

STAFF PAPER

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Prepared for the Global Preparers Forum Meeting

Project	IASB Update		
Paper topic	Follow up on issues discussed at the November 2015 GPF meeting		
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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*.

The purpose of the session

1. This paper provides a brief, high-level update to the Global Preparers Forum (GPF) on how the staff or the International Accounting Standards Board (the Board) considered the advice received during the GPF meeting held in November 2015.¹ It is for information only.

¹ Information about the GPF's past meetings (including detailed notes from the meetings) can be found at <http://www.ifrs.org/About-us/IASB/Advisory-bodies/GPF/Pages/GPF-meetings.aspx>.

Update on advice received at the November 2015 GPF meeting

Topic	Summary of GPF views presented	Next steps/action taken by the Board
<p>IFRS Interpretations Committee Update</p> <ul style="list-style-type: none"> • IFRS 9 <i>Financial Instruments</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i>—Measurement of long-term interests • IAS 16 <i>Property, Plant and Equipment</i> —Accounting for proceeds and costs of testing of PPE • Overview of Interpretations Committee activities 	<p><u>IFRS 9 and IAS 28</u></p> <ul style="list-style-type: none"> • GPF members shared their views and experiences relating to the types of financial instruments that are included in the ‘net investment’ in associates, and how those instruments are accounted for today. • A few members noted that it would be useful if IAS 28 were amended to clarify what financial instruments qualify to be included in the net investment in an associate or joint venture. 	<p><u>IFRS 9 and IAS 28</u></p> <ul style="list-style-type: none"> • A summary of feedback received from GPF members was shared with the Board at its meeting in February 2016. • The Board and the Interpretations Committee will discuss the issue further at future meetings.

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	<p><u>IAS 16</u></p> <ul style="list-style-type: none"> • GPF members shared their views and experiences on the possible approaches to address the accounting for proceeds and costs of testing of PPE. The views expressed were mixed. • Members noted the importance of considering the unit of account, when depreciation should begin and the link to the production of inventory. <p><u>Overview of Interpretations Committee activities</u></p> <ul style="list-style-type: none"> • GPF members discussed the recent activities and projects of the Interpretations Committee. • Some members raised some questions relating to their understanding of some of the proposals in the Draft Interpretations on <i>Uncertainty over Income Taxes and Foreign Currency Transactions and Advance Consideration</i>, which were clarified by the 	<p><u>IAS 16</u></p> <p>While taking into consideration the comments received as well as the previous discussions of the Interpretations Committee, the staff will explore a number of approaches to address the issue, including approaches that might narrow the diversity in practice. The staff will present a paper at a future Interpretations Committee meeting to discuss the issue further.</p> <p><u>Overview of Interpretations Committee activities</u></p> <p>More details on the status of recent activities and projects of the Interpretations Committee can be found by clicking here.</p> <p>The comment letter period for the Draft Interpretations on <i>Uncertainty over</i></p>

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	IASB staff at the meeting.	<i>Income Taxes and Foreign Currency Transactions and Advance Consideration</i> has closed. IASB staff are in the process of analysing the comments. The analysis will be presented to the Interpretations Committee at a future meeting.
<p>Conceptual Framework</p> <p>Proposals in the <i>Conceptual Framework</i> Exposure Draft (published 28 May 2015) on the definitions, recognition and derecognition of assets and liabilities.</p>	<p>On the proposed definitions, some individual GPF members:</p> <ul style="list-style-type: none"> • asked for clarification in the <i>Conceptual Framework</i> on whether goodwill meets the definition of an asset; and • suggested that the <i>Conceptual Framework</i> should allow for the possibility of gross presentation for some executory contracts. <p>On recognition, some individual GPF members expressed views that:</p> <ul style="list-style-type: none"> • the proposed recognition concepts are ambiguous and could lead to a lowering of 	<p>The comment deadline for the Exposure Draft has now passed and the Board plans to start discussing responses in March 2016.</p> <p>In developing the revised <i>Conceptual Framework</i>, the Board will consider the feedback from this meeting, along with the feedback from comment letters and other consultations.</p>

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	<p>recognition thresholds in some Standards, such as IAS 37;</p> <ul style="list-style-type: none"> • the proposed factors to consider in recognition decisions would be more understandable if they were to be redrafted in positive, rather than negative, terms; • there should be more clarity about one of the factors: what the threshold for ‘low’ would be when considering whether assets or liabilities have a low probability of future inflows or outflows; • the proposed concepts could support the member’s view that, for litigation, no estimate of the liability should be recognised while significant uncertainty remains about the outcome; and • the Board should reconsider the terminology: ‘report’ could be a clearer term than ‘recognise’. <p>On derecognition, some individual GPF members suggested that:</p>	

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	<ul style="list-style-type: none"> • the proposed approach seems complex, and it seems strange for disclosures to be relevant in decisions about derecognition; and • while a ‘control’ approach could be feasible when it is possible to allocate the carrying value of an asset between retained rights and transferred rights, a ‘risks and rewards’ approach might be easier in other circumstances, eg if the entity has transferred all rights but assumed or retained some risks. 	
<p>IASB Agenda Consultation and Trustees’ Review of Structure and Effectiveness of the IFRS Foundation</p> <p>Views on the questions posed in the Request for Views (RFV) documents on the <i>2015 Agenda Consultation</i> and the <i>Review of Structure and Effectiveness</i>.</p>	<p><u>Agenda Consultation</u></p> <p>GPF members discussed the prioritisation of the research agenda. One GPF member suggested that a rigorous assessment of the problem and the feasibility of a solution should take place at the inception of each project. Another GPF member suggested the research programme should be bolder and should consider higher-level theme that are on the minds of CFOs.</p> <p>GPF members expressed differing views on the</p>	<p><u>Agenda Consultation</u></p> <p>The comment period on the <i>Agenda Consultation</i> closed on 31 December 2015. These messages will be included in the staff’s analysis of key messages from comment letters and outreach. These messages will be presented to a future meeting of the Board.</p>

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	<p>importance of individual research projects.</p> <p>GPF members also discussed the level of implementation support provided by the IFRS Interpretations Committee. One member thought that its processes were too slow.</p> <p>Two GPF members thought that change in IFRS Standards had, in general, been too rapid.</p> <p><i>Review of structure and effectiveness</i></p> <p>GPF members discussed the three main themes in the Trustees' Request for Views (RFV). On relevance of the Standards, one GPF member commented that the Board's current role in wider corporate reporting was appropriate and should not be expanded.</p> <p>Another GPF member spoke against extending the Board's remit to the public sector and not-for-profit private sector. On consistent application, one GPF member suggested that improvements should be made to the accessibility of education material on the</p>	<p><i>Review of structure and effectiveness</i></p> <p>The comment period on the Trustees' RFV closed on 30 November 2015. The feedback from this GPF meeting, together with the feedback from comment letters and other outreach activities, was presented to the Trustees at their January 2016 meeting. On relevance, the Trustees have decided that the Board's current role in wider corporate reporting should be retained</p>

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	<p>website. On governance and funding, GPF members expressed differing views on the optimal size of the Board. One GPF member suggested that the geographical composition of the Board should reflect the aggregate market capitalisation of entities using the Standards. GPF members made a number of suggestions on the funding of the Foundation.</p>	<p>and that the Board’s remit should not be extended to the public sector. No decisions were made on the other issues. The staff plan to present a more detailed analysis of the feedback and the issues arising at the next Trustees’ meeting in May 2016. This will include taking into account any implications in the light of the Board’s Agenda Consultation and whether any further due process is necessary.</p>
<p>Fair Value Measurement: Unit of Account</p> <p>The staff asked GPF members to provide input as part of the research work that the staff are currently undertaking on the relevance of the proposed fair value</p>	<p>Most GPF members generally did not think that $P \times Q$ would result in a relevant measurement for quoted investments and noted that the price that an entity would receive in a sales transaction would be different compared to the price of a single share, because of items such as control premiums (ie $P \times Q$</p>	<p>The Board was informed about the feedback received from the GPF members at its meeting in January 2016.² On the basis of the work performed in the research exercise, the Board did not have strong evidence that</p>

² Agenda Paper 6A presented at the January 2016 Board meeting can be found at: <http://www.ifrs.org/Meetings/MeetingDocs/IASB/2016/January/AP06A-FVM.pdf>

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<p>measurement in the Exposure Draft (ED) <i>Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value</i> (Proposed amendments to IFRS 10, IFRS 12, IAS 27, IAS 28 and IAS 36 and Illustrative Examples for IFRS 13), published in September 2014.</p>	<p>did not represent an exit price).</p> <p>One GPF member noted that the same reasons why they do not consider the measurements resulting from applying $P \times Q$ to be relevant measurements for quoted investments would also apply in the case of quoted CGUs.</p>	<p>the issue is widespread or that there is divergence in practice that needs to be dealt with by amendments to Standards. The Board also discussed that the Post-implementation Review (PIR) of IFRS 13 <i>Fair Value Measurement</i> will be a better setting for testing this conclusion. Consequently, the Board noted that it will use the work carried out during this research by feeding it into the PIR of IFRS 13. It will then consider further work on this topic if the PIR identifies this as a critical area in which entities have encountered significant problems when implementing the Standard.</p>
<p>Disclosure Initiative: Materiality Practice Statement</p> <p>The staff requested feedback on the</p>	<ul style="list-style-type: none"> Some GPF members supported the explanatory nature of the Draft Practice Statement because, in their view, it was well suited to its purpose of 	<p>The staff are currently carrying out outreach on the Draft Practice Statement. The comment period</p>

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<p>Exposure Draft of the Practice Statement on Materiality:</p> <ul style="list-style-type: none"> • whether GPF members found the Draft Practice Statement helpful; • whether there are any useful topics that should be added to the Practice Statement. 	<p>helping preparers make materiality judgements.</p> <ul style="list-style-type: none"> • However, GPF members were not sure whether the Draft Practice Statement would be sufficient to discourage treating the specific disclosures requirements in Standards as a checklist. • A suggestion was made that perhaps the Practice Statement should provide guidance on a disclosure that would describe the removal of immaterial information. However, the suggestion was met with mixed reactions from other GPF members who thought it would very quickly become boilerplate. • GPF members were generally happy with the proposal that the final guidance should not be mandatory. Because materiality is based on judgement, it would be very difficult to ‘police’ mandatory application. • Overall, GPF members were unsure how to assess whether the Practice Statement would be helpful until it was published. 	<p>deadline is 26 February 2016.</p> <p>The staff are considering the comments received on the Draft Practice Statement and will present their analysis to the Board in the next few months.</p> <p>The Board aims to issue the finalised Practice Statement in 2016.</p>