

AGENDA PAPER

IFRS® Foundation Trustees meeting – Due Process Oversight Committee

New Delhi October 2016

Agenda ref 1B

PRESENTER Hugh Shields

AUTHOR Michelle Sansom
 Samuel Prestidge

This paper has been prepared for discussion at a public meeting of the IFRS Foundation Trustees by the staff. It does not represent the views of the Trustees or any individual member of the Trustees. 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 IASB® *Update*.

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') May to August 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 5 to 9.
 - (b) A summary of the technical report is set out in Appendices, as follows:
 - (i) Appendix A—Standard-setting and related projects;
 - (ii) Appendix B—Implementation activities;
 - (iii) Appendix C—Research projects;
 - (iv) Appendix D—Compliance report; and
 - (v) Appendix E—Work plan as at 20 July 2016.
 - (c) Details of due process documents issued and published in the period are set out in paragraph 3.

Due process documents

3. In the period May to August 2016 the Board has:
 - (a) Issued amendments to IFRS 2 *Share-Based Payment—Classification and Measurement of Share-based Payment Transactions*; and

- (b) Published proposed amendments to IFRS 3 *Business Combinations* and IFRS 11 *Joint Ventures—Definition of a Business and Accounting for Previously Held Interests* (Exposure Draft).

Compliance Report

4. A list of the Board papers that were posted after the posting deadline for the month of July 2016 is set out in Appendix D. There were no late papers in May or June 2016 and no meeting was held in August 2016.

Key Issues

2015 Agenda Consultation

5. The Board aims to complete its deliberations of the feedback to its Request for Views *2015 Agenda Consultation* at its September 2016 meeting when it discusses other feedback received, not directly related to its work plan.
6. A summary of the process the Board has undertaken to develop its future agenda is set out in a separate paper provided to the DPOC. The objective of that paper is to demonstrate that the Board has acted in accordance with paragraphs 4.3 to 4.5 of the Due Process Handbook. The Agenda Consultation will also be discussed at the plenary session of this Trustees meeting.

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

7. At its meeting in May 2016 the Board concluded its redeliberations on the proposals in the Exposure Draft (ED) *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* (Amendments to IFRS 4). These amendments result from the Board's consideration of issues that may arise from applying IFRS 9 prior to the forthcoming insurance contracts Standard.
8. The DPOC reviewed this project's life-cycle review at its last meeting (agenda paper 3B(i), May 2016 meeting).
9. The Amendments to IFRS 4 were issued on 12 September 2016.

Appendix A — Standard-setting and related projects as at 20 July 2016¹

The Conceptual Framework

| | |
|---------------------------|---|
| Last due process document | ED published in May 2015 (comment deadline 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 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.
- A2 The Board published a Discussion Paper (DP) in July 2013 and an ED in May 2015. During the comment period on the ED the Board conducted outreach meetings to raise awareness of, and obtain feedback on, the proposals. Meetings were held in 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.
- A3 The Board received over 220 comment letters on the ED. All comment letters and 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.
- A4 At its meeting in April 2016 the Board decided that it would redeliberate the topics where the proposals in the ED have proved controversial or those topics for which new information has become available.
- A5 In the period May to August 2016 the Board continued its redeliberations of the ED. It also sought advice from Accounting Standards Advisory Forum (ASAF) at its meeting in July 2016.
- A6 The Board will seek advice from ASAF and World Standard-Setters (WSS) in September 2016.
- A7 The Board hope to complete redeliberations in November 2016 and plan to issue a revised *Conceptual Framework* in 2017.

¹ Date of which the work plan was last updated.

Disclosure Initiative: *Materiality–Practice Statement*

A8 The Materiality Practice Statement is part of the Disclosure Initiative; more information about the Disclosure Initiative is set out in paragraphs C1 to C17 of the report.

| | |
|---------------------------|--|
| 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 2017. |

A9 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. The ASAF, the Global Preparers Forum (GPF), the WSS, the Advisory Council, International Organization of Securities Commissions (IOSCO) and the International Auditing and Assurance Standards Board (IAASB) have all been consulted.

A10 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.

A11 In the period May to August 2016 the Board has sought advice from Capital Markets Advisory Committee (CMAC) and GPF (in the joint meeting of the CMAC and GPF) and from ASAF on a draft ‘Four-step Approach’ for making materiality judgements when preparing a financial report.

A12 The Board will discuss the ‘Four-step Approach’ at its meeting in October 2016.

Insurance Contracts

| | |
|---------------------------|---|
| Last due process document | Revised ED published in June 2013 with a comment period of 120 days. |
| Current status | The Board has completed its planned deliberations and has begun the drafting process for the new Standard. |
| DPOC role | Monitor the Board’s activities in developing Standard. |
| Timing | The Board to complete its redeliberations (of any remaining sweep issues) in Q4 of 2016 and issue a Standard in H1 of 2017. |

A13 The DPOC reviewed the project’s life-cycle review at its last meeting (agenda paper 3C, May 2016 meeting).

A14 Since May 2016, the Board has discussed some narrow scope issues that have arisen from the drafting process of the forthcoming insurance contracts Standard and is currently reviewing a pre-ballot draft of the forthcoming Standard.

- A15 At the same time, the staff are conducting field work with selected preparers and seeking input from selected external parties, including the larger audit firms, on a working draft of the forthcoming Standard. The staff expects to complete these procedures by the end of September 2016, allowing the Board to discuss any sweep issues that arise from the drafting process in Q4 of 2016, and to set the mandatory effective date for the Standard. A pre-ballot draft of the Standard will be made available to IFASS members after any decisions from those discussions have been reflected in the draft.
- A16 Although the Board had anticipated issuing the insurance contracts Standard in late 2016 it now anticipates that it will issue the Standard in 2017. The date for issuing the Standard will depend on the feedback the Board receives from the field work and the drafting process. The extension in the timetable reflects the detailed field work and drafting process, including external reviews, that the Board has directed staff to undertake to support the quality of the forthcoming Standard.

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. |

- A17 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 explored several possible approaches for the Board to consider when deciding how best to report the financial effects of a defined type of rate regulation.
- A18 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 *Revenue from Contracts with Customers*.
- A19 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.

- A20 The advice of ASAF has been sought regularly during 2015; at its April 2016 meeting ASAF discussed illustrative examples of rate regulation. The ASAF will discuss papers prepared by the Korea Accounting Standards Board and the Canadian ASB at its meeting in September 2016.
- A21 At its April 2016 meeting the Board asked the staff to develop an accounting model to reflect the effects of rate regulation, building on the discussions with ASAF. The staff are continuing to develop this model.

Appendix B — Implementation activities

- B1 The Board has continued to support the implementation of its recently issued new Standards. Current activities include:
- (a) Publication of the 5th webcast supporting the implementation of IFRS 16 *Leases*. The webcast addresses the topic of measurement.
 - (b) An *IFRS Foundation Conference: Implementing the IFRS 16 Leases requirements* was held on 20 May 2016.
 - (c) A *Joint IFRS Foundation and ICAEW Conference: IFRS 16 Leases—implementing the new Standard* will be held on 7 October 2016.
 - (d) A joint webcast by the Board and the Financial Accounting Standards Board (FASB) that discusses implementation of the requirements in IFRS 15 *Revenue from Contracts with Customers* took place on 15 September 2016. The FASB decided it was not necessary to hold a Revenue Transition Resource Group meeting in July 2016.
 - (e) Publication of a webcast on how to incorporate forward-looking information in the application of the Expected Credit Loss impairment requirements of IFRS 9 *Financial Instruments*.
 - (f) IFRS Conferences (including the WSS Conference) include education sessions on IFRS 9, IFRS 15 and IFRS 16.
- B2 In the period May 2016 to August 2016 the Interpretations Committee meet in May 2016 and held a video conference meeting in July 2016. Activities in the period include:
- (a) Interpretations:
 - (i) The Committee has tentatively decided to develop a draft Interpretation in response to a request relating to the interaction between IFRS 9 and IAS 28 *Investments in Associates and Joint Ventures*. Specifically, the issue relates to whether an entity applies IFRS 9, IAS 28 or a combination of both Standards to the measurement of long-term interests in an associate or a joint venture that, in substance, form part of the net investment in the associate or joint venture, but to which the equity method is not applied².
 - (ii) Table 1 of the report sets out the Committee's progress on its draft Interpretations: *Foreign Currency Transactions and Advance Consideration* and *Uncertainty over Income Tax Treatments*.
 - (b) Finalisation of agenda decisions:
 - (i) IFRS 9 *Financial Instruments* and IAS 39 *Financial Instruments: Recognition and Measurement*—Derecognition of modified financial assets.
 - (ii) IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*—Accounting for repayable cash receipts.
 - (iii) IAS 36 *Impairment of Assets*—Recoverable amount and carrying amount of a cash-generating unit.

² At its September 2016 meeting, the Board considered the Committee's tentative decision to develop a draft IFRIC Interpretation. Although the Board agreed with the Committee's technical conclusions, they expressed concern that the draft Interpretation would have strayed into the application of the equity method in IAS 28, in addition to specifying that long-term interests are within the scope of IFRS 9. Accordingly, 10 of 12 Board members objected to the release of the draft Interpretation. The Board instructed the staff to explore whether there is a more effective way of clarifying which Standards apply to long-term interests.

- (iv) IFRS 11 *Joint Arrangements* and IFRS 10 *Consolidated Financial Statements*—Accounting for loss of control transactions.
 - (v) IFRIC 12 *Service Concession Arrangements*—Payments made by an operator to a grantor in a service concession arrangement.
 - (c) Proposed tentative agenda decisions:
 - (i) IFRS 9 *Financial Instruments* and IAS 39 *Financial Instruments: Recognition and Measurement*—Fees and costs included in the ‘10 per cent’ test for the purpose of derecognition.
 - (ii) IAS 32 *Financial Instruments: Presentation*—Accounting for a written put option over non-controlling interests to be settled by a variable number of the parent’s shares.
 - (iii) IFRIC 12 *Service Concession Arrangements*—Accounting for service concession arrangements for which the infrastructure is leased.
 - (iv) IAS 12 *Income Taxes*—Expected manner of recovery of indefinite life intangible assets when measuring deferred tax.
- B3 The Committee met in September 2016; no significant matters arose. We will report on that meeting in our next report to the DPOC.

Appendix B — Implementation activities

B4 Progress on narrow-scope amendments and IFRIC Interpretations is set out below:

| Table 1: Progress on narrow-scope amendments and IFRIC Interpretations | | | |
|--|---|---|---|
| Project | Objective | Status | The Board's/Interpretations Committee's next steps |
| Change in Accounting Policies and Estimates (Proposed amendments to IAS 8) | To clarify the existing distinction between a change in an accounting policy and a change in an accounting estimate. | The staff proposals were discussed at the ASAF meeting in July 2016. | Publish an ED within 6 months. This project was delayed as the staff decided to seek further feedback from ASAF at its meeting in July 2016. The Board will consider the feedback from ASAF at its meeting in September 2016. |
| 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. | Publish an ED within 6 months. This project remains delayed because resources have been redirected to the Agenda Consultation. |
| Classification of Liabilities (Proposed amendments to IAS 1) | The objective of this project is to clarify when rights to defer settlement affect the classification of liabilities. | 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. | Issue an amendment to the Standard after 6 months. 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> . |

| Table 1: Progress on narrow-scope amendments and IFRIC Interpretations | | | |
|---|---|--|--|
| Project | Objective | Status | The Board's/Interpretations Committee's next steps |
| Definition of a Business and Accounting for Previously Held Interests (Proposed amendments to IFRS 3 and IFRS 11) | 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. | ED published June 2016. Comment period ends 31 October 2016. | Decide project direction. |
| Foreign Currency Transactions and Advance Consideration (IFRIC Interpretation) | 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 Committee has concluded its discussions of feedback on the draft Interpretation. At its meeting in July 2016 the Committee confirmed that it is satisfied that all due process steps have been complied with and instructed the staff to begin the balloting process for the Interpretation. | Seek the Board's ratification at its meeting in October 2016. Issue the final Interpretation within 6 months. |
| 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) | To clarify: (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. | An ED was published in June 2015 and closed for comment in October 2015. The Committee discussed a summary of comment letters at its meeting in July 2016. | To decide on the project's direction within 3 months. |
| Transfers of Investment Property (Proposed amendments to IAS 40) | 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. | ED published in December 2015. At its meeting in July 2016 the Board tentatively decided to proceed with finalising the amendments to IAS 40. The Board confirmed that it is satisfied that all due process steps have been complied with and | Issue IFRS Amendment within 6 months. |

| Table 1: Progress on narrow-scope amendments and IFRIC Interpretations | | | |
|---|---|--|--|
| Project | Objective | Status | The Board's/Interpretations Committee's next steps |
| | | instructed the staff to begin the balloting process for the amendment. | |
| Uncertainty over Income Tax Treatments (IFRIC Interpretation) | 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. The Committee discussed a summary of the feedback on the draft Interpretation at its meeting in July 2016. | To decide on the project's direction within 3 months. |
| Annual Improvements to IFRS 2014–2016 Cycle & 2015-2017 Cycle | The Board has adopted the Annual Improvements process to deal efficiently with a collection of narrow-scope amendments to IFRS Standards, even though the amendments are unrelated. | <p>In November 2015 the Board published an ED <i>Annual Improvements to IFRSs 2014-2016 Cycle</i>. The ED closed for comment in February 2016.</p> <p>At its meeting in July 2016 the Board tentatively decided to proceed with finalising the amendments to IFRS 1, IFRS 12 and IAS 28 within the 2014-2016 Cycle. The Board confirmed that it is satisfied that all due process steps have been complied with and instructed the staff to begin the balloting process for the amendments.</p> <p>Two amendments have been identified for inclusion in the 2015-2017 Cycle. At its meeting in July 2016 the Board tentatively decided to proceed with publishing an ED of proposed amendments to IAS 12 and IAS 23 within the 2015-2017 Cycle. The Board confirmed that it is satisfied that all due process steps have been complied with and instructed the staff to begin the balloting process for the proposed amendments.</p> | <p>To issue final amendments to IFRS 1, IFRS 12 and IAS 28 within 6 months (the 2014-2016 Cycle).</p> <p>To publish an ED of proposed amendments to IAS 12 and IAS 23 within 6 months (the 2015-2017 Cycle).</p> |

Appendix C — Research projects

Disclosure Initiative

- C1 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.
- C2 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.
- C3 As part of the Disclosure Initiative the Board has published an ED of a Practice Statement on the application of materiality (see paragraphs A8 to A12).
- C4 In addition as part of the Disclosure Initiative narrow-scope amendments have been made to IAS 1 and IAS 7 *Statement of Cash Flows*. The Board is redeliberating the proposed narrow scope amendment to IAS 7 to improve disclosures about liquidity.

Principles of Disclosure

- C5 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 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.
- C6 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 IOSCO; the European Securities and Markets Authority (ESMA); and investors and users of financial statements.
- C7 We originally had an ambitious target for publishing the DP for the end of Q1 of 2016. Due to significant changes in the staffing of the project (and particularly at senior staff level) and the need to manage the balloting schedule alongside the forthcoming insurance contracts standard, the drafting and balloting of the DP is taking longer than anticipated. We now expect that the DP will be published in Q4 of 2016.

Standards-level review of disclosures

- C8 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.

- C9 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.
- C10 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.

Primary financial statements

- C11 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.
- C12 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.
- C13 The staff are continuing to develop a plan for how to progress the project focusing on setting the scope of the project. In the period May to August 2016 advice on the project's scope was requested from the joint GPF and CMAC meeting and at the July 2016 ASAF meeting.

Business combinations under common control

- C14 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.
- C15 The advice of the ASAF has been sought most recently at April 2016 ASAF meeting.
- C16 In April 2016 the Board discussed the research and outreach findings, together with feedback on the 2015 Agenda Consultation.
- C17 Further work on this project will recommence at the end of 2016 when staff become available.

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. |
| DPOC role | Monitor the Board's redeliberations of the DP. |
| Timing | Not yet determined. |

- C18 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.
- C19 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.
- C20 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.
- C21 The staff are continuing to consider alternative approaches for recognition and measurement along with the information needs arising from an entity's dynamic risk management activities. The staff are currently participating as observers in the meetings conducted by the European Financial Reporting Advisory Group (EFRAG) with key banks in their jurisdiction to better understand the key drivers and parameters used in core demand deposit modelling.
- C22 The Board has decided that the project should remain in the Research programme with the aim of publishing a second DP.

Financial instruments with characteristics of equity

- C23 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.
- C24 The Board continued its discussions of the project in May and July 2016. It also sought advice at the joint GPF and CMAC meeting in June 2016, and at the ASAF meeting in July 2016.

Goodwill and impairment

- C25 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.
- C26 At its meeting in May 2016 the Board discussed 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). The quantitative information was also discussed at the July 2016 ASAF meeting.
- C27 In June 2016 Board held a joint education session with the FASB. The aim of the session was for the two boards to update each other on their respective projects since the last joint meeting in September 2015. No decisions were made at the meeting.

Discount rates

- C28 Different discount rates are used in different Standards. The staff have been assessing why those differences exist and their effects. The Board began considering the staff analysis during Q4 of 2015. The staff expect to ask the Board by the end of the year whether there is a need:
- (a) to perform any further research on this topic; or
 - (b) to seek any feedback from stakeholders.
- C29 The staff will consider how best to make the work performed visible and retrievable, for example, as a research summary.

Share-based payment

- C30 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.
- C31 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.

- C32 The staff discussed the findings of the research with the GPF in March 2016. 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.
- C33 In May 2016, the Board completed its review of the research on share-based payment and decided:
- (a) not to perform any further research on this topic;
 - (b) that there is no need to seek feedback from stakeholders on that decision or on the staff's findings; and
 - (c) that there is no need to publish a formal Research Paper or Discussion Paper summarising the research performed in this project. The staff will consider how best to make the work performed visible and retrievable, as a research summary.

Appendix D - Compliance report

| Agenda Paper | Name | Posted | Reason |
|--------------|---|--------------|--|
| 14 | Amendments to IFRS 4: <i>Applying IFRS 9</i> Financial Instruments with IFRS 4 Insurance Contracts; Sweep issue. | 13 July 2016 | Agenda Paper 14 addresses a matter that has arisen following the initial review by Board members of the Amendments to IFRS 4 <i>Applying IFRS 9</i> Financial Instruments with IFRS 4 Insurance Contracts (Amendments). In view of the urgency of the Amendments, and in order not to delay issuing the Amendments, the staff decided to bring this matter to the attention of the Board at its July 2016 meeting. |

Appendix E – Work plan as at 20 July 2016

Agenda ref **1B**

| | Current activity | Next major milestone | | | Timing Changes |
|--|------------------|----------------------|-----------------|----------------|----------------|
| | | Within 3 months | Within 6 months | After 6 months | |

| Standard-setting and related projects | | | | | |
|---|-------------------------|---|--|----------------------------|--------------------------------------|
| Conceptual Framework | Analysis | | | Issue Conceptual Framework | No Change |
| Disclosure Initiative: Materiality Practice Statement | Analysis | Decide Project Direction | | | No Change |
| Insurance Contracts | Drafting IFRS Standard | | | Issue IFRS Standard | Delayed (See paragraphs A13 to A16)) |
| Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts | Drafting IFRS Amendment | Issue IFRS Amendment (expected September) | | | No Change |
| Rate-regulated Activities | Analysis | | | Publish DP | No change |

| | Current activity | Next major milestone | | | Timing Changes |
|--|------------------|----------------------|-----------------|----------------|----------------|
| | | Within 3 months | Within 6 months | After 6 months | |

Narrow-scope amendments and IFRIC Interpretations

| | | | | | |
|--|---------------------|--------------------------|----------------------------|--------------------------|-----------------|
| Changes in Accounting Policies and Estimates | Analysis | | Publish ED | | No change |
| Clarifications to IFRS 8 arising from the Post-implementation Review | Drafting ED | | Publish ED | | Remains delayed |
| Classification of Liabilities (Proposed amendments to IAS 1) | Analysis | | | Issue IFRS Amendment | Held back |
| Definition of a Business and Accounting for Previously Held Interests (Proposed amendments to IFRS 3 and IFRS 11) [Comment period ends 31 October 2016] | Public Consultation | | | Decide Project Direction | ED published |
| Foreign Currency Transactions and Advance Consideration (Draft IFRIC Interpretation) | Drafting | | Issue IFRIC Interpretation | | No change |
| 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 | | | No change |
| Transfers of Investment Property (Proposed amendments to IAS 40) | Drafting | | Issue IFRS Amendment | | No change |
| Uncertainty over Income Tax Treatments (Draft IFRIC Interpretation) | Analysis | Decide Project Direction | | | No change |
| Annual Improvements 2014–2016 | Drafting | | Issue IFRS Amendments | | No change |
| Annual Improvements 2015-2017 | Drafting | | Publish ED | | No change |

| | Current activity | Next major milestone | | | Timing Changes |
|--|---------------------------|----------------------|--------------------------------|--------------------------|----------------------------------|
| | | Within 3 months | Within 6 months | After 6 months | |
| Research projects | | | | | |
| Disclosure Initiative: Principles of Disclosure | Drafting DP | | Publish DP (expected December) | | Delayed (See paragraph C7) |
| Primary Financial Statements | Analysis | | Decide Project Scope | | Timing not previously identified |
| Business Combinations under Common Control | Analysis | | | Publish DP | |
| Dynamic Risk Management | Analysis | | | Publish DP | |
| Financial Instruments with Characteristics of Equity | Analysis | | | Publish DP | |
| Goodwill and Impairment | Analysis | | | Decide Project Direction | |
| Discount rates | Analysis | | Publish Research Summary | | |
| Share-based Payment | Drafting Research Summary | | Publish Research Summary | | |