

## STAFF PAPER

March 2013

## IFRS Interpretations Committee Meeting

Project	Administrative session
Paper topic	Review of IFRS Interpretations Committee's activity (2012)
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This paper has been prepared by the staff of the IFRS Foundation for discussion at a public meeting of the IFRS Interpretations Committee. Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS—only the IFRS Interpretations Committee or the IASB can make such a determination. Decisions made by the IFRS Interpretations Committee are reported in IFRIC *Update*. The approval of a final Interpretation by the Board is reported in IASB *Update*.

## Introduction

1. This paper is intended to provide an overview of the IFRS Interpretations Committee's activity from January 2008 to November 2012. Since 2008, we have classified the on-going activity of the IFRS Interpretations Committee in the following two main roles:
  - (a) Interpretations and implementation activities; and
  - (b) Work performed on behalf of the IASB.
2. Interpretations and implementation activities comprise issuing Interpretations as well as publishing Agenda Decisions in the IFRIC Update. Work performed on behalf of the IASB comprises initiating discussions on and drafting of standalone amendments and annual improvements amendments to IFRSs (as part of separate IASB projects).

## Key figures

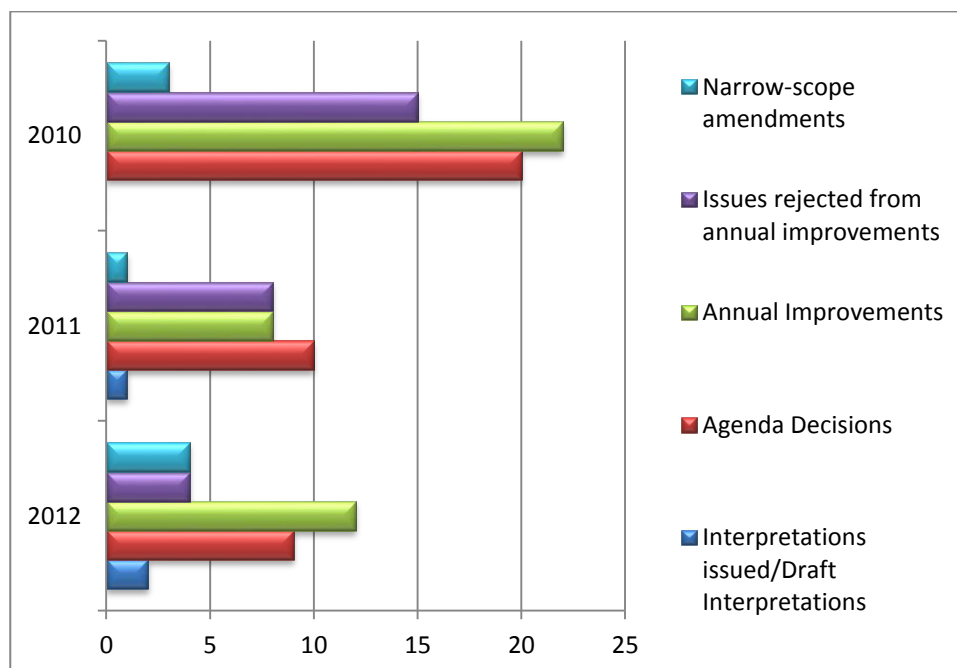
3. The following table intends to demonstrate the number of issues considered in connection with the main areas in which the Committee has been involved since 2008, ie interpretations activity and work on behalf of the IASB.

## Interpretations Committee's work

	2012	2011	2010	2009	2008
Interpretations activity	11	11	20	30	17
<b>Interpretations issued (including draft interpretations)</b>	<b>2</b>	1	0	2	3
<b>Agenda Decisions published in the IFRIC Update</b>	<b>9</b>	10	20	28	14
On behalf of the IASB	20	17	40	3	3
<b>Issues recommended for inclusion in Annual Improvements</b>	<b>12</b>	8	22	2	1
<b>Issues with recommendations not to be added in Annual Improvements</b>	<b>4</b>	8	15	0	0
<b>Issues recommended for narrow-scope amendments</b>	<b>4</b>	1	3	1	2
<b>Total</b>	<b>31</b>	<b>28</b>	<b>60</b>	<b>33</b>	<b>20</b>

### Illustration chart

4. The following chart illustrates the work of the Committee over the past 3 years:



## Interpretations issued since 2008

5. Since 2008, six Interpretations have been issued:
- (a) IFRIC 15 *Agreements for the Construction of Real Estate*;
  - (b) IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*;
  - (c) IFRIC 17 *Distributions of Non-cash Assets to Owners*;
  - (d) IFRIC 18 *Transfers of Assets from Customers*;
  - (e) IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*;
  - and
  - (f) IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*.
6. In 2012, two Draft Interpretations have been issued:
- (a) Draft Interpretation *Levies Charged by Public Authorities on Entities that Operate in a Specific Market*; and
  - (b) Draft Interpretation *Put Options Written on Non-controlling Interests*.

## Agenda Decisions published in the IFRIC Update in 2012

7. During 2012, nine Agenda Decisions (ie final decisions) have been published in the IFRIC Update:
- (a) IAS 1 *Presentation of Financial Statements* and IAS 12 *Income Taxes*—Presentation of payments on non-income taxes;
  - (b) IAS 12 *Income Taxes*—Accounting for market value uplifts on assets that are to be introduced by a new income tax regime;
  - (c) IAS 16 *Property, Plant and Equipment*, IAS 38 *Intangible Assets* and IAS 17 *Leases*—Purchase of right to use land;
  - (d) IAS 18 *Revenue*, IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and IAS 39 *Financial Instruments: Recognition and Measurement*—Regulatory assets and liabilities;

- (e) IAS 19 *Employee Benefits*—Accounting for contribution-based promises: impact of the 2011 amendments to IAS 19;
- (f) IAS 19 *Employee Benefits*—Applying the definition of termination benefits to ‘Altersteilzeit’ plans;
- (g) IAS 39 *Financial Instruments: Recognition and Measurement*—Derecognition of financial instruments upon modification;
- (h) IAS 39 *Financial Instruments: Recognition and Measurement*—Classification of a GDP-linked security; and
- (i) IAS 39 *Financial Instruments: Recognition and Measurement*—Scope of paragraph AG5.

8. The table below shows the reason given in the Agenda Decisions for not taking the issues onto the agenda.

	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>No significant diversity in practice - criteria (a) and (b)</b>	0	2	1	6	5
<b>Current guidance is sufficient - criterion (c)</b>	7	4	6	6	2
<b>Application guidance, not in the scope of IC activities - criterion (d)</b>	0	0	4	7	2
<b>Absence of consensus on a timely basis - criterion (e)</b>	1	0	2	0	0
<b>IASB project - criterion (f)</b>	1	4	6	8	5
<b>Post-Implementation Review - criterion (f)</b>	0	0	1	1	0
<b>Total Agenda Decisions (final)</b>	<b>9</b>	<b>10</b>	<b>20</b>	<b>28</b>	<b>14</b>

9. In cases where the Interpretations Committee has concluded that current guidance is sufficient, it has also given its views on what the answer to the question is.

## Work performed on behalf of the IASB

10. During 2012, **sixteen** issues were considered by the IFRS Interpretations Committee for annual improvements:
- (a) **Three** issues were recommended for inclusion in the current Annual Improvements cycles;
  - (b) **Nine** proposed Annual Improvements previously published in an exposure draft (2009–2011 and 2010–2012 cycles) were confirmed and submitted to the IASB for approval
  - (c) **Four** issues were recommended **not to be** added to Annual Improvements
11. During 2012, **four** issues were recommended to the IASB for narrow-scope amendments.

## Annual Improvements

12. The following **three** issues were recommended for inclusion in Annual Improvements:

### *2011–2013 cycle*

- (a) IFRS 1 *First-time Adoption of International Financial Reporting Standards*—Meaning of effective IFRSs (May 2012);

### *2012–2014 cycle*

- (b) IFRS 3 *Business Combinations* —Mandatory purchase of non-controlling interests in business combinations<sup>1</sup> (Nov 2012); and
- (c) IAS 34 *Interim Financial Reporting* —Disclosure of information “elsewhere in the interim financial report” (Nov 2012).

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<sup>1</sup> The issue on “Mandatory Purchase of NCI in a Business Combination” will be discussed again at the March 2013 Interpretations Committee meeting.

13. **Six** proposed Annual Improvements previously published in an exposure draft (2009–2011 cycle) were confirmed (Jan 2012) and submitted to the IASB for approval:
- (a) IFRS 1 *First-time Adoption of International Financial Reporting Standards*—Repeated application of IFRS 1;
  - (b) IFRS 1 *First-time Adoption of International Financial Reporting Standards*—Clarification of borrowing costs exemption;
  - (c) IAS 1 *Presentation of Financial Statements*—Comparatives in financial statements;
  - (d) IAS 16 *Property, Plant and Equipment*—Clarification of accounting for servicing equipment;
  - (e) IAS 32 *Financial Instruments: Presentation*—Tax effect of distributions to holders of equity instruments; and
  - (f) IAS 34 *Interim Financial Reporting*—Interim financial reporting and segment information for total segment assets.
14. **Three** proposed Annual Improvements previously published in an exposure draft (2010–2012 cycle) were confirmed (Nov 2012) and submitted to the IASB for approval:
- (a) IFRS 8 *Operating Segments* —Aggregation of operating segments;
  - (b) IFRS 8 *Operating Segments* —Reconciliation of the total of the reportable segments' assets to the entity's assets; and
  - (c) IFRS 13 *Fair Value Measurement* —Short-term receivables and payables.
15. **Four** issues were recommended **not to be** added to Annual Improvements:
- (a) IAS 41 *Agriculture*—Disclosure of the components of changes in fair value and associated valuation techniques (Jan 2012);
  - (b) IAS 33 *Earnings per Share*—Calculating earnings per share considering non-cumulative preference dividends (Jan 2012);

- (c) IAS 39 *Financial Instruments*— Recognition and Measurement—  
Term-extending options in fixed rate-debt instruments (March 2012);  
and
- (d) IAS 12 *Income Taxes* —Recognition of deferred tax assets for  
unrealised losses (Nov 2012).

16. The table below provides a breakdown of issues considered for Annual Improvements by cycle:

***Annual Improvements cycles***

	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>2009-2011 cycle - issues considered and accepted for AIP</b>	0	0	6
<b>2010-2012 cycle - issues considered and accepted for AIP</b>	0	6	4
<b>2011-2013 cycle - issues considered and accepted for AIP</b>	1	2	0
<b>2012-2014 cycle - issues considered and accepted for AIP</b>	2	0	0
<b><i>Redeliberations</i></b>			
<b>2008-2010 cycle - Redeliberations - issues confirmed for AIP</b>	0	0	12
<b>2009-2011 cycle - Redeliberations - issues confirmed for AIP</b>	6	0	0
<b>2010-2012 cycle - Redeliberations - issues confirmed for AIP</b>	3	0	0
<b><i>Total issues discussed and included/confirmed for AIP</i></b>	<b>12</b>	<b>8</b>	<b>22</b>
<b>2009-2011 cycle - issues considered and rejected for AIP</b>	0	0	5
<b>2010-2012 cycle - issues considered and rejected for AIP</b>	0	7	6
<b>2011-2013 cycle - issues considered and rejected for AIP</b>	3	1	0
<b><i>Redeliberations</i></b>			
<b>2008-2010 cycle - Redeliberations - issues rejected for AIP</b>	0	0	4
<b>2009-2011 cycle - Redeliberations - issues rejected for AIP</b>	0	0	0
<b>2010-2012 cycle - Redeliberations - issues rejected for AIP</b>	1	0	0
<b><i>Total issues discussed and rejected from AIP</i></b>	<b>4</b>	<b>8</b>	<b>15</b>
<b><i>Total</i></b>	<b>16</b>	<b>16</b>	<b>37</b>

17. It should be noted that the redeliberation phase of the exposure draft *Improvements to IFRS* for the 2009-2011 cycle took place in Q1 2012, which is a year later than would normally be expected. This contrasts with the redeliberation phase of the exposure draft *Improvements to IFRS* for the 2008-2010 cycle took place in 2010, consistent with the normal timing of the cycle. This explains why there were no redeliberations of Annual Improvements in 2011.
18. The redeliberation phase of the exposure draft *Annual Improvements to IFRS* for the 2010-2012 cycle took place in Q4 2012 (during the November 2012 Interpretations Committee meeting) and will continue in Q1 2013 (during the January 2013 Interpretations Committee meeting).

### ***Narrow-scope amendments***

19. During 2012, **four** issues were recommended to the IASB for narrow-scope amendments:
- (a) Sales or contributions of assets between an investor and its associate or joint venture (Proposed amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*);
  - (b) Acquisition of an interest in a Joint Operation (Proposed amendment to IFRS 11 *Joint Arrangements*);
  - (c) Equity method of accounting: accounting for other net assets changes (Proposed amendment to IAS 28 *Investments in Associates and Joint Ventures*).
  - (d) Clarification of Acceptable Methods of Depreciation and Amortisation: (Proposed amendments to IAS 16 *Property Plant and Equipment* and IAS 38 *Intangible Assets*).



## Work in progress at the end of November 2012

20. The work in progress issues detailed below are not included in the statistics of the table presented in paragraph 3 of this paper. At the end of November 2012, the following issues are in progress:

(a) On the **current agenda**:

- (i) IAS 1 *Presentation of Financial Statements*—Disclosures about going concern;
- (ii) IAS 2 *Inventories*—Long-term prepayments for inventory supply contracts;
- (iii) IAS 16 *Property, Plant and Equipment*, IAS 38 *Intangible Assets* and IFRIC 12 *Service Concession Arrangements*—Variable payments for the separate acquisition of PPE and intangible assets;
- (iv) IAS 19 *Employee Benefits*—Employee benefit plans with a guaranteed return on contributions or notional contributions;

(b) **Tentative agenda decisions**:

- (i) IFRS 3 *Business Combinations*—Continuing employment;
- (ii) IFRS 3 *Business Combinations* and IFRS 2 *Share-based Payment*—Accounting for reverse acquisitions that do not constitute a business;
- (iii) IAS 27 *Consolidated and Separate Financial Statements* and IFRS 10 *Consolidated Financial Statements*—Non-cash acquisition of non-controlling interest by a controlling shareholder in the consolidated financial statements;
- (iv) IAS 28 *Investment in Associates*—Impairment of investments in associates in separate financial statements;
- (v) IAS 41 *Agriculture* and IFRS 13 *Fair Value Measurement*—Valuation of biological assets using a residual method;

(c) **Work in progress**:

- (i) IFRS 3 *Business Combinations*—Definition of a business;

- (ii) IAS 7 *Statement of Cash Flows*—Definitions of operating, investing and financing;
- (iii) IAS 12 *Income Taxes*—Recognition of deferred tax for a single asset in a corporate wrapper;
- (iv) IAS 19 *Employee Benefits*—Measurement of the net defined benefit obligation (DBO) for post employment benefit plans with employee contributions;
- (v) IAS 40 *Investment Property*—Accounting for a structure that appears to lack the physical characteristics of a building; and
- (vi) IAS 39 *Financial Instruments: Recognition and Measurement*—Income and expenses arising on financial instruments with a negative yield—presentation in the statement of comprehensive income.

### Other work in progress

21. In addition, the Interpretations Committee is still working on the following two draft Interpretations, which **are** included in paragraph 3 of this paper:
- (a) IAS 32 *Financial Instruments: Presentation*—NCI put options; and
  - (b) IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*—Levies charged for participation in a market on a specified date.