

# AGENDA PAPER

IFRS® Foundation Trustees meeting – Due Process Oversight Committee

Sao Paulo

November 2017

Agenda ref 1B

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| PRESENTERS | Henry Rees                          |
| AUTHORS    | Michelle Sansom<br>Samuel Prestidge |

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## Technical Activities: Key Issues and Update

### Purpose

1. This report provides the Due Process Oversight Committee (DPOC) with an update on the activities of the International Accounting Standards Board® (‘the Board’) in the period between May and 12 October 2017.
2. The report is prepared by the staff of the Board and is primarily for information to assist the DPOC in fulfilling its role to oversee the due process activities of the Board and the IFRS Interpretations Committee, as set out in paragraphs 2.1-2.15 of the *Due Process Handbook*.
3. The DPOC is asked to confirm it is satisfied all projects are proceeding in a manner consistent with the requirements of the *Due Process Handbook*.

### Structure of this report

4. The report is organised as follows:
  - (a) A list of the due process documents published in the period (paragraph 5 and 6).
  - (b) A review of the Board’s activities in the period:
    - (i) Section 1—the Board’s due process decision on projects (paragraphs 9 to 34);
    - (ii) Section 2—other Board discussions on standard-setting and research projects (paragraphs 35 to 43); and

- (iii) Section 3—IFRS implementation activities (paragraphs 44 to 46).
- (c) A summary of all projects on the Board’s work plan:
  - (i) Appendix A—Standard-setting, research and related projects;
  - (ii) Appendix B—IFRS Interpretation Committee activities and implementation projects;
  - (iii) Appendix C—Taxonomy activities;
  - (iv) Appendix D—Work plan as at 12 October 2017.
- (d) Appendix E—Compliance report.

### **Due process documents**

- 5. In the period under review the Board issued:
  - (a) *Long-term Interests in Associates and Joint Ventures* (Amendments to IAS 28);
  - (b) *Prepayment Features with Negative Compensation* (Amendments to IFRS 9);
  - (c) IFRS Practice Statement 2 *Making Materiality Judgements*
  - (d) IFRIC 23 *Uncertainty over Income Tax Treatments*; and
  - (e) IFRS 17 *Insurance Contracts*.
- 6. In the period under review the Board published:
  - (a) three exposure drafts (ED):
    - (i) *Accounting Policies and Accounting Estimates* (Proposed amendments to IAS 8);
    - (ii) *Definition of Material* (Proposed amendments to IAS 1 and IAS 8); and
    - (iii) *Property, Plant and Equipment—Proceeds before Intended Use* (Proposed amendments to IAS 16).

- (b) Proposed IFRS Taxonomy Update on:
  - (i) *Prepayment Features with Negative Compensation* (Amendments to IFRS 9); and
  - (ii) *IFRS 17 Insurance Contracts*.

### **Work plan**

- 7. The work plan as at 12 October 2017 is set out in Appendix D. The work plan is annotated to include an explanation of changes to the project timetable since we last reported to the DPOC in May 2017.

### **Compliance report**

- 8. The compliance report is set out in Appendix E. In the period, nine agenda papers for Board meetings were posted after the posting deadline.

## Section 1 - Due process decision made by the Board

### ***Prepayment Features with Negative Compensation***

9. At its meeting in July 2017 the Board confirmed it was satisfied that it has complied with the applicable due process requirements relating to an amendment to IFRS 9 *Financial Instruments*.
10. As a result of the amendment, particular prepayable financial assets with so-called negative compensation will be measured at amortised cost or at fair value through other comprehensive income, instead of at fair value through profit or loss.
11. In January 2017, the DPOC gave permission for the Board to publish the exposure draft of this amendment with a reduced comment period of no shorter than 30 days. The DPOC agreed with the Board's aim to finalise these proposed amendments before IFRS 9 becomes effective on 1 January 2018. The exposure draft was published in April 2017.
12. The Board received 60 comment letters on the exposure draft. Most respondents supported the proposed amendment and agreed with the Board's efforts to address the concerns raised about the classification of prepayable financial assets with negative compensation. Many highlighted the urgency of the issue and urged the Board to finalise the amendment as soon as possible.
13. Accordingly, the Board confirmed the proposals in the exposure draft, with a few modifications that respond to the feedback received on the exposure draft. Specifically, the exposure draft proposed two eligibility conditions for the amendments. Respondents expressed various concerns about one of those proposed conditions. The Board acknowledged that proposed condition would not achieve its objective in some circumstances, and could restrict the amendments in a way that it did not intend in other circumstances. Therefore, the Board did not confirm that proposed condition. Additionally, some respondents expressed the view that particular wording in the Basis for Conclusions on the exposure draft contained interpretative guidance that was outside the scope of the amendments. The Board noted that the wording is relevant to understanding its intention for how the amendment would be applied but acknowledged that the wording may have been unduly rigid or absolute. Therefore, that wording was clarified in the Basis for Conclusions on the amendment.

14. The Board issued the amendment on 12 October 2017. It is effective from 1 January 2019, with earlier application permitted. This effective date is later than was proposed in the exposure draft and responds to the concerns that entities may not have sufficient time before the effective date of IFRS 9 (ie annual periods beginning on or after 1 January 2018) to determine the effect of the amendment and that jurisdictions need time for translation and endorsement activities. However, given that there are significant benefits if entities take into account the effects of the amendment when they initially apply IFRS 9, an entity is permitted to apply the amendment and IFRS 9 at the same time.

*Modification or exchange of a financial liability that does not result in derecognition*

15. Concurrent with the development of the above amendment to IFRS 9, the Board also discussed the accounting for a modification or exchange of a financial liability measured at amortised cost that does not result in the derecognition of the financial liability. This matter was referred to the Board by the IFRS Interpretations Committee (Committee).
16. At the May 2017 DPOC meeting, we explained that the Committee had published a tentative agenda decision in March 2017 on this matter after the Board, following the process specified in the Due Process Handbook, considered but decided not to support the Committee’s original proposal to develop a draft IFRIC Interpretation. At its June 2017 meeting, although agreeing with the technical analysis summarised in the tentative agenda decision, the Committee decided to refer the matter back to the Board in the light of the comments received on the tentative agenda decision.
17. At their July meeting, the Board considered the main concerns raised on the tentative agenda decision as well as the summary of the Committee’s June discussion. The Board reconfirmed its decision that standard-setting is not required because, as previously stated by the Committee both in publishing its tentative agenda decision and in referring the matter to the Board, the requirements in IFRS 9 provide an adequate basis for an entity to account for modifications and exchanges of financial liabilities that do not result in derecognition.

18. Given the importance of addressing any uncertainty in practice in a timely manner, the Board decided to record its conclusion that standard-setting is not required in the Basis for Conclusion on the amendments to IFRS 9 for prepayment features with negative compensation. In doing so, the Board confirmed the relevant accounting required by IFRS 9 in the Basis for Conclusions on these amendments. The Committee had emphasised the importance of visibility for this matter and the Board noted such a mechanism would provide an appropriate level of visibility. These paragraphs in the Bases for Conclusions do not change the requirements in IFRS 9 but rather confirm the existing accounting.
19. Eleven of the 12 Board members agreed that (a) standard-setting is not required and to confirm the relevant accounting, and (b) the due process requirements have been met.

***Availability of a refund (Amendments to IFRIC 14) and Plan amendments, curtailment or settlement (Amendments to IAS 19)***

20. The Board published the Exposure Draft *IAS 19 Employee Benefits (IAS 19 amendments) and IFRIC 14 IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (IFRIC 14 amendments) in October 2015.
21. The Board considered the Committee’s recommendations to finalise the proposed amendments in April 2017. In the period, the Board considered the possible effects of the proposed amendments to IFRIC 14, particularly on defined benefit plans in the United Kingdom. As a result, in September 2017, the Board decided to perform further work to assess whether it can establish a more principles-based approach in IFRIC 14 for an entity to assess and measure its right to a refund of a surplus before proceeding with these amendments.
22. In September 2017, the Board also decided to finalise the IAS 19 amendments separately from the IFRIC 14 amendments and confirmed that it is satisfied that it has complied with the applicable due process requirements. The Board expects to issue the amendments to IAS 19 in December 2017.

**Amendments to IAS 28 Investments in Associates and Joint Ventures—Long-term interests**

23. At its meeting in June 2017, the Board confirmed that it is satisfied that it has complied with the applicable due process requirements for an amendment to IAS 28 relating to long-term interests in an associate or joint venture.
24. The amendment clarifies that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied.
25. The amendment was originally included in the exposure draft *Annual Improvements to IFRS Standards 2015—2017* published in January 2017. The Board decided to accelerate completion of this amendment in advance of other proposals in the exposure draft *Annual Improvements* so that an entity may apply the amendment at the same time that it first applies IFRS 9.
26. The Board considered the feedback on the exposure draft in May 2017 and decided to finalise the amendment as proposed with no substantive changes. However, in the light of feedback, the Board decided to publish an example with the amendment to illustrate how companies apply the requirements in IFRS 9 and IAS 28 to long-term interests in an associate or joint venture.
27. The amendment was issued in October 2017, with an effective date of 1 January 2019 with early application permitted.

**Uncertainty over Income Tax Treatments**

28. At its meeting in May 2017 the Board ratified the IFRIC Interpretation *Uncertainty over Income Tax Treatments*.
29. The Interpretation addresses how an entity reflects uncertainty in accounting for income taxes (eg when it is uncertain a tax authority will accept an entity's tax treatment).
30. The Committee set out its proposals in a draft Interpretation published in October 2015. The draft Interpretation was open to comment for 120 days ending January 2016; the Committee received 61 comment letters. The Committee decided to finalise the Interpretation with no substantive changes. The Interpretation was issued in June 2017 and is effective from 1 January 2019.

***Annual Improvements to IFRS Standards 2015-2017***

31. At its meeting in September 2017 the Board confirmed that it is satisfied that it has complied with the applicable due process requirements relating to the *Annual Improvements to IFRS Standards 2015-2017 Cycle*. This includes the following amendments:
- (a) IAS 12 *Income Taxes*:—Clarification of the presentation requirements for the income tax consequences of payments on financial instruments classified as equity.
  - (b) IAS 23 *Borrowing Costs*:—Clarification of whether an entity transfers specific borrowings to the general borrowings pool once the construction of a qualifying asset is complete.
32. The Board had analysed the feedback from the exposure draft at its July 2017 meeting, and decided to finalise the amendments proposed with no substantive changes.
33. In addition, at its April 2017 meeting, the Board analysed feedback on the proposed amendments to IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements—Accounting for Previously Held Interests*. The Board decided the amendments to IFRS 3 and IFRS 11 meet the criteria for annual improvements, and will finalise the amendments as part of the *Annual Improvements 2015-2017 Cycle*.
34. The Board expects to issue *Annual Improvements to IFRS Standards 2015-2017 Cycle* in December 2017.



## Section 2 - Board discussions on active standard-setting and research projects

### ***Primary financial statements***

35. During the period, the Board has continued to discuss the structure of the statement of financial performance. It has continued to consider whether to introduce into the statement of financial performance sub-totals for earnings before finance income/expenses and tax (EBIT) and for a management-performance measure.
36. At its meeting in September 2017 the Board tentatively decided to prioritise introducing into the statements of financial performance sub-totals that facilitate the comparison between entities, such as EBIT, over introducing a management-performance measure subtotal. The Board will also explore introducing an investing category in the statement of financial performance and has tentatively decided to provide guidance on disaggregating expenses by function and by nature.

### ***Rate-regulated activities***

37. The Board has continued to discuss a model for activities subject to defined rate regulation. The Board has considered the rights and obligations created by the rate-adjustment mechanism and whether they would be assets and liabilities in accordance with the revised *Conceptual Framework*.
38. The Board will obtain feedback from the project consultative group in October.

### ***Goodwill and impairment***

39. The Board has consulted its advisory bodies (including the Accounting Standards Advisory Forum) on simplifications to the impairment model for goodwill in IAS 36 *Impairment of Assets* and on possible improvement to disclosures in financial statements about goodwill.

***Business combinations under common control***

40. The Board resumed its project on Business Combinations under Common Control at its meeting in September 2017. It received an update on the status of the project, a summary of issues for the Board to consider and proposed next steps.

***Dynamic Risk Management***

41. The Board has held education sessions in the period to improve its understanding on an entity's risk management and the elements an entity includes in its dynamic risk management.

***Conceptual Framework***

42. The Board has considered issues arising from reviews by Board members and a number of external reviewers of a draft of the revised *Conceptual Framework for Financial Reporting*. The Board now envisages the revised *Conceptual Framework* will be issued in Q1 2018, depending on comments raised in the remaining balloting and drafting process.
43. The DPOC considered the due process 'life-cycle' review of this project at its May 2017 meeting.

## Section 3 - Implementation Activities

### *IFRS Interpretations Committee activities*

44. The Committee, in the period under review, met in May, June and September 2017. It published four tentative and eight final agenda decisions. Those agenda decisions include information that explain how an entity applies IFRS Standards to the particular question submitted (see Appendix B).

### *Implementation*

45. The Board and the Committee have continued to support the implementation of recently issued IFRS Standards. Activities in the period included:
- (a) two webcasts on IFRS 9 *Financial Instruments* (May 2017 and October 2017);
  - (a) two webcasts on IFRS 16 *Leases* (July 2017 and October 2017);
  - (b) seven webcasts on IFRS 17 *Insurance Contracts* (June, July, August and September 2017);
  - (c) meetings with investors on IFRS 16 and IFRS 17; and
  - (d) various implementation events across the world, including implementation sessions at conferences in Amsterdam, Malaysia, Japan and Dubai.
46. In September 2017, the Board confirmed the membership of its IFRS 17 Transition Resource Group (TRG), established to support implementation of the new Standard issued in May 2017. The first meeting of the TRG, which will discuss administrative matters and establish how the TRG will operate, takes place on 13 November 2017. Agenda Paper 1D provides further details about the TRG.

## Appendix A—Standard-setting, research and related projects

### Section 1- Summary of research projects

#### *Disclosure Initiative: Principles of Disclosure*

|   |  |
|---|--|
| <b>Project objective</b>                        | To explore possible principles of disclosure that could help the Board develop better disclosure requirements and help preparers communicate information more effectively with users of financial statements.                                |
| <b>Last due process document</b>                | The Discussion Paper (DP) was published in March 2017 with a six-month comment period.   |
| <b>Current status</b>                           | The DP’s comment period closed on 2 October 2017.  |
| <b>Use of consultative groups (this period)</b> | Global Preparers Forum (GPF) /Capital Markets Advisory Committee (CMAC) June 2017: consulted on specific aspects of the DP.<br><br>Accounting Standards Advisory Forum (ASAF) July 2017: shared initial thoughts on the proposals in the DP. |
| <b>Next due process step</b>                    | The Board will consider a comment letter summary on the DP in Q1 2018.   |
| <b>DPOC role</b>                                | Monitor the Board redeliberations of the DP.   |

#### *Primary Financial Statements*

|   |   |
|---|---|
| <b>Project objective</b>                        | To examine targeted improvements to the structure and content of the primary financial statements, with a focus on the statement(s) of financial performance.   |
| <b>Current status</b>                           | On-going Board discussions.   |
| <b>Use of consultative groups (this period)</b> | GPF/CMAC June 2017: views sought on introducing additional subtotals.<br><br>ASAF July 2017: discussed the Board’s tentative decision regarding the structure of the statement(s) of financial performance.<br><br>ASAF September 2017: Discussed feedback and research conducted by the New Zealand Accounting Standards Board and the UK Financial Reporting Council. |

|                              |  |
|------------------------------|--|
| <b>Next due process step</b> | Publish either a DP or an ED in H1 2018. |
| <b>DPOC role</b>             | Monitor the Board deliberations.         |

***Business Combinations under Common Control***

|                               |  |
|-------------------------------|--|
| <b>Project objective</b>      | To determine whether diversity in accounting for business combinations under common control can be reduced; currently IFRS Standards do not address such transactions, including some transactions relating to initial public offerings. |
| <b>Current status</b>         | The Board resumed the project with an education session at its September 2017 meeting.   |
| <b>Next due process steps</b> | Publish a DP in H2 2018.   |
| <b>DPOC role</b>              | Monitor the Board deliberations.   |

***Dynamic Risk Management***

|                                  |   |
|----------------------------------|---|
| <b>Project objective</b>         | To assess whether the Board can develop an approach to reporting dynamic risk management activities. The Board received diverse views on the DP <i>Accounting for Dynamic Risk Management: A Portfolio Revaluation Approach to Macro Hedging</i> published in 2014. |
| <b>Last due process document</b> | DP published in April 2014 with a comment period of 180 days.   |
| <b>Current status</b>            | The Board has held education sessions in the period May to September 2017.  |
| <b>Next due process step</b>     | Publish a DP in H2 2018.  |
| <b>DPOC role</b>                 | Monitor the Board deliberations, including feedback on the DP.  |

### ***Financial Instruments with Characteristics of Equity***

|                              |   |
|------------------------------|---|
| <b>Project objective</b>     | To investigate improvements to the classification requirements for financial instruments that have characteristics of both liabilities and equity, as well as exploring improvements to presentation and disclosure requirements. |
| <b>Current status</b>        | The Board has completed its technical discussions and the DP is being drafted.  |
| <b>Next due process step</b> | Publish a DP in H1 2018.  |
| <b>DPOC role</b>             | Monitor development of the DP.  |

### ***Goodwill and impairment***

|   |   |
|---|---|
| <b>Project objective</b>                        | To assess whether, and if so how, to address issues raised in the post-implementation review of IFRS 3 <i>Business Combinations</i> . Issues include identifying and measuring intangible assets acquired in a business combination; subsequent accounting for goodwill; and impairment testing of goodwill and of other non-current, non-financial assets.   |
| <b>Current status</b>                           | The Board will continue its discussions through the second half of 2017 before deciding the next steps.   |
| <b>Use of consultative groups (this period)</b> | <p>GPF/CMAC June 2017: discussion on indicator-based impairment test.</p> <p>ASAF July 2017: discussed possible simplifications to the impairment test and a paper from the Accounting Standards Board of Japan on the possible re-introduction of amortisation of goodwill.</p> <p>ASAF September 2017: discussed (a) ASAF members' views on the staff proposals to improve the effectiveness measures for the impairment test and (b) a paper by the European Financial Reporting Advisory Group (EFRAG) on a supplementary approach to impairment testing.</p> |
| <b>Next due process step</b>                    | Publish a DP in H1 2018.  |
| <b>DPOC role</b>                                | Monitor the Board deliberations.  |

***Discount rates***

|                          |  |
|--------------------------|--|
| <b>Project objective</b> | To review discount rate requirements in IFRS Standards to identify whether there are any inconsistencies the Board should consider addressing. |
| <b>Current status</b>    | The Board has concluded no separate standard-setting activity is required.   |
| <b>Next steps</b>        | Publish a research summary in H1 2018.   |
| <b>DPOC role</b>         | Completed.   |

***Share-based payment***

|                          |  |
|--------------------------|--|
| <b>Project objective</b> | To identify the most common areas of complexity in accounting for share-based payments and their main causes, to assess whether the Board should consider addressing them. |
| <b>Current status</b>    | The Board has concluded no standard-setting activity is required.  |
| <b>Next steps</b>        | Publish a research summary in H1 2018.   |
| <b>DPOC role</b>         | Completed.   |

## Section 2 – Summary of standard-setting and related projects

### **Conceptual Framework**

|   |  |
|---|--|
| <b>Project objective</b>                        | To provide the Board with a more complete, clear and updated set of concepts to use when it develops or revises IFRS Standards.  |
| <b>Last due process document</b>                | ED published in May 2015.  |
| <b>Comment letter summary</b>                   | The Board considered the comment letter summary on the ED at its meeting in March 2016.  |
| <b>Current status</b>                           | The Board completed its deliberations at its March 2017 meeting. In the period under review the Board discussed sweep issues arising on a pre-ballot draft of the revised <i>Conceptual Framework</i> .                                  |
| <b>Use of consultative groups (this period)</b> | ASAF acts as the consultative group to this project. The pre-ballot draft of the revised Conceptual Framework was made available to ASAF members and to select members of the Independent Forum of Accounting Standards Setters (IFASS). |
| <b>Next due process step</b>                    | It is expected that the revised <i>Conceptual Framework</i> will be published in Q1 2018 together with the accompanying <i>References to the Conceptual Framework</i> .  |
| <b>DPOC role</b>                                | The DPOC reviewed the project's life-cycle at its meeting in May 2017.   |

### **Disclosure Initiative: Definition of Material**

|   |  |
|---|--|
| <b>Project objective</b>                        | To clarify the definition of what information is material in preparing financial statements. |
| <b>Current status</b>                           | ED published in September 2017; comment period ends 15 January 2018.                         |
| <b>Use of consultative groups (this period)</b> | GPF October 2017: GPF members shared initial comments on the proposals included in the ED.   |
| <b>Next due process steps</b>                   | Consider comment letter summary.   |
| <b>DPOC role</b>                                | Monitor the Board deliberations of feedback received on the ED.                              |



### ***Rate-regulated Activities***

|   |  |
|---|--|
| <b>Project objective</b>                        | To consider whether (or how) IFRS Standards should be amended to reflect the effects of rate regulation.   |
| <b>Last due process document</b>                | DP published September 2014.   |
| <b>Comment letter summary</b>                   | The Board considered the comment letter summary on the DP at its meeting in February 2015.   |
| <b>Current status</b>                           | The Board is continuing its discussions on developing a model to account for the effects of rate-regulated activities.<br><br>The Board will decide at a later date whether to publish a second Discussion Paper or an Exposure Draft. |
| <b>Use of consultative groups (this period)</b> | ASAF July 2017: Discussed the Board’s proposed accounting model.<br><br>ASAF September 2017: Feedback on staff’s paper on measurement.   |
| <b>Next due process step</b>                    | Publish either a DP or an ED in H1 2018.   |
| <b>DPOC role</b>                                | Monitor the Board deliberations.   |

### **Section 3—Summary of other projects and activities**

#### ***Post-implementation review of IFRS 13 Fair Value Measurement***

- A1. The Board is examining the effect of IFRS 13 *Fair Value Measurement* on financial reporting. IFRS 13 came into effect in 2013, introducing a framework for measuring fair value.
- A2. The Board has published a Request for Information (RFI). The comment letter period closed on 22 September 2017. The Board will consider feedback on the RFI in December 2017.
- A3. In June 2017, GPF and CMAC members discussed specific issues from the RFI. At the October 2017 GPF meeting, the staff provided a high-level oral summary of feedback on the RFI.

#### ***Wider Corporate Reporting***

- A4. In the period under review, further research has been conducted into the area of Wider Corporate Reporting and what, if any, activities the Board should undertake. The Board expects to discuss this in Q4 2017.

## Appendix B—IFRS Interpretation Committee activities and implementation projects

### *IFRS Interpretation Committee activities*

B1. The Committee met in May, June and September 2017. It published the following tentative and final agenda decisions. Those agenda decisions include information which explains how an entity applies IFRS Standards to the particular question submitted:

| <b>IFRS Interpretation Committee’s tentative agenda decisions</b>   |
|---|
| Financial assets eligible for the election to present changes in fair value in other comprehensive income (IFRS 9)  |
| Acquisition of a group of assets that does not constitute a business (IFRS 3).                                      |
| Revenue recognition in a real estate contract (IFRS 15).  |
| Contributing property, plant and equipment to an associate (IAS 28).  |
| <b>IFRS Interpretations Committee’s agenda decisions</b>  |
| Subsidiary as a first-time adopter (IFRS 1)   |
| Financial assets eligible for the election to present changes in fair value in other comprehensive income (IFRS 9). |
| Interest and penalties related to income taxes (IAS 12).  |
| Discount rate in a country that has adopted another country’s currency (IAS 19).                                    |
| Centrally cleared client derivatives (IAS 32).  |
| Tax arising from payments on participating equity instruments (IAS 33).   |
| Goods acquired for promotional activities (IAS 38).   |
| Biological assets growing on bearer plants (IAS 41).  |

B2. The Committee also decided the following:

- a. To recommend that the Board propose an annual improvement to amend IAS 41 regarding taxation in fair value measurements;

- b. To research possible narrow-scope standard-setting on unavoidable costs within the onerous contracts requirements in IAS 37; and
- c. To research possible narrow-scope standard-setting for components of equity when a subsidiary becomes a first-time adopter of IFRS Standards later than its parent.

| <b>Progress on narrow-scope amendments</b>  |  |  |  |
|---|--|--|--|
| <b>Project</b>  | <b>Objective</b>   | <b>Status</b>  | <b>The Board's/IFRS Interpretations Committee's next steps</b> |
| <b>Accounting Policies and Accounting Estimates</b><br>(Proposed amendments to IAS 8) | To clarify the existing distinction between a change in an accounting policy and a change in an accounting estimate.   | ED published in September 2017.<br>The ED has a comment letter deadline of 15 January 2018.  | Consider the comment letter summary.                           |
| <b>Accounting Policy Changes</b><br>(Proposed amendments to IAS 8)                    | The Board has tentatively decided to amend IAS 8 to lower the impracticability threshold regarding retrospective application of voluntary changes in accounting policies that result from agenda decisions. The proposed threshold would include a consideration of the benefits and costs of applying the change retrospectively. | The Board's discussions are complete. In October 2017 it will confirm that the appropriate due process steps have been completed.  | Publish an ED H1 2018.   |
| <b>Availability of a Refund</b><br>(Amendments to IFRIC 14)                           | The Board has proposed amending IFRIC 14 to clarify the accounting when other parties have rights to make particular decisions about a company's defined benefit plan.   | Following comments on the effects of the proposals, the Board will perform further work to assess whether it can establish a more principles-based approach in IFRIC 14 for an entity to assess the availability of a refund of a surplus. | Issue an IFRS amendment in H1 2018.                            |

| <b>Progress on narrow-scope amendments</b>  |  |  |  |
|---|--|--|--|
| <b>Project</b>  | <b>Objective</b>   | <b>Status</b>  | <b>The Board's/IFRS Interpretations Committee's next steps</b> |
| <b>Borrowing costs eligible for capitalisation</b><br>(Amendments to IAS 23)      | As part of the <i>Annual Improvements to IFRS Standards 2015-2017 Cycle</i> the Board has proposed amending IAS 23 to clarify which borrowing costs are eligible for capitalisation in particular circumstances.                   | The Board has tentatively decided to finalise the proposed amendments with no substantive changes.   | Issue an IFRS amendment in December 2017.                      |
| <b>Classification of Liabilities</b><br>(Amendments to IAS 1)                     | To clarify whether companies classify debt as current or non-current if they have a right to renew the debt.   | The Board will continue its discussion alongside the final stages of revising the <i>Conceptual Framework for Financial Reporting</i> .                    | Issue an IFRS amendment H2 2018.                               |
| <b>Definition of a Business</b><br>(Proposed amendments to IFRS 3)                | The Board has proposed clarifying how a company determines whether it has acquired a business or a group of assets. The accounting models differ for those two types of transactions.  | The Board is redeliberating the proposed amendments and consulted with ASAF in September 2017.   | The Board expects to issue an amendment in H1 2018.            |
| <b>Fees in the '10 per cent' test for derecognition</b><br>(Amendments to IFRS 9) | The Board will publish a proposal 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 timing of publication of the proposed amendments depends on the identification of other matters for inclusion in the next annual improvements process. |  |

| <b>Progress on narrow-scope amendments</b>   |   |  |  |
|--|---|--|--|
| <b>Project</b>   | <b>Objective</b>  | <b>Status</b>  | <b>The Board's/IFRS Interpretations Committee's next steps</b> |
| <b>Improvements to IFRS 8 Operating Segments</b><br>(Proposed amendments to IFRS 8 and IAS 34)           | The Board has published an ED proposing to clarify the meaning of 'chief operating decision maker' and to improve the disclosure requirements for operating segments.   | Analysing feedback received on the ED.<br><br>The comment letter period closed on 31 July 2017.<br><br>GPF June 2017: discussed the proposals in the ED.<br><br>ASAF July 2017: discussed the proposals in the ED. | Consider the comment letter summary in Q4 2017.                |
| <b>Income tax consequences of payments on instruments classified as equity</b><br>(Amendments to IAS 12) | As part of the <i>Annual Improvements to IFRS Standards 2015-2017 Cycle</i> the Board has proposed amending IAS 12 to clarify that the requirements in paragraph 52B apply to all income tax consequences of dividends. | The Board has tentatively decided to finalise the amendments with no substantive changes.  | Issue an IFRS amendment in December 2017.                      |
| <b>Plan Amendment, Curtailment or Settlement</b><br>(Amendments to IAS 19)                               | The Board has proposed amending IAS 19 to clarify the accounting when a plan amendment, curtailment or settlement occurs.   | The Board has tentatively decided to finalise the amendments separately from the amendments to IFRIC 14 on <i>Availability of a Refund</i> .   | Issue an IFRS amendment in December 2017.                      |

| <b>Progress on narrow-scope amendments</b>  |  |   |  |
|---|--|---|--|
| <b>Project</b>  | <b>Objective</b>   | <b>Status</b>   | <b>The Board's/IFRS Interpretations Committee's next steps</b> |
| <b>Previously held interests in a joint operation</b><br>(Amendments to IFRS 3 and IFRS 11)           | The Board has proposed amending IFRS 3 <i>Business Combinations</i> and IFRS 11 <i>Joint Arrangements</i> to clarify how a company accounts for obtaining control (or joint control) of a business that is a joint operation if the company already holds an interest in that business.    | The Board confirmed that the amendments meet the criteria for inclusion as part of annual improvements. The Board plans to issue the amendments as part of <i>Annual Improvements to IFRS Standards 2015-2017 Cycle</i> . | Issue an IFRS amendment in December 2017.                      |
| <b>Property, Plant and Equipment: Proceeds before Intended Use</b><br>(Proposed amendments to IAS 16) | The Board has examined how companies account for the proceeds from selling items produced while testing an item of plant or equipment before it is used for its intended purpose. The Board has proposed narrow-scope amendments to reduce the diversity in accounting for those proceeds. | The ED has a comment letter deadline of 19 October 2017.  | Consider comment letter summary in Q4 2017.                    |



## Appendix C—IFRS Taxonomy projects

### IFRS Taxonomy

- C1. Each year, the Taxonomy team release a compilation of Taxonomy Updates released in the previous year (the Annual Taxonomy). This year the Annual Taxonomy was released in March 2017.

#### ***IFRS Taxonomy Update on Insurance Contracts***

|                              |  |
|------------------------------|--|
| <b>Project objective</b>     | A Taxonomy Update based on the presentation and disclosure requirements of the new Insurance Contracts Standard. |
| <b>Current status</b>        | Analysing feedback on the Proposed Taxonomy Update (PTU) of IFRS 17.   |
| <b>Next due process step</b> | To discuss feedback on the PTU at the October 2017 Board meeting.  |
| <b>DPOC role</b>             | Monitor the Board deliberations of comments received on the PTU.   |

#### ***IFRS Taxonomy Update – Prepayment Features with Negative Compensation (Amendments to IFRS 9)***

|                              |  |
|------------------------------|--|
| <b>Project objective</b>     | A Taxonomy Update based on the presentation and disclosure requirements of the amendments to IFRS 9. |
| <b>Current status</b>        | Open for comment   |
| <b>Next due process step</b> | To discuss feedback on the PTU.  |
| <b>DPOC role</b>             | Monitor the Board deliberations of comments received on the PTU.                                     |

**IFRS Taxonomy Update—Common Practice (IFRS 13)**

|                              |   |
|------------------------------|---|
| <b>Project objective</b>     | The IFRS Taxonomy team is analysing a selection of financial statements for potential common practice elements related to the presentation and disclosure requirements of IFRS 13 <i>Fair Value Measurement</i> .     |
| <b>Current status</b>        | In progress.  |
| <b>Next due process step</b> | In accordance with the agreed due process, the Board does not approve Common Practice Updates. However, a group of 5 Board members review the proposed additions to the IFRS Taxonomy before the update is finalised. |
| <b>Timing</b>                | The timing of the review is expected to be linked with the Post-implementation review of IFRS 13 in H1 2018.  |
| <b>DPOC role</b>             | Monitor the development of the IFRS Taxonomy Update.  |

## Appendix D—Work plan as at 12 October 2017 compared with previous report to the DPOC

| Description  | Next milestone                            | Expected date | Expected change from May report to DPOC   |
|--|---|---------------|---|
| <b>Research Projects</b>   |   |               |   |
| Business Combinations under Common Control   | Discussion Paper                          | H2 2018       | Changed due to staff availability: previously forecast H1 2018                      |
| Discount Rates   | Research summary                          | H1 2018       | Continues to be delayed due to staff availability: previously forecast H2 2017      |
| Dynamic Risk Management  | Discussion Paper                          | H2 2018       | No change   |
| Financial Instruments with Characteristics of Equity   | Discussion Paper                          | H1 2018       | Changed due to drafting taking longer than anticipated: previously forecast Q4 2017 |
| Goodwill and Impairment  | Discussion Paper                          | H1 2018       | No change   |
| Primary Financial Statements   | Discussion Paper or Exposure Draft        | H1 2018       | No change   |
| Principles of Disclosure   | Report Discussion Paper feedback to Board | Q1 2018       | Changed due to nature of responses to the DP: previously forecast Q4 2017           |
| Share-based Payment  | Research summary                          | H1 2018       | Continues to be delayed due to staff availability: previous forecast H2 2017        |
| <b>Standard-setting and related projects</b>   |   |               |   |
| Conceptual Framework   | Conceptual Framework                      | Q1 2018       | Changed due to volume of comments on pre-ballot draft: previously forecast Q4 2017  |
| Disclosure Initiative: Definition of Material (Amendments to IAS 1 and IAS 8)                    | Report Exposure Draft feedback to Board   | Q1 2018       | ED published this period  |
| Rate-regulated Activities  | Discussion Paper or Exposure Draft        | H1 2018       | No change   |
| <b>Narrow-scope amendments</b>   |   |               |   |
| Accounting Policies and Accounting Estimates (Amendments to IAS 8)                               | Report Exposure Draft feedback to Board   | Q1 2018       | ED published this period  |
| Accounting policy changes (Amendments to IAS 8)  | Exposure Draft                            | H1 2018       | New project   |
| Availability of a Refund (Amendments to IFRIC 14)  | IFRS Amendment                            | H1 2018       | Delayed due to further research being undertaken: previously H2 2017                |
| Borrowing costs eligible for capitalisation (Amendments IAS 23)<br>Annual Improvements 2015-2017 | IFRS Amendment                            | Dec-17        | Issuance date now set   |
| Classification of Liabilities (Amendments to IAS 1)  | IFRS Amendment                            | H2 2018       | Changed due to staff availability: previously H1 2018                               |

| Description   | Next milestone                          | Expected date | Expected change from May report to DPOC |
|---|---|---------------|---|
| Definition of a Business (Amendments to IFRS 3)   | IFRS Amendment                          | H1 2018       | Issuance date now set                   |
| Fees in 10% test for derecognition (Amendments IFRS 9)<br>Annual Improvements (next cycle)                                      | Exposure Draft                          | No date       | New project                             |
| Improvements to IFRS 8 Operating Segments (Amendments to IFRS 8 and IAS 34)   | Report Exposure Draft feedback to Board | Nov-17        | Project date now set                    |
| Income tax consequences of payments on instruments classified as equity (Amendments to IAS 12)<br>Annual Improvements 2015-2017 | IFRS Amendment                          | Dec-17        | Project date now set                    |
| Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)  | IFRS Amendment                          | Dec-17        | No change                               |
| Previously Held Interests in a Joint Operation (Amendments to IFRS 3 and IFRS 11)<br>(added to Annual Improvements 2015-2017)   | IFRS Amendment                          | Dec-17        | Project date now set                    |
| Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)  | Report Exposure Draft feedback to Board | Dec-17        | ED published this period                |
| <b>Post-implementation review</b>   |   |               |   |
| IFRS 13 Fair Value Measurement  | RFI Feedback                            | Dec-17        | No change                               |
| <b>Other</b>  |   |               |   |
| IFRS Taxonomy Update—Common Practice (IFRS 13)  | Proposed Update                         | H1 2018       | No change                               |
| IFRS Taxonomy Update—Insurance Contracts  | Proposed Update feedback                | Oct-17        | No change                               |
| IFRS Taxonomy Update – Prepayment Features with Negative Compensation (Amendments to IFRS 9)                                    | Proposed Update feedback                | Q1 2018       | New project                             |

## Appendix E—Compliance Report

- E1 As per paragraph 3.12 of the Due Process Handbook staff are required to report to the DPOC the number of meeting papers that have been posted later than 5 working days in advance of the start of the Board meeting and the main reasons for doing so.
- E2 Details of Board papers posted after the posting deadline in the period between May and October 2017 are as follows:

| Agenda Paper | Name   | Posting Deadline | Posted       | Reason  |
|--------------|--|------------------|--------------|---|
| 11           | Materiality Practice Statement: Sweep issues   | 16 June 2017     | 20 June 2017 | Late posting was to allow feedback from a meeting of IOSCO to be reflected in the paper.  |
| 12B          | AP12B Addendum: IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Accounting policy changes resulting from agenda decisions: Feedback from members of the IFRS Interpretations Committee | 16 June 2017     | 20 June 2017 | To include feedback from the Interpretations Committee meeting which was only held a week prior (after the deadline for posting papers).                            |
| 3            | IFRS 9 Prepayment Features with Negative Compensation: cover paper   | 7 July 2017      | 10 July 2017 | Agenda papers 3-3E contained a comprehensive package for the Board’s redeliberations of the amendment to IFRS 9 in the light of the feedback on the exposure draft. |
| 3A           | IFRS 9 Prepayment Features with Negative Compensation: Technical   | 7 July 2017      | 10 July 2017 | All technical decisions had to be made at the July meeting in order   |

|    |   |                  |                   |  |
|----|---|------------------|-------------------|--|
|    | re-deliberation: eligibility conditions   |                  |                   | for the Board to meet the target publication date of October 2017.   |
| 3B | IFRS 9 Prepayment Features with Negative Compensation: Modifications or exchanges of financial liabilities: The IFRS Interpretations Committee’s decision | 7 July 2017      | 10 July 2017      | This was critical given the 1 January 2018 effective date of IFRS 9. |
| 3C | IFRS 9 Prepayment Features with Negative Compensation: Summary of staff recommendations and questions for the Board                                       | 7 July 2017      | 10 July 2017      |  |
| 3D | IFRS 9 Prepayment Features with Negative Compensation: Effective date and transition provisions   | 7 July 2017      | 10 July 2017      |  |
| 3E | IFRS 9 Prepayment Features with Negative Compensation: Due Process steps and permission for balloting   | 7 July 2017      | 10 July 2017      |  |
| 9C | Rate-regulated Activities: Examples with expanded presentation  | 8 September 2017 | 21 September 2017 |  |