IFRIC – Items not taken onto the agenda (Last Revision:17 December 2004)

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The reasons given below reflect past deliberations of the IFRIC (as published in IFRIC Update http://www.ifrs.org/Updates/IFRIC-Updates/Pages/IFRIC-Updates.aspx), and may not reflect subsequent developments.

The following items have been considered by the IFRIC but not added to its work programme at this time:

#	Date Considered	Issue	Reason for not adding to the IFRIC agenda
IAS 1 ***Presentation of Financial Statements***			
1	February 2003	***Operating and Ordinary Activities*** The Board, in its Exposure Draft of Improvements to IAS 1 proposed deleting the requirement that the line items: “the results of operating activities” and “profit or loss from ordinary activities” be presented. Because some entities are likely to continue presenting these line items, either voluntarily or because they are required to (eg by local law), the IFRIC discussed whether it would be appropriate for it to give guidance on the types of items that would not be included in operating activities and ordinary activities.	The IFRIC agreed not to take this item on its agenda because it would be best dealt with as part of the joint IASB / FASB project on Reporting Comprehensive Income.

#	Date Considered	Issue	Reason for not adding to the IFRIC agenda
IAS 2 *Inventories*			
2	August 2002	***Cash discounts*** The IFRIC considered whether it should provide guidance regarding how a purchaser of goods should account for cash discounts received.	The IFRIC agreed not to require publication of an Interpretation on this issue because paragraph 8 of (the pre-improvements) IAS 2 *Inventories* provides adequate guidance. Cash discounts received should be deducted from the cost of the goods purchased. (Paragraph 8 was renumbered as paragraph 11 of IAS 2 as a result of the Improvements project)
3	November 2004	***Discounts and Rebates*** The IFRIC considered three related questions on the application of IAS 2 which had been referred to it by the Urgent Issues Group (UIG) of the Australian Accounting Standards Board: (a) whether discounts received for prompt settlement of invoices should be deducted from the cost of inventories or recognised as financing income; (b) whether all other rebates should be deducted from the cost of inventories. The alternative would be to treat some rebates as revenue or a reduction in promotional expenses; and (c) whether volume rebates should be recognised only when threshold volumes are achieved, or proportionately where achievement is assessed as probable.	On (a), the IFRIC agreed that settlement discounts should be deducted from the cost of inventories. Because the requirements under IFRS were sufficiently clear, the IFRIC agreed that the matter should not be added to the agenda. On (b), the IFRIC agreed that IAS 2 requires only those rebates and discounts that have been received as a reduction in the purchase price of inventories to be taken into consideration in the measurement of the cost of the inventories. Rebates that specifically and genuinely refund selling expenses would not be deducted from the costs of inventories. Because the requirements under IFRS were sufficiently clear, the IFRIC agreed that the matter should not be added to the agenda. On (c), the IFRIC agreed that there was insufficient evidence of diversity in practice to warrant the matter being added to the agenda.

#	Date Considered	Issue	Reason for not adding to the IFRIC agenda
4	March 2004	***Consumption of Inventories by a service organisation*** The issue related to the consumption of inventories by a service entity, in particular the assessment of net realisable value when the inventory is consumed as part of the service rendered. For example, cellular phone companies give subscribers free handsets in exchange for a fixed-term supply contract.	The IFRIC noted that the same issues existed for commercial entities. The IFRIC concluded that this matter was one of assessing the recoverability of an asset without a direct cash flow. The IFRIC agreed that such entities use inventory to generate a future revenue stream. As such, they should be accounted for similar to other items of inventory.
IAS 7 ***Cash Flow Statements***			
5	April 2003	***Classification of treasury shares in the consolidated cash flow statement*** Four scenarios were considered concerning the classification of treasury shares in the consolidated cash flow statement, under IAS 7: • a subsidiary purchases (sells) shares of its parent; • the parent entity purchases (sells) shares of its subsidiary from (to) minority interest holders; • the subsidiary issues shares to minority interest holders; and • the subsidiary purchases its own shares from minority interest holders.	While the IFRIC noted that conclusions could be drawn that were consistent with the current accounting for transactions with minority interest holders, it also noted that this accounting will probably change, given the Board's tentative decision that transactions between majority and minority interest holders are equity transactions. Therefore, the IFRIC agreed that the issue should be passed to the Business Combinations Phase II team for consideration of consequential amendments to IAS 7. The classification of cash-flows arising from these scenarios has been addressed in the 1st draft of amendments to IAS 27 *Consolidated and Separate Financial Statements* resulting from phase II of the Business Combinations project (as a consequential amendment to IAS 7).

#	Date Considered	Issue	Reason for not adding to the IFRIC agenda
IAS 11 ***Construction Contracts***			
6	August 2002	***Pre-contract costs*** The IFRIC considered providing guidance regarding when is it appropriate to recognise an asset (versus an expense) for pre-contract costs.	The IFRIC decided not to require publication of an Interpretation on this issue because paragraph 21 of IAS 11 *Construction Contracts* provides guidance regarding accounting for pre-contract costs relating to construction contracts, and that this guidance can be used for analogous circumstances. Although the IFRIC agreed not to publish an Interpretation on this issue, it noted that a great deal of care should be taken when determining whether pre-contract costs should be capitalised.
7	September 2004	***Project accounting – contractee's accounting*** The IFRIC was asked to consider providing guidance on the proper accounting by the contractee as a construction project develops from contract signature to completion.	The IFRIC agreed not to add this topic to the agenda, as the issue was one of application rather than principle. Also, there was no convincing evidence of widespread problems in practice.

#	Date Considered	Issue	Reason for not adding to the IFRIC agenda
8	November 2004	***IAS 11*** **Construction Contracts** ***and IAS 18*** **Revenue*: Pre-completion contracts for the sale of residential properties*.** The IFRIC considered a question on the application of IAS 11 *Construction Contracts* and IAS 18 *Revenue* that had been referred to it by the Urgent Issues Group of the Australian Accounting Standards Board. The UIG was concerned that its Abstract 53 *Pre-completion Contracts for the Sale of Residential Development Properties* might not comply with IFRSs.	The IFRIC agreed that pre-completion contracts might not meet the definition of construction contracts set out in IAS 11 because the contracts in question are not specifically negotiated for the construction of residential units. Rather, they are agreements for the purchase and sale of such units. In addition, when pre-completion contracts did not meet the definition, the guidance in IAS 18 would prohibit revenue recognition before legal title is transferred, if the risks and rewards of ownership did not pass to the buyer before then. The IFRIC agreed that the issue should not be added to the agenda. The IFRIC noted that the definition of a construction contract in IAS 11 was sufficiently clear on this matter; it did not include typical pre-completion contracts and further guidance was not required. The IFRIC also has a project on its agenda seeking to clarify the criteria for combining and segmenting contracts. The features of pre-completion contracts that might have a relevance to the criteria for combining contracts could be considered as part of that project. The Board is also undertaking a project on revenue recognition, which will address revenue recognition on real estate transactions. The IFRIC agreed that, in the meantime, the guidance in the Appendix to IAS 18 is sufficient to prevent premature recognition of revenue on pre-completion contracts.

#	Date Considered	Issue	Reason for not adding to the IFRIC agenda
IAS 12 ***Income Taxes***			
9	April 2003	***Income Tax Accounting under the Tax Consolidation System – Subsidiary Leaving the Group*** The issue concerns the recognition and measurement of tax assets and tax liabilities under the tax consolidation system where a wholly owned subsidiary leaves, or is expected to leave, the tax-consolidated group.	The IFRIC noted that this issue was relevant only to separate (rather than consolidated) financial statements, and that it would be difficult to provide guidance that could be applied consistently by entities, given that tax laws in each jurisdiction are different. For these reasons, the IFRIC agreed not to add this issue onto the agenda.
10	February 2002	***Asset revaluation*** The IFRIC discussed whether to address if changes in the fair value of assets give rise to taxable temporary differences and deferred tax liabilities under IAS 12 *Income Taxes*.	The IFRIC decided not to take this item onto its agenda because IAS 12 provides sufficient guidance.
11	February 2002	***Effective tax rates*** The IFRIC discussed whether to address the tax rate to be used to measure deferred tax assets and deferred tax liabilities for entities that have low effective tax rates, eg because some income is exempt from tax.	The IFRIC decided not to take this item onto its agenda because IAS 12 provides sufficient guidance.

#	Date Considered	Issue	Reason for not adding to the IFRIC agenda
12	August 2002	***Non-depreciable/depreciable assets*** The IFRIC considered providing guidance on whether the whole of an investment property held under a finance lease consisting of land and buildings that is accounted for using the fair value model in IAS 40 *Investment Property* is a "non-depreciable asset" under SIC-21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* paragraph 4 (with the consequence that any deferred tax asset or liability on it should be measured at the tax rate applicable on a sale of the property).	The IFRIC agreed not to require publication of an Interpretation on this issue because SIC–21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets*, IAS 16 *Property, Plant and Equipment*, and IAS 12 *Income Taxes* provide adequate guidance.
13	February 2003	***Income tax omnibus*** The issue is whether the IFRIC should add six deferred tax issues to its agenda (listed below). The IFRIC noted that all of the issues would potentially be affected by the Board's short-term convergence project on IAS 12 *Income Taxes* that will be discussed by the Board in April. The IFRIC agreed to await the Board's decision on the scope of that project before deciding whether to proceed with these agenda items.	
		Issues 1-3 concern whether, and how, entities should apply the exemption from recognising deferred tax on initially recognising assets and liabilities.	Issue 1-3: The IASB has tentatively decided to amend IAS 12 to eliminate the 'initial recognition exception'. Accordingly, the IFRIC declined to take this item onto the agenda.

#	Date Considered	Issue	Reason for not adding to the IFRIC agenda
		Issue 4: Any entity issues an equity instrument, any payments made under which will be deductible against taxable profits. Should the entity recognise a deferred tax asset on recognising an equity instrument, and should the income tax benefit arising on any payments made under the instrument be recognised in income or equity?	The IFRIC agreed that the underlying issue was how to account for the tax consequences of distributions to external shareholders. The IFRIC observed that the accounting for tax-deductible dividends is explicit in IAS 12. Paragraph 52B of IAS 12 states: …the income tax consequences of dividends are recognised when a liability to pay the dividend is recognised. The income tax consequences of dividends are more directly linked to past transactions or events than to distributions to owners. Therefore, the income tax consequences of dividends are recognised in net profit or loss for the period as required by paragraph 58 except to the extent that the income tax consequences of dividends arise from the circumstances described in paragraph 58 (a) and (b). The Board reaffirmed at the April 2003 meeting that the tax consequences of dividends are recognised when a liability to pay the dividend is recognised. Accordingly, the IFRIC agreed that no further consideration of this issue is necessary.
		Issue 5: An entity purchases an option on its own shares and classifies it as an equity instrument. For tax purposes, the cost of the option will be deductible against future taxable profits at some point in the future. Should an entity recognise a deferred tax asset on recognising the equity instrument?	At the June 2004 meeting, the Board tentatively agreed to modify the definition of tax base in IAS 12 to explain that tax base is a measurement attribute and is the amount at which an asset, liability or equity instrument is recognised for tax purposes under existing tax law as a result of one or more past events. Accordingly, an entity *would* recognise deferred tax for temporary differences arising on equity instruments. The IFRIC agreed that no further consideration of this issue was necessary.

#	Date Considered	Issue	Reason for not adding to the IFRIC agenda
		Issue 6: Certain tax jurisdictions compute tax liabilities on a territorial rather than a worldwide basis, so that overseas income is not taxable unless it is repatriated. If the entity does not intend to repatriate the overseas interest income, and therefore does not expect to be liable to domestic taxation, should it recognise a deferred tax liability?	The IFRIC agreed that IAS 12 requires recognition of a deferred tax liability. The current exception in IAS 12 relates to differences between the carrying amount of investments in subsidiaries, branches and associates or interests in joint ventures that result primarily from undistributed earnings. The exception does not apply to the temporary differences that exist between the carrying amount and tax base of the individual assets and liabilities within the subsidiary, branch, associate or interest in joint ventures. Additionally, the Board has tentatively decided to eliminate this exception. Thus, the IFRIC agreed to take no further action.
14	June 2004	***Discounting of current taxes payable*** Is it appropriate to discount current taxes payable under IFRSs when an agreement with the taxing agency has been reached to permit the entity to pay such taxes over a period greater than twelve months?	The general view of the IFRIC was that current taxes payable should be discounted when the effects are material. However, it was noted that there is a potential conflict with the requirements of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*. As the IASB has tentatively decided to withdraw IAS 20, the members agreed that the issue of discounting current taxes payable should no longer be uncertain and that the topic need not be added to its agenda.
15	June 2004	***Classification of Interests and Penalties*** The IFRIC considered a potential issue as to how to classify interest and penalties that arise from unpaid tax obligations.	While the IFRIC agreed that IFRSs did not specifically address the issue, it declined to add the issue to its agenda given that the disclosure requirements of IAS 12 and IAS 1 *Presentation of Financial Statements* provide adequate transparency of these items.

#	Date Considered	Issue	Reason for not adding to the IFRIC agenda
16	July 2004	***Estonian Dividend Tax*** The IFRIC considered whether the tax on dividends under Estonian Income Tax Law should be recognised: (a) in profit or loss, in accordance with paragraphs 52A and 52B of IAS 12 *Income Taxes*; or (b) directly in equity, in accordance with paragraph 65A of IAS 12.	IFRIC members expressed concern about taking onto its agenda a request to interpret a specific tax system, particularly as the features of the Estonian tax system are not particularly widespread or pervasive throughout the world. IFRIC members also noted that the Board of the IASC discussed the Estonian tax system during deliberations of amendments to IAS 12 in 2000.

#	Date Considered	Issue	Reason for not adding to the IFRIC agenda
IAS 16 ***Property, Plant and Equipment***			
17	May 2004	***Depreciation of fixed assets*** The Committee considered a potential issue as to whether the production method of depreciation could be used under IAS 16 *Property, Plant and Equipment* if an asset is not consumed (worn down) directly in relation to the level of use. For example, if a road with a greater capacity than current demands is built, should depreciation in the initial period be lower than in later periods, if usage is expected to increase over the life of the asset?	The IFRIC agreed that this was foremost a conceptual area, and decided not to add it to the IFRIC agenda. However, the IFRIC recommended that this topic be considered by the Board as part of the Concepts project.
18	November 2004	***IAS 16*** **Property, Plant and Equipment** ***and IAS 17*** **Leases:** ***Depreciation of assets leased under operating leases*** The IFRIC considered whether interest methods of depreciation were permissible under IFRSs. Use of such methods would permit an entity to depreciate an asset that is not a receivable in much the same way as if it were a receivable, with the result that the depreciated amount of the asset reflects the present value of future net cash flow expected from it.	The IFRIC noted that, while deliberating certain issues related to service concessions, it had considered whether it would be appropriate to use an interest method of depreciation. In that discussion, it concluded that using an interest method of depreciation was not appropriate. The IFRIC concluded that there was nothing unique about assets leased under operating leases in service concessions that would cause it to reach a different conclusion about the use of interest methods of depreciation. It noted that the Basis for Conclusions in the future Interpretations on service concessions would include a discussion of its conclusions on interest methods of depreciation.

#	Date Considered	Issue	Reason for not adding to the IFRIC agenda
IAS 17 ***Leases***			
19	October 2003	**Consideration of the issues addressed in UITF Abstract 36** ***Contracts for sale of capacity*** Some "sales" contracts, such as those found in the telecommunications and electricity industries, convey to the purchaser a right to use some or all of the capacity of a network operated by the seller for an agreed period. The IFRIC considered addressing the issue of contracts for sales of capacity and, in particular: (a) Should the seller derecognise the asset recognised for the capacity sold? (b) When should income from the sales be recognised? (c) Should the treatment of sales be the same when all or part of the consideration received is capacity on another entity's network? (d) Should the seller present the consideration received or receivable from a sale as revenue or another form of income?	The IFRIC decided to defer consideration of whether to address this issue until after it finalises its Interpretation on *Determining Whether an Arrangement Contains a Lease*. Draft Interpretation D3 *Determining whether an Arrangement contains a Lease* was issued by the IFRIC in January 2004, with a comment deadline of 19 March 2004. Redeliberation of the Draft Interpretation commenced in May 2004. The IFRIC is expected to vote on a final Interpretation at its October 2004 meeting.

#	Date Considered	Issue	Reason for not adding to the IFRIC agenda
IAS 18 *Revenue*			
20	July 2004	***Extended Payment terms*** IFRIC members considered the accounting for extended payment terms, such as six-month's interest-free credit.	IFRIC members were of the opinion that the accounting treatment was clear, and declined to add the issue to its agenda. IFRIC members agreed that IAS 39 *Financial Instruments: Recognition and Measurement* applies to the receivable in such circumstances, and that the effect of the time value of money should be reflected when this is material (IAS 39 paragraphs AG69-AG82). IFRIC members noted that the wording of IAS 18 *Revenue* paragraph 11 lacked clarity and needed to be improved.
21	July 2004	***Prompt settlement discounts***	IFRIC members agreed that prompt settlement discounts should be estimated at the time of sale, and presented as a reduction in revenues. IFRIC members agreed that it should not provide guidance on making such estimates, and declined to add the issue to the agenda.

#	Date Considered	Issue	Reason for not adding to the IFRIC agenda
IAS 19 ***Employee Benefits***			
22	April 2003	***Accounting for the Transfer to the Japanese Government of the Substitutional Portion of Employee Pension Fund Liabilities*** The issue is how an employer should account for the separation of the substitutional portion of the benefit obligation of employees' pension fund plans (which are defined benefit pension plans established under the Japanese Welfare Pension Insurance Law) from the corporate portion and the transfer of the substitutional portion and related assets to the Japanese government.	The IFRIC agreed that this issue did not have widespread and practical relevance in an IFRS context (ie the issue is too narrow to take onto the IFRIC's agenda). The IFRIC also noted that it was not aware of any interpretive questions that have arisen on this issue in practice.
23	February 2002	***Calculation of discount rates*** The IFRIC considered addressing how to determine the discount rate to be used in measuring a defined benefit liability under IAS 19 *Employee Benefits* when there is no deep market in high quality corporate bonds, and the terms of government bonds are much shorter than the benefit obligations.	The IFRIC agreed to not take this issue onto its agenda because IAS 19 provides sufficient guidance.
24	August 2002	***Classification of an insured plan*** The IFRIC considered whether to provide guidance relating to a particular insured plan found in Sweden. In particular, whether the particular plan is a defined benefit or a defined contribution plan under IAS 19 and, if it was thought to be a defined benefit plan, whether it would qualify for the exemptions from defined benefit plan accounting available under IAS 19 for some multi-employer plans.	The IFRIC agreed not to require publication of an Interpretation on this issue because IAS 19 is clear that the particular plan considered is a defined benefit plan.

#	Date Considered	Issue	Reason for not adding to the IFRIC agenda
25	April 2002	***Employee benefits – Undiscounted vested employee benefits*** The IFRIC considered issuing guidance on whether vested benefits that are payable when an employee left service could be recognised at an undiscounted amount (ie the amount that would be payable if all employees left the entity at the balance sheet date).	The IFRIC agreed to not issue an interpretation on this matter because the answer is clear under IAS 19 *Employee Benefits*. IAS 19 states that the measurement of the liability for the vested benefits must reflect the expected date of employees leaving service, and that the liability is discounted to a present value.
IAS 21 ***The Effects of Changes in Foreign Exchange Rates***			
26	April 2003	***Exchange Rate for Re-measuring Foreign Currency Transactions and Translation of Foreign Operations under IAS 21*** The issue is which exchange rate an entity should use for remeasuring foreign currency transactions and translation of foreign operations if more than one exchange rate is available. The IFRIC noted that paragraph 24 of IAS 21 *The Effects of Changes in Foreign Exchange Rates* (in the Exposure Draft of proposed *Improvements to International Accounting Standards*) states that "When several exchange rates are available, the rate to be used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date."	The IFRIC agreed that the guidance in the improved IAS 21 is satisfactory and decided not to take the issue on to its agenda.

#	Date Considered	Issue	Reason for not adding to the IFRIC agenda
IAS 24 ***Related Party Disclosures***			
27	May 2004	***Identifying and disclosing related party transactions by state-owned business entities*** The issue concerned the practical difficulty for some entities, especially government business entities, in identifying and disclosing related party transactions.	The IFRIC agreed that the issue was one of detailed application, rather than principle, and that there was little scope for the IFRIC to issue a useful Interpretation consistent with IAS 24. Accordingly, the IFRIC declined to add the topic to its agenda.
28	September 2004	***Disclosure of emoluments to key management personnel.*** Paragraph IN5 of IAS 24 (as revised in 2003) states that a main change in IAS 24 (2003) from the previous version (1994) was that "The Standard requires disclosure of the compensation of key management personal". The IFRIC was asked to consider whether, based on this introductory remark, it was possible to infer that IAS 24 (1994) did not require disclosure of compensation of key management personnel.	The IFRIC noted that the comments in the Introduction of IAS 24 (2003) were made to highlight explicitly that disclosure of key management personnel was required, given that the 2002 Exposure Draft had proposed eliminating this disclosure. This was not a change from the requirements of IAS 24 (1994). IAS 24 (1994) had no specific exemption for the disclosure on management compensation. Accordingly, IAS 24 (1994) required an entity to disclose key management personnel compensation, given they met the definition of a related party. No interpretation was considered necessary.
29	September 2004	***Interpretation of the term 'information' in IAS 24 paragraph 17*** The IFRIC was asked to supplement the minimum disclosures in paragraph 17 regarding "transactions and outstanding balances necessary for an understanding of the potential effect of [related party] relationships on the financial statements". For example, it was suggested that an interpretation of paragraph 17 should specifically require disclosure of the purpose and economic substance of transactions, identity of related parties, extend of management involvement, special risks and the effect of such transactions on the financial statements.	The IFRIC agreed not to add this issue to its agenda, noting that the IASB, in its revisions to IAS 24 in 2003, debated the extent of specific minimum disclosure requirements and the suggested items were not included. The IFRIC did agree that, because of wider policy considerations, this issue might be appropriate for discussion at the Board and, perhaps, the Standards Advisory Council.

#	Date Considered	Issue	Reason for not adding to the IFRIC agenda
IAS 26–*Accounting and Reporting by Retirement Benefit Plans*			
30	March 2004	***Conflict between scope and definitions of IAS 26*** **Accounting and Reporting by Retirement Benefit Plans** The Committee considered a potential issue related to an apparent conflict within IAS 26. The organisation referring the issue to the IFRIC noted that it was apparent that IAS 26 was intended to address all types of retirement benefit plans and the scope of the Standard is sufficiently generic for it to be applied to plans other than those sponsored by employers. Indeed, IAS 26 paragraph 9 states: Some retirement benefit plans have sponsors other than employers; this Standard also applies to the reports of such plans. However, IAS 26 paragraph 8 defines "Retirement benefit plans" as: "arrangements whereby an enterprise provides benefits for its employees on or after termination of service…" [emphasis added].	The IFRIC agreed that the wording of IAS 26 could be improved, but noted that the intention of the Standard (as expressed in paragraph 9) was clear. On balance, the IFRIC did not think that this was a priority issue, and suggested that the issue be addressed via editorial corrections to IAS 26 at an appropriate time.

#	Date Considered	Issue	Reason for not adding to the IFRIC agenda
IAS 27 –*Consolidated and Separate Financial Statements* **IAS 28 – *Investments in Associates***			
31	August 2002	***The effects of rights of veto on control*** The IFRIC discussed an issue relating to the effect of rights of veto given to a third party on the assessment of whether an owner of more than half of the voting rights in an enterprise has control.	The IFRIC agreed not to add this issue to its agenda, because the Board is expected to address this issue in the near future as part of its project on Consolidation and Special Purpose Entities. At the February 2004 meeting, the Board tentatively agreed that holders of veto rights may negate apparent power even if • those rights are limited to the ability to block actions if: • those veto rights relate to operating and financing policies; and • those veto rights relate to decisions in the ordinary course of business and not • only to fundamental changes in the organisation (such as disposal of business units or acquisition of significant assets). The Board will continue to discuss this issue as part of the Consolidation and Special Purpose Entities project.

#	Date Considered	Issue	Reason for not adding to the IFRIC agenda
32	November 2002	***Possible amendment to SIC-12*** The IASB, at its October 2002 meeting, requested that the IFRIC explore whether, an appropriate interim solution would be for the IFRIC to make a limited amendment to SIC-12 *Consolidation - Special Purpose Entities*, in the light of the fact that the Board's project on consolidation policies and practices (including their application to SPEs) is unlikely to result in a new Standard in the near future. The amendment would clarify that a "majority" of benefits or risks is intended to refer to exposure to the majority of the variability of expected economic outcome, rather than the absolute economic outcome. One aim of making such an amendment would be convergence towards the FASB's approach in developing its project on SPEs.	The IFRIC discussed this issue at its November meeting, and decided not to recommend such an amendment to SIC-12. Reasons included: • SIC-12 is not interpreted in practice as referring to absolute economic outcome, so the limited amendment proposed would likely have little, if any, practical effect; • There are difficult issues about exactly what is meant by variability of outcome (as well as other issues about the interpretation of SIC-12), that the IFRIC believes are best resolved by the Board in its project; and • As the FASB's approach was still being finalised, the IFRIC considered it premature to amend SIC-12 in any partial manner. The IFRIC's analysis was reported to the Board at its December meeting. An Exposure Draft on Consolidation (including Special Purpose Entities) is expected to be issued in the 4th quarter of 2004.

#	Date Considered	Issue	Reason for not adding to the IFRIC agenda
33	August 2002 / April 2003	***Reciprocal interests*** The IFRIC considered circumstances in which A owns an interest in B, and B concurrently owns an interest in A. Those investments are known as reciprocal interests (or 'cross-holdings'). The IFRIC discussed whether it should provide guidance as to the appropriate accounting: (a) when the cross-holdings are accounted for using the equity method under IAS 28 *Accounting for Investments in Associates* (considered in August 2002) (b) when a control relationship exists, and holdings are accounted for under IAS 27 *Consolidated and Separate Financial Statements* (considered in April 2003)	Regarding (a), in August 2002 the IFRIC agreed not to require publication of an Interpretation on this issue because paragraph 20 of IAS 28 (revised 2003) requires elimination of reciprocal interests (through application of consolidation concepts). Regarding (b), the IFRIC decided to wait until the amendments to improve IAS 27 are finalised (as part of the Business Combinations Phase II project) before considering whether to take this issue onto the agenda. The IFRIC is expected to reconsider these issues once the Business Combinations Phase II project is finalised, as expected in 2005.

#	Date Considered	Issue	Reason for not adding to the IFRIC agenda
34	April 2003 (similar issue raised in October 2003)	***Equity method application*** The IFRIC considered various examples that raise the issue of whether the presumption in the Exposure Draft to improve IAS 28 *Accounting for Investments in Associates* that an investor has "significant influence" over the operations of an investee if it holds directly or indirectly through subsidiaries, 20 per cent or more of the voting power of the investee is met. The examples fell into two main categories: (a) When the investor has a subsidiary that is less than wholly-owned, and the subsidiary holds 20 per cent of the voting power of the investee; and (b) When the investor holds 20 per cent or more of the voting power of the investee through associates or joint ventures (rather than subsidiaries).	The IFRIC agreed that in the examples that fell under: (a) the presumption was met. (b) in one case, the conclusion that equity accounting would be applied was based on the mechanics of equity accounting rather than using the 20 per cent presumption, and in another case, it was unclear as to whether the presumption was met. The IFRIC agreed to pass this issue to the Improvements project to clarify the wording in IAS 28. Paragraph 6 of the revised IAS 28 was revised to address this issue (paragraph 4 of the exposure draft). References Improvements Exposure Draft IAS 28 paragraph 4: "If an investor holds, directly or indirectly *through subsidiaries*, 20 per cent or more of the voting power of the investee, it is presumed that the investor has significant influence...." [emphasis added] Improvements Standard IAS 28 paragraph 6: "If an investor holds, directly or indirectly (eg through subsidiaries),...

#	Date Considered	Issue	Reason for not adding to the IFRIC agenda
35	February 2002	***Investments in associates – investments after discontinuing equity accounting*** The IFRIC considered addressing how an investor should account for an additional investment made in an associate when the equity method of accounting has been discontinued because the investor's share of the associate's post-acquisition losses is such that the carrying amount of the investment is nil.	The IFRIC decided not to add this issue onto its agenda because it does not meet IFRIC's agenda criterion of having practical and widespread relevance.

#	Date Considered	Issue	Reason for not adding to the IFRIC agenda
IAS 29 – *Financial Reporting in Hyperinflationary Economies*			
36	November 2002	***Hyperinflation*** Accounting for inflation is dealt with in IAS 15 *Information Reflecting the Effects of Changing Prices* and IAS 29 *Financial Reporting in Hyperinflationary Economies*. IAS 15 encourages the voluntarily provision of supplementary information on changing prices, whereas IAS 29 requires the financial statements to be restated when certain criteria of hyperinflation are met. The Board proposed in its Improvements project to withdraw IAS 15. Further, accounting for inflation is included in the Board's short-term Convergence Project. The IFRIC discussed various issues regarding accounting for high and hyperinflation, in order to provide the Board with input to the Improvements and Convergence projects, including: • The potential absence of guidance on accounting for high inflation in the context of the proposed withdrawal of IAS 15 • Determining when an economy is hyperinflationary • Practical matters raised with the IFRIC Agenda Committee, including what constitutes a general price index and presentation of comparative figures on first adopting IAS 29.	The IFRIC agreed on a number of specific recommendations for the Board to consider in its Improvements and Convergence projects IAS 15 was withdrawn as a result of the Improvements project. Practical issues in applying IAS 29 are being addressed as part of the IFRIC draft Interpretation D5 "*Applying IAS 29* 'Financial Reporting in Hyperinflationary Economies' *for the First Time*".

#	Date Considered	Issue	Reason for not adding to the IFRIC agenda
IAS 36 – *Impairment of Assets*			
37	February 2003	***The inclusion/exclusion from value in use of cash flows expected to arise from a future restructuring*** The IFRIC considered two issues focused on IAS 36 paragraph 37, which requires the cash flows used in the value in use calculation not to include cash flows that are expected to arise from (a) a future restructuring to which an enterprise is not yet committed; or (b) future capital expenditure that will improve or enhance the asset in excess of its standard of performance assessed immediately before the expenditure is made. The IFRIC noted that it was likely that resolution of these issues would require an amendment to IAS 36. Also the IASB is already amending IAS 36 as part of its project on business combinations. For these reasons, the IFRIC agreed that these issues would be better addressed directly by the Board rather than by the IFRIC.	The Board considered this issue at the November 2003 meeting, making a minor amendment to the IAS 36 paragraph 27(b) as a result of the discussion. These issue are clarified at length in paragraphs BC68-BC75 of the Basis of Conclusions of IAS 36.
38	May 2004	***Impairment of undeveloped reserves by entities engaged in extractive activities*** The IFRIC considered a potential issue as to whether the recoverable amount of a cash-generating unit of an entity with extractive activities (typically a site) for which production has commenced should include the expected cash inflows from, and cash outflows necessarily incurred in, developing the site further in order to access undeveloped reserves over the life of the site.	The IFRIC decided not to add this issue to its agenda, but requested it be considered by the Board during its redeliberation of ED 6 *Exploration for and Evaluation of Mineral resources.*

#	Date Considered	Issue	Reason for not adding to the IFRIC agenda
IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*			
39	February 2002	***Provisions – onerous contracts*** The IFRIC considered addressing when an entity should recognise, and how it should measure, an impairment of an asset received or another loss under a firmly committed executory contract.	The IFRIC decided not to add this issue onto its agenda because IAS 37 and IAS 36 provide sufficient guidance.
40	December 2003	***Onerous Contracts - Operating Leases and Other Executory Contracts*** In December 2003, the IFRIC considered whether it should take onto its agenda the issue of interpreting the requirements of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* relating to onerous contracts. The IFRIC had a preliminary discussion on the scope of this issue, the underlying rationale for recognising such a provision and how the provision should be measured.	The IFRIC agreed that this issue should not be taken on as its agenda, but agreed that the points raised in its discussion should be brought to the Board's attention, including the interaction with the revision of IAS 37 in the convergence project. Given the limited scope of the IAS 37 convergence project, the Board decided that it should not make fundamental changes to the requirements for onerous contracts. It also noted that it had two projects on its active agenda (Leasing and Revenue Recognition) that could affect these requirements. Nonetheless, the Board is considering additional guidance to the existing requirements to make it clear that if a contract becomes onerous as a result of an entity's own actions, no provision is recognised until that action occurs. The IASB / FASB joint convergence project on IAS 37 is expected to result in an Exposure Draft being issued by the IASB in the 2nd quarter of 2004.

#	Date Considered	Issue	Reason for not adding to the IFRIC agenda
41	February 2002	***Provisions – examples of constructive obligations*** The IFRIC considered addressing examples of when constructive obligations exist under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.	The IFRIC decided not to add this issue onto its agenda because IAS 37 provides sufficient guidance.
IAS 38 – *Intangible Assets*			
42	February 2002	***Costs of acquiring or developing content for electronic databases*** The IFRIC considered addressing the following: (a) how to account for the costs of acquiring or generating information to be included in an electronic database (b) if the costs in (a) should be capitalised, should internal and/or external costs be included, and should direct and/or indirect costs be included, and (c) if the costs in (a) should be capitalised, how to account for the costs of maintaining and enhancing the collection.	The IFRIC decided to not address these issues because SIC-32 *Intangible Assets – Web Site Costs*, and IAS 38 *Intangible Assets* provides sufficient guidance.

#	Date Considered	Issue	Reason for not adding to the IFRIC agenda
43	November 2004	***Subscriber acquisition costs*** The IFRIC considered a question on the application of IAS 38 *Intangible Assets* that had been referred to it by the Urgent Issues Group of the Australian Accounting Standards Board. The UIG was concerned that its Abstract 42 *Subscriber Acquisition Costs in the Telecommunications Industry* might be inconsistent with IFRSs.	IFRIC members expressed concern that the issues raised in UIG 42 applied in a broad range of situations and were not limited to the telecommunications sector. If the IFRIC did add this topic to its agenda, there were concerns about whether IFRIC would be able to reach a consensus view on a timely basis. The IFRIC also noted that this issue was related to several Board projects. Accordingly, the IFRIC tentatively agreed not to add this issue to its agenda.
IAS 32 ***Financial Instruments: Disclosure and Presentation*** **IAS 39** ***Financial Instruments: Recognition and Measurement***			
44	February 2002	***Discretionary Distributions and Economic Compulsion*** The IFRIC considered addressing certain issues relating to discretionary distributions and economic compulsion, that were previously reported in the May 2001 edition of *News from the SIC* that were related to the classification of financial instruments under IAS 32 *Financial Instruments: Presentation and Disclosure*.	The IFRIC decided not to address this issue, because the economic compulsion concept was expected to be removed from IAS 32 as part of the improvements project.
45	August 2002	***Own shares that are held for trading purposes*** The IFRIC considered providing guidance on the issue regarding whether an exception from SIC-16 *Share Capital – Reacquired Own Equity Instruments (Treasury Shares)* should be made for own shares that are held for trading purposes in order to allow them to be measured at fair value with changes in value being reported in the income statement.	The IFRIC agreed not to require publication of an Interpretation on this issue, because IAS 39 and SIC-16 are clear that: (a) own shares should be treated as a deduction from equity in all circumstances, (b) they may not be classified as an asset that is held for trading; and (c) no gain or loss is recognised in the income statement on such shares. These issues were considered as part of the process of improving IAS 32.

#	Date Considered	Issue	Reason for not adding to the IFRIC agenda
46	April 2003	***The Meaning of Other-than-Temporary Impairment and Its Application to Certain Investments*** In connection with its discussion of EITF Issue No. 02-14 *Whether the Equity Method of Accounting Applies When an Investor Does Not Have an Investment in Voting Stock of an Investee but Exercises Significant Influence through Other Means*, at the 21 November 2002 meeting, the EITF discussed the meaning of other-than-temporary impairment and its application to certain investments carried at cost. The EITF requested that the FASB staff consider other impairment models within U.S. GAAP when developing its views. The EITF also requested that the scope of the impairment issue be expanded to include equity method investments and investments subject to FASB Statement No. 115 *Accounting for Certain Investments in Debt and Equity Securities,* and that that issue be addressed by the EITF as a separate issue.	The IFRIC agreed to not take this issue onto the agenda because it may be affected by the Board's decisions in its project on proposed amendments to IAS 32, and IAS 39. The distinction between an impairment (or reversal of an impairment) and other falls (or rises) in value was considered by the Board when improving IAS 39. While IFRS does not contain the notion of "other than temporary" impairment, IAS 39.61 (December 2003) states that: "..A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is also objective evidence of impairment..."
47	October2003	***The Closely Related Criterion for Embedded Derivatives in IAS 39*** The IFRIC considered providing guidance on the meaning of "closely related" in the context of embedded derivatives in IAS 39.	The IFRIC decided not to address this issue because: • changing the approach in IAS 39 would go beyond providing an Interpretation of existing guidance. • the IFRIC would not have sufficient time to provide input to the Board's project to improve IAS 39, given the need to finalise that Standard within a short timeframe. This issue is expected to be addressed in the revised IAS 39.

#	Date Considered	Issue	Reason for not adding to the IFRIC agenda
48	May 2004	***Classification of non-redeemable preference shares*** The issue was whether a plain vanilla non-redeemable preference share should be classified as a liability or equity.	The IFRIC agreed that there was sufficient application guidance on this issue in IAS 32/39, and recommended that the issue not be added to the IFRIC agenda.
49	October2004	***Impairment: Accounting for Incurred Losses under IAS 39*** The IFRIC considered whether under IAS 39 an entity should recognise an impairment on a group of loans if its loss expectation at initial recognition of the loans has not changed, but the entity could estimate reliably, based on past history, that loss events occurred after initial recognition, but before the reporting date.	The IFRIC considered whether under IAS 39 an entity should recognise an impairment on a group of loans if its loss expectation at initial recognition of the loans had not changed, but the entity could estimate reliably, based on past history, that loss events occurred after initial recognition, but before the reporting date. The IFRIC agreed that the interpretation of the Standard was clear and that an entity should recognise such an incurred impairment loss that is supported by objective evidence, which might not have been reported before the entity's reporting date. However, an impairment loss could not be recognised if relevant events had not been recognised. The IFRIC recommended that the IASCF education team should consider this issue for possible inclusion in educational material.
50	October2004	***Effective Interest Rates*** The IFRIC considered whether future credit losses should be included in determining effective interest rates.	The IFRIC agreed that IFRSs was clear on this issue. Paragraph 9 of IAS 39 states that when calculating effective interest rate an entity shall not consider future credit losses. Also, IAS 39 Implementation Guidance issue B26 provides further guidance on the matter.

#	Date Considered	Issue	Reason for not adding to the IFRIC agenda
51	October2004	***Commodity Price Risk Hedging*** The IFRIC considered whether under IAS 39 a non-financial instrument can be separated into price risk components, with the component that relates to an efficient, liquid and regulated commodity exchange being designated as the hedged item (rather than the price risk of the entire non-financial item).	The IFRIC agreed that IAS 39 paragraphs 82 and AG100 provide clear guidance on the matter. The IFRIC also noted that to allow separation of a non-financial asset into price risk components with the separate components being designated as the hedged item would require an amendment to IAS 39 rather than an Interpretation.
52	October2004	***Single Instrument Designated as a Hedge of More than One Type of Risk*** The IFRIC considered whether, when a single hedging instrument is designated as a hedge of more than one type of risk, the effectiveness test can be carried out for the total hedged position, which incorporates all risks identified, if these risks are inextricably linked in the hedging instrument.	The IFRIC agreed that IAS 39 was clear on the matter. The Standard does not require separate effectiveness testing when a single hedging instrument is designated as a hedge of more than one type of risk. The IFRIC also noted that the issue is neither widespread nor pervasive at present
IFRS 1 ***First-time Adoption of International Financial Reporting Standards***			
53	October2004	The IFRIC considered two issues regarding first-time adoption of IFRSs. The first issue was whether the 'impracticability' exception under IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors should also apply to first time adopters. The second issue was whether a specific exception should be granted to first-time adopters to permit entities to translate all assets and liabilities at the transition date exchange rate rather than applying the functional currency approach in IAS 21 *The Effects of Changes in Foreign Exchange Rates*.	On the first issue, the IFRIC agreed that there were potential issues, especially with respect to 'old' items, such as property, plant and equipment. However, those issues could usually be resolved by using one of the transition options available in IFRS 1. On the second issue, the IFRIC agreed that the position under IFRS 1 and IAS 21 was clear, and that there was no scope for an Interpretation on this topic that would provide any relief.

#	Date Considered	Issue	Reason for not adding to the IFRIC agenda
IFRS 3 ***Business Combinations*** (including issues regarding the superseded IAS 22 *Business Combinations*)			
54	August 2002	***Exchanges of businesses or other non-monetary assets for an interest in a subsidiary, joint venture or associates*** The IFRIC considered addressing the issue of whether exchanges of businesses or other non-monetary assets for an interest in the assets of a subsidiary, joint venture or associate should be recognised in the consolidated financial statements at: (a) fair value as at the acquisition date, therefore recognising a gain (or loss) on 'sale' in the consolidated financial statements; or (b) the pre-combination carrying amount, therefore reversing the gain (or loss) out of the consolidated financial statements; or (c) the pre-combination carrying amount *to the extent of continued ownership interest in the business* or non-monetary asset, therefore recognising a gain only for the minority interest portion in the consolidated financial statements.	The IFRIC agreed that this item should not be added to the agenda and that this issue (specifically exchanges of businesses or other non-monetary assets for an interest in a subsidiary) should be dealt with in the Board's Business Combinations (phase II) project. At its January 2003 meeting the IASB considered the accounting for business combinations in which consideration in the form of a business or other non-monetary asset is transferred to an entity in exchange for equity instruments issued by that entity, which thereby becomes the first entity's subsidiary. The Board decided that the business or non-monetary asset transferred by the acquirer should not be viewed as part of the net assets acquired. This is because the acquirer controls the business or non-monetary asset both before and after the business combination. Therefore, the full amount of any profit or loss arising on the transfer to the acquiree of the business or non-monetary asset should be eliminated in the consolidated financial statements. The Board is not considering this issue as it relates to exchanges that result in joint venture or associates relationships, because it is outside of the scope of the Business Combinations project. The IFRIC decided to reconsider this issue after the Business Combinations (phase II) project is complete.

#	Date Considered	Issue	Reason for not adding to the IFRIC agenda
55	April 2003	***Non-monetary exchanges of assets*** The IFRIC considered an example of a transaction involving exchanges of non-monetary assets in which Company A exchanges its 13 per cent interest in Company B for a 13 per cent interest in Company C, where C's only asset is its 100 per cent holding in B. As a result, A's holding in B is held in a different legal form (ie via an intermediate holding company with no other activities), rather than held directly. The issue is whether the exchange of A's interest in B for the 13 per cent interest in C would result in derecognition of the investment in B with any gain or loss reported in profit or loss and recognition of a new investment in C.	The IFRIC agreed not to publish an Interpretation on this issue because the example is relatively narrow. However, the IFRIC agreed to consider including this example in its future guidance on Reporting Linked Transactions. This issue is within the scope of a draft Interpretation considered by the IFRIC at the February 2003 meeting as part of the IFRIC project on Reporting Linked Transactions (though the draft Interpretation did not include a specific example on the topic). However, the Board has not had an opportunity to consider the IFRIC's progress on the Linkage program to date.
56	August 2002	***The seller's contingent consideration*** The IFRIC considered the accounting for contingent consideration received by the seller in a business combination. The IFRIC noted that when accounting for contingent consideration received by the seller, one of the questions to consider is whether IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IAS 39 *Financial Instruments: Recognition and Measurement* applies.	The IFRIC agreed not to require publication of an Interpretation on this issue because: (a) it is not pervasive in practice; and (b) the Board is currently looking at contingent consideration from the purchaser's perspective as part of its Business Combinations Phase II project. .