

STAFF PAPER

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Project	IASB Update		
Paper topic	Technical Activities: Key Issues and Update		
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This paper has been prepared for discussion at a public meeting of the Global Preparers Forum. The views expressed in this paper do not represent the views of the International Accounting Standards Board (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 the IASB *Update*.

Purpose

1. This report provides the Global Preparers Forum (GPF) with an update on the due process activities for the standard-setting activities of the International Accounting Standards Board (the Board) in November 2015 to February 2016. Technical director will provide an oral Update on the activities before the March 2016 GPF meeting. 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 7 to 19.
 - (b) The Technical Activities report is set out in Appendices, as follows:
 - (i) Appendix A—Major projects;
 - (ii) Appendix B—Implementation projects;
 - (iii) Appendix C—Research projects.
 - (c) Details of due process documents published or issued in the period are set out in paragraphs 3 to 5.

Due process documents

3. In the period November 2015 to February 2016 the Board has issued:
 - (a) IFRS 16 *Leases*, concluding its project to improve the accounting for leases. A Project Summary and Feedback Statement, an Effects Analysis, an Investor Perspectives article, a webcast recording introducing IFRS 16 and a video about the project by Hans Hoogervorst are available on the IASB's website to help those preparing to implement and understand the Standard. The IASB plans to monitor and further support the implementation of IFRS 16 during the implementation period.
 - (b) Amendments to IAS 7 about changes in liabilities arising from financing activities;
 - (c) *Effective date of amendments to IFRS 10 and IAS 28*; and
 - (d) Amendments to IAS 12: *Recognition of Deferred Tax Assets for Unrealised Losses*.
4. In the same period the Board has published the following Exposure Drafts (ED):
 - (a) *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*;
 - (b) *Transfers of Investment Property—Proposed amendment to IAS 40*;
 - (c) *Annual Improvements to IFRSs 2014-2016 Cycle*; and
 - (d) the proposed *Taxonomy Update 3 to the IFRS Taxonomy 2015: IFRS 16 Leases*.

IFRS Taxonomy™

5. In addition to the above due process documents, as approved at its October 2015 meeting, the Trustees of the IFRS Foundation have published for public comment a proposed enhanced due process for the development and maintenance of the IFRS Taxonomy. The proposed changes entail giving the Board a role in reviewing and approving the content of the IFRS Taxonomy.

6. The main proposed revisions are:
- (a) that the Board approves IFRS Taxonomy content reflecting new or amended Standards;
 - (b) that IFRS Taxonomy content reflecting common practice is subject to review by three to five members of the Board (‘the IFRS Taxonomy Review Panel’);
 - (c) the formalisation of enhancements that were implemented in January 2014, namely the creation of the IFRS Taxonomy Consultative Group and the establishment of a process whereby public consultation is sought on IFRS Taxonomy updates that are released during the year; and
 - (d) the inclusion of enhancements that reflect current practices and processes, but that are not documented in the *Due Process Handbook for XBRL Activities*.

Technical Activities—Key Issues

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

7. The Board published an Exposure Draft in December 2015 proposing amendments to the existing insurance contracts Standard, IFRS 4 *Insurance Contracts*. The 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.
8. The deadline for comment letters was 8 February 2016 and the Board intends to complete its redeliberations as soon as possible.
9. At its January 2016 meeting the Board completed its planned technical decisions on the accounting for insurance contracts. The staff will now begin the balloting process for the new insurance contracts Standard. The Board will discuss the effective date, and any sweep issues that arise in the drafting process, at a future Board meeting.

Revenue from Contracts with Customers

10. The Board published an ED in July 2015 proposing clarifications to IFRS 15 *Revenue from Contracts with Customers*. The clarifications result from the Board’s consideration of issues discussed by the Revenue Transition Resource Group (TRG).

11. The ED closed for comment on 28 October 2015. 74 respondents commented on the ED.
12. The Board considered the feedback and substantively completed its redeliberations of the proposals in December 2015. Respondents generally supported the Board's approach and the Board largely reaffirmed the proposals. The Board, however, considered further the benefits of convergence and decided to make the same amendments to the requirements in the Standard on identifying performance obligations as had been made by the FASB in October 2015. This preserves full convergence of a core part of the Standard with the FASB's version of the Standard.
13. The Board plans to issue the final amendments to IFRS 15 in March / April of 2016.
14. In relation to the TRG, the Board does not plan to schedule further discussion of its Revenue TRG. The Board is now of the view that stakeholders need to know that they can continue their implementation process with the confidence that IFRS 15 will not be subject to further changes. To that end, the Board has emphasised that it does not expect to make any further amendments to the Standard until after the Post-implementation Review. The Board is concerned that the TRG is itself viewed as being inextricably linked to possible changes to the Standard, thus creating uncertainty for stakeholders.
15. The TRG will not be disbanded, and will be available for consultation if needed. If the FASB holds further discussions with its TRG, then Board members and staff members will observe those discussions.
16. The Board will continue to monitor implementation. If a significant and pervasive issue arises, the Board would consider whether a public discussion would be helpful to assist practice.

Effective Date of Amendments to IFRS 10 and IAS 28

17. The Board issued amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* on 17 December 2015, postponing indefinitely the effective date of the amendment *Sales or Contribution of Assets between an Investor and its Associate or Joint Venture* issued in September 2014.

2015 Agenda Consultation

18. The Board issued its Request for Views *2015 Agenda Consultation* on 11 August 2015. The comment period closed on 31 December 2015 and over 100 letters were received. The staff are currently analysing the comment letters and other feedback. The staff plan to present this analysis to the Board at its meeting in April 2016.
19. During the period of November 2015 to February 2016 the Board has discussed the staff findings on a number of research projects but has not made tentative decisions; see Appendix C of this report. The feedback to the 2015 Agenda Consultation will help inform the Board in its decisions on the next steps it should take in several of the research projects.

Appendix A Major projects—Work plan as at 22 January 2016

	Current activity	Within 3 months	Within 6 months	After 6 months
Upcoming Standards				
Insurance Contracts	Analysis			Issue IFRS
Published Exposure Drafts				
Conceptual Framework [Comment period ended 25 November 2015]	Analysis	Decide project direction		
Materiality Practice Statement [Comment period ends 26 February 2016]	Public Consultation		Decide project direction	
Published Discussion Papers (DP)				
Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging	Analysis			Publish DP
Rate-regulated Activities	Analysis			Publish DP
Upcoming Discussion Papers				
Principles of Disclosure	Analysis		Publish DP	

Major Projects

Insurance Contracts

Last due process document	Revised ED published in June 2013 with a comment period of 120 days. <i>In March 2015 the Board published on its website an overview of its tentative decisions on the general model that would apply to insurance contracts without participation features, and the Board's reasons for reaching those decisions.¹</i>
Current status	The Board commenced its redeliberating its proposals set out in the ED in January 2014.
Timing	The Board had completed its redeliberations in February 2016. It plans to issue a Standard in 2016.

The Conceptual Framework

Last due process document	ED published in May 2015 with an amended comment period of 150 days.
Current status	The comment period for the ED ended on 25 November 2015.
Timing	The Board will discuss a strategy for redeliberations in April 2016 with a view to issuing a revised <i>Conceptual Framework</i> in early 2017.

- A1. 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.

¹ Access the document [Insurance Contracts without Participation Features](#).

- A2. The Board published a Discussion Paper (DP) in July 2013 and an ED in May 2015. During development of the ED the Board sought input from its advisory bodies: the Advisory Council, the ASAF (which is the consultative group for this project), the Capital Markets Advisory Committee (CMAC) and the Global Preparers Forum (GPF).
- A3. During the comment period on the *Conceptual Framework* ED the Board conducted outreach meetings to raise awareness of and obtain feedback on our 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 has received over 220 comment letters on the ED. The staff plan to present the Board with a comment letter analysis in March 2016.

Disclosure Initiative

- A5. At this meeting the staff will provide an update on the Disclosure Initiative.
- A6. 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.
- A7. The Disclosure Initiative includes the following research projects:
- (a) Principles of Disclosure; and
 - (b) Standards-level review of disclosures.
- A8. 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 (Exposure Draft to be issued).
- A9. In addition to these implementation projects, the Board has published an ED of a Practice Statement on the application of materiality.
- A10. In the period November 2015 to February 2016 the Board has focussed on completing the narrow-scope amendments to IAS 7 and the drafting on the *Principles of Disclosure* DP.

The drafting of the DP has taken longer than anticipated and it is now expected the DP will be published in Q2 of 2016.

Principles of Disclosure

Last due process document	No due process documents issued.
Current status	The Board is developing a DP.
Timing	DP to be published in Q2 of 2016.

- A11. 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. The primary purpose of the project is to assist the Board with deciding whether it needs to issue a new or revised general disclosure Standard to improve the effectiveness of its disclosure requirements. The project may also affect the review of disclosure requirements and guidance in other Standards.
- A12. 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 at its meetings in June, September and December 2014 as well as in March, July and December 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) on the disclosure of non-IFRS financial information; and investors and users of financial statements.

Standards-level review of disclosures

- A13. At this meeting the staff will provide an update on the standard-level review of disclosures.
- A14. 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](#).

A15. The advice of the ASAF was sought in December 2015 prior to discussions with the Board. At its December 2015 meeting, 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.

A16. The Board will decide the next steps of the project following completion of the drafting guide.

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 has published the final narrow-focus amendments to IAS 7. The amendments respond to investors’ requests for better information about changes in an entity’s debt, including non-cash movements. A number of outreach meetings were held with investors to understand whether these proposals would meet investors’ informational needs.

A19. At its meeting in September 2015 the Board tentatively decided to proceed with the proposed amendment to improve disclosures about changes in an entity’s debt. The Board decided, however, to continue its work on improving liquidity disclosures. Consequently, the amendments only address changes in an entity’s debt, including non-cash movements,

Amendments to IAS 8

A20. 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. These proposals are expected to result in narrow-scope amendments to IAS 8 and an ED is planned for Q2 of 2016.

Materiality Practice Statement

Last due process document	Draft Practice statement published in October 2015 with a comment period of 120 days.
Current status	The Board is conducting outreach during the comment period.
Timing	Pending feedback to the ED it is expected that the Practice Statement to be issued in late 2016 or early 2017.

- A21. The Board has 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 Assurances Standards Board (IAASB) about how materiality is applied in practice and the need for potential guidance.
- A22. The Board is aware of the sensitivity of this topic because, in some jurisdictions, materiality is considered to be the responsibility of the securities regulator and the courts. The staff continue to undertake outreach and liaise with securities regulators to assist them develop helpful, non-mandatory guidance that is globally accepted.

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.
Current status	The Board is redeliberating proposals.
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 received 126 comment letters in response to the DP. The staff discussed the comments received with the Board in Q1 of 2015. A summary of the comment letters

and other feedback (including from users) received is available on the IASB's pages on the IFRS Foundation website.

- A25. As previously reported, during the comment period over 50 outreach meetings with constituents were held. The jurisdictions covered by this outreach included Europe, Asia and Oceania, North and South America and Africa.
- A26. 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.
- A27. 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 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.
- A28. The IASB staff are currently considering alternative approaches for recognition and measurement along with the information needs arising from an entity's dynamic risk management activities.
- A29. 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.
Current status	The Board is redeliberating proposals.
Timing	Not yet determined.

- A30. At this meeting the staff will discuss with GPF members issues around the meaning of 'performance' when constructing assets for use in a rate-regulated business and related issues about recognition and measurement connected to tangible assets, government grants and assets contributed by customers.
- A31. The Board received 118 comment letters in response to the DP. The staff provided a preliminary analysis of the comments to the Board at its meeting in February 2015. 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 IFRS 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.
- A32. A summary of the comment letters and other feedback (including from users) is available on the project page on the IASB's pages on the IFRS Foundation website.
- A33. The project's consultative group met in March 2015 for an initial discussion of the issues raised in the feedback to the DP.
- A34. 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.
- A35. In July 2015, discussions were held with both the Board and the ASAF to identify a possible accounting model that would more faithfully represent the financial effects of

rate regulation identified through the DP. In October 2015 the staff discussed with the ASAF the implications of the proposals in the *Conceptual Framework* ED for the direction of the Rate-regulated Activities project.

- A36. The staff are continuing to gather evidence about matters that need to be addressed within the scope of the project. In addition, the staff are assessing the feedback on the *Conceptual Framework* ED project before bringing further analysis to subsequent Board meetings

Appendix B—Implementation Projects Work plan as at 22 January 2016

	Current activity	Within 3 months	Within 6 months	After 6 months
* Annual Improvements to IFRS 2014–2016 Cycle	Public consultation		Decide project direction	
* Annual Improvements to IFRS 2015–2017 Cycle	Analysis			Publish ED
Applying IFRS 9 <i>Financial Instruments</i> with IFRS 4 <i>Insurance Contracts</i> [Comment period ended 8 February 2016]	Public consultation	Analysis		
Clarifications to IFRS 8 arising from the Post-implementation Review (Proposed amendment to IFRS 8)	Drafting ED	Publish ED		
* Clarifications of Classification and Measurement of Share-based Payment Transactions (Proposed amendment to IFRS 2)	Drafting IFRS	Issue Standard		
Clarifications to IFRS 15: <i>Revenue from Contracts with Customers</i> Issues Emerging from TRG discussions	Drafting IFRS	Issue Standard		
Classification of Liabilities (Proposed amendment to IAS 1)	Analysis		Issue Standard	
Definition of a business	Drafting ED	Publish ED		
Disclosure Initiative—Changes in Accounting Policies and Estimates	Analysis			Publish ED
* Remeasurement on a Plan Amendment, Curtailment or Settlement/Availability of a Refund from a Defined Benefit Plan (Proposed amendments to IAS 19 and IFRIC 14)	Analysis		Decide project Direction	
* Remeasurement of a 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		

* Transfers of Investment Property (Proposed amendments to IAS 40)	Public Consultation		Decide project direction	
Draft IFRIC Interpretations (DI)				
* Uncertainties in Income Taxes [Comment period ended 19 January 2016]	Analysis		Decide project direction	
* Foreign Currency Transactions and Advance Consideration [Comment period ended 19 January 2016]	Analysis		Decide project direction	

Interpretations Committee

- B1. At this meeting the staff will provide an update on some Implementation activities. Those activities are marked with asterisk (*).
- B2. Since the last Technical Update report, the Interpretations Committee has held meetings in November 2015 and January 2016. The Interpretations Committee will hold its next meeting in March 2016. Activities in the period include:
- (a) Finalisation of 8 tentative agenda decisions:
- IAS 2 *Inventories* and IAS 38 *Intangible Assets*—Should interest be accreted on prepayments in long-term supply contracts?
 - 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?
 - IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*—How to present intragroup transactions between continuing and discontinued operations
 - IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*—Other various IFRS 5-related issues
 - IFRS 9 *Financial Instruments*—Transition issues relating to hedging
 - IFRS 11 *Joint Arrangements*—Remeasurement of previously held interests
 - IAS 12 *Income Taxes*—Recognition of deferred taxes for the effect of exchange rate changes

- IAS 39 *Financial Instruments: Recognition and Measurement*—Separation of an embedded floor from a floating rate host contract
- (b) At the meetings, 11 submissions to the Committee were discussed:
 - (i) seven of the submissions discussed led to the publication of tentative agenda decisions, which were published for comment for 60 days; and
 - (ii) five of these tentative agenda decisions include the Interpretations Committee’s technical conclusions on the issues submitted, thereby providing support to those affected by these particular issues.
- (c) The Interpretations Committee also discussed a request from the Board for comments on its proposed amendments to the definition of a business in IFRS 3 *Business Combinations*.

Appendix C—Research projects Work plan as at 22 January 2016

Assessment phase	These projects are assessing possible practice issues to understand if there is a financial reporting problem and, if so, how to address it.
Discount Rates	The Board has begun reviewing the staff findings from the research and will decide on the next steps following the review.
Goodwill and Impairment	The Board has begun discussions. This project was started as a result of the Post-implementation Review of IFRS 3 <i>Business Combinations</i> .
Income taxes	Board discussions are planned for early 2016.
Pollutant Pricing Mechanisms	The Board has begun discussions and the next step is likely to be a DP in 2016.
Post-employment Benefits (including Pensions)	The Board has reviewed the staff findings from the research. The next steps are on hold, awaiting feedback on the Agenda Consultation.
Primary Financial Statements (previously Performance Reporting)	To develop more detailed plans for the current project, the initial work will involve: <ul style="list-style-type: none"> • reviewing approaches explored in the old Financial Statement Presentation project, to assess which of them merit further investigation; and • initial informal outreach to identify the gaps and perceived deficiencies in existing requirements and practices.
Provisions, Contingent Liabilities and Contingent Assets	The Board has reviewed the staff findings from the research. The next steps are on hold, awaiting developments in the <i>Conceptual Framework</i> project.
Share-based Payments	The Board has reviewed the staff findings from the research. The next steps are on hold, awaiting feedback on the Agenda Consultation.
Development phase	The Board has completed its assessment work and is developing proposals to respond to the problem(s) identified.
Business Combinations under Common Control	Board discussions about the staff findings from the 2015 research are expected to commence early in 2016 and the next step is likely to be a DP later in 2016.
Disclosure Initiative—Principles of Disclosure	The Principles of Disclosure and Standards-level Review are components of the research programme.
Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging	The Board has begun discussions and the next step is likely to be a DP.
Equity Method of Accounting	The Board will discuss in Q1 of 2016 how to proceed with the project, in light of feedback on the 2015 Agenda Consultation and from the Accounting Standards Advisory Forum (ASAF). Later research will consider whether there is a need for a fundamental review of the equity method.

Financial Instruments with Characteristics of Equity	The Board has begun discussions and the next step is likely to be a DP.
Inactive projects	
Extractive Activities /Intangible Assets/R&D	The Board is not currently working on this project.
Foreign Currency Translation	The Board has completed its assessment work on this project and has no current plans to undertake additional work. It plans to remove this project from the research programme, subject to feedback in the 2015 Agenda Consultation.
High Inflation	The Board has completed its assessment work on this project and has no current plans to undertake additional work. It plans to remove this project from the research programme, subject to feedback in the 2015 Agenda Consultation.

C1. At this meeting the staff will discuss with GPF members:

- (a) Share-based Payments; and
- (b) Improvements to the impairment requirements in IAS 36.