

## STAFF PAPER

November 2016

## IASB Meeting

Project	Conceptual Framework		
Paper topic	Effects of the proposed changes to the <i>Conceptual Framework</i> on preparers		
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This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (the Board) and does not represent the views of the Board or any individual member of the Board. Comments on the application of IFRS® Standards do not purport to set out acceptable or unacceptable application of IFRS Standards. Technical decisions are made in public and reported in IASB® *Update*.

**Purpose of paper**

1. At the December 2016 meeting, the staff plan to ask the Board to confirm the proposal in the Exposure Draft *Updating References to the Conceptual Framework* (the Updating References Exposure Draft) to replace references to the *Framework for the Preparation and Preparation of Financial Statements* (the *Framework*) in IFRS Standards with references to the *Conceptual Framework for Financial Reporting* (the *Conceptual Framework*). This paper is intended to support the Board's decision on replacing the references in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.
2. This paper discusses the results of the work performed by the staff in order to identify the potential effects on preparers' accounting policies of replacing references to the *Framework* with references to the *Conceptual Framework* in IAS 8.
3. No decisions will be requested at this Board meeting. However, Board members will be asked whether the work performed by the staff provides them with sufficient basis for making the decision on replacing the references to the *Framework* in IAS 8.

## Summary of key findings

4. The work performed by the staff suggests that the scope of any changes to preparers' accounting policies as a result of replacing references to the *Framework* with references to the *Conceptual Framework* in IAS 8 is likely to be limited for the following reasons:
  - (a) most preparers do not develop accounting policies by reference to the *Framework* because most transactions are:
    - (i) covered by the existing IFRS Standards; or
    - (ii) accounted for based on other sources referred to in IAS 8; or
    - (iii) exempted from applying paragraph 11 of IAS 8; and
  - (b) in some areas the revised concepts will suggest similar accounting outcomes to the existing concepts.

## Structure of paper

5. This paper is structured as follows:
  - (a) background (paragraphs 7–11);
  - (b) overview of the work performed by the staff (paragraphs 12–19);
  - (c) discussion of the findings (paragraphs 20–53);
  - (d) conclusion and questions for the Board (paragraph 54).
6. In addition, the paper includes the following appendices:
  - (a) appendix A provides a relevant extract from IAS 8;
  - (b) appendix B summarises exclusions from the scope of the existing IFRS Standards; and
  - (c) appendix C provides demographic information about those entities that responded to the staff's request for information.

## Background

7. The Updating References Exposure Draft proposed to replace references to the *Framework* in IFRS Standards with references to the *Conceptual Framework*.
8. This proposal could affect entities that use the *Framework* to develop their accounting policies in accordance with paragraphs 10–12 of IAS 8 (see appendix A). Paragraph 11(b) of IAS 8 requires entities to refer to the definitions, recognition criteria and measurement concepts in the *Framework* when they need to develop an accounting policy in the absence of an IFRS Standard that specifically applies to a transaction or event<sup>1</sup>.
9. Accordingly, if the reference to the *Framework* in paragraph 11(b) of IAS 8 is updated, entities that develop particular accounting policies on the basis of this paragraph will have to consider whether those policies need to be updated to reflect the revised concepts in the *Conceptual Framework*.
10. Some respondents to the Updating References Exposure Draft and some participants in the outreach performed during the comment period on this Exposure Draft expressed concerns about possible consequences of the proposal to replace references to the *Framework* in IAS 8. Some of them questioned whether this proposal could have a widespread effect on preparers and whether preparers would have practical issues implementing the proposal, ie when updating their accounting policies to reflect the revised concepts in the *Conceptual Framework*.
11. In response to those concerns, the Board directed the staff to perform an analysis of the effects of replacing references to the *Framework* in IAS 8 on preparers.

## Overview of the work performed by the staff

12. The main aim of the staff's work was to assess who could be affected by the proposal to update references to the *Framework* in IAS 8 and how.

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<sup>1</sup> Paragraph 11(b) of IAS 8 contains a footnote explaining that in September 2010 the Board replaced the *Framework* with the *Conceptual Framework for Financial Reporting*. Thus, entities are expected to refer to the existing *Conceptual Framework* when developing accounting policies on the basis of this paragraph. For the purposes of this paper, we will use the term '*Framework*' to mean both the pre-2010 and the existing versions of the document; and the term '*Conceptual Framework*' to refer to the revised document that will be issued by the Board, unless a more specific reference is needed for clarity.

13. Firstly, we sought to identify which accounting policies are now developed by reference to the *Framework* on the basis of the requirements in paragraphs 10–12 of IAS 8. To identify such policies the staff have performed the following work:
  - (a) reviewed the scope exclusions in IFRS Standards; and
  - (b) reached out to preparers and accounting firms to understand whether and when in practice entities develop their accounting policies by reference to the *Framework*.
  
14. The review of scope exclusions in the existing IFRS Standards was based on the Standards applicable on 1 January 2016 (ie the Standards included in the Blue Book). This review helped identify which transactions and events are not covered by any of the Standards and so have to be accounted for following paragraphs 10–12 of IAS 8.
  
15. However, paragraphs 11–12 of IAS 8 suggest several sources for developing accounting policies for such transactions and events not just the *Framework*. For example, paragraph 11(a) requires entities to first consider the requirements in IFRS Standards that deal with similar and related issues before considering the *Framework*. Hence, the review of scope exclusions in the Standards only indicates which transactions and events are not specifically covered by an IFRS Standard. The accounting policies for some of these transactions and events could be developed by reference to the *Framework*, and so could potentially be affected by replacing the references to the *Framework* in IAS 8. However, this is not necessarily the case for all transactions and events not covered by IFRS Standards.
  
16. To identify which accounting policies are in practice developed by reference to the *Framework* in IAS 8 the staff requested information from the following:
  - (a) preparers and preparer representative bodies, including:
    - (i) those who responded to the Exposure Draft *Conceptual Framework for Financial Reporting* (the Conceptual Framework Exposure Draft) and Updating References Exposure Draft;
    - (ii) members of the Global Preparers Forum; and
  - (b) a sample of international accounting firms.
  
17. We requested the following information:

- (a) whether respondents use the *Framework* as a guide in developing accounting policies; and if so
  - (b) to describe the accounting policies that have been developed by reference to the *Framework* and specify which concepts have been used to develop those policies.
18. Feedback was used to analyse how accounting policies developed by reference to the *Framework* could to be affected by the proposed changes to the concepts for the *Conceptual Framework*.
19. The findings of our work are discussed in paragraphs 20–53.

### **Discussion of the findings**

20. Appendix B summarises the results of the review of scope exclusions in the existing Standards. While the list of transactions and events not covered by the existing Standards is relatively long, it does not necessarily mean that in practice accounting policies for those transactions are developed by reference to the *Framework*. While paragraph 10 of IAS 8 requires that the resulting information should be relevant and reliable, paragraphs 11–12 allow entities to make such judgements by referring to several sources, and the concepts in the *Framework* is only one of those sources.
21. As noted in paragraph 15, the information requested by the staff from preparers and others was intended to narrow down the list of the transactions not covered by the existing Standards to those that are in practice accounted for by reference to the *Framework*.
22. We requested information from 73 organisations and received 29 responses. Appendix C provides a summary by type of respondent and geographical region.
23. The analysis of responses indicates that:
- (a) most preparers do not develop accounting policies by reference to the *Framework* in IAS 8 because:
    - (i) transactions are covered by the existing IFRS Standards (paragraphs 24–27);

- (ii) transactions are not covered by the existing IFRS Standards, but are accounted for based on other sources referred to in IAS 8 (paragraphs 28–31); and
  - (iii) transactions are exempted from applying paragraph 11 of IAS 8 (paragraphs 32–33);
- (b) some preparers develop accounting policies by reference to the *Framework* but not all these policies will necessarily be affected by the changes that will be proposed in the *Conceptual Framework* (paragraphs 34–53).

### ***Transactions covered by IFRS Standards***

24. Most respondents stated that developing an accounting policy by reference to the *Framework* is rare.
25. They noted that most transactions and events are already covered by existing IFRS Standards and therefore the use of the *Framework* is not necessary when developing accounting policies for such transactions.
26. More than half of the respondents stated that they do not make (or have not observed entities to make) references to the *Framework* in their accounting policies.
27. One respondent commented that they used to refer to the *Framework* when developing accounting policies for some items but those items are now covered by newly issued Standards. The example provided was the treatment of mobilisation costs and other potential assets that is now covered by IFRS 15 *Revenue from Contracts with Customers*.

### ***Transactions accounted for based on other sources referred to in IAS 8***

28. Some respondents stated that in cases when no IFRS Standard applies to a transaction or event, they normally base an accounting policy for such a transaction or event on:
- (a) the requirements in IFRS Standards dealing with similar and related issues (paragraph 29), or

- (b) generally accepted accounting principles, ie pronouncements of other standard-setting bodies (mostly US GAAP), other accounting literature and accepted industry practices (paragraphs 30–31)

rather than referring directly to the concepts in the *Framework*.

29. If entities base their accounting policies for a particular transaction on the requirements in IFRS Standards dealing with similar or related issues, such accounting policies will not be affected by the change to the reference to the *Framework* in IAS 8. In accordance with paragraph 11 of IAS 8 the requirements in IFRS Standards dealing with similar and related issues take precedence over the definitions, recognition criteria and measurement concepts in the *Framework*.
30. In cases when accounting policies are based on other generally accepted accounting principles, paragraph 12 of IAS 8 requires that those policies should not conflict with the definitions, recognition criteria and measurement concepts in the *Framework*. Some respondents provided the following examples of transactions for which accounting policies used are based on generally accepted accounting principles:
  - (a) common control transactions, including business combinations under common control;
  - (b) non-reciprocal transfers; and
  - (c) related party transactions, including transactions with shareholders.
31. Potentially these accounting policies could be affected by replacing the reference to the *Framework* in IAS 8 as preparers will have to review whether those policies are consistent with the revised definitions, recognition criteria and measurement concepts. However, this will not necessarily lead to substantial changes in accounting policies.

### ***Transactions exempted from applying paragraph 11 of IAS 8***

32. A few respondents noted that some IFRS Standards specifically exempt preparers from applying paragraph 11 of IAS 8 in developing some accounting policies. Such provisions are included in the following Standards:
  - (a) IFRS 4 *Insurance Contracts*;
  - (b) IFRS 6 *Exploration for and Evaluation of Mineral Resources*; and

(c) IFRS 14 *Regulatory Deferral Accounts*.

33. Accordingly, preparers that develop accounting policies in accordance with these Standards will not have to review their accounting policies following the change to the reference in paragraph 11 of IAS 8.

***Accounting policies developed by reference to the Framework***

34. Some respondents to the staff’s request for information identified specific instances in which they develop accounting policies by reference to the *Framework*. In particular, the respondents’ accounting policies were developed by reference to:
- (a) concepts set out in Chapter 1—*The objective of general purpose financial reporting* and Chapter 2—*Qualitative characteristics of useful financial information*<sup>2</sup> (paragraphs 35–36);
  - (b) the definitions of elements (paragraphs 37–40);
  - (c) concepts supporting the definitions of elements (paragraphs 41–47); and
  - (d) the guidance on recognition (paragraphs 48–53).

*Policies developed by reference to concepts set out in Chapters 1 and 2*

35. Some respondents indicated that they refer to the concepts in Chapters 1 and 2 to develop accounting policies. They provided the following examples:
- (a) referring to the concepts in Chapters 1 and 2 to describe useful financial information;
  - (b) using the guidance on accrual accounting (paragraphs OB17–19 of the existing *Conceptual Framework*) as the basis for developing accounting policies for the recognition of expenses;
  - (c) referring to the qualitative characteristics of useful financial information and materiality as the basis for making presentation and disclosure decisions.

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<sup>2</sup> Chapters 1 and 2 of the revised *Conceptual Framework* will correspond to Chapters 1 and 3 of the existing *Conceptual Framework*.



36. The staff think that it is unlikely that significant changes will be needed to the policies referred to in paragraph 35 above due to the proposed changes to the *Conceptual Framework*. This is because:
- (a) most of Chapters 1 and 2 have not been changed by this project. Relevance and faithful representation will continue to be the fundamental qualitative characteristics of useful financial information;
  - (b) the guidance that the respondents referred to in the examples in paragraphs 35(b)–35(c), ie the guidance on accrual accounting and materiality, will be carried forward to the revised *Conceptual Framework* substantially unchanged.

*Policies developed by reference to the definitions of elements*

37. Some respondents stated that in some cases they use the definitions of elements to determine whether:
- (a) an item is a liability or an equity instrument (paragraph 38);
  - (b) an asset or a liability exists (paragraphs 39–40).
38. The distinction between liability and equity instruments is not addressed in the *Conceptual Framework* project. In April 2016, the Board tentatively decided to confirm that it would not discuss the distinction between liabilities and equity in the revised *Conceptual Framework*. Instead, it would develop the principles for classifying financial instruments with characteristics of both liabilities and equity in the Financial Instruments with Characteristics of Equity (FICE) project. Accordingly, the revised *Conceptual Framework* should not result in entities having to reconsider their accounting policies for distinguishing liabilities and equity instruments.
39. The respondents provided the following examples of using the definitions of elements in the *Framework* to establish whether an asset or a liability exists:
- (a) developing accounting policies for transaction costs, arrangement fees and prepayments, for example for:
    - (i) transaction costs of a probable issue of equity shares;
    - (ii) arrangement fees on revolving credit facilities;

- (iii) non-cash incentives offered to customers to acquire primary customer deposit accounts;
  - (iv) costs of issuing credit cards;
  - (v) borrower’s commitment fees for a loan commitment if drawdown is not probable;
  - (b) accounting for priority sector lending certificates in India; and
  - (c) accounting for the policyholder’s rights and obligations under an insurance contract.
40. The staff expect preparers who use the definitions of elements in the *Framework* to establish whether an asset or a liability exists to review those accounting policies if the reference to the *Framework* in IAS 8 is updated. However, even if an item meets the revised definition of an asset or a liability but not the existing one, an entity would not necessarily recognise that asset or liability. Thus, the revision of accounting policies in such cases may not lead to changes in financial statements.

*Policies developed by reference to concepts supporting the definitions of the elements*

41. A few respondents provided examples of using the following concepts supporting the definitions of elements in the *Framework* in developing their accounting policies:
- (a) the guidance on ‘underlying substance’ in paragraph 4.6 of the existing *Conceptual Framework* (paragraphs 42–44); and
  - (b) the guidance on income, revenue and gains in paragraphs 4.29–4.30 of the existing *Conceptual Framework* (paragraphs 45–47).

43. The guidance on ‘underlying substance’ is used to:
- (a) determine whether income on Islamic finance assets is interest even though it is not termed as such in the contract; and
  - (b) account for complex and/or unique insurance or reinsurance contracts.
44. The staff note that in May 2016 the Board tentatively decided that the elements chapter of the *Conceptual Framework* will include the guidance on the substance of contractual rights and contractual obligations that expands on the guidance in paragraph 4.6 of the existing *Conceptual Framework*. In addition, the notion of ‘substance over form’ has been made more prominent by stating explicitly in Chapter 2 of the *Conceptual Framework* that a faithful representation represents the substance of an economic phenomenon instead of merely representing its legal form. Accordingly, the staff suggest that accounting policies mentioned in paragraph 42 will not be affected by updating the reference to the *Framework* in IAS 8.
45. One respondent indicated that the guidance in paragraphs 4.29–4.30 of the existing *Conceptual Framework* on income, revenue and gains is used to determine whether particular gains or losses can be presented as a component of revenue (for example, net gain on trading securities held by investment companies).
46. In June 2016 the Board tentatively decided to confirm that after the revision the *Conceptual Framework* will not include a discussion of the typical types of transactions and other events that may give rise to income and expenses.
47. The Board explained that much of the discussion of income and expenses in the *Framework* relates to their presentation and disclosure. The *Conceptual Framework* will include a separate chapter on presentation and disclosure, which among other topics will address classification and aggregation of items in the financial statements. The preparers will have to use the concepts in this chapter to review their accounting policies on presentation of income if IAS 1 *Presentation of Financial Statements* does not provide sufficient guidance. The staff does not expect that any significant changes to the presentation of income will result from the changes proposed for the *Conceptual Framework* because the guidance included in the chapter on presentation and disclosure is high-level and is not intended to introduce any significant changes to existing practice.

*Policies developed by reference to the guidance on recognition*

48. A few respondents provided examples of accounting policies developed on the basis of:
- (a) the existing recognition criteria (paragraphs 49–51); and
  - (b) the guidance on allocation of expenses in paragraph 4.51 of the existing *Conceptual Framework* (paragraphs 52–53).
49. As an example of using the recognition criteria, two preparers stated that they recognise some assets only if it is probable that there will be an inflow of economic benefits. One of those preparers expressed the view that the proposed changes to the recognition criteria could have a significant effect on their accounting policies. However, they did not provide any specific examples or explain why they expected their policies to change.
50. In July 2016 the Board tentatively confirmed that the *Conceptual Framework* will not prescribe a ‘probability recognition criterion’, ie it will not prohibit the recognition of assets or liabilities with a low probability of an inflow or outflow of economic benefits.
51. However, at that meeting the Board also tentatively confirmed that the probability of an inflow or outflow of economic benefits will continue to be a factor in deciding whether recognition will provide relevant information. Hence the probability of an inflow or outflow could be considered when an entity develops an accounting policy for the recognition of assets and liabilities, if the likelihood of the inflow or outflow was considered to affect the usefulness of the information provided by recognition. This suggests that preparers’ accounting policies developed by reference to the recognition criteria in the *Framework* will not necessarily need to change after the reference to the *Framework* in IAS 8 is replaced.
52. One respondent included another example of using the guidance on recognition in developing an accounting policy. In the absence of a Standard dealing with the rights and obligations of an insurance contract policyholder, some entities refer to paragraph 4.51 of the existing *Conceptual Framework* which states:

When economic benefits are expected to arise over several accounting periods and the association with income can only

be broadly or indirectly determined, expenses are recognised in the income statement on the basis of systematic and rational allocation procedures. [...]

53. The staff note that paragraph 4.51 of the existing *Conceptual Framework* will not be carried forward to the revised *Conceptual Framework* as the revised *Conceptual Framework* will not have a separate section on the recognition of expenses. Thus preparers will have to review their accounting policies based on this paragraph.

### Conclusion and questions for the Board

54. The work performed by the staff suggests that the scope of any changes to preparers' accounting policies as a result of replacing references to the *Framework* with references to the *Conceptual Framework* in IAS 8 is likely to be limited for the following reasons:
- (a) most preparers do not develop accounting policies by reference to the *Framework* because most transactions are:
    - (i) covered by the existing IFRS Standards; or
    - (ii) accounted for based on other sources referred to in IAS 8; or
    - (iii) exempted from applying paragraph 11 of IAS 8; and
  - (b) in some areas the revised concepts will suggest similar accounting outcomes to the existing concepts.

#### Questions for the Board

1. Do you think that the work performed by the staff provides sufficient basis for making the decision on replacing the reference to the *Framework* in IAS 8?
2. Do you have any other comments on the staff analysis and conclusions in paragraphs 20–54?

**Appendix A—Extract from IAS 8**

10. In the absence of an IFRS that specifically applies to a transaction, other event or condition, management shall use its judgement in developing and applying an accounting policy that results in information that is:
- (a) relevant to the economic decision-making needs of users; and
  - (b) reliable, in that the financial statements:
    - (i) represent faithfully the financial position, financial performance and cash flows of the entity;
    - (ii) reflect the economic substance of transactions, other events and conditions, and not merely the legal form;
    - (iii) are neutral, ie free from bias;
    - (iv) are prudent; and
    - (v) are complete in all material respects.
11. In making the judgement described in paragraph 10, management shall refer to and consider the applicability of the following sources in descending order:
- (a) the requirements in IFRSs dealing with similar and related issues; and
  - (b) the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the *Framework*<sup>1</sup>.
12. In making the judgement described in paragraph 10, management may also consider the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards, other accounting literature and accepted industry practices, to the extent that these do not conflict with the sources in paragraph 11.

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<sup>1</sup> In September 2010 the IASB replaced the *Framework* with the *Conceptual Framework for Financial Reporting*.

## Appendix B—Exclusions from the scope of IFRS Standards

- B1. The staff have performed a review of IFRS Standards included in the Blue Book (ie applicable on 1 January 2016) to identify which transactions are excluded from the scope of the Standards. This appendix lists the results of this exercise.
- B2. Please note that some Standards exclude particular transactions from their scope because they are covered by a more specific Standard. Such transactions are not included in this list.

Reference to the Standard	Items excluded from the scope of the Standard
IFRS 3 <i>Business Combinations</i> , paragraph 2(c)	A combination of entities or businesses under common control
IFRS 4 <i>Insurance Contracts</i> , paragraph 4(f)	Direct insurance contracts that the entity holds (ie direct insurance contracts to which the entity is the policyholder)
IFRS 6 <i>Exploration for and Evaluation of Mineral Resources</i> , paragraphs 4–5	<p>(a) Expenditures incurred:</p> <p style="margin-left: 20px;">(i) before the exploration for and evaluation of mineral resources, such as expenditures incurred before the entity has obtained the legal rights to explore a specific area; and</p> <p style="margin-left: 20px;">(ii) after the technical feasibility and commercial viability of extracting a mineral resource are demonstrable</p> <p>(b) Some aspects of accounting by entities engaged in the exploration for and evaluation of mineral resources other than accounting for exploration and evaluation expenditures that it incurs</p>
IFRS 14 <i>Regulatory Deferral Accounts</i> , paragraphs 5–7	Some aspects of accounting by entities that are engaged in rate-regulated activities.
IAS 2 <i>Inventories</i> , paragraphs 3–5	<p>Inventories held by:</p> <p>(a) producers of agricultural and forest products, agricultural produce after harvest, and minerals and mineral products, to the extent that they are measured at net realisable value in accordance with well-established practices in those industries</p>

	(b) commodity broker-traders who measure their inventories at fair value less costs to sell are excluded from the measurement requirements of this Standard
IAS 12 <i>Income Taxes</i> , paragraph 4	Investment tax credits, except for temporary differences that may arise from such investment tax credits
IAS 16 <i>Property, Plant and Equipment</i> , paragraph 3(d); IAS 40 <i>Investment Property</i> , paragraph 4(b)	Mineral rights and mineral reserves such as oil, natural gas and similar non-regenerative resources
IAS 17 <i>Leases</i> , paragraph 2(a) <sup>3</sup>	Leases to explore for or use minerals, oil, natural gas and similar non-regenerative resources
IAS 18 <i>Revenue</i> , paragraphs 6(e) and 6(h) <sup>4</sup>	Revenue arising from: (a) Changes in the value of other current assets (b) The extraction of mineral ores
IAS 20 <i>Accounting for Government Grants and Disclosure of Government Assistance</i> , paragraphs 2(a)–(c)	(a) Special problems arising in accounting for government grants in financial statements reflecting the effects of changing prices or in supplementary information of similar nature (b) Government assistance that is provided for an entity in the form of benefits that are available in determining taxable profit or tax loss, or are determined or limited on the basis of income tax liability, for example, income tax holidays, investment tax credits, accelerated depreciation allowances and reduced income tax rates (c) Government participation in the ownership of the entity
IAS 23 <i>Borrowing Costs</i> , paragraphs 3–4	(a) Actual or imputed cost of equity, including preferred capital not classified as a liability (b) Borrowing costs directly attributable to the acquisition, construction or production of:

<sup>3</sup> The same scope exclusion is included in paragraph 3(a) of IFRS 16 *Leases* that will replace IAS 17 on 1 January 2019.

<sup>4</sup> These scope exclusions will not be retained in IFRS 15 *Revenue from Contracts with Customers* that will replace IAS 18 on 1 January 2018. Paragraph 5(d) of IFRS 15 will include the following exemption: non-monetary exchanges between entities in the same line of business to facilitate sales to customers or potential customers.



	<ul style="list-style-type: none"> <li>(i) A qualifying asset measured at fair value, for example a biological asset within the scope of IAS 41 <i>Agriculture</i>; or</li> <li>(ii) Inventories that are manufactured, or otherwise produced, in large quantities on a repetitive basis</li> </ul>
IAS 26 <i>Accounting and Reporting by Retirement Benefit Plans</i> , paragraphs 6–7	<ul style="list-style-type: none"> <li>(a) Retirement benefit plans with assets invested with insurance companies when the contract with the insurance company is in the name of a specified participant or a group or participants and the retirement benefit obligation is solely the responsibility of the insurance company</li> <li>(b) Some of employment benefits such as employment termination indemnities, deferred compensation arrangements, long-service leave benefits, special early retirement or redundancy plans, health and welfare plans or bonus plans, social security type arrangements</li> </ul>
IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i> , paragraph 1(a)	Provisions, contingent liabilities and contingent assets resulting from executory contracts, except where the contract is onerous
IAS 38 <i>Intangible Assets</i> , paragraphs 2(c)–(d)	<ul style="list-style-type: none"> <li>(a) Recognition and measurement of exploration and evaluation assets</li> <li>(b) Expenditure on the development and extraction of minerals, oil, natural gas and similar non-regenerative resources</li> </ul>
IAS 39 <i>Financial Instruments: Recognition and Measurement</i> , paragraphs 2(g) and 5 <sup>5</sup>	<ul style="list-style-type: none"> <li>(a) Any forward contract between an acquirer and a selling shareholder to buy or sell an acquiree that will result in a business combination within the scope of IFRS 3 <i>Business Combinations</i> at a future acquisition date</li> <li>(b) Contracts to buy or sell a non-financial item that can be settled net in cash or another financial instrument, or by exchanging financial instruments, as if the contracts were financial instruments, if they were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the entity’s expected purchase, sale or usage requirements</li> </ul>
IFRIC 9 <i>Reassessment</i>	Embedded derivatives in contracts acquired in:

<sup>5</sup> The same scope exclusions are included in paragraphs 2.1(f) and 2.4 of IFRS 9 *Financial Instruments* that will become effective on 1 January 2018.

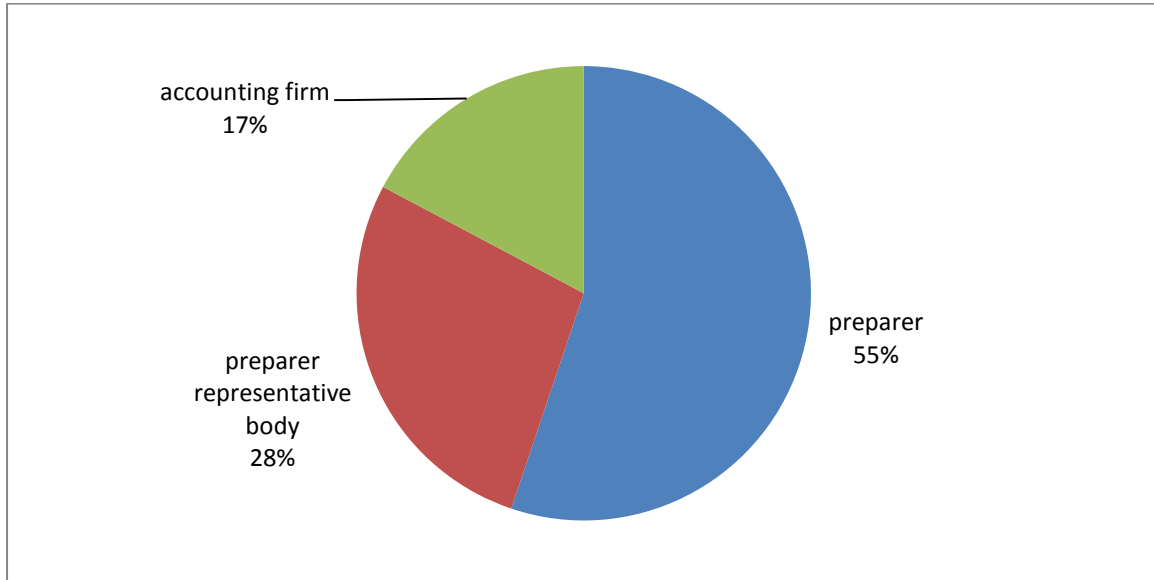
<i>of Embedded Derivatives</i> , paragraph 5 <sup>6</sup>	<ul style="list-style-type: none"> <li>(a) a business combination</li> <li>(b) a combination of entities or businesses under common control as described in paragraphs B1–B4 of IFRS 3</li> <li>(c) the formation of a joint venture</li> </ul>
IFRIC 12 <i>Service Concession Arrangements</i> , paragraph 9	Accounting for grantors for service concession arrangements
IFRIC 17 <i>Distribution of Non-cash Assets to Owners</i> , paragraph 5	Distribution of a non-cash asset that is ultimately controlled by the same party or parties before and after the distribution.
IFRIC 19 <i>Extinguishing Financial Liabilities with Equity Instruments</i> , paragraph 3	<p>Transactions sometimes referred to as ‘debt and equity swaps’ where:</p> <ul style="list-style-type: none"> <li>(a) the creditor is also a direct or indirect shareholder and is acting in its capacity as a direct or indirect existing shareholder</li> <li>(b) the creditor and the entity are controlled by the same party or parties before and after the transaction and the substance of the transaction includes an equity distribution by, or contribution to, the entity</li> <li>(c) extinguishing the financial liability by issuing equity shares is in accordance with the original terms of the financial liability</li> </ul>
IFRIC 21 <i>Levies</i> , paragraph 6	Liabilities arising from emission trading schemes

<sup>6</sup> IFRIC 9 will be replaced by IFRS 9 on 1 January 2018.

**Appendix C—Demographic information**

C1. The following is a graphical summary of the 29 letters received in response to the information request.

C2. This pie chart illustrates the breakdown of responses by respondent type:



C3. This pie chart illustrates the breakdown of respondents by geographical region:

