

AGENDA PAPER

IFRS Foundation Trustees meeting – Due Process Oversight Committee

Jakarta May 2016

Agenda ref 3B

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Technical activities: key issues and update

Purpose

1. This paper provides the Due Process Oversight Committee (DPOC) with an update on the due process activities for the standard-setting activities of the International Accounting Standards Board ('the Board') January to April 2016. This report is primarily for information.

Structure of this report

2. This paper is structured as follows:
 - (a) The key issues relating to technical activities are summarised in paragraphs 6 to 15.
 - (b) A summary of the technical report is set out in Appendices, as follows:
 - (i) Appendix A—Major projects;
 - (ii) Appendix B—Implementation activities;
 - (iii) Appendix C—Research projects;
 - (iv) Appendix D—Compliance report; and
 - (v) Appendix E—Work plan as at 22 April 2016.
 - (c) Details of due process documents published or issued in the period are set out in paragraph 3.

Due process documents

3. In the period January to April 2016 the Board has issued amendments to:
 - (a) IFRS 15 *Revenue from Contracts with Customers*;
 - (b) IAS 7 *Statement of Cash Flows*; and
 - (c) IAS 12 *Income Taxes*.

Compliance Report

4. A list of the Board papers that were posted after the posting deadline for the month of January 2016 is set out in Appendix D. There were no late papers in the period February to April 2016.
5. The IASB workplan as at 22 April 2016 is set out in Appendix E.

Technical Activities—Key Issues

2015 Agenda Consultation

6. A key focus area for the Board this quarter has been its consideration of the feedback received to its Request for Views *2015 Agenda Consultation* (Agenda Consultation). The comment period for the request for views closed on 31 December 2015 and the Board commenced its deliberations of the feedback received in March 2016.
7. At its April 2016 meeting the Board began to discuss summaries of responses on individual projects.
8. At its meeting in May 2016 the Board will discuss;
 - (a) further summaries for individual projects;
 - (b) its future work plan, for discussion with the IFRS Advisory Council in June 2016; and
 - (c) feedback on its proposal, as set out in the request for views, to extend the interval between agenda consultations from three to five years.
9. The DPOC will be provided with a verbal update of the Board's discussion at its meeting.
10. The Agenda Consultation will also be discussed at the plenary session of this Trustees meeting, in agenda item 1F. In Agenda Paper (AP) 1F(2), the Trustees' discussions will also include the interval between agenda consultations, where the staff recommendation is to increase the interval from three to five years. If the Trustees agree to extend the interval between Agenda Consultations an amendment will be required to the *Due Process Handbook*.

Question for the DPOC

Does the DPOC have any views or comments on the proposal to extend the interval between agenda consultations?

Different effective dates of IFRS 9 Financial Instruments and the new Insurance Contracts Standard

11. The Board has commenced its redeliberations of the December 2015 Exposure Draft (ED) of proposed amendments to the existing insurance contracts Standard, IFRS 4 *Insurance*

Contracts. These amendments result from the Board's consideration of issues that may arise from applying IFRS 9 *Financial Instruments* prior to the new insurance contracts Standard.

12. The Board will complete its technical deliberations at the May 2016 meeting. At that meeting the Board will also consider a summary of the due process steps and, if satisfied it has complied with the due process requirements, give the staff permission to start the balloting process. AP 14F for the May 2016 Board meeting sets out the summary of due process steps. This paper was distributed to the DPOC members on 9 May 2016 and is reproduced at AP 3B(i) for this meeting¹.
13. After considering the feedback on the ED, the Board has tentatively decided to extend the scope of the proposed amendments so that more entities considered insurers will qualify for the temporary exemption from applying IFRS 9 prior to the forthcoming insurance contracts Standard.
14. The DPOC will be provided with a verbal update of the Board's discussion at its meeting.
15. It is anticipated that the amendment will be issued in September 2016, providing no further matters arise in the balloting process.

Question for the DPOC

Does the DPOC have any views or comments on the summary of due process steps, as set out in AP 3B(i) of this meeting?

Subject to that, is the DPOC content to confirm that its review of due process on this project is now complete?

¹ On 9 May, DPOC members were also sent a copy of AP 14A for the Board's May meeting, which sets out a *Summary of the Board's decisions* on this project. This paper can also be accessed at: <http://www.ifrs.org/Meetings/MeetingDocs/IASB/2016/May/AP14A-Insurance-Contracts-and-IFRS-9.pdf>.

Major projects as at 22 April 2016

Insurance Contracts

- A1. The Board has completed its planned deliberations on its project on Insurance Contracts. The DPOC will review the project’s life-cycle review at Agenda Paper 3C of this meeting.

The Conceptual Framework

Last due process document	ED published in May 2015 with an amended comment period of 150 days ending on 25 November 2015.
Current status	The Board is redeliberating the proposals in the ED.
DPOC role	Monitor the Board’s redeliberations of the ED.
Timing	The Board plans to issue a revised <i>Conceptual Framework</i> in early 2017.

- A2. The *Conceptual Framework* sets out the concepts that underlie the preparation and presentation of financial statements. It is not a Standard and does not override any specific Standard. However, it identifies principles for the Board to use when it develops and revises its Standards. It is also used by preparers to develop and select accounting policies, and by all parties to understand and interpret the Standards.
- A3. The Board published a Discussion Paper (DP) in July 2013 and an ED in May 2015. During the comment period on the *Conceptual Framework* ED the Board conducted outreach meetings to raise awareness of, and obtain feedback on, the proposals. Meetings were held in Asia, Australia, Canada, China, Europe (including several joint meetings with EFRAG), Japan, Latin America, New Zealand and the US. Meetings have been held with a range of stakeholders including standard-setters, regulators, users of financial statements, preparers, academics and auditors.
- A4. The Board received over 220 comment letters on the ED. Summaries of all the feedback received are available on the Board’s website. These incorporate a separate summary of all the feedback from users of financial statements (including from meetings and teleconferences). At its meeting in March 2016 the Board discussed this feedback.
- A5. At its meeting in April 2016 the Board discussed its approach to redeliberations. The Board decided that it would redeliberate the topics that have proved controversial or those topics for which new information has become available. On other topics, the Board will discuss whether to confirm the proposals in the ED but would not undertake significant additional analysis.
- A6. At its meeting in April 2016 the ASAF was asked for its advice on the strategy for redeliberations.

Disclosure Initiative

- A7. The Disclosure Initiative is a portfolio of projects that aim to improve the effectiveness of disclosures in financial reporting. The work is informed by a discussion forum, which was held in January 2013, and by a related survey on financial reporting disclosure. A Feedback Statement on these events was published in May 2013.
- A8. The Disclosure Initiative includes the following research projects:
- (a) Principles of Disclosure—review of IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*; and
 - (b) Standards-level review of disclosures.
- A9. The Disclosure Initiative also includes the following implementation projects:
- (a) narrow-scope amendments to IAS 1 (completed);
 - (b) narrow-scope amendments to IAS 7 *Statement of Cash Flows* (completed); and
 - (c) narrow-scope amendments to IAS 8 (ED to be issued).
- A10. In addition to these implementation projects, the Board has published an ED of a Practice Statement on the application of materiality.
- A11. In the period January to April 2016 the Board has issued the amendments to IAS 7 and has been developing the *Principles of Disclosure DP*.

Principles of Disclosure—review of IAS 1 and IAS 8

Last due process document	No due process documents issued.
Current status	The Board is developing a DP.
DPOC role	Monitor the Board’s development of the DP.
Timing	DP to be published in Q3 of 2016.

- A12. This project is the cornerstone of the Disclosure Initiative. Its objective is to improve disclosures in financial statements by identifying and developing a set of principles for disclosure in IFRS Standards (Standards). The project’s aim is to set the basis for replacing the disclosure requirements in IAS 1 and IAS 8. The project may also affect the review of disclosure requirements and guidance in other Standards.
- A13. The Board agreed the scope of the project in April 2014 and discussed the project regularly during 2014 and 2015. Advice on specific topics was sought from the ASAF regularly during 2014 and 2015. In addition, advice has been sought from the GPF and the CMAC during 2014 and in Q1 of 2015. The staff have also conducted a variety of meetings and conference calls with constituents on specific topics in preparing papers for the Board meetings; including the International Organization of Securities Commissions (IOSCO); the European Securities and Markets Authority (ESMA); and investors and users of financial statements.

A14. Due to significant changes in the staffing of the project (and particularly at senior staff level) the drafting of the DP is taking longer than anticipated. An ambitious target for publishing the DP was originally set for the end of Q1 of 2016; however, we now anticipate that the DP will be published in Q3 of 2016.

Standards-level review of disclosures

A15. This research project responds to concerns that the way in which disclosure requirements in Standards are written contributes to the ‘disclosure problem’. The disclosure problem is described in more detail in the Feedback Statement on the [*Discussion Forum—Financial Reporting Disclosure*](#).

A16. At its December 2015 meeting, after seeking the ASAF’s advice, the Board agreed a plan for this project which includes:

- (a) developing a set of principles, processes and tools in the form of a drafting guide for the Board’s internal use when developing disclosure requirements in new or amended Standards;
- (b) testing this guide on targeted Standards.

A17. This project will be informed by the principles being developed in the Principles of Disclosure project, including the feedback the Board receives on that DP.

Amendments to IAS 7

A18. In January 2016 the Board issued amendments to IAS 7. The amendments require entities to provide information about changes in their financing liabilities and are a response to requests from investors for information that helps them better understand changes in a company’s debt.

Amendments to IAS 8

A19. At its meeting in May 2015 the Board discussed how to clarify the existing distinction between a change in an accounting policy and a change in an accounting estimate. At that meeting, the Board decided to develop proposals clarifying the distinction as a separate project within the Disclosure Initiative.

A20. It was originally envisaged that the proposals would result in an ED of narrow-scope amendments to IAS 8 in the first half of 2016. However, in developing the ED the staff conducted targeted outreach on the draft proposals. The Board discussed the latest version of the proposals at its meeting in April 2016. To minimise burdens on respondents, Board members suggested that the ED should be published together with one or more other EDs. The timing has yet to be determined.

Materiality Practice Statement

Last due process document	ED Practice statement published in October 2015 with a comment period of 120 days.
Current status	The Board is redeliberating the proposals in the ED.
DPOC role	Monitor the Board’s redeliberations of the ED.
Timing	It is expected that the Practice Statement will be issued in early 2017.

- A21. In developing the ED of the Practice Statement on the application of materiality, the Board conducted outreach with national and regional standard-setters regarding local guidance and practice on the application of materiality. It has also spoken to the ASAF, the GPF, the WSS, the Advisory Council, IOSCO and the International Auditing and Assurance Standards Board (IAASB).
- A22. The Board has received 97 comment letters in response to the ED. At its meeting in April 2016 the Board discussed the comments received on the ED. It will continue its discussions in June 2016.

Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging

Last due process document	DP published in April 2014 with a comment period of 180 days. The Board received 126 comment letters in response to the DP.
Current status	The Board is redeliberating proposals.
DPOC role	Monitor the Board’s redeliberations of the DP.
Timing	Not yet determined.

- A23. The objective of this project is to develop an approach to better reflect entities’ dynamic risk management activities in their financial statements, and to enhance the usefulness of the financial information to help users of financial statements to better understand such activities.
- A24. The Board published a Discussion Paper in April 2014. Although the Board received support from constituents for addressing the issue of accounting for dynamic risk management, there was significant divergence in views between users and preparers in general on the merits of the new approach. There is also a difference in views on what should be the overall objective of the project.
- A25. At its meeting in May 2015 the Board decided to start work on the next stage of this project by seeking to understand the information needs of constituents concerning the dynamic risk management activities as a basis for determining the recognition, measurement and disclosures approach. In July 2015 the ASAF’s advice was sought on information needs relating to an entity’s dynamic risk management of interest rates and

on possible sources of information that could be consulted for ascertaining such information needs.

- A26. The staff are currently considering alternative approaches for recognition and measurement along with the information needs arising from an entity’s dynamic risk management activities. The staff are participating as observers to the work that the European Financial Reporting Advisory Group (EFRAG) is planning to undertake to better understand the key drivers and parameters used in core demand deposit modelling.
- A27. The Board has decided that the project should remain in the Research programme with the aim of publishing a second DP.

Rate-regulated Activities

Last due process document	DP published in September 2014 with a comment period of 120 days. The Board received 118 comment letters in response to the DP.
Current status	The Board is assessing whether there is a viable model that reflects the effects of rate regulation.
DPOC role	Monitor the Board’s redeliberations of the DP.
Timing	Not yet determined.

- A28. The Board published a DP in September 2014 that considered common features of rate regulation and explored which of them, if any, create a combination of rights and obligations distinguishable from the rights and obligations arising from activities that are not rate-regulated. The DP explores several possible approaches for the Board to consider when deciding how best to report the financial effects of a defined type of rate regulation.
- A29. Responses to the DP suggested that:
- (a) a type of rate regulation termed ‘defined rate regulation’ in the DP creates distinguishable financial effects.
 - (b) the financial effects of defined rate regulation may not be faithfully represented by the existing predominant practice in applying Standards.
 - (c) there is strong support for recognising at least some regulatory deferral account balances in IFRS financial statements. A common suggestion made is to explore an approach based on the principles in IFRS 15 *Revenue from Contracts with Customers*.
- A30. The Board decided in May 2015 that it should undertake Standard-setting activity to address the issues identified in this project, but that the form of that Standard-setting activity would only become apparent as the project progresses. The Board also decided that the development of a second DP would be the fastest way to progress the project.
- A31. The advice of ASAF has been sought regularly during 2015; at its April 2016 meeting ASAF discussed illustrative examples of rate regulation.

A32. At the April 2016 Board meeting the staff presented a project update, including a summary of responses on the Agenda Consultation. The Board asked the staff to develop an accounting model to reflect the effects of rate regulation, building on the discussions with ASAF.

Appendix B

Implementation activities

Interpretations Committee

- B1. In the period January to April 2016 the Interpretations Committee meet in January (via video conference) and March 2016. The Interpretations Committee will hold its next meeting in May 2016.
- B2. Activities in the period include:
- (a) Finalisation of agenda decisions:
 - (i) IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*—To what extent can an impairment loss be allocated to non-current assets within a disposal group?
 - (ii) IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*—How to present intragroup transactions between continuing and discontinued operations;
 - (iii) IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* —Other IFRS 5-related issues;
 - (iv) IFRS 9 *Financial Instruments*—Transition issues relating to hedging;
 - (v) IFRS 11 *Joint Arrangements*—Remeasurement of previously held interests;
 - (vi) IAS 12 *Income Taxes*—Recognition of deferred taxes for the effect of exchange rate changes;
 - (vii) IAS 39 *Financial Instruments: Recognition and Measurement*—Separation of an embedded floor from a floating rate host contract in a negative interest rate environment;
 - (viii) IFRS 9 *Financial Instruments*—Determining hedge effectiveness for net investment hedges;
 - (ix) IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*—Variable payments for asset purchases;
 - (x) IAS 32 *Financial Instruments: Presentation*—Classification of liability for a prepaid card in the issuer’s financial statements;
 - (xi) IAS 32 *Financial Instruments: Presentation*—Offsetting and cash-pooling arrangements.
 - (b) Draft agenda decisions published for comment:
 - (i) IFRIC 12 *Service Concession Arrangements*—Payments made by an operator to a grantor in a service concession arrangement;
 - (ii) IFRS 11 *Joint Arrangements* and IFRS 10 *Consolidated Financial Statements*—Accounting for loss of control transactions.
- B3. Table 1 of this paper sets out the current activities being undertaken to support the implementation of newly-issued Standards.
- B4. Table 2 of this paper sets out the current maintenance projects the Board is undertaking.

Table 1: Implementation support

Project	Activity	Webpage
<p>Joint Transition Resource Group for Revenue Recognition (TRG)</p>	<p>As previously reported, the Board does not plan to schedule further meetings of the its constituents of the TRG. The TRG has not been disbanded and is available for consultation if needed. In addition, stakeholders can submit issues through the Board’s website.</p> <p>Some Board members and staff observed the FASB TRG meeting in April 2016— from that meeting, no issues arose that require consideration by the Board.</p> <p>The Board has created an implementation page for revenue recognition on the Board’s website. In part, this was to signal that the decision not to schedule any further TRG meetings does not mean that the Board is stepping back from supporting the consistent and faithful implementation of IFRS 15.</p>	<p>Educational and implementation materials are available on the IASB website: http://www.ifrs.org/Current-Projects/IASB-Projects/IFRS-15-Implementation/Pages/IFRS-15-Revenue-from-Contracts-with-Customers-Implementation.aspx</p>
<p>Leases (IFRS 16)</p>	<p>IFRS 16 <i>Leases</i> was issued on 13 January 2016 and has a mandatory effective date of 1 January 2019.</p> <p>The Board is currently undertaking a number of activities to support implementation of the Standard, including developing a series of educational webcasts and organising conferences. Stakeholders can also inform us about implementation questions through the website.</p>	<p>Educational and implementation materials are available on the IASB website: http://www.ifrs.org/Current-Projects/IASB-Projects/leases-implementation/Pages/IFRS-16-Leases-Implementation.aspx</p>

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Project	Activity	Webpage
Transition Resource Group for Impairment of Financial Instruments (ITG)	The ITG was established to provide support for the IFRS Standards constituents who are implementing the new expected credit loss requirements in IFRS 9 <i>Financial Instruments</i> .	ITG agenda papers and meeting summaries are available on the IASB website: http://www.ifrs.org/About-us/IASB/Advisory-bodies/ITG-Impairment-Financial-Instrument/Pages/Meetings.aspx

Table 2: Maintenance Projects

Maintenance projects as at 22 April 2016			
Project	Objective	Status	The Board's next steps
Annual Improvements to IFRS 2014–2016 Cycle & 2015-2017	The Board has adopted the Annual Improvements process to deal efficiently with a collection of narrow-scope amendments to Standards, even though the amendments are unrelated.	In November 2015 the Board published an ED <i>Annual Improvements to IFRSs 2014-2016 Cycle</i> . The ED closed for comment on 17 February 2016. One amendment has been identified for inclusion in the 2015-2017 Cycle.	To decide the project direction within 6 months.
Clarifications to IFRS 8 arising from the Post-implementation Review (Proposed amendments to IFRS 8)	The Board discussed proposals to clarify IFRS 8 <i>Operating Segments</i> with respect to issues identified by the PIR.	At its meeting in June 2015, the Board confirmed that it is satisfied that all due process steps to date have been complied with and instructed the staff to commence the balloting process for the ED.	To publish an ED within 6 months. This project has been delayed because resources have been redirected to the Agenda Consultation project.
Clarification of Classifications of Share-based Payment Transactions (Proposed amendments to IFRS 2) (Closed for comment 25 March 2015)	The Board proposes three amendments to IFRS 2: (a) measurement of cash-settled share-based payment transactions that include a performance condition; (b) modification of a share-based payment from cash-settled to equity-settled; and (c) share-based payments settled net of tax withholdings.	At its meeting in December 2015, the Board confirmed that it is satisfied that all due process steps to date have been complied with and instructed the staff to commence the balloting process for the final amendments.	To issue an amendment to the Standard in June 2016. The project team reassessed the timing of this project and extended the timetable to allow more time for the drafting of the amendment.

Maintenance projects as at 22 April 2016			
Project	Objective	Status	The Board's next steps
<p>Classification of Liabilities (Proposed amendments to IAS 1)</p>	<p>The objective of this project is to clarify when rights to defer settlement affect the classification of liabilities.</p>	<p>At its December 2015 meeting the Board considered a summary of feedback on the ED. At its February 2016 meeting the Board started to discuss some of the main comments received on the ED.</p>	<p>To issue an amendment to the Standard after 6 months.</p> <p>This project has been held back until after the Board has redeliberated the definitions of assets and liabilities in the <i>Conceptual Framework</i> ED. This is to allow this project to be finalised consistently with the conclusions reached in the <i>Conceptual Framework</i>.</p>
<p>Definition of a Business</p>	<p>The project aims to resolve the difficulties that arise when an entity is determining whether it has acquired a business or a group of assets.</p>	<p>At its meeting in December 2015 the Board confirmed that it is satisfied that all due process steps to date have been complied with and instructed the staff to commence the balloting process for the ED.</p>	<p>To publish proposed amendments to IFRS 3 in May 2016.</p>
<p>Remeasurement on a plan amendment, curtailment or settlement/Availability of a refund of a surplus from a defined benefit plan (Proposed amendments to IAS 19 and IFRIC 14)</p>	<p>To clarify:</p> <ul style="list-style-type: none"> (a) the availability of a refund of a surplus from a defined benefit plan when an independent trustee has a unilateral power; and (b) the remeasurement on a plan amendment, curtailment or settlement. 	<p>An ED was published in June 2015 and closed for comment on 19 October 2015.</p>	<p>To decide on the project's direction within 6 months.</p> <p>The new project team has reassessed the timing of this project and deliberations of the feedback to the ED will now take place in Q3 of 2016.</p>

Maintenance projects as at 22 April 2016			
Project	Objective	Status	The Board's next steps
<p>Remeasurement of previously held interests—obtaining control or joint control in a joint operation that constitutes a business (Proposed amendment to IFRS 3 and IFRS 11)</p>	<p>The Board has tentatively decided to publish a narrow-scope amendment to clarify when an entity should remeasure previously held interests.</p>	<p>At its meeting in December 2015 the Board confirmed that it is satisfied that all due process steps have been complied with and gave the staff permission to commence the balloting process.</p>	<p>To publish proposed amendments to IFRS 3 and IFRS 11 in May 2016.</p>
<p>Transfers of Investment Property (Proposed amendments to IAS 40)</p>	<p>This proposed narrow-scope amendment would bring the requirements on transfers of investment property more in line with the principle for classification of investment property.</p>	<p>ED published in December 2015.</p> <p>The Interpretations Committee will discuss the comments received on the ED at its May 2016 meeting.</p>	<p>To decide on the project's direction within 3 months.</p>

Maintenance projects as at 22 April 2016			
Project	Objective	Status	The Board's next steps
Interpretations			
Uncertainty in Income Tax	To provide guidance for the recognition and measurement of current tax, deferred tax liabilities and deferred tax assets when there is uncertainty in income taxes.	Draft Interpretation published in October 2015.	To decide on the project's direction within 6 months.
Foreign Currency Transactions and Advance Consideration	To provide guidance about the exchange rate to be used to report foreign currency transactions (such as revenue transactions) when payment is made or received in advance.	Draft Interpretation published in October 2015. The Interpretations Committee will discuss the comments received on the draft Interpretation at its May 2016 meeting.	To decide on the project's direction within 3 months.

Appendix C

Research projects

Assessment-phase projects

Assessment-stage research projects are undertaken to identify and assess practical application issues in order to understand whether there is a financial reporting problem and to consider what further action, if any, is needed.

Once the assessment stage is complete, the project will typically move into the development stage, be suspended or be removed from the research programme.

Discount rates

- C1. Different discount rates are used in different Standards. The staff are assessing why those differences exist and their effects. The Board began considering the staff analysis during Q4 of 2015. The Board has continued discussing the project in January to April 2016.

Goodwill and impairment

- C2. This research project is considering three specific issues identified in the PIR of IFRS 3:
- (a) whether changes should be made to the existing impairment test for goodwill and other non-current, non-financial assets;
 - (b) the extent to which other intangible assets should be separated from goodwill; and
 - (c) whether goodwill should be amortised.
- C3. The Board has continued its discussions during the period January to April 2016. The Board will continue its discussions at future meetings. At its meeting in May 2016 the Board will discuss quantitative information about the amounts and trends of reported goodwill, impairment and intangible assets over recent years; gathered in conjunction with staff at the Accounting Standards Board of Japan (ASBJ), the EFRAG and the US Financial Accounting Standards Board (FASB).
- C4. The Board also expects to discuss this project again with the FASB during Quarter 2 of 2016.

Income taxes

- C5. The Board has received feedback that questions the decision-usefulness of some of the information provided by IAS 12 *Income Taxes*. The Board and the Interpretations Committee have also received many questions about the application of IAS 12.
- C6. At the May 2016 Board meeting the staff will present an analysis of the results of a survey of users of financial statements and other stakeholders. This analysis, together with feedback on the Agenda Consultation, will help the Board to assess what, if any, future action it should take.

Pollutant pricing mechanisms

- C7. There is significant diversity in how pollutant pricing mechanisms, including emissions trading schemes, are accounted for in practice. Discussions were held in June 2015 with the Board, the GPF and CMAC and in July 2015 with the ASAF to explore possible accounting models to help reduce this diversity. Further discussion with both the Board and the ASAF in October 2015 highlighted some interactions with the *Conceptual Framework* ED, particularly around the definition of a liability.

C8. At its meeting in April 2016 the Board discussed a project update, including a summary of responses on the Agenda Consultation.

Post-employment benefits (including pensions)

C9. Previous work has established that existing requirements in IAS 19 *Employee Benefits* do not work well for some schemes that have some features of defined contribution schemes and some features of defined benefit schemes. This project is assessing whether a solution can be developed for these hybrid schemes without reconsidering the current accounting for defined benefit and defined contribution schemes. If not, a more fundamental reconsideration may be needed.

C10. At its November 2015 meeting, the Board received an update on its research project on post-employment benefits. The views of the ASAF were sought at its meeting in December 2015.

C11. At its meeting in May 2016 the Board will consider a summary of responses on the Agenda Consultation.

Primary financial statements

C12. In July 2014 the Board added the Primary Financial Statements project to its research agenda (it was originally called the Performance Reporting project). The aim of this project is to examine the purpose, structure and content of the primary financial statements; including the relationship between the individual statements.

C13. At its April 2016 meeting, the Board discussed feedback on this project from the Agenda Consultation. Respondents to the Agenda Consultation identified this project as a high-priority. However, there were different views regarding the focus of the project.

C14. The staff are continuing to develop a plan for how to progress the project. The initial research has involved:

- (a) reviewing concepts explored in the old Financial Statement Presentation project, to assess which of them merit further investigation;
- (b) monitoring work currently being done by the FASB in this area;
- (c) gathering some background information on how entities using Standards report on their financial performance;
- (d) looking at some research work being done on cash flow reporting by the UK Financial Reporting Council; and
- (e) performing informal outreach to identify the gaps and deficiencies in existing requirements and practices.

C15. At its meeting in May 2016 the Board will discuss its proposed approach to research on this project.

Provisions, contingent liabilities and contingent assets

C16. Concerns have been raised about aspects of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, in particular:

- (a) the requirements for identifying liabilities (and especially how those requirements have been applied for levies and for restructuring costs); and

(b) diversity in the application of the measurement requirements.

C17. The staff have presented their research findings to members of the ASAF and the Board. The members in each meeting discussed:

- (a) a range of matters that have been raised as possible problems with IAS 37; and
- (b) the implications of proposed amendments to the *Conceptual Framework*.

C18. At its meeting in April 2016 the Board considered a summary of responses on the 2015 Agenda Consultation.

C19. The Board is likely to wait until it is close to finalising revisions to the *Conceptual Framework* before making any decisions on whether to start an active project to amend aspects of IAS 37.

Share-based payment

C20. Many respondents to the 2011–2012 Agenda Consultation commented on the complexity of IFRS 2 *Share-based Payment*, which is evidenced by a number of submissions to the Interpretations Committee. The objective of the research project is to identify the main areas of complexity and their causes.

C21. At its November 2015, meeting the Board considered a report on its research project on IFRS 2. The report included:

- (a) an analysis of identified application issues and their causes;
- (b) an analysis of the two existing measurement models in IFRS 2 for equity and cash-settled, share-based payment transactions; and
- (c) various approaches for moving forward, including: a Post-implementation Review, further research on the grant date fair value measurement model, narrow-scope amendments to IFRS 2 or discontinuance of the research project.

C22. Staff discussed the findings of the research with the GPF in March 2016.

C23. At its meeting in April 2016 ASAF was asked for its advice on the possible next steps for this project based on the papers presented to the Board in November 2015 and feedback to the Agenda Consultation.

C24. The Board will consider whether to proceed with this project, and if so how, when it has considered the feedback on the Agenda Consultation and the feedback from the GPF and ASAF.

Development stage projects

These are research projects for which the Board has completed the preliminary assessment and decided that the project warrants further investigation. Generally, the Board will have established that there is a financial reporting problem to be addressed by the project, but will not yet have decided whether any changes to Standards are likely to be required.

Thus, the main focus of development-stage projects will be assessing whether the Board can identify a solution to the financial reporting problem and describing what form that solution is likely to take.

The output from a development-stage project is likely to be the publication of a DP.

- C25. ***Dynamic Risk Management and Disclosure Initiative—Principles of Disclosure*** are development-phase research projects; their progress is reviewed in paragraphs A23 to A27 and A12 to A14.

Business combinations under common control

- C26. Business combinations under common control, including those undertaken when preparing for initial public offerings, are excluded from the scope of IFRS 3, because the combining entities are controlled by the same party. Some constituents have raised concerns about diversity in practice in accounting for such transactions.
- C27. The advice of the ASAF was sought at its meetings in December 2015 and April 2016.
- C28. In April 2016 the Board discussed the research and outreach findings, together with feedback on the 2015 Agenda Consultation.
- C29. The Board expects to publish a DP but the timing is not yet determined.

Equity method of accounting

- C30. The equity method of accounting is used to account for an investor's interests in associate entities, joint ventures and for subsidiaries in separate financial statements. There has been a high level of submissions to the Interpretations Committee, highlighting the complexities of that method and suggesting the need for a fundamental review of the equity method.
- C31. The staff asked ASAF for its advice on preliminary proposals to simplify the equity method in October 2015. Due to the lack of support for the preliminary proposals work on the project was deferred and the scope of the project will be reconsidered taking into consideration feedback on the Agenda Consultation.
- C32. At its meeting in May 2016 the Board will consider the next steps for this project based on the feedback from ASAF and the Agenda Consultation.

Financial instruments with characteristics of equity

- C33. The classification of financial instruments as liabilities or equity in accordance with IAS 32 *Financial Instruments: Presentation* presents many challenges. The project is exploring whether the existing classification requirements in IAS 32 can be improved. In addition, the project is looking at what improvements could be made to the presentation and disclosure requirements for financial instruments with characteristics of equity.
- C34. The Board has continued its discussions in the period January to April 2016.

Inactive projects

Inactive projects are projects for which the Board has no current plans to undertake additional work.

Extractive activities/intangible assets/R&D activities

- C35. A project team of national standard-setters from Australia, Canada, Norway and South Africa undertook a research project on extractive activities (such as mining and the extraction of oil or gas). The Board published the team's findings in April 2010. In October 2010 the Board considered the comments received and decided not to do any additional work until after the 2011–2012 Agenda Consultation. That consultation highlighted broader concerns about the accounting for research and development activity and the recognition and measurement of intangible assets. These issues have parallels with some issues arising in the extractive activities.
- C36. However, in response to the feedback from the 2011–2012 Agenda Consultation, the Board assigned a low priority to the project. As a result, the Board has not carried out any further direct research to date and has not received strong demand to do so.
- C37. At its meeting in May 2016 the Board will consider the feedback on the Agenda Consultation.

Foreign currency translation

- C38. In the research project on foreign currency translation, the Board looked at two sets of issues raised by the Korea Accounting Standards Board (KASB):
- (a) whether the accounting requirements for long-term payables and receivables denominated in a foreign currency are appropriate when the currency is volatile and thinly traded; and
 - (b) whether a more comprehensive review of IAS 21 *The Effects of Changes in Foreign Exchange Rates* is needed to address some other matters raised with the Interpretations Committee and identified through the work of the KASB.
- C39. The Board completed its assessment of these issues in October 2014 and has no current plans to undertake additional work. The Board plans to remove this project from the research programme, subject to feedback in the current Agenda Consultation, which will be discussed at its May 2016 meeting.

High inflation

- C40. In this research project on high inflation, the Board considered a request made by the Group of Latin American Standard-Setters (GLASS) to:
- (a) eliminate or reduce the cumulative inflation rate threshold currently included in IAS 29 *Financial Reporting in Hyperinflationary Economies* to identify when hyperinflation exists; and
 - (b) modify the procedures for reporting the adjustments resulting from restating the financial statements.
- C41. The Board completed its assessment of these issues in April 2015 and has no current plans to undertake additional work. The Board plans to remove this project from the research

programme, subject to feedback in the current Agenda Consultation, which will be discussed at its May 2016 meeting.

Appendix D - Compliance Report

A list of papers that were posted after the posting deadline is as follows:

Agenda Paper	Name	Posted	Reason
January 2016			
2A	Insurance Contracts(addendum recommendation)	20 January	<p>This paper summarises the key discussion points at the Board's meeting on 19 January 2016 and revises the staff recommendation to reflect that discussion.</p> <p>The addendum was posted in order to ensure that the vote the Board members took was clear.</p>
17ADD	Research project on discount rates	20 January	Additional materials distributed during the meeting, following feedback from Board members that the examples in the agenda paper were not easy to understand.

Appendix E—Work plan as at 22 April 2016

	Current activity	Within 3 months	Within 6 months	After 6 months	Timing changes
Upcoming Standards					
Insurance Contracts	Drafting IFRS			Issue IFRS	No change
Published Exposure Drafts					
Conceptual Framework [Comment period ended 25 November 2015]	Analysis			Issue Conceptual Framework	Updated to reflect timing for issuing <i>Conceptual Framework</i>
Materiality Practice Statement [Comment period ends 26 February 2016]	Analysis		Decide project direction		No change
Published Discussion Papers (DP)					
Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging	Analysis			Publish DP	No change
Rate-regulated Activities	Analysis			Publish DP	No change
Upcoming Discussion Papers					
Principles of Disclosure	Drafting DP		Publish DP		Delayed (see paragraph A14)
Interpretations					
<u>Draft IFRIC Interpretation—Uncertainty over Income Tax Treatment</u> [Comment period ended 19 January 2016]	Analysis			Decide project direction	No change
<u>Draft IFRIC Interpretation—Foreign Currency Transactions and Advance Consideration</u> [Comment period ended 19 January 2016]	Analysis		Decide project direction		No change

Appendix E—Work plan as at 22 April 2016

	Current activity	Next major milestone			Timing changes
		Within 3 months	Within 6 months	After 6 months	
Narrow-scope amendments					
Annual Improvements 2014–2016 [Comment period ended 17 February 2016]	Analysis		Decide Project Direction		No change
Annual Improvements 2015–2017	Analysis		Decide Project Direction		No change
Amendments to IFRS 4: Applying IFRS 9 <i>Financial Instruments</i> with IFRS 4 <i>Insurance Contracts</i> [Comment period ended 8 February 2016]	Analysis		Issue IFRS		No change
Clarifications to IFRS 8 arising from the Post-implementation Review (Proposed amendments to IFRS 8)	Drafting ED		Publish ED		Delayed (see Table 2)
Clarifications of Classification and Measurement of Share-based Payment Transactions (Proposed amendments to IFRS 2)	Drafting IFRS	Issue IFRS (Expected June 2016)			Delayed (see Table 2)
Classification of Liabilities (Proposed amendments to IAS 1)	Analysis			Issue IFRS	Delayed (see Table 2)
Definition of a Business	Drafting ED	Publish ED (Expected May 2016)			No change
Disclosure Initiative—Changes in Accounting Policies and Estimates	Analysis			Publish ED	Delayed (see paragraph A20)
Remeasurement at a Plan Amendment, Curtailment or Settlement / Availability of a Refund of a Surplus from a Defined Benefit Plan (Proposed amendments to IAS 19 and IFRIC 14)	Analysis		Decide Project Direction		Delayed (see Table 2)
Remeasurement of previously held interests - obtaining control or joint control in a joint operation that constitutes a business. (Proposed amendments to IFRS 3 and IFRS 11)	Drafting ED	Publish ED (Expected May 2016)			No change
Transfers of Investment Property (Proposed amendments to IAS 40) [Comment period ended 18 March 2016]	Analysis	Decide Project Direction			No change