i>Financial Instruments: Presentation</i>—Tax effect of distribution to holders of equity instruments</li> <li>• IAS 34 <i>Interim Financial Reporting</i>—Interim financial reporting and segment information for total assets and liabilities</li> </ul>			
<b>Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11, and IFRS 12)</b>	June 2012	1 January 2013	
<b>Disclosures-Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)</b>	December 2011	1 January 2013	
<b>IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine</b>	October 2011	1 January 2013	
<b>IFRS 1 First-time Adoption of International Financial Reporting Standards—Government Loans</b>	March 2012	1 January 2013	
<b>IAS 32 Financial Instruments: Presentation—Offsetting Financial Assets and Financial Liabilities</b>	December 2011	1 January 2014	
<b>Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)</b>	October 2012	1 January 2014	
<b>Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)</b>	May 2013	1 January 2014	
<b>IFRS 9 Financial Instruments—Mandatory effective date of IFRS 9 and transition disclosures</b>	December 2011	1 January 2015	
<b>Interpretations</b>	<b>Issued date</b>	<b>Effective date</b>	
<b>IFRIC 21 Levies</b>	May 2013	1 January 2014	
<b>Agenda consultation</b>			
Next major project milestone			
	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Three-yearly public consultation</b> [Feedback Statement published 18 December 2012] [Next consultation scheduled 2015 ]			Initiate second three-yearly public consultation

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