

## STAFF PAPER

10—11 September 2013

## IFRS Interpretations Committee Meeting

Project	Administrative session		
Paper topic	Review of IFRS Interpretations Committee's activity January 2009 – July 2013		
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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*.

**Objective of this paper**

1. This paper gives an overview of the IFRS Interpretations Committee's activities over recent years. It highlights the numbers and types of activities undertaken and shows how those activities have been evolving.

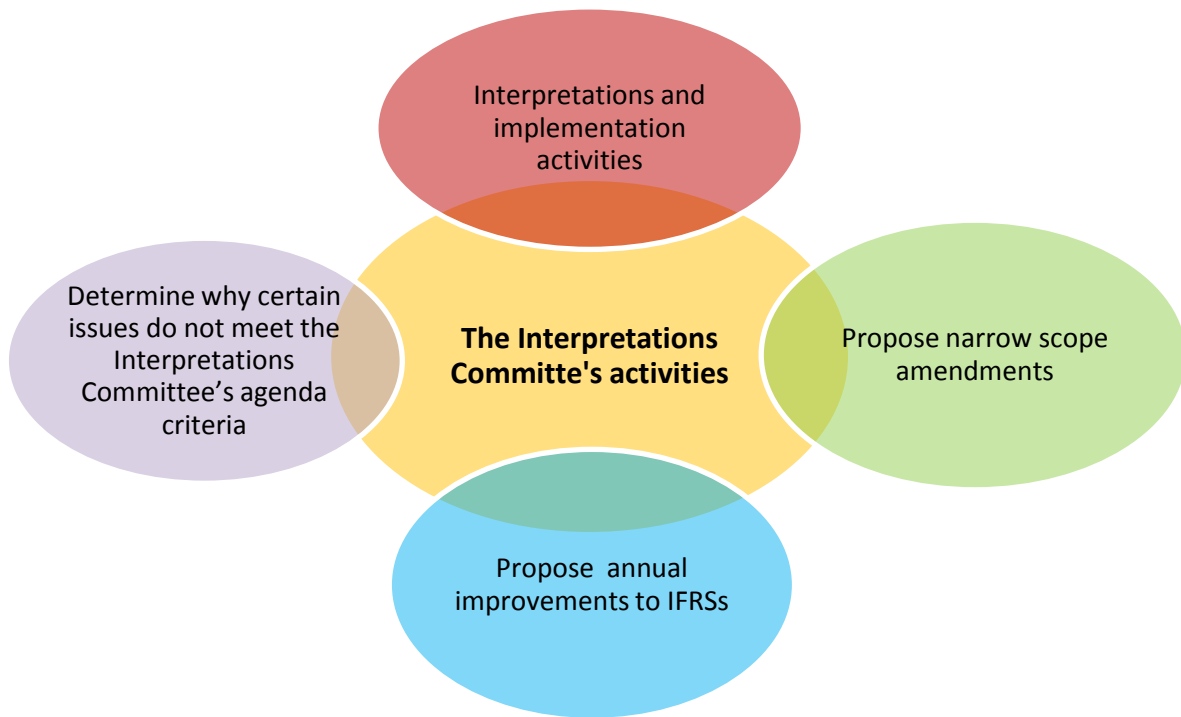
**Introduction**

2. The IASB and the IFRS Interpretations Committee (the 'Interpretations Committee') are responsible for the maintenance of IFRSs. Issues could include the identification of divergent practices that have emerged for accounting for particular transactions, cases of doubt about the appropriate accounting treatment for a particular circumstance or concerns expressed by investors about poorly specified disclosure requirements.
3. The objectives of the Interpretations Committee are to:
  - (a) interpret the application of IFRSs;
  - (b) provide timely guidance on financial reporting issues that are not specifically addressed in the IFRSs; and

- (c) undertake other tasks at the request of the IASB.
4. The IASB and the Interpretations Committee share a common view on the role that the Interpretations Committee should play: both bodies see the Interpretations Committee as working in partnership with the IASB to give guidance that responds to the implementation needs of those applying IFRSs.

**Interpretations Committee’s activities**

5. The on-going activities of the IFRS Interpretations Committee can be classified in the following main roles:



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**Summary of the Interpretations Committee's activities to date in 2013:**


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- ✓ A total of 35 issues have been considered by the Interpretations Committee to date in 2013. Of these, 20 are new issues and 15 are redeliberations of issues previously discussed and exposed. This is broadly the same number of new issues that was discussed in 2012 (full year).
- ✓ The Interpretations Committee deals with issues predominantly through Annual Improvements and Agenda Decisions, with 80% of the new issues being dealt with in this way.
- ✓ The number of Agenda Decisions issued is at a comparable level in 2013 to that seen in 2012, with half of new issues considered being rejected (2012: 43%). However, of the ten Agenda Decisions published in 2013, the Interpretations Committee was able to give its technical conclusions on six of those issues (2012: eight), thus providing assistance to those affected. This is consistent with the conclusions of the Trustees' review of the Interpretations Committee in which it was identified that the Interpretations Committee should describe its view in an Agenda Decision when it is able to do so.
- ✓ The Interpretations Committee has recommended that six of the new issues considered in 2013 be addressed in Annual Improvements. This is an increase from three issues for 2012 but at the same level (30% of new issues) as in 2011.
- ✓ There has been an increase in the use of narrow scope amendments in 2012 and 2013 compared with earlier years but this use remains at a low level. The increase in 2012 and 2013 compared with earlier years has occurred since the completion of the Trustee's review of the Interpretations Committee's activities, which recommended that the Interpretations Committee should include narrow scope amendments as part of its main activities. The Interpretations Committee has also taken on a role of reviewing comments received on the narrow scope amendments exposure drafts.
- ✓ The use of Interpretations to address issues remains low.
- ✓ Approximately 30% of the Interpretations Committee's total activities in 2013 have related to the redeliberations of comments received on Annual Improvements EDs. This level of activity is dependent on the timing of the publication of different the EDs for the different cycles of Annual Improvements, which has varied over recent years.

## Issues analysed

6. The table in the following page shows the number of issues considered in connection with the main areas in which the Interpretations Committee has been involved since 2009.

**Table 1: Key figures summary (number of issues)**

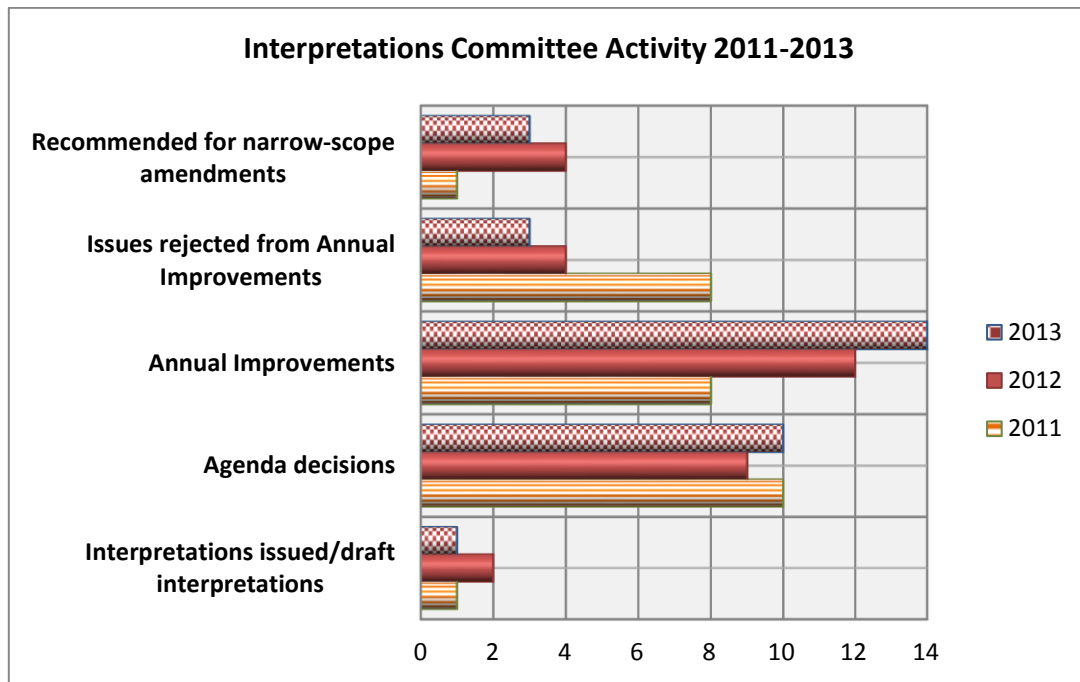
	2013 (Jan – July)	2012	2011	2010	2009
Interpretations issued (including draft interpretations)	1	2	1	1	2
Agenda Decisions published in the IFRIC Update	10	9	10	20	28
<b>subtotal</b>	<b>11</b>	<b>11</b>	<b>11</b>	<b>20</b>	<b>30</b>
Issues recommended for inclusion in Annual Improvements	14	12	8	22	2
Issues with recommendations not to be added in Annual Improvements	3	4	8	15	-
<b>subtotal</b>	<b>17</b>	<b>16</b>	<b>16</b>	<b>37<sup>(1)</sup></b>	<b>2<sup>(2)</sup></b>
Issues recommended for narrow-scope amendments – new issues	3	4	1	3	1
Issues recommended for narrow-scope amendments – redeliberations	4	-	-	-	-
<b>Total</b>	<b>35</b>	<b>31</b>	<b>28</b>	<b>60</b>	<b>33</b>
<b>Of which are new issues (rather than redeliberations of previously discussed and exposed issues)</b>	<b>20</b>	<b>21</b>	<b>27</b>		
<b>Work in progress</b>	<b>12</b>	<b>17</b>			

(1) During 2010, the Interpretations Committee deliberated issues corresponding to 3 different cycles: finalisation of 2008-2010 (12 confirmed and 4 rejected), proposal of 2009-2011 (6 confirmed and 5 rejected) and proposal of 2010-2012 (4 confirmed and 6 rejected). This explains why so many issues were discussed during 2010. The 2008-2010 cycle was concluded in May 2010 with the publication of amendments to seven standards.

(2) In January 2010 the Interpretations Committee took on the additional role of reviewing proposed amendments for annual improvements. This explains why very few issues were recommended for inclusion in annual improvements in 2009.

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

**Table 2: Summary of the Interpretations Committee’s activities**



**Interpretations issued**

8. In 2013 the Interpretations Committee issued: IFRIC 21 *Levies*.

**Agenda Decisions**

- 9. During 2013, **ten** Agenda Decisions (ie final decisions) have been published in the IFRIC Update.
- 10. The table in the following page shows the reasons given in the Agenda Decisions for not taking the issues onto the agenda.

**Table 3: Reasons for not taking issues to the Committee’s agenda**

	2013 (Jan–Jul)	2012	2011	2010	2009
Not widespread or not significant diversity in practice	1	0	2	1	6
Financial reporting will not be improved	-	-	-	-	-
Can be resolved within the confines of existing IFRSs	4	7	4	6	6
The scope of the issue is not narrow and consensus will not be reached on a timely basis	3	1	-	2	0
Part of an IASB project and/or will be addressed in a forthcoming Standard	2	1	4	6	8
Post-Implementation Review - criterion	-	-	-	1	1
Application guidance, not in the scope of IC activities <sup>(1)</sup>	-	-	-	4	7
<b>Total Agenda Decisions (final)</b>	<b>10</b>	<b>9</b>	<b>10</b>	<b>20</b>	<b>28</b>

<sup>(1)</sup> This reason is no longer part of the Interpretations Committee’s agenda criteria.

11. 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.

**Agenda Decisions published in the IFRIC Update in 2013**

12. The following agenda decisions were finalised by the Interpretations Committee in 2013:
  - (a) IAS 7 *Cash Flow Statements*—Identification of cash equivalents (May 2013)
  - (b) IAS 10 *Events after the Reporting Period*—Reissuing previously issued financial statements (May 2013)
  - (c) IAS 19 *Employee Benefits*—Pre-tax or post-tax discount rate (July 2013)
  - (d) IAS 27 *Consolidated and Separate Financial Statements* and *IFRS 10 Consolidated Financial Statements*—Non-cash acquisition of a non-controlling interest by a controlling shareholder in the consolidated financial statements (January 2013)

- (e) IAS 28 *Investments in Associates and Joint Ventures*—Associates and common control (May 2013)
- (f) IAS 28 *Investment in Associates and Joint Ventures* —Impairment of investments in associates in separate financial statements (January 2013)
- (g) IAS 41 *Agriculture*—Valuation of biological assets using a residual method (March 2013)
- (h) IFRS 2 *Share-based Payments*—Timing of the recognition of intercompany payments (May 2013)
- (i) IFRS 3 *Business Combinations*—Accounting for reverse acquisitions that do not constitute a business (March 2013)
- (j) IFRS 3 *Business Combinations*—Continuing employment (January 2013)

## Annual Improvements

13. The table below provides an analysis of issues considered for Annual Improvements by cycle:

**Table 4: Summary of issues proposed and rejected for Annual Improvements**

	2013 (Jan-July)	2012	2011
Issues considered and accepted for AIP	6	3	8
Redeliberations - issues confirmed for AIP	8	9	-
<i>Total issues discussed and included/confirmed for AIP</i>	<b>14</b>	<b>12</b>	<b>8</b>
Issues considered and rejected for AIP	1	3	8
Redeliberations - issues rejected for AIP	2	1	-
<i>Total issues discussed and rejected from AIP</i>	<b>3</b>	<b>4</b>	<b>8</b>
<b>TOTAL</b>	<b>17</b>	<b>16</b>	<b>16</b>

14. During 2013:

- (a) **eight** proposed Annual Improvements previously published in an exposure draft (**four** in the **2010–2012 cycle** and **four** in the **2011–2013 cycle**) were recommended for finalisation and submitted to the IASB for approval.
- (b) **six** issues were recommended to be added to the **2012 –2014 cycle**.
- (c) **three** issues were recommended not be finalised.

**Table 5: Issues proposed for Annual Improvements**

<b>2010–2012 cycle (recommended for finalisation)</b>	<b>2011–2013 cycle (recommended for finalisation)</b>	<b>Issues added to the 2012–2014 cycle</b>
IAS 16 <i>Property, Plant and Equipment</i> and IAS 38 <i>Intangible Assets</i> —Revaluation method—proportionate restatement of accumulated depreciation (January 2013)	IAS 40 <i>Investment Property</i> —Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property (May 2013)	IAS 1 <i>Presentation of Financial Statements</i> —presentation of items of other comprehensive income arising from equity-accounted investments (July 2013)
IAS 24 <i>Related Party Disclosure</i> —Key Management personnel (January 2013)	IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i> —Meaning of effective IFRSs (May 2013)	IAS 7 <i>Statement of Cash Flows</i> —Classification of expenditures in the statement of cash flows (March 2013)
IFRS 2 <i>Share-based Payment</i> —definition of vesting conditions (January 2013)	IFRS 3 <i>Business Combinations</i> : Scope exceptions for joint ventures (May 2013)	IAS 19 <i>Employee Benefits</i> —Discount rate: regional market issue (July 2013)
IFRS 3 <i>Business Combinations</i> —Accounting for contingent consideration in a business combination (March 2013)	IFRS 13 <i>Fair Value Measurement</i> —Scope of paragraph 52 (portfolio exception) (May 2013)	IFRS 5 <i>Non-current Assets held for Sale and Discontinued Operations</i> —Change of Disposal method (May 2013)
		IFRS 7 <i>Financial Instruments: Disclosures</i> —Transfers of Financial Assets (Amendments to IFRS 7) –Servicing agreements (May 2013)
		IFRS 7 <i>Financial Instruments: Disclosures</i> : applicability of the amendments to IFRS 7 to condensed interim financial statements (July 2013)



15. The issues considered for annual improvements that were recommended not be finalised are shown below:

**Table 6: Issues proposed for Annual Improvements that were not finalised**

<b>2010 –2012 cycle</b>	<b>2012 –2014 cycle</b>
IAS 1 <i>Presentation of Financial Statements</i> — Current/non-current classification of liabilities (January 2013)	IAS 7 <i>Statement of Cash Flows</i> —Definitions of operating, investing and financing activities (March 2013)
IAS 7 <i>Statement of Cash Flows</i> —Interest paid that is capitalised (March 2013)	

### **Narrow-scope amendments**

16. The Interpretations Committee has proposed the following issues to the IASB for narrow-scope amendment:
17. The table below provides an analysis of issues considered for Annual Improvements by cycle:

**Table 7: Summary of issues proposed for narrow scope amendments and redeliberations**

	<b>2013 (Jan-July)</b>	<b>2012</b>	<b>2011</b>
Issues proposed and confirmed for narrow scope amendments	3	4	1
Redeliberations - for narrow scope amendments	4	-	-
<i>Total issues discussed</i>	<b>7</b>	<b>4</b>	<b>1</b>

18. The table below provides an analysis of the Interpretations Committee’s activity in 2013 on narrow scope amendments:

**Table 8: Summary of issues proposed for Narrow Scope Amendment**

<b>2013 (currently discussed by the IASB)</b>	<b>2013 (confirmed by the IASB)</b>	<b>2013<sup>1</sup> (deliberation of comments received on ED)</b>
Defined Benefit Plans: Employee Contributions (proposed amendments to IAS 19 <i>Employee Benefits</i> )	Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39 <i>Financial Instruments: Recognition and Measurement</i> )	Sales or contributions of assets between an investor and its associate or joint venture (Proposed amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> );
	Elimination of gains arising from a transaction between a joint venturer and its joint venture (proposed amendments to IAS 28 <i>Investments in Associates and Joint Ventures</i> )	Acquisition of an interest in a Joint Operation (Proposed amendment to IFRS 11 <i>Joint Arrangements</i> );
		Equity method of accounting: accounting for other net assets changes (Proposed amendment to IAS 28 <i>Investments in Associates and Joint Ventures</i> ).
		Clarification of Acceptable Methods of Depreciation and Amortisation: (Proposed amendments to IAS 16 <i>Property Plant and Equipment</i> and IAS 38 <i>Intangible Assets</i> )

### Work in progress at the end of July 2013

19. At the end of July 2013, the following issues are in progress:

#### **On the current agenda:**

IAS 19 *Employee Benefits*—Employee benefit plans with a guaranteed return on contributions or notional contributions;

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<sup>1</sup> The Exposure Drafts on these narrow scope amendments were issued in 2012.

**Tentative agenda decisions:**

- (a) IAS 19 *Employee Benefits* – Actuarial assumptions: Determination of discount rate (comment period ends 25 September 2013)
- (b) IAS 32 *Financial Instruments: Presentation* – Classification of financial instruments that give the issuer the contractual right to choose the form of settlement (comment period ended 29 July 2013)
- (c) IAS 32 *Financial Instruments: Presentation* – Classification of a financial instrument that is mandatorily convertible into a variable number of shares (subject to a cap and a floor) but gives the issuer the option to settle by delivering the maximum (fixed) number of shares (comment period ends 25 September 2013)
- (d) IAS 32 *Financial Instruments: Presentation* and IAS 39 *Financial Instruments: Recognition and Measurement* – Classification of a financial instrument that is mandatorily convertible into a variable number of shares upon a contingent 'non-viability' event (comment period ends 25 September 2013)
- (e) IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* – Classification in conjunction with a planned IPO but where the prospectus has not been approved by a securities regulator (comment period ended 29 July 2013)
- (f) IFRS 10 *Consolidated Financial Statements* – Effect of protective rights on an assessment of control (comment period ended 29 July 2013)
- (g) IFRS 10 *Consolidated Financial Statements* – Transitional provisions in respect of impairment, foreign exchange and borrowing costs rate (comment period ends 25 September 2013); and
- (h) IFRS 10 *Consolidated Financial Statements* Classification of puttable instruments that are non-controlling interests rate (comment period ends 25 September 2013).

**Other work in progress:**

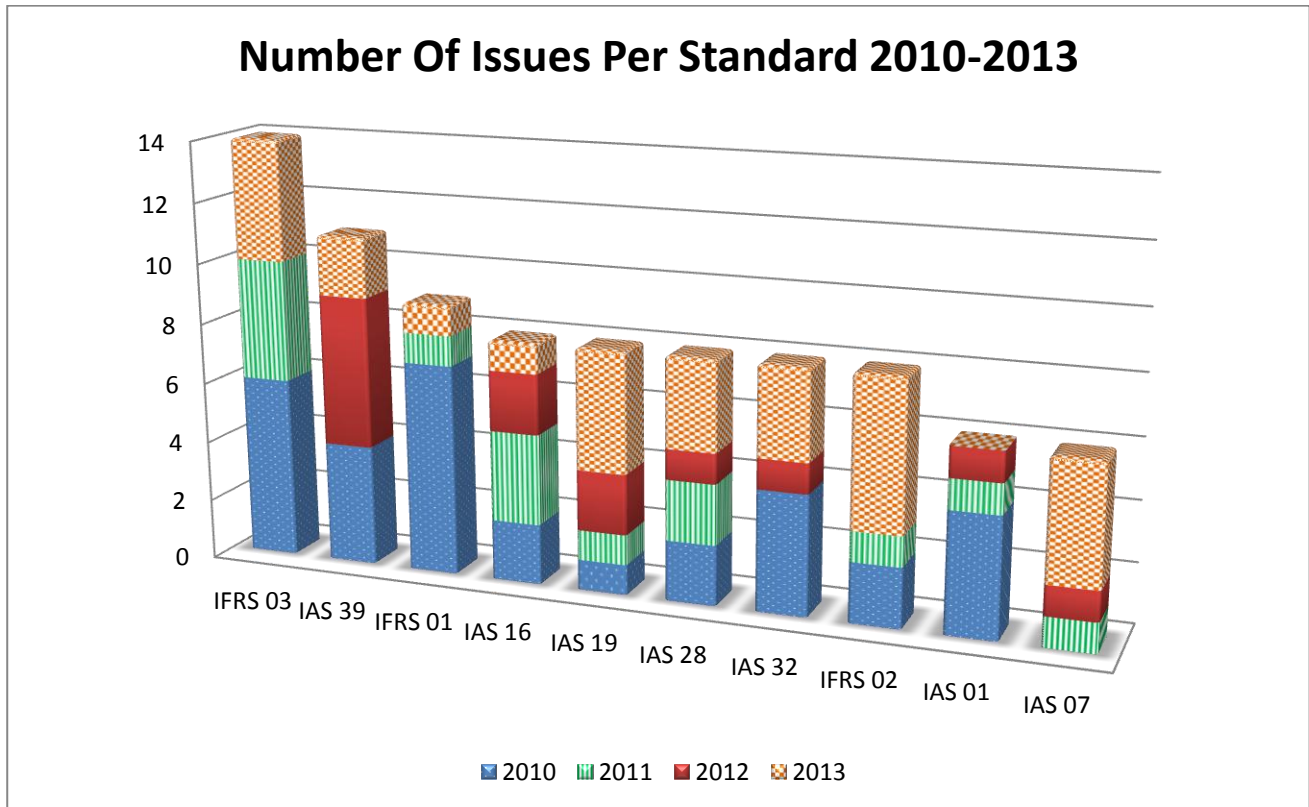
- (i) IAS 12 *Income Taxes*—Recognition of deferred tax for a single asset in a corporate wrapper;
- (j) IAS 12 *Income Taxes* —Recognition of deferred tax assets for unrealised losses; and
- (k) IFRS 2 *Share-based Payment*—Accounting for share based payment transactions in which the manner of settlement is contingent on future events

**Issues on hold**

20. The following are issues derived from submissions that the Interpretations Committee will discuss again at a future meeting but which the Interpretations Committee has decided to temporarily suspend work on the issue:
- (a) IAS 2 *Inventories*—Long-term prepayments for inventory supply contracts. In February 2012, the IASB asked the Interpretations Committee to consider addressing the diversity in accounting for this issue by clarifying the purchaser's accounting through an interpretation. The staff will prepare a paper to be presented at a future IFRS Interpretations Committee meeting, that will consider the result of the IASB's redeliberations on the revised Exposure draft [Revenue from Contracts with Customers](#) (issued in November 2011); and
  - (b) 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. In January 2013, the Interpretations Committee decided to refrain from finalising the tentative agenda decision proposed for this issue, until the IASB has completed its redeliberations on the Exposure Draft *Classification and Measurement: Limited Amendments to IFRS 9*

**Number of issues analysed per Standard (only top ten)**

21. The following chart shows the number of issues that have been raised by Standard in the last few years (only shows the Standards where more issues have been raised)



**Some observations on the analysis of issues by Standard:**

- ✓ IFRS 3 *Business Combinations* is currently subject to a post-implementation review.
- ✓ IAS 39 *Financial Instruments: Recognition and Measurement* is in the process of being replaced by IFRS 9 *Financial Instruments*
- ✓ A number of countries adopted IFRS in 2011. It is understandable, therefore, that there was a relatively high proportion of questions relating to IFRS 1 *First-time Adoption of International Financial Reporting Standards* in 2010.
- ✓ In regards to IAS 7 *Statement of Cash Flows*, during 2012 and 2013 the Interpretations Committee discussed some specific requests regarding the classification of cash flows. This included a review of past requests relating to IAS 7. However, the Interpretations Committee thought that amendments to IAS 7 on a piecemeal basis would not be appropriate unless the classification is evident from the current guidance in IAS 7 and an amendment to IAS 7 would make that classification clearer.
- ✓ There is no plan by the IASB to revisit IFRS 2, beyond the proposals by the Interpretations Committee to amend this Standard through annual improvements.