World Standard-setters Meeting

A two-day meeting for World Standard-setters
Monday 23 September 2013

Programme day-1:
Conference chair—Ian Mackintosh, Vice-Chairman, IASB

08:30 Registration
Tea/Coffee

09:00 Welcome and IASB update Auditorium
Hans Hoogervorst, IASB Chairman

09:20 Conceptual Framework project: asset and liability definitions and recognition
Auditorium
(20 minutes)
Peter Clark, Director of Research, IASB

Small group discussions: asset and liability definitions and recognition
Discussion group leaders:
- Jim Obaze (chair) Auditorium
- Kevin Stevenson (chair) Bowyer room
- Linda Mezon (chair) Crown Suite
- Alfred Wagenhofer (chair) Flint room
- Clement Chan (chair) Wakefield Suite

11:30 Feedback from small group discussions: asset and liability definitions and recognition
Auditorium
5 presenters x +10 minutes each

12:30 Lunch

13:30 Conceptual Framework project: measurement and other comprehensive income
(30 minutes)
Rachel Knubley, Technical Principal, IASB

Small group discussions: measurement and OCI
Discussion group leaders:
- Felipe Pérez Cervantes (chair) Auditorium
- Ikuo Nishikawa (chair) Bowyer room
- Tom Linsmeier (chair) Crown Suite
- Liesel Knorr (chair) Flint room
- Tricia O’Malley (chair) Wakefield Suite

15:30 Tea/Coffee

16:00 Feedback from small group discussions: measurement and OCI Auditorium
5 presenters x +10 minutes each

17:00 Close Day 1

18:30 Dinner Crown Suite
Tuesday 24 September 2013

Programme day-2
Conference chair—Ian Mackintosh, Vice-Chairman, IASB

08:00 Optional sessions
1. Education session: new revenue recognition standard: PK, IASB member, Henry Rees
   Associate Director, IASB, Allison McManus and possibly FASB staff Crown Suite
2. Education session: new hedging requirements: Darrel Scott IASB member and Sue Lloyd
   Senior Director Technical Activities, IASB Flint room
3. IFRS adoption and translation issues: Leilani Macdonald, Manager, Translation, Adoption and
   Copyright, IFRS Foundation Wakefield Suite
4. Post-implementation review (PIR) of IFRS 3 Business Combinations: Ian Mackintosh
   Vice-Chairman, IASB and Mariela Isern, IASB staff Bowyer room

09:00 Working with national standard-setters Auditorium
Ian Mackintosh, Vice-Chairman, IASB
Jurisdiction profiles: Yael Almog, Executive Director, IFRS Foundation
ASAIF: Yael Almog, Executive Director, IFRS Foundation
Research: Alan Teixeira, Senior Director, Technical Activities, IASB

09:00 Tea/Coffee break

10:00 Smaller group sessions

10:30 Choose 1 of:
   - IFRS for SMEs: Darrel Scott, IASB member and Chairman SME IG and Michelle Fisher, IASB staff
     Auditorium
   - Insurance contracts: Patrick Finnegan, IASB member and Izabela Ruta, IASB staff Bowyer room
   - Leases: Takatsu Ochi, IASB member, Henry Rees, IASB staff and Cullen Walsh, FASB staff Flint room
   - Disclosure: Stephen Cooper, IASB member, Alan Teixeira, Kristy Robinson, IASB staff and Amy Bannister,
     IASB staff Wakefield Suite

12:15 Lunch

13:15 Smaller group discussions

15:00 IFRS Advisory Council update Auditorium
   Chair—Amaro Gomes, IASB member
   Presenter—Christoph Hütten, Vice-Chairman, IFRS Advisory Council

15:15 Jurisdiction updates Auditorium
Ian Mackintosh, Vice-Chairman, IASB
Presenters:
   AOSSG update: Kevin Stevenson, Chairman, AOSSG
   EFRAG update: Pieter Dekker, Technical Director, EFRAG
   FASB update: Tom Linsmeier, Member, FASB
   GLASS update: Jorge Gil, Chairman, GLASS
   IFASS update: Tricia O’Malley Chairman, IFASS
   PAFA update: Vickson Ncube, CEO, PAFA

16:15 End of conference
Welcome and IASB update

Hans Hoogervorst
Chairman
IASB
World Standard-setters Meeting
Monday 23 and Tuesday 24 September 2013
The Grange City Hotel (London)

NOTES
Conceptual Framework project: Asset and liability definitions and recognition

Peter Clark  
Director of Research  
IASB
The views expressed in this presentation are those of the presenter, not necessarily those of the IASB or IFRS Foundation.

Conceptual Framework

Purpose of Conceptual Framework
- Identifies concepts for the IASB to use when it develops and revises its Standards

Project Objective
- Improve financial reporting by providing the IASB with a complete and updated set of concepts to use when it develops or revises Standards

The Discussion Paper
- First step towards revising the Conceptual Framework
- Help us shape the future of financial reporting by influencing the concepts that drive our work

Conceptual Framework: Status

Objective of financial reporting
- Qualitative characteristics

ED
- Reporting entity
- Everything else on financial statements

Completed

Conceptual Framework: Timetable

Feb - Apr 2013 IASB discussions
18 Jul 2013 Issue DP
Comment period ends 14 Jan 2014
Q4 2014 Issue ED
End 2015 Final

Existing definitions and recognition criteria

Existing definitions and recognition criteria
- Problems

IASB’s preliminary views

Discussion topics:
- 1) Impact on future events
- 2) Impact of uncertainty
- 3) Recognition criteria

Agenda

Brief background on the project
Existing definitions and recognition criteria
- Problems
IASB’s preliminary views
Discussion topics:
- 1) Impact on future events
- 2) Impact of uncertainty
- 3) Recognition criteria

Peter Clark, pclark@ifrs.org
Existing definitions

<table>
<thead>
<tr>
<th>Asset [of an entity]</th>
<th>Liability [of an entity]</th>
</tr>
</thead>
<tbody>
<tr>
<td>• a resource controlled by the entity</td>
<td>• a present obligation of the entity</td>
</tr>
<tr>
<td>• as a result of past events</td>
<td>• arising from past events</td>
</tr>
<tr>
<td>• from which future economic benefits are expected to flow to the entity</td>
<td>• the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits</td>
</tr>
</tbody>
</table>

Proved useful tool for many years but for some problems

What is recognition?

- Identify the assets, liabilities, income, expenses
- Depiction in words and numbers
- Existing criteria:
  - Meets definitions
  - Probable inflows or outflows
  - Measured reliably

Proved useful tool for many years but for some problems

Some problems with existing definitions and recognition criteria

Confusion on which is the asset or liability?

- the resource vs inflows of economic benefits that the resource may generate
- the obligation vs outflows of economic benefits that the obligation may generate

What is the role of uncertainty?

- Definitions: ‘Expected’ vs ‘Expected’
- Recognition criteria: ‘Probable’ vs ‘Probable’
- Some meaning?
- Minimum threshold?
- Expected statistical meaning (e.g., mean)?
- Will it occur vs whose inflow/outflow?

IASB’s preliminary views

International Financial Reporting Standards

The views expressed in this presentation are those of the presenter, not necessarily those of the IASB or IFRS Foundation

IASB’s preliminary views—uncertainty

Existence uncertainty
- • occurs in limited circumstances.
- • if significant for a particular asset or liability, IASB would decide how the uncertainty should be dealt with when developing applicable IFRS.
- • conceptual Framework should not set a probability threshold.

Outcome uncertainty
- • does not affect existence of asset or liability.
- • so definitions should omit requirement for right or obligation to be expected to result in inflows or outflows.
- • BUT outcome uncertainty might affect conclusions about whether asset or liability should be recognised ...

Which is the asset or liability?

The asset is the resource, not the ultimate future inflow.
The liability is the obligation, not the ultimate future outflow.

Example | Resource | Ultimate future inflows |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Call option held on an underlying asset</td>
<td>Contractual right to buy the underlying asset</td>
<td>Underlying asset</td>
</tr>
<tr>
<td>Pharmaceutical research that is in progress</td>
<td>Know-how</td>
<td>Economic benefits that will arise if the research is successful</td>
</tr>
<tr>
<td>Lottery ticket</td>
<td>Right to participate in the lottery</td>
<td>Cash prize</td>
</tr>
</tbody>
</table>

© IFRS Foundation. 30 Cannon Street | London EC4M 6XH | UK. www.ifrs.org
IASB’s preliminary views: definitions

<table>
<thead>
<tr>
<th>Asset [of an entity]</th>
<th>Liability [of an entity]</th>
</tr>
</thead>
<tbody>
<tr>
<td>• A present economic resource controlled by the entity as a result of past events</td>
<td>• a present obligation of the entity to transfer an economic resource as a result of past events</td>
</tr>
<tr>
<td>• An economic resource = a right, or other source of value, that is capable of producing economic benefits</td>
<td></td>
</tr>
</tbody>
</table>

IASB preliminary views: recognition

Entities should recognise all assets and liabilities, unless IASB decides that:

• recognising a particular asset or liability would provide information that is not relevant, or not sufficiently relevant to justify cost;
  or
• no measure of an asset or a liability would result in a sufficiently faithful representation of both:
  • the asset or liability, and
  • the resulting income or expense.

OTHER GUIDANCE TO SUPPORT DEFINITIONS

<table>
<thead>
<tr>
<th>Asset definition</th>
<th>Liability definition</th>
<th>Both definitions</th>
</tr>
</thead>
<tbody>
<tr>
<td>meaning of ‘economic resource’</td>
<td>constructive obligations</td>
<td>reporting substance of contractual rights and obligations</td>
</tr>
<tr>
<td>meaning of ‘controlled’</td>
<td>impact of future events</td>
<td>executory contracts</td>
</tr>
</tbody>
</table>

More information

• Discussion Paper http://go.ifrs.org/DP-Conceptual-Framework-July-2013 – Comments to be received by 14 January 2014
• Snapshot http://go.ifrs.org/Snapshot-DP-Conceptual-Framework-2013
• Conceptual Framework website http://go.ifrs.org/Conceptual-Framework
Expressions of individual views by members of the IASB and its staff are encouraged.

The views expressed in this presentation are those of the presenter. Official positions of the IASB on accounting matters are determined only after extensive due process and deliberation.
NOTES
Asset and liability definitions and recognition:
Small group discussion

Clement Chan  
*Chairman, Financial Reporting Standards Board*  
*Hong Kong Institute of Certified Accountants*

Linda Mezon  
*Chair*  
*Accounting Standards Board of Canada*

Jim Obazee  
*Executive Secretary/Chief Executive Officer*  
*Financial Reporting Council of Nigeria*

Kevin Stevenson  
*Chairman and CEO*  
*Australian Accounting Standards Board*

Alfred Wagenhofer  
*Chair*  
*Austrian Financial Reporting and Auditing Committee (AFRAC)*
Small group discussions

Asset and liability definitions and recognition
Discussion Topic 1

‘Present’ obligation—the impact of an entity’s future actions
‘Present’ obligation—views considered in Discussion Paper

**View 1**
An obligation that:
• arises from past events, and
• is strictly unconditional.

The entity has no ability to avoid the transfer through its future actions.

**View 2**
An obligation that:
• arises from past events, and
• is practically unconditional.

The entity does not have practical ability to avoid the transfer through its future actions.

**View 3**
An obligation that:
• arises from past events, and
• may be either unconditional or conditional on the entity’s future actions.

On meeting any further specified conditions, the entity will have to transfer an economic resource that it would not have had to transfer in the absence of the past events.

The amount of the future transfer is determined by reference to benefits received, or activities conducted, by the entity before the end of the reporting period.
Scenario A
Levy on revenues above a threshold

A government charges a levy on entities that operate trains on the national rail network. The levy is charged at the end of each calendar year. The levy is 1 per cent of revenue earned in the year in excess of 500 million currency units (CU).

A train operator is preparing financial statements for its financial reporting year to 30 June. It has earned revenue of CU450 million between 1 January and 30 June. It expects to have earned revenue of CU900 million by the end of the calendar year and hence to be charged a levy of CU4 million* for the year.

* (CU900 million – CU500 million) x 1%

Questions for discussion

1. Has the necessary ‘past event’ occurred?

2. Is there a present obligation applying:
   - View 1
   - View 2
   - View 3?

3. Do you think a present obligation exists in this scenario? Why or why not?
Scenario B
Contingent consideration

A contract for the sale of a business requires the acquirer to make an additional payment of C$5 million to the seller if the acquired business meets specified earnings targets in the three years after acquisition.

The acquirer is preparing financial statements at the acquisition date. Available evidence suggests that it is highly likely that the acquired business will exceed the earnings targets.

Questions for discussion

1. Has the necessary ‘past event’ occurred?
2. Is there a present obligation applying:
   – View 1
   – View 2
   – View 3?
3. Do you think a present obligation exists in this scenario?
Discussion Topic 2

Asset and liability definitions—impact of uncertainty
Existence uncertainty
• occurs in limited circumstances.
• if significant for a particular asset or liability, IASB would decide how the uncertainty should be dealt with when developing applicable IFRS.
• conceptual Framework should not set a probability threshold.

Outcome uncertainty
• does not affect existence of asset or liability.
• so definitions should omit requirement for right or obligation to be expected to result in inflows or outflows.
• BUT outcome uncertainty might affect conclusions about whether asset or liability should be recognised (page 11).
Scenario C—Lawsuit in progress

Entity X is suing entity Y for damages resulting from alleged negligence. At the reporting date, it is uncertain whether, and to what extent:

- Entity X has a right to receive damages, and
- Entity Y has an obligation to pay damages.

The available evidence suggests that it is slightly more likely than not (ie slightly more than 50% likely) that the court will find in favour of entity X. However significant uncertainty remains.

Questions for discussion

1. Do you agree that the Conceptual Framework should *not* set a probability threshold for identifying an asset or liability in situations of existence uncertainty? (Any threshold would be set in the applicable standard, eg IAS 37.)

2. If you think that the Conceptual Framework *should* set a threshold, what do you think that threshold should be?
   - 0% (the measurement would reflect the uncertainty)?
   - More likely than not, ie more than 50%?
   - Virtually certain?
   - Higher for assets (eg entity X’s right) than for liabilities (eg entity Y’s obligation)?
   - Higher for assets or liabilities generated through the entity’s own activities than for those acquired in an exchange transaction?
Examples of assets subject to outcome uncertainty

A traded option held—it is certain that the entity has the right to exercise the option and cash flows will occur if it does so, but uncertain whether the entity will exercise the option (ie whether the option will be in the money at expiry).

Know-how generated by a research and development project. This asset will generate cash if the project is successful or the know-how is sold. The probability of success is unknown, and there is a wide range of possible outcomes.

A lottery ticket—it is certain that the holder has a right to participate in the draw. The probability of receiving winnings is very small (but measurable if the total number of tickets is known).

Discussion D—outcome uncertainty

Question for discussion

Do you agree that an asset exists in all of these examples—ie irrespective of the probability of future cash inflows?

At this stage, please consider only whether an asset exists. You will discuss later whether any identified asset should be recognised.
Discussion Topic 3

Recognition of assets and liabilities
An entity should recognise all of its assets or liabilities, unless the IASB decides that:

- recognising a particular asset or liability would provide information that is not relevant, or is not sufficiently relevant to justify the cost;

or

- no measure of the asset or liability would result in a sufficiently faithful representation of both:
  - the asset or liability, and
  - the resulting income or expense.

Perhaps if:

- extremely wide range of outcomes, and likelihood of each outcome exceptionally difficult to estimate,
- low probability of inflow/outflow, and users unlikely to include information about inflow/outflow in their analyses,
- unusually difficult to identify resource/obligation,
- exceptionally subjective allocations of cash flows required to measure resource/obligation, or
- recognition not necessary to meet objectives of financial reporting (e.g. internally generated goodwill).
Discussion E—recognition of assets and liabilities

**Scenarios**

- *Lawsuit in progress*— as described on page 8.
- *Traded option held*— as described on page 9.
- *Know-how*— as described on page 9.
- *Lottery ticket*— as described on page 9.

**Questions for discussion**

1. Do you think that an asset or a liability should be recognised in these scenarios? Why or why not?
   Assume that the IASB has concluded that an asset or liability exists in each scenario.

2. Do you think that the Discussion Paper preliminary views (see previous page) would lead to the IASB to the same conclusions?
World Standard-setters Meeting
Monday 23 and Tuesday 24 September 2013
The Grange City Hotel (London)

NOTES
Asset and liability definitions and recognition: Feedback

Clement Chan
Chairman, Financial Reporting Standards Board
Hong Kong Institute of Certified Accountants

Linda Mezon
Chair
Accounting Standards Board of Canada

Jim Obazee
Executive Secretary/Chief Executive Officer
Financial Reporting Council of Nigeria

Kevin Stevenson
Chairman and CEO
Australian Accounting Standards Board

Alfred Wagenhofer
Chair
Austrian Financial Reporting and Auditing Committee (AFRAC)
World Standard-setters Meeting
Monday 23 and Tuesday 24 September 2013
The Grange City Hotel (London)

NOTES
Conceptual Framework project:
Measurement and other comprehensive income

Rachel Knubley
Technical Principal
IASB
The views expressed in this presentation are those of the presenter, not necessarily those of the IASB or IFRS Foundation.

International Financial Reporting Standards

Conceptual Framework

Measurement and presentation of profit or loss and OCI

World Standard-setters:

- Measurement
  - Why?
  - IASB’s preliminary views
- Profit or loss and other comprehensive income (OCI)
  - Why?
  - IASB’s preliminary views
- Discussion

Agenda

Rachel Knubley, rknubley@ifrs.org

International Financial Reporting Standards

Why?

Little guidance on measurement and when to apply particular measurement

Many different measurements used in existing IFRSs

Objective to develop guidance to assist IASB for IFRSs

Measurement

Preliminary views: measurement objective

The objective of measurement is to faithfully represent relevant information about:
- the resources of the entity and claims against the entity, and changes to those resources and claims
- how efficiently and effectively the entity’s management and governing board have discharged their responsibilities to use the entity’s resources

Measurement categories

- Cost (adjusted for depreciation, impairment etc…)
- Current market prices (including fair value)
- Other cash-flow based measures
IASB’s preliminary views: Mixed measurement model

Measuring all assets and liabilities at cost may not provide relevant information (e.g. derivatives).

For some assets and liabilities, current market prices may provide less relevant information than cost (e.g. property, plant and equipment used in operations).

A single measurement basis may not provide the most relevant information.

Number of different measurements used should be smallest number necessary.

Selecting a measurement

Consider information produced in both:

• the statement of financial position (SFP); and
• the statement(s) of profit or loss and other comprehensive income (OCI)

Consider cost-benefit

Selecting a measurement

Most relevant measurement will depend on:

• How an asset contributes to future cash flows
• How a liability will be fulfilled or settled

The IASB may decide that more than one measure is relevant, for an item, resulting in either:

• Disclosing another measure in the notes
• Using one measure in the statement of financial position and a different measure for profit or loss (reporting the difference in OCI)

Why?

Agenda consultation

Users ignore changes in OCI

Lack of clarity on role of profit or loss and OCI

Recycling?

Distinguish using one attribute?

Profit or loss

• Realised
• Recurring (persistent)
• Operating
• Measurement certainty
• Short-term
• Under management control

OCI

• Unrealised
• Non-recurring
• Non-operating
• Measurement uncertainty
• Long-term
• Outside management control

IASB’s view: No one way to distinguish P/L and OCI
Approaches considered for profit or loss and OCI

Retain profit or loss as a subtotal or total
- IASB’s preliminary view
- Profit or loss communicates the primary picture of the return an entity has made on its resources
- Some items of income or expense should be reported outside profit or loss (in OCI)
- Two approaches to distinguish profit or loss and OCI:
  - Narrow approach
  - Broad approach

Alternative approach
- No subtotal (ie profit or loss or OCI) defined in the Conceptual Framework
- No recycling
- Not much support

Narrow use of OCI

Profit or loss
- All recycle

OCI
- All recycle

• Bridging
  - Two different measures
  - Eg IFRS 9 Classification and Measurement ED [changes in FV], Insurance contracts ED [changes in discount rate]

• Mismatched
  - Current remeasurement information incomplete
  - Eg Effective portion of changes in fair value in cash flow hedge, foreign exchange differences in net investment in foreign operations

Profit or loss
OCI

All recycle
• Bridging
- Transitory remeasurements
  - Long-term
  - Remeasurement expected to reverse or change significantly
  - Reporting in OCI enhances profit or loss as the primary indicator of the return the entity has made on its economic resources
  - Eg pensions remeasurement

• Mismatched

Summary

Narrow Approach
- Only if permitted or required by IFRS
- Mismatched remeasurements
- Bridging items
- Transitory remeasurements
- Recycling
- Always

Spread Approach
- Only if permitted or required by IFRS
- Mismatched remeasurements
- Bridging items
- Transitory remeasurements
- Recycling
- Sometimes

- Bridging and mismatched always
- Transitory remeasurements – only if it provides relevant information

Result
- Fewer items in OCI
- Less discretion for the IASB

Discussion

- Timing:
  - Discussion: 90 minutes (suggest split equally between measurement & OCI)
  - Highlights of discussion: 10 minutes by Chair of each session
- Measurement:
  - Your reaction to Section 6 – Measurement
  - Discussion based on questions from DP
- Profit or loss and OCI
  - Explore the IASB’s proposed approaches to the use of OCI (focusing on ‘narrow’ and ‘broad’ approach)
  - Which OCI approach do you prefer

Thank you

Expressions of individual views by members of the IASB and its staff are encouraged.

The views expressed in this presentation are those of the presenter. While opinions of the IASB as expressed herein are determined by ongoing discussions and deliberations.
World Standard-setters Meeting
Monday 23 and Tuesday 24 September 2013
The Grange City Hotel (London)

NOTES
Measurement and other comprehensive income: Small group discussion

Felipe Pérez Cervantes
President
Consejo Mexicano de Normas de Información Financiera (CINIF)

Liesel Knorr
President
German Accounting Standards

Tom Linsmeier
Board Member
Financial Accounting Standards Board (FASB)

Ikuo Nishikawa
Chairman
Accounting Standards Board of Japan

Tricia O’Malley
Chairman
IFASS
Purpose of this paper

1. During this small group discussion, we would like to discuss your reaction to Section 6 - Measurement of the Conceptual Framework Discussion Paper. This paper summarises the topics which we would particularly like to discuss with you. Further detail on each of the topics can be found in the Discussion Paper.

The objective of measurement (paragraphs 6.6—6.10)\(^1\)

2. Chapter 1 of the existing Conceptual Framework describes the objective of general purpose financial reporting as follows:

   … to provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity. Those decisions involve buying, selling or holding equity and debt instruments, and providing or settling loans and other forms of credit.

3. Chapter 3 of the existing Conceptual Framework identifies relevance and faithful representation as the fundamental qualitative characteristics of useful financial information. In addition, comparability, verifiability, timeliness and understandability are identified as enhancing qualitative characteristics.

\(^1\) References are to the relevant paragraphs of the Conceptual Framework Discussion Paper.
4. Applying the objective of financial reporting and the fundamental characteristics of useful financial information, the IASB’s preliminary view is that the objective of measurement is:

… to contribute to the faithful representation of relevant information about the resources of the entity, claims against the entity and changes in resources and claims, and about how efficiently and effectively the entity’s management and governing board have discharged their responsibilities to use the entity's resources.

<table>
<thead>
<tr>
<th>Measurement objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do you think the Conceptual Framework should include an overall measurement objective? Why, or why not?</td>
</tr>
</tbody>
</table>

Do you agree with the measurement objective proposed in the Conceptual Framework Discussion Paper? Why, or why not?

The number of measurement bases

A single measurement basis (paragraphs 6.11—6.14)?

5. In developing the Discussion Paper, the IASB discussed whether the Conceptual Framework should state (at least at a conceptual level) that all assets and liabilities should be measured on the same basis, for example all at fair value or all at cost-based amounts.

6. Measuring all assets and liabilities on the same basis would make totals and subtotals more understandable than those in financial statements prepared under existing requirements. For example, under existing requirements, the amount presented as total net assets has little meaning because it aggregates items measured differently.

7. However, there are problems with this approach:

(a) measuring all assets and liabilities on a cost basis may not provide relevant information to users of financial statements. For example, a
cost-based measurement is unlikely to provide relevant information about a financial asset that is a derivative.

(b) for some assets and liabilities, some users of financial statements may consider information about current market prices to be less relevant than information about margins generated by past transactions. For example, some users find cost-based information about property, plant and equipment that is used in operations to be more relevant than information about its current market price. In addition, estimating current market prices when they cannot be obtained directly can be costly and subjective. Consequently, measuring all assets and liabilities at a current market price may not provide users of financial statements with sufficient benefits to justify the costs of determining (or estimating) those prices.

8. Because of these problems, the IASB’s preliminary view is that the Conceptual Framework should not recommend measuring all assets and liabilities on the same basis.

**Limit the number of different measures used (paragraph 6.23)**

9. Although the IASB does not favour a single measurement basis for all assets and liabilities, the IASB’s preliminary view is that it should limit the number of different measures used to the smallest number necessary to provide relevant information. This is because, the more measurements that are used, the harder it is to understand how those measurements interact to depict the entity’s financial position and financial performance.

<table>
<thead>
<tr>
<th>The number of measurement bases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do you agree with the IASB’s preliminary view that the Conceptual Framework should not recommend measuring all assets and liabilities on the same basis? Why, or why not?</td>
</tr>
<tr>
<td>Do you agree that that IASB should limit the number of different measures used to the smallest number necessary to provide relevant information? Why, or why not?</td>
</tr>
</tbody>
</table>
Selection of a measurement (paragraphs 6.15—6.18 and 6.73—6.109)

10. The IASB believes that the relevance of a particular measurement will depend on how investors, creditors and other lenders are likely to assess how an asset or a liability of that type will contribute to the entity’s future cash flows. Consequently, the IASB’s preliminary view is that the selection of a measurement:

(a) for a particular asset should depend on how it contributes to future cash flows; and

(b) for a particular liability should depend on how the entity will settle or fulfil that liability.

11. The following tables summarise the implications of this preliminary view for the subsequent measurement of different types of asset or liability:

**Assets**

<table>
<thead>
<tr>
<th>How the asset contributes to future cash flows</th>
<th>Likely measurement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Using</td>
<td>Cost</td>
</tr>
<tr>
<td>Selling</td>
<td>Current market price</td>
</tr>
<tr>
<td>Holding for collection</td>
<td>Cost (but not for derivatives)</td>
</tr>
<tr>
<td>Charging for rights to use</td>
<td>Cost or current market price</td>
</tr>
</tbody>
</table>
Liabilities

<table>
<thead>
<tr>
<th>How the liability is settled or fulfilled</th>
<th>Likely measurement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Settled according to stated terms</td>
<td>Cost (but not for derivatives)</td>
</tr>
<tr>
<td>Liabilities without stated terms</td>
<td>Cash-flow-based</td>
</tr>
<tr>
<td>By performance</td>
<td>Cost</td>
</tr>
<tr>
<td>To be transferred</td>
<td>Current market price</td>
</tr>
</tbody>
</table>

12. In some cases, the IASB may decide that more than one measure is relevant for a particular asset or liability. When this is the case, the IASB might decide:

(a) to use one measure in the primary financial statements and disclose another measure in the notes to the financial statements; or

(b) to use one measure in the statement of financial position and use a different measure to determine the amounts recognised in profit or loss (presenting the difference between the two measures as a ‘bridging item’ in other comprehensive income). Section 8 of the Discussion Paper describes bridging items and discusses when the IASB might decide to require this treatment.

Selection of a measurement

Do you agree with the IASB’s preliminary view that the selection of a measurement:

(a) for a particular asset should depend on how it contributes to future cash flows; and

(b) for a particular liability should depend on how the entity will settle or fulfil that liability.
**Why or why not?**

Do you agree that in some cases when more than one measurement is relevant, the IASB could:

(a) use one measure in the primary financial statements and disclose another measure in the notes to the financial statements; or

(b) use one measure in the statement of financial position and use a different measure to determine the amounts recognised in profit or loss?

Why, or why not?

---

**Other considerations (paragraphs 6.15 and 6.30—6.34)**

13. In addition to the above, the IASB’s preliminary view is that when selecting a measurement the IASB should also consider:

(a) what information that measurement will produce in both the statement of financial position and the statement(s) of profit or loss and other comprehensive income (OCI). Both the statement of financial position and the statement(s) of profit or loss and OCI need to provide relevant information for users of financial statements. Selecting measurements by considering either of those statements alone will not usually produce the most relevant information for users of financial statements

(b) whether the benefits of a particular measurement to users of financial statements are sufficient to justify the cost.

---

**Other comments**

14. The measurement section of the Discussion Paper also discusses:

(a) Measurement categories: the Discussion Paper groups measurements into three categories – cost-based measurements, current market prices
including fair value and other cash-flow-based measurements (paragraphs 6.37—6.54);

(b) Initial measurement (paragraphs 6.55—6.72);

(c) Factors to be considered when developing cash-flow-based measurements (6.110—6.130).

<table>
<thead>
<tr>
<th>Other comments</th>
</tr>
</thead>
</table>

Do you have any other comments on the measurement section of the Conceptual Framework Discussion Paper?
World Standard-setters Meeting
Monday 23 and Tuesday 24 September 2013
The Grange City Hotel (London)

NOTES
Purpose of this paper

1. As part of the *Agenda Consultation 2011*, respondents told the IASB that there is a lack of clarity in IFRS on the roles of profit or loss, OCI and recycling. In response, section 8 of the IASB’s Discussion Paper *A Review of the Conceptual Framework for Financial Reporting* (DP) discusses possible principles for the use of profit or loss, OCI and recycling. It describes the following preliminary views of the IASB:

   (a) the *Conceptual Framework* should require a profit or loss total or subtotal that also results, or could result, in some items of income or expense being recycled; and

   (b) the use of OCI should be limited to items of income or expense resulting from changes in current measures of assets and liabilities (remeasurements). However, not all such remeasurements would be eligible for recognition in OCI.

2. On the basis of these views, the DP discusses two alternative approaches for determining what items of income and expense should be recognised in OCI: a narrow approach and a broad approach. The narrow approach has two categories of item that would qualify for recognition in OCI, the broad approach has three.

3. In this paper we:

   (a) Describe and compare the broad approach and the narrow approach.

   (b) Ask you to apply the categories to real life examples.
(c) Ask which approach to recognising items in OCI you prefer (if any).

**Approaches to OCI**

4. Both the approaches to OCI in the DP start by grouping the types of remeasurements that are eligible to be presented in OCI into categories. These categories are a short-hand way to describe the characteristics that would make items of income and expense eligible to be recognised in OCI. These categories also dictate how recycling is dealt with.

5. The IASB did not seek to define or describe profit or loss or OCI using commonly cited attributes such as:

   - (a) Realisation;
   - (b) Recurrence (persistence);
   - (c) Operating;
   - (d) Measurement uncertainty;
   - (e) Duration (ie long-term or short-term); or
   - (f) Outside management control.

   Although these attributes provide insight into a possible distinction for individual types of items or entities, it was difficult to find a way to use one attribute in isolation (or several attributes together as a group) to distinguish items of income or expense.

6. Instead, the DP explores approaches to distinguishing the items included in OCI from the items included in profit or loss in a manner that supports the objective of financial reporting. Both the narrow approach and the broad approach start with the same broad principles, namely:

   - (a) Profit or loss provides the primary source of information about an entity’s performance in a period.
   - (b) To support (a), OCI should only be used if it makes profit or loss more relevant ie enhances the predictive value of profit or loss or makes it more understandable.
7. Based on the broad principles above, the IASB determined that OCI should only be used for some (but not all) changes in current measures (remeasurements). Changes in cost-based measures and gains or losses resulting from initial recognition would not be presented in OCI because the IASB considers that the results of transactions, consumption and impairments of assets and fulfilment of liabilities should be recognised in profit or loss in the period in which they occur. Recognising these items in OCI would not generally enhance the predictive value or understandability of profit or loss as the primary source of information about the return the entity has made during the reporting period.

**Narrow Approach to OCI**

8. The narrow approach provides that to be eligible for recognition in OCI, an item of income or expense must fit one of two categories: bridging items or a mismatched remeasurements. These categories are described in the table below:

<table>
<thead>
<tr>
<th>Category</th>
<th>Definition</th>
<th>Recycling</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mismatched remeasurement</td>
<td>Represents the effects of a linked set of assets, liabilities or past or planned transactions so incompletely that it provides little relevant information about the return the entity has made on its economic resources in the period. IASB determines when linkage is sufficient to warrant recognition in OCI.</td>
<td>All</td>
<td>Remeasurement of a hedging instrument in a cash flow hedge. Accumulated gain or loss recognised in OCI is recycled (reclassified to profit or loss) when the effect of the hedged item is recognised in profit or loss.</td>
</tr>
<tr>
<td>Bridging item</td>
<td>A disaggregated component of an item of income or expense Represents the difference between a measure used to determine profit or loss and a measure used in the statement of financial position. IASB determines when two different measures should be used in the primary financial statements. Profit or loss must reflect a meaningful, understandable and clearly describable measure.</td>
<td>All</td>
<td>Financial assets measured at fair value through OCI (under the proposals in the IFRS 9 2012 ED) Accumulated gain or loss recognised in OCI is recycled on disposal or impairment as a consequence of reflecting amortised cost in profit or loss.</td>
</tr>
</tbody>
</table>
9. The narrow approach is so called because it would significantly restrict the types of items that would be eligible to be presented in OCI. Although it would provide a clear framework for determining what should be presented in OCI, it gives the IASB little discretion when developing or amending IFRS to extend the use of OCI in the future.

**Broad Approach**

10. The broad approach responds to concerns that the narrow approach results in some remeasurements being recognised in profit or loss that decrease its relevance, ie
   
   (a) remeasurements that obscure information that is more useful; and
   
   (b) reclassification adjustments (recycled amounts) that do not provide relevant information about the return the entity has made on its economic resources in the period of recycling.

11. The broad approach adds the additional category of transitory remeasurements to those that would be eligible for recognition in OCI. Therefore to be eligible for recognition in OCI under the broad approach an item of income or expense must be either a bridging item, a mismatched remeasurement or a transitory remeasurement.

12. Below is a description of transitory remeasurements.

<table>
<thead>
<tr>
<th>Category</th>
<th>Definition</th>
<th>Recycling</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transitory remeasurement</td>
<td>An item of income or expense that:</td>
<td>Some</td>
<td>Remeasurement of a defined benefit pension liability/asset).</td>
</tr>
<tr>
<td></td>
<td>- will be realised/settled over the long-term</td>
<td>If the IASB determines that recycling provides relevant information</td>
<td>Accumulated gain or loss recognised in OCI (reclassified to profit or loss) is not recycled. No operational and meaningful method of recycling can be determined.</td>
</tr>
<tr>
<td></td>
<td>- is likely to reverse or significantly change</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- if separately recognised in OCI, in whole or in part, enhances the relevance and understandability of profit or loss</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

13. The broad approach is so called because makes eligible to be recognised in OCI more items that would occur under the narrow approach. Potentially all items eligible to be recognised in OCI under current IFRS would be similarly eligible
under the broad approach. However the broad approach would give the IASB significant discretion when developing or amending IFRS.

**The OCI Approaches compared**

14. The OCI Approaches are described and compared below:

<table>
<thead>
<tr>
<th>When can OCI be used?</th>
<th>Narrow Approach</th>
<th>Broad Approach</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Use of OCI is only where permitted or required by IFRS</td>
<td>Use of OCI is only where permitted or required by IFRS</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>What items of income or expense would be eligible?</th>
<th>Narrow Approach</th>
<th>Broad Approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mismatched remeasurements</td>
<td>Bridging items</td>
<td>Mismatched remeasurements</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Transitory remeasurements</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Recycling</th>
<th>Narrow Approach</th>
<th>Broad Approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Always Driven by the category and the reason why the item went into OCI</td>
<td>Sometimes Bridging and mismatched always (see Narrow Approach) Transitory remeasurements – only if it provides relevant information</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Result</th>
<th>Narrow Approach</th>
<th>Broad Approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited items in OCI Less discretion for the IASB</td>
<td>More items in OCI (in line with current use) More discretion for the IASB</td>
<td></td>
</tr>
</tbody>
</table>

**The OCI Approaches applied**

15. Using the categories of bridging items, mismatched remeasurements and transitory remeasurements to aid your discussion, the following questions ask how you would present specific items of income and expense in the statement(s) of profit or loss and OCI. Please ignore current IFRS treatment and note that the categories can be applied in any order and that there is not a single right answer.

**Question 1: Change in fair value of a strategic equity investment**

*Example:* An entity has an equity investment. The investment is strategic ie there is no intention for the investee to sell or dispose of its shares in the investee as the investment is held to promote business between the two companies. The investee company pays regular dividends. The IASB has determined that fair value is the most relevant measurement for the purposes of the statement of financial position.

Using the categories of bridging items, mismatched remeasurements and transitory remeasurements, please state how you would:
(a) recognise the changes in fair value of the equity investment in the statement(s) of profit or loss and OCI?

(b) recycle to profit or loss any amounts previously recognised in OCI (if at all).

Question 2: Change in fair value of a financial liability using the fair value option

Example: An entity has elected to use the fair value option for some of its issued fixed rate debt securities. The entity’s debt securities are regularly bought and sold in its local corporate bond market and inputs needed to determine the amount of fair value attributable to the entity’s own credit are considered to be observable.

Using the categories of bridging items, mismatched remeasurements and transitory remeasurements, please explain how you would:

(a) recognise the changes in fair value attributable to the entity’s own credit risk in the statement(s) of profit or loss and OCI?

(b) recycle to profit or loss any amounts previously recognised in OCI (if at all).

Question 3: Change in the measurement of a decommissioning liability

Example: An entity has recognised a liability (made a provision) to cover the estimated cost of decommissioning an item of equipment. The decommissioning is not expected to result in an outflow of cash for another 10 years. The equipment is measured at cost. The IASB has determined that the decommissioning liability should be remeasured to reflect the effect of:

- Changes in the estimated outflow of cash required to cover the decommissioning;

- Changes in the current market-based discount rates;

- Unwinding of the discount rate (ie the passage of time).
Using the categories of bridging items, mismatched remeasurements and transitory remeasurements, please explain how you would:

(a) recognise each component of the remeasurement of the decommissioning liability in the statement(s) of profit or loss and OCI eg fully in Profit or loss, or all or a component in OCI?

(b) recycle to profit or loss any amounts previously recognised in OCI (if at all).

**Which Approach?**

**Question 4: Which OCI Approach?**

As described in paragraphs 7-16 above, the DP describes two approaches for determining what items are eligible for presentation in OCI. Do you support the narrow approach, the broad approach or neither? Why?

If you favour neither approach, which approach do you favour, and why?
World Standard-setters Meeting
Monday 23 and Tuesday 24 September 2013
The Grange City Hotel (London)

NOTES
Measurement and other comprehensive income:
Feedback

Felipe Pérez Cervantes
President
Consejo Mexicano de Normas de Información Financiera (CINIF)

Liesel Knorr
President
German Accounting Standards

Tom Linsmeier
Board Member
Financial Accounting Standards Board (FASB)

Ikuo Nishikawa
Chairman
Accounting Standards Board of Japan

Tricia O’Malley
Chairman
IFASS
World Standard-setters Meeting
Monday 23 and Tuesday 24 September 2013
The Grange City Hotel (London)

NOTES
World Standard-setters Meeting
Monday 23 and Tuesday 24 September 2013
The Grange City Hotel (London)

Day 2
Education session:
new revenue recognition standard

Prabhakar Kalavacherla (PK)
Member
IASB

Henry Rees
Associate Director
IASB

Allison McManus
Senior Technical Manager
IASB
Project status – at a glance

- Issue new Revenue Standard Q4
  - Joint Standard with FASB
  - Replaces IAS 18, IAS 11 and related Interpretations
- Framework for revenue recognition
- Effective date 1/1/2017, early application permitted
- Transition
  - Retrospective or
  - Cumulative effect at the date of application
- Revenue Implementation Group

Scope

- All contracts with customers, except
  - Lease contracts
  - Insurance contracts
  - Financial instruments
  - Non-monetary exchanges in the same line of business to facilitate sales to customers

Main steps to apply Standard

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue when (as) a performance obligation is satisfied
**Step 1: Identify the contract**

**Existence of a contract**
- Must meet specified criteria to apply the model

**Combine contracts**
- Negotiated as a package
- Linked consideration
- Goods or services form one performance obligation

**Contract modifications**
- Separate contract if add distinct goods/services at standalone selling price
- Prospective if remaining goods/services distinct
- Otherwise, cumulative catch-up

**Step 2: Identify the performance obligations**

**Promise to transfer a distinct good or service**
- On its own
- Together with other readily available goods or services (including goods or services previously acquired from entity)

**Customer can benefit from good or service**

**Promised good or service is separable from other promises**
- No significant service of integrating the good or service
- Good or service is not highly dependent on or interrelated with other goods or services

**Step 3: Determine the transaction price**

**Amount of consideration to which entity expects to be entitled in exchange for goods or services**

**Variable consideration**
- Estimate using:
  - Expected value
  - Most likely amount but 'Constrained'

**Significant financing**
- Adjust consideration if timing provides customer or entity with significant benefit of financing

**Non-cash consideration**
- Measure at fair value unless cannot be reasonably estimated

**Consideration payable to customer**
- Reduction of the TP unless in exchange for a distinct good or service

**Step 3: Constraining variable consideration**

Include estimate of variable consideration in the transaction price only if expect subsequent change to estimate would not result in a significant reversal of revenue
- Entity’s expectations of revenue reversal assessed using indicators, eg
  - Factors outside entity’s influence (market, 3rd-party actions)
  - Entity’s level of experience
  - Length of time before uncertainty resolved

**Step 4: Allocate the transaction price**

Allocate to each performance obligation the amount to which entity expects to be entitled in exchange for satisfying that performance obligation
- Relative standalone selling price basis
  - estimate selling prices if not observable
  - residual estimation techniques may be appropriate
- Discounts and contingent amounts allocated entirely to specific performance obligation if specified criteria met

**Step 5: Recognise revenue when (as) a performance obligation is satisfied**

Performance obligation is satisfied by transferring good or service

**Performance obligations satisfied over time if specified criteria met**
- Revenue is recognised by measuring progress towards complete satisfaction of the performance obligation
  - Clarified units produced or delivered may be a reasonable proxy in some cases
  - Clarified input methods may need to be adjusted (eg uninstalled materials)

**All other performance obligations satisfied at a point in time**
- Revenue is recognised at the point in time when the customer obtains control of the promised asset
  - Indicators of control include:
    - Present right to payment
    - Legal title
    - Physical possession
    - Risks and rewards of ownership
    - Customer acceptance
A performance obligation is satisfied over time (i.e., revenue recognized over time) if one of three criteria met:

- The customer receives and consumes the benefits of the entity’s performance as the entity performs—assessed by considering (hypothetically) whether another entity would need to substantially re-perform the work completed to date if that other entity were to fulfill the remaining obligation.
- The entity’s performance creates or enhances an asset (e.g., WIP) that the customer controls as the asset is created or enhanced.
- The entity’s performance does not create an asset with an alternative use to the entity and the entity has a right to payment for performance completed to date, and it expects to fulfill the contract as promised.

Step 5: Performance obligations satisfied over time

Disclosure requirements

Disclosure requirements (continued)

Disclosure requirements (continued)

Contract costs

Information about contract balances

Remaining performance obligations

Interim requirements

IAS38: Disaggregation of revenue required in annual and interim financial statements; otherwise general principles of interim financial reporting apply.

FASB: All quantitative disclosures in annual and interim financial statements are subject to specific requirements, including the presentation and measurement of revenue from contracts with customers.

Costs of obtaining a contract

Costs of fulfilling a contract

Onerous contracts

Recognized as an asset if:

- Incremental
- Expected to be recovered

For example: Selling commissions

Recognized as an asset if:

- Relate directly to a contract
- Relate to future performance
- Expected to be recovered

For example: Pre-contract or setup costs

Apply IAS 37
Implementation guidance: Licences

Step 2: Identify the performance obligation(s)

Is the licence distinct?

No

Account for bundle of goods and services

Yes

Apply criteria to determine whether licence provides a customer with:
- a right to use entity’s intellectual property as it exists at a point in time (as a performance obligation satisfied at a point in time)
- access to the entity’s intellectual property as it exists at any given time (as a performance obligation satisfied over time)

Transition, effective date and early application


<table>
<thead>
<tr>
<th>Retrospective (optional practical expedients as proposed in the 2011 ED)</th>
<th>Contracts under new standard</th>
<th>Contracts existed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cumulative effect at date of application</td>
<td>Contracts not restated</td>
<td>Existing* and new contracts under new standard</td>
</tr>
<tr>
<td>Contracts restated</td>
<td></td>
<td>Existing and new contracts presented under legacy IFRS/US GAAP</td>
</tr>
</tbody>
</table>

*contracts not completed in prior years as determined under legacy revenue guidance

- Effective date: annual reporting periods beginning on or after 1 January 2017
- Early application permitted (IFRS only)

Revenue Implementation Group

- Public discussion to support initial application of the new Revenue Standard
- Will not issue authoritative guidance
- Limited life group

More information

- Additional information about the revised proposals and the revenue recognition project is available at [www.ifrs.org](http://www.ifrs.org) and [www.fasb.org](http://www.fasb.org).

Thank you
World Standard-setters Meeting
Monday 23 and Tuesday 24 September 2013
The Grange City Hotel (London)

NOTES
World Standard-setters Meeting
Monday 23 and Tuesday 24 September 2013
The Grange City Hotel (London)

Education session:
new hedging requirements

Darrel Scott
*Member*
IASB

Sue Lloyd
*Senior Director, Technical Activities*
IASB
The views expressed in this presentation are those of the presenter, not necessarily those of the IASB or IFRS Foundation.

**International Financial Reporting Standards**

**Financial Instruments: Hedge accounting**

**Timeline**

- **December 2010**: ED Hedge Accounting
- **March 2011**: ED Comment letter deadline
- **September 2011**: ED redeliberations completed
- **September 2012**: Draft requirements posted on website for 90 days
- **January 2013**: IASB discussed outstanding issues raised
- **April 2013**: IASB finalises redeliberations
- **Q3/Q4 2013**: Publication of final hedge accounting chapter

**Major features of the new hedge accounting model**

- Greater alignment with risk management including
  - Expansion of risk components for non-financial items
  - Ability to hedge aggregated exposures (combination of derivative and non derivative)
  - Introduction of ‘costs of hedging’
  - Eligibility criteria based on more economic assessment of hedging relationship
- Enhanced disclosures
- Will be added as a chapter to IFRS 9 (Chapter 6)

**Hedged items**

- **Qualifying hedged item**
  - Entire item
  - Component
    - Risk component (separately identifiable and reliably measurable)
    - Nominal component or selected contractual CFs

**Hedged items: risk components**

- **IAS 39**
  - Fixed element
  - Variable element
  - Benchmark (e.g. interest rate or commodity price)

- **New model**
  - Fixed element
  - Variable element
  - Benchmark (e.g. interest rate or commodity price)

**Hedged items: aggregated exposures**

- Aggregated exposure—combination of: (a) another exposure and (b) a derivative
- First level relationship: [non-derivative] exposure derivative
- Second level relationship: Hedging instrument

**Hedged items: aggregated exposures**

- Aggregated exposure—combination of: (a) another exposure and (b) a derivative
- First level relationship: [non-derivative] exposure derivative
- Second level relationship: Hedging instrument
Hedged items: aggregated exposures

Example: hedging commodity price & FX risk

- Commodity supplier
- Commodity futures contract
- FX forward contract

Aggregated exposure

Not an eligible hedged item under IAS 39

Hedging instruments

Qualifying hedging instruments

- Entire item
- Partial designation

FX risk component

- Intrinsic value
- Spot element

Proportion of nominal amount

Costs of hedging

Costs of hedging

- Time value of options
- Forward element of forward contract

Transaction related hedged item

Time period related hedged item

Option: time value

Accounting if the hedged item is transaction related

- Cumulative gain in OCI
- Cumulative loss in OCI
- Release from accumulated OCI to P/L or as a basis adjustment

Treatment as a cost of hedging reflects economics

Option: time value

Accounting if the hedged item is time period related

- Cumulative amortisation of initial time value
- Cumulative loss in OCI
- Time value is amortised to P/L over life

Life of option

Expiry

Treatment as a cost of hedging reflects economics

Hedge effectiveness

Hedge effectiveness

- Measuring and recognising hedge ineffectiveness

- Rebalancing
- Discontinuation

Hedge effectiveness test:
1. Economic relationship
2. Effect of credit risk
3. Hedge ratio
Discussions post review draft

- **January 2013:**
  - ‘Hypothetical derivatives’
  - Treatment of ‘proxy hedging’
  - Transition for ‘own use’ contracts
- **April 2013:**
  - Treatment of accounting for macro hedging on introduction of IFRS 9
  - Obtained permission to proceed to final document

Clarification of ‘proxy hedging’

**Concern:** whether ‘proxy hedging’ (use of designations that do not exactly represent risk management) is still possible under new hedge accounting model given emphasis on risk management

- Nature of accounting requirements inevitably results in designations that constitute ‘proxy hedging’
- Use of ‘proxy hedging’ was confirmed
  - Designations must however be directionally consistent with risk management, which is supported by:
    - Documentation of hedging relationship
    - Disclosure requirements

Grandfathering of IAS 39

- During January 2013 the IASB asked staff to provide further analysis on ‘macro cash flow hedge accounting’ under IFRS 9
  - Outreach confirmed that clarifications from January meeting were supported and addressed the issues
  - IAS 39 compliant hedges should achieve hedge accounting under IFRS 9
  - Effect of migrating to IFRS 9 for ‘macro cash flow’ hedges should not be onerous
- However, the IASB decided that relief should be provided given the active project on accounting for macro hedging

Grandfathering of IAS 39

- ‘Status quo’ pending completion of the project on accounting for macro hedging:
  - Early application Accounting policy choice
  - No early application Scope-out

Novation of derivatives and continuation of hedge accounting

**Why the need for an amendment?**

- New regulation to mandate central clearing of over-the-counter (OTC) derivatives (prompted by G20 commitment)
- Novation of hedging instrument to a central counterparty results in discontinuation of hedge accounting
- Concern about the financial reporting effect

**Narrow-scope exception to the requirement for the discontinuation of hedge accounting in IAS 39**

- Continue hedge accounting when novation of hedging instrument to central counterparty meets certain criteria
- Apply retroactively for periods beginning on or after 1 January 2014 (with early application permitted)
- Similar relief will be included in IFRS 9
Questions or comments?

Expressions of individual views by members of the IASB and its staff are encouraged. The views expressed in this presentation are those of the presenter. Official positions of the IASB on accounting matters are determined only after extensive due process and deliberation.
World Standard-setters Meeting
Monday 23 and Tuesday 24 September 2013
The Grange City Hotel (London)

NOTES
World Standard-setters Meeting
Monday 23 and Tuesday 24 September 2013
The Grange City Hotel (London)

IFRS adoption and translation issues

Nicole Johnson
Content Services Principal
IFRS Foundation

Leilani Macdonald
Manager, Translation, Adoption and Copyright
IFRS Foundation
The views expressed in this presentation are those of the presenter, not necessarily those of the IASB or IFRS Foundation.

International Financial Reporting Standards

IFRS Translation, Adoption and Copyright
IFRS Foundation
World Standard Setters, September 2013

Introductions

- Nicole Johnson, Principal - Content Services
- Leilani Macdonald, Manager - Translation, Adoption and Copyright

Agenda

- Part 1 - Adoption and convergence
- Part 2 - Translation
- Part 3 - Copyright and licensing
- Part 4 - Useful information
  - Who we are (Translations, Adoption and Copyright Team)
  - Contact details for your jurisdiction

Adoption and Convergence: What do we do?

Adoption
Support for governments wishing to adopt IFRS in all languages including English.
- Provide adoption support – explain procedure and options, work to put appropriate contracts in place.
- How can we help?

Adoption and Convergence: Strategy

IFRS Foundation Strategy Review 2011:
- The Foundation is committed to the long-term goal of the global adoption of IFRS as developed by the IASB, in their entirety and without modification.
- Convergence may be an appropriate short-term strategy to facilitate adoption over a transitional period, it is not a substitute for adoption.
Adoption and Convergence:
What do we do?

- Explain the different options
- Issue agreements (translation and copyright)
  - Agreement depends on the style of adoption
    - Copyright Waiver
    - License for Use
    - Adoption by Reference
  - Translation
    - provide the official translation, or
    - license to translate
  - Files sent out through an automatic process when issued

Adoption and Convergence:
Licensing for adoption

Copyright waiver agreement
Required when jurisdictions writes Standards into legislation i.e. “Official Gazette”

- Requirements and Conceptual Framework only
- Does not include Bases for Conclusions, Implementation Guidance, Illustrative Examples
- Adoption into national legislation by effective date of standard
- Alternatives may be restricted, additional requirements may be imposed but these must not conflict with IFRSs
- Headings and numbering (including name of standards) to remain unchanged

Adoption and Convergence:
Licensing for convergence

License for Use
- Required for convergence of local Standards with IFRS
- Short-term convergence that facilitates adoption over a transitional period can be an acceptable method of making the transition to IFRS adoption.
- No claims of equivalence with IFRS may be made, and the converged local standards may not be referred to as IFRS.
- A contract with the Foundation to allow the use of IFRS in local standards is essential.
- Convergence is not a substitute for adoption

Adoption and Convergence:
Licensing challenges

- Identifying the entity with the final authority to set standards
- Finding the right contact within that organisation
- Working with countries early on, before they finalise their roadmap, helps to avoid common pitfalls:
  - Publishing IFRSs without an agreement and infringing copyright
  - Adopting an older version of IFRSs
  - Adapting IFRSs to suit local requirements
  - Convergence with no stated end date
  - Own translation performed when official translation already exists
  - Name of standards changed to local standards

Adoption and Convergence:
How we can help?

Contact us
- Please get in touch with us as early as possible in the adoption or convergence process and stay in regular contact
- Advice on appropriate contract
- Explanation of publishing policies

Adoption and Convergence:
Translations:

Our aim
To create consistent, high quality translations
- Translation policy
- Official Translation Process
- Review Committee role
- Criteria for reviewers
- How we can help?
**Translations: Policy**

**Our policy**

To allow only one official translation per language – the same version of IFRSs is used by all speakers of that language

– For languages such as Arabic, French, Russian and Spanish, we aim to create an internationally-acceptable translation

– This policy is sometimes a challenge!

The copyright in the translation is always assigned to the IFRS Foundation

The Official Translation Process involving a review by subject experts must always be followed.

---

**Translations: Official translation process**

**Process**

The IFRS Foundation has a set translation process, for all languages, based on two key steps:

- Professional translation
- Review by a committee of accounting experts who are native speakers of target language with proven knowledge and expertise in IFRSs

**Recommendations:**

- Professional Translators
- Use of Computer Aided Translation (CAT) tools to aid consistency and improve efficiency of translation

---

**Translations: Procedure**

**Steps:**

1. IFRS Foundation extracts Key Terms from the IFRSs
2. Translator translates Key Terms
3. Review Committee agrees on Key Terms
4. Coordinator ensures smooth flow of information between the IFRS Foundation, Review Committee and translators
5. Review Committee reviews draft translation for accuracy and consistency and text is finalised
6. Translator translates IFRSs using Key Terms and existing IFRS reference material

---

**Translations: Review Committee roles**

**Coordinator**

- Contact person with IFRS Foundation
- Leads and coordinates review process
- Facilitates consensus within the Committee
- Final decision when consensus cannot be reached
- Reports to the TAC team on the committee’s work

**Committee Members**

- Review and discuss Key Terms translation for technical accuracy and regional acceptability
- Review translation of new/revised standards for technical accuracy and regional acceptability
- Commit to reaching consensus on all issues
- Accept Coordinator’s decision on split opinions regarding translation

---

**Translations: Criteria for reviewers**

- Expertise in IFRSs
- Native speakers of the target language
- Very good understanding of English language (especially accounting and financial reporting)
- Review committee members for all languages work on a voluntary basis

---

**Translations: How we can help?**

- Contracts to provide permission for translation
- Providing advice on translation best practice and information on Computer-Assisted Translation (‘CAT’) software
- Reviewing and approving the composition of the review committee
- Providing files for translation or review and relevant reference material as appropriate
- Reviewing the review committee’s process, together with the co-ordinator
- Passing feedback from the public on to the review committee for consideration
Copyright and licensing: Different Models

You need to have an agreement in place before you can publish IFRSs, whether for profit or not

- Print
- Reproduction of one Standard or extracts
- Electronic:
  - Online
  - CD
  - IP-restricted
  - eIFRS access

Copyright and licensing: Commercial printing

If you want to print IFRSs locally:

- You set a reasonable local market price
- We charge a 20% royalty on gross sales price
- No exclusivity
- We provide covers and artwork for print

Copyright and licensing: Reproduction of extracts

If you want to reproduce extracts from IFRSs or one Standard only:

- Case-by-case basis (according to amount of IFRS content)
- Licence fee
- Permission letter

Copyright and licensing: Electronic

Online/CD

- IFRSs must be combined with other material
- You set a reasonable local market price (for our content)
- We charge a 50% royalty on gross sales price (of our content)
- No exclusivity
- IP-restricted online access
- Access restricted to one territory
- For standard setters/accounting institutes
  - eIFRS access
- For all members of accounting institutes/universities
- Not private entities

Copyright and licensing: How we can help?

Contact us

- Please get in touch with us before you publish IFRSs!
- Advice on appropriate licence agreement
- Explanation of publishing policies and different licensing models
- Let us know about unauthorised publications so that we can take action

Contact details
Nicole Johnson
+44 20 7332 2740
njohnson@ifrs.org

Translation, Adoption and Copyright Team

Leilani Macdonald Manager
lmacdond@ifrs.org

Clare McGinnis Translation Project Manager
cmcginnis@ifrs.org

Linda Tieri Translation Project Manager
ltieri@ifrs.org

James Langridge Translation Project Manager
jlangridge@ifrs.org

Marie-Carmen Davies Translation Project Manager
mcdavies@ifrs.org
World Standard-setters Meeting
Monday 23 and Tuesday 24 September 2013
The Grange City Hotel (London)

NOTES
World Standard-setters Meeting
Monday 23 and Tuesday 24 September 2013
The Grange City Hotel (London)

Post-implementation review (PIR) of IFRS 3 Business Combinations

Ian Mackintosh
Vice-Chairman
IASB

Mariela Isern
Senior Technical Manager
IASB
Purpose of this paper

1. This paper aims to:

   (a) provide you with information about the Post-implementation Review (PIR) of IFRS 3 Business Combinations that the IASB is conducting; and

   (b) ask you for your views on matters that you want us to consider during Phase I of the PIR.

Structure of the paper

2. This paper is structured as follows:

   (a) information about the PIR of IFRS 3;

   (b) matters identified for consideration in Phase I of the PIR; and

   (c) questions for the delegates.

3. Agenda Paper OP 4A includes the paper presented by the staff to the IFRS Interpretations Committee (‘the Interpretations Committee’) in September 2013. Paragraphs 18 and 19 of that paper include the matters that have been identified for consideration in Phase I of the PIR.
Post-Implementation Review (PIR) of IFRS 3 *Business Combinations*

4. At its July meeting, the International Accounting Standards Board (IASB) discussed the PIR of IFRS 3 *Business Combinations*.¹

5. As described in Agenda Paper OP 4A, the Trustees added PIRs as a mandatory step to the IASB’s due process requirements in 2007. The *Due Process Handbook* (‘the Handbook’) states that the PIRs “must consider the issues that were important or contentious during the development of the publication […] as well as issues that have come to the attention of the IASB after the document was published.”

6. The Handbook also states that a PIR “normally begins after the new requirements have been applied internationally for two years, which is generally about 30 to 36 months after the effective date” and that each review has two phases:

6.54 […] The first involves an initial identification and assessment of the matters to be examined, which are then the subject of a public consultation by the IASB in the form of a Request for Information. In the second phase, the IASB considers the comments it has received from the Request for Information along with the information it has gathered through other consultative activities. On the basis of that information, the IASB presents its findings and sets out the steps it plans to take, if any, as a result of the review.

7. At its July meeting, the IASB discussed, in particular, the consultations and activities to be undertaken during Phase I of the PIR and their corresponding expected timing, with the aim of identifying the main implementation problems or unexpected costs encountered by entities when applying IFRS 3. Agenda Paper OP 4A includes more detailed information on these consultations and activities and on the corresponding expected timing.

8. Our meeting today forms part of the consultations that the IASB is conducting as part of Phase I of the PIR of IFRS 3.

¹ The Agenda Paper discussed at the IASB meeting in July can be found at: http://www.ifrs.org/Meetings/MeetingDocs/IASB/2013/July/12-Post-implementation%20Review.pdf
Matters identified for consideration during Phase I of the PIR of IFRS 3

9. As mentioned in paragraph 6, post-implementation reviews consist of two phases. The objective of Phase I is to establish the scope of the review and in particular to identify the areas of focus for the Request for Information (RFI), which will be published at the start of Phase II.

10. For Phase I, we would appreciate your views on the matters identified for consideration during this phase of the PIR in paragraphs 18 and 19 of the Agenda Paper presented to the Interpretations Committee in September (see Agenda Paper OP 4A) or on any other matters that are relevant for this PIR and are not reflected in those paragraphs.

Questions for the delegates

1. Do you have any additional feedback that we should consider, including any alterations or any additions, on the initial assessment of areas that have been identified for consideration during Phase I of the PIR, as set out in paragraphs 18 and 19 of Agenda Paper OP 4A?

2. Are you aware of any additional issues that we need to add to the list of issues for consideration in Agenda Paper OP 4A?

3. Do you have any comments or questions about the PIR of IFRS 3 at this stage?
World Standard-setters Meeting
Monday 23 and Tuesday 24 September 2013
The Grange City Hotel (London)

NOTES
Purpose of this paper

1. At its July meeting, the International Accounting Standards Board (IASB) discussed the Post-implementation Review (PIR) of IFRS 3 Business Combinations.\(^1\) In particular it discussed the activities to be undertaken during Phase I of the PIR and their corresponding expected timing (see paragraphs 11–16), with the aim of identifying the main implementation problems encountered by entities when applying IFRS 3.

2. At that meeting the IASB also discussed the staff’s initial assessment of the areas in which the implementation of IFRS 3 may have been challenging. This paper includes that assessment, which now includes the comments received from the IASB itself, and asks you:

   (a) whether you have any additional feedback that we should consider, including any alterations or any additions, on the initial assessment of areas that have been identified so far during Phase I of the PIR, as set out in paragraphs 18 and 19 of this paper; and

   (b) whether you have any comments or questions about the PIR of IFRS 3.

\(^1\) The Agenda Paper discussed at the IASB meeting in July can be found at:
http://www.ifrs.org/Meetings/MeetingDocs/IASB/2013/July/12-Post-implementation%20Review.pdf
Structure of the paper

3. This paper is structured as follows:
   (a) background to PIRs;
   (b) scope of the PIR of IFRS 3 including its time line;
   (c) consultation activities within Phase I of the PIR of IFRS 3;
   (d) matters identified for consideration during Phase I; and
   (e) questions for the Interpretations Committee.

4. Appendix 1 to this paper includes background information to IFRS 3.

Background to PIRs

5. The Trustees added PIRs as a mandatory step to the IASB’s due process requirements in 2007. These requirements were updated in the revised *Due Process Handbook* (‘the Handbook’), published in February 2013. The Handbook states that the PIRs “must consider the issues that were important or contentious during the development of the publication (which should be identifiable from the Basis for Conclusions, Project Summary, Feedback Statement and Effect Analysis of the relevant Standard), as well as issues that have come to the attention of the IASB after the document was published.”

6. The Handbook also states that a PIR “normally begins after the new requirements have been applied internationally for two years, which is generally about 30 to 36 months after the effective date” and that each review has two phases:

   6.54 […] The first involves an initial identification and assessment of the matters to be examined, which are then the subject of a public consultation by the IASB in the form of a Request for Information. In the second phase, the IASB considers the comments it has received from the Request for Information along with the information it has gathered through other consultative activities. On the basis of that information, the IASB presents its findings and sets out the steps it plans to take, if any, as a result of the review.

7. IFRS 8 *Operating Segments* was the first of the IASB’s Standards to be subject to a PIR. IFRS 3 *Business Combinations* will be the second review.
Scope of the PIR of IFRS 3 and its timeline

8. At its July meeting, the IASB tentatively agreed that the scope of the PIR of IFRS 3 will entail:

(a) the whole Business Combinations project (ie the first and the second phases of the project) which resulted in the issuance of IFRS 3 (2004) and IFRS 3 (2008); and

(b) any consequential amendments resulting from the Business Combinations project (ie amendments to IAS 12 Income Taxes, IAS 27 Consolidated and Separate Financial Statements, IAS 36 Impairment of Assets, IAS 38 Intangible Assets etc).

9. The consultations carried out during Phase I of the PIR will help us to either confirm or discount the relevance of the matters included in paragraphs 18 and 19 as well as to identify any other matters that the Request for Information (RFI) should include. In other words, during Phase I of the PIR we will seek to gather information to assist the IASB in identifying the areas to focus on in Phase II and to decide which questions should be asked in the RFI.

10. In terms of timing, the IASB discussed the following timeline for the PIR of IFRS 3:

<table>
<thead>
<tr>
<th>Activity</th>
<th>Timing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase I of the PIR</td>
<td>July 2013–November 2013</td>
</tr>
<tr>
<td>Publication of RFI</td>
<td>December 2013–January 2014</td>
</tr>
<tr>
<td>Phase II of the PIR</td>
<td></td>
</tr>
<tr>
<td>Public consultation (120 days)</td>
<td>Comment deadline</td>
</tr>
<tr>
<td></td>
<td>April 2014–May 2014</td>
</tr>
<tr>
<td>Analysis of public comments and</td>
<td>Undertaken during 1st half of 2014</td>
</tr>
<tr>
<td>extensive outreach</td>
<td></td>
</tr>
<tr>
<td>Publication of Feedback Statement</td>
<td>3rd quarter of 2014</td>
</tr>
</tbody>
</table>

---

2 Appendix 1 to this paper summarises the main changes introduced by IFRS 3 (2004) and IFRS 3 (2008).
Consultation activities within Phase I of the PIR of IFRS 3

11. As stated in paragraph 6 of the paper, the objective of Phase I of the PIR is to establish the scope of the review, and in particular to identify the areas of focus for the RFI, which will be published at the start of Phase II.

12. At its meeting in July, the IASB tentatively agreed with the consultations and activities that the staff plan to undertake during Phase I of the PIR, which are shown in the table below. During Phase I, we will also commence a review of academic and other literature relevant to this PIR.

| PLANNING OF CONSULTATIONS AND ACTIVITIES IN PHASE I |
|---------------------------------|------------------|
| **CONSTITUENTS / ACTIVITIES**   | **TIMING**       |
| Accounting firms               | July 2013        |
| Input from the large international audit networks |                     |
| Investors                       | July 2013 and ongoing |
| Input from main investors groups: |                     |
| Corporate Reporting Users’ Forum (CRUF) |                     |
| European Society of Financial Analysts Societies (EFFAS) |                     |
| CFA Institute                   |                     |
| Joint investors outreach with FASB |                     |
| National Standard-Setters       | May 2013 and ongoing |
| Input from the following organisations: |                     |
| Financial Accounting Foundation (FAF), as the organisation responsible for the review of Statement 141R (see paragraph 23 of this paper) |                     |
| National Standard-Setters and endorsement advisory bodies (through meetings with the International Forum of Accounting Standard Setters (IFASS), the World Standard-Setters (WSS) and by teleconference) |                     |
| Valuation specialists           | September 2013    |
| Input from the International Valuation Standards Council (IVSC) |                     |
| Regulators                      | September 2013    |
| Input from the following organisations: |                     |
| European Securities and Markets Authority (ESMA) |                     |
| International Organization of Securities Commissions (IOSCO) |                     |
| Academic research               | July and ongoing  |
| Internal input                  | September 2013    |
| IFRS Interpretations Committee  | October 2013      |
| IFRS Advisory Council           | November 2013     |
| Capital Markets Advisory Committee (CMAC) |                     |
| Global Preparers Forum (GPF) meeting |                     |

(1): Accounting Standards Advisory Forum (ASAF) members will be consulted through IFASS.

Liaison with FAF and FASB

13. As described in Appendix 1 of this paper, the US-based standard-setter, the Financial Accounting Standards Board (FASB) and the IASB concurrently deliberated the issues in the second phase of the Business Combinations project and reached the same conclusions on most of them.
14. Even though the Standards are the result of a joint effort, our corresponding Post-implementation Reviews are conducted separately. In the case of the US Standard, its review has already been undertaken by the independent private-sector organisation responsible for the oversight of the FASB, the Financial Accounting Foundation (FAF), which led to the publication of the Post-Implementation Review Report on FASB Statement No.141 (revised 2007), Business Combinations (Statement 141R) in May 2013.3

15. The IASB will conduct its own PIR of IFRS 3, but we plan to interact with the FAF staff and FASB staff during our review. We have already had calls with FAF staff responsible for the review of Statement 141R to learn about their findings. We have also spoken with FASB staff about how we can work with them when getting input from US-based stakeholders. FASB staff will work with us in seeking input from US investors.

16. The FASB, in responding to the FAF’s review of Statement 141R, has stated that it will wait for the completion of our PIR on IFRS 3 and will co-ordinate with us before deciding whether to undertake any standard-setting action.4

**Next steps**

17. We will bring the results of the consultations and activities undertaken during Phase I to the November 2013 IASB meeting. At that meeting we will propose to the IASB a scope for Phase II of the PIR that focuses on the areas that have resulted in the greatest challenges in the implementation of the Standard.

**Areas identified during Phase I for consideration in the PIR of IFRS 3**

18. The following is an initial assessment of the matters that were important or contentious during the development of the Standard or areas in which the implementation of IFRS 3 might have been challenging. The matters in this list

---


have been identified from the Basis for Conclusions, Project Summary, Feedback Statement and Effect Analysis of IFRS 3 and from matters submitted to the IFRS Interpretations Committee (‘the Interpretations Committee’). The list also includes the areas suggested by the IASB at its meeting in July. The list is, however, not intended to be comprehensive and exhaustive and will be revised during Phase I of the PIR.

(a) All business combinations are acquisitions (the abolition of pooling of interests)
This was one of the core changes brought in by IFRS 3 (2004) to the former Standard for the accounting of business combinations, IAS 22.

(b) Definition of a business
Identifying when a transaction involves a business compared to when it involves merely a collection of assets is critical to determining whether a transaction is a business combination or merely the purchase of assets. The difference in the accounting requirements for a business combination, compared with the accounting for the purchase of a group of assets that is not a business, elevates the importance of the definition of a business.

(c) Scope exception: common control transactions
Common control transactions were not within the scope of IAS 22 and neither were they within the scope of IFRS 3 (2004) or IFRS 3(2008). Any feedback that we receive in relation to this topic during the PIR of IFRS 3 will be passed on to the Business Combinations Under Common Control research project.

(d) Measurement of assets and liabilities at fair value
According to the FAF’s report, this matter was identified as one of the main challenging areas for preparers when applying Statement 141R. We may receive similar feedback on this area, because IFRS 3 was being applied before the issuance of IFRS 13 Fair Value Measurement and, as result, entity-specific instead of market-based assumptions might have been used more extensively in a number of cases.

(e) Recognition of intangible assets (especially the recognition of customer relationship intangible assets)
We expect that identifying and measuring the intangible assets acquired in a business combination would have been a challenging area for entities implementing IFRS 3. The FAF’s report on Statement 141R states that preparers and practitioners had difficulties in this area.
In addition, it has been argued there is a lower hurdle in IFRS 3 for the recognition of intangible assets when compared to IAS 38 Intangible Assets.

(f) Contingent consideration
We expect that measuring contingent consideration at fair value would have been a challenging area for entities implementing IFRS 3. The FAF’s report
on Statement 141R states that preparers and practitioners had difficulties in this area.

(g) Acquisition-related costs

IFRS 3 (2008) modified the requirements for the accounting for fees paid in relation to a business combination from IFRS 3 (2004), in which those costs were included in the cost of the acquisition. The requirements of IFRS 3 (2008) required that acquisition-related costs should be recognised as an expense at the time of the acquisition. This was generally not well received when IFRS 3 (2008) was being developed. Some constituents argued that acquisition costs should be included in goodwill to ensure that the total outlay was reflected in the statement of financial position.

(h) Non-controlling interests

The principal concern in this area seems to be the general lack of an accounting framework for transactions with non-controlling interests.

There are a range of issues related to accounting for non-controlling interests. These include:

(i) the measurement option allowed in IFRS 3 (2008) for non-controlling interests;

(ii) the accounting for impairment testing of goodwill when non-controlling interest are recognised;

IFRS 3 (2008) amended Appendix C of IAS 36 *Impairment of Assets* to reflect the two ways of measuring non-controlling interests: either at fair value or as a proportion of the identifiable net assets of the acquiree.

The Interpretations Committee received a request for clarification of guidance relating to how an entity accounts for impairment testing of goodwill when non-controlling interest is recognised. The Interpretations Committee discussed this matter in September 2010. The Interpretations Committee decided not to propose an amendment to address the issues and recommended that the IASB should consider the implication of these issues as part of the PIR of IFRS 3.

The PIR will offer us an opportunity to find out whether these concerns continue and whether any other related issues have arisen.

(iii) mandatory purchases of non-controlling interests in business combinations

This is an issue that has been submitted to the Interpretations Committee. The concern relates to the accounting for a sequence of transactions that begins with an acquirer gaining control of an entity and is followed shortly thereafter by the acquisition of additional ownership interests (ie a mandatory tender offer) as a result of a regulatory requirement. The concern also relates to whether a liability should be recognised for the mandatory tender offer at the
date the acquirer obtains control of the acquiree. The Interpretations Committee decided to report its views to the IASB and recommended that the IASB should consider the implication of these issues as part of the PIR of IFRS 3.

The IASB discussed this matter at its May 2013 meeting. The IASB tentatively decided not to proceed with an amendment to IFRS 3 through Annual Improvements but, instead, to discuss this issue—together with the accounting for the MTO at the date that the acquirer obtains control of the acquiree—when it discusses the measurement of put options written on non-controlling interests (see paragraph (h) (iv)).

(iv) put options written on non-controlling interests

This has been an issue submitted to the Interpretations Committee that resulted in the publication in May 2012 of a draft Interpretation on the accounting for put options written on non-controlling interests in the parent’s consolidated financial statements (NCI puts). That draft Interpretation responded to concerns about diversity in practice by proposing to clarify that the financial liability that is recognised for an NCI put must be remeasured in accordance with IAS 39 Financial Instruments: Recognition and Measurement and IFRS 9 Financial Instruments, which require that changes in the measurement are recognised in profit or loss. After considering the feedback received on the draft Interpretation, the Interpretations Committee decided not to finalise the draft Interpretation. This issue is now being considered by the IASB.

We have learnt that in specific jurisdictions it is common to see NCI puts on non-controlling interests within the context of business combinations. As a result, for those jurisdictions, clarification of the measurement of those financial instruments is a relevant matter.

(v) bargain purchases

One of the concerns relating to this area is its interaction with the measurement option of non-controlling interests in accordance with IFRS 3. In times of falling markets, it has been observed that bargain purchases arise more frequently and that gains on bargain purchases will be higher if an entity elects to measure non-controlling interests at fair value.

(i) Goodwill impairment and segment reporting

IFRS 8 does not require that goodwill is separately disclosed by segment. A few respondents to the PIR of IFRS 8 have suggested that goodwill impairment by segment as a line item would be useful information in order to understand poor performance by some sectors and the outcome of acquisitions.

(j) Disclosures

The PIR should enable us to receive feedback relating to the usefulness of the information provided by the disclosure requirements in IFRS 3 in order
to assess opportunities for improvements in the Standard and also to identify any general enhancements that could be considered by the IASB.

19. The paragraphs below include relevant matters that result from consequential amendments to other Standards brought by IFRS 3 (2004) or IFRS 3 (2008).

**Amendments to IAS 27 Consolidated and Separate Financial Statements**

(a) Accounting for changes in ownership interests in subsidiaries

As part of IFRS 3 (2008), IAS 27 was amended to require that after control of an entity is obtained, changes in a parent’s ownership interest that do not result in a loss of control are accounted for as equity transactions. This means that no gain or loss from these changes should be recognised in profit or loss. It also means that no change in the carrying amounts of the subsidiary’s assets (including goodwill) or liabilities should be recognised as a result of such transactions.

At the time the amendments were developed, some constituents disagreed with those requirements because they believed that the IASB had adopted an entity approach whereas those constituents preferred a proprietary approach.

(b) Attribution of losses

IAS 27 (2003) stated that when losses attributed to the minority (non-controlling) interests exceed the minority’s interests in the subsidiary’s equity, the excess, and any further losses applicable to the minority, was allocated against the majority interest except to the extent that the minority had a binding obligation and is able to make an additional investment to cover the losses.

The requirements brought by the amendments from IFRS 3 (2008) to IAS 27 require an entity to attribute total comprehensive income applicable to non-controlling interests to those interests, even if this results in the non-controlling interests having a deficit balance.

When IFRS 3 (2008) was being developed, some constituents disagreed, arguing that, even though controlling and non-controlling interests are presented in equity, they have different economic characteristics and should not be treated the same way.

(c) Accounting for step acquisitions

IFRS 3 (2008) requires the remeasurement of any previously held interests in the acquiree at fair value. When IFRS 3 (2008) was being developed, some constituents expressed their disagreement with this accounting model because they viewed each step in a step acquisition as a transaction in which the acquirer only obtains more shares in the acquiree. Because the shares that the acquirer previously held have not been exchanged or sold, they believed that the recognition of profit or loss was not appropriate.

The PIR will offer us an opportunity to find out whether these concerns at the time when IFRS 3 (2008) was being developed have remained and whether any other related issues have arisen.
(d) Loss of control

IFRS 3 (2008) amended IAS 27 to require that any investment that a parent had in a former subsidiary after control is lost is measured at fair value at the date that control is lost and that any resulting gain or loss should be recognised in profit or loss. Some constituents disagreed, asserting that the principles for revenue and gain recognition in the Conceptual Framework would not be satisfied for the retained interest. The IASB, however, believed that measuring the investment at fair value reflected the IASB’s view that the loss of control of a subsidiary is a significant economic event.

Amendments to IAS 36 Impairment of Assets

(a) Non-amortisation of goodwill

IFRS 3 (2004) prohibited the amortisation of goodwill acquired in a business combination and instead required goodwill to be tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired, in accordance with IAS 36. In addition, the previous version of IAS 36 required an impairment loss that had been recognised for goodwill in a previous period to be reversed when the impairment loss was caused by a specific external event of an exceptional nature. The 2004 revision to IAS 36 prohibited the recognition of reversals of impairment losses for goodwill.

Some constituents have expressed concerns about whether the impairment test is able to present negative economic cycles in entities’ financial statements in a timely manner. We have also learnt of concerns relating to the assumptions used for the calculation of the impairment and the risk of this information being too subjective.

Amendments to IAS 38 Intangible Assets

(a) Recognition criteria for acquired intangibles as part of a business combination

IFRS 3 (2004) amended IAS 38 to require that the probability recognition is always considered to be satisfied for intangible assets acquired in a business combination. IAS 38 was also amended to clarify that the fair value of an intangible asset acquired in a business combination can normally be measured with sufficient reliability for it to be recognised separately from goodwill.

IFRS 3 (2008) amended IAS 38 to state that if an intangible asset acquired in a business combination is separable or arises from contractual or other legal rights, sufficient information exists to measure the fair value of the asset reliably (ie the fair value of an intangible asset acquired in a business combination can be measured with sufficient reliability to be recognised separately from goodwill).

(b) Useful lives of intangible assets and non-amortisation of intangible assets with indefinite useful lives

The pre-2004 version of IAS 38 prescribed a presumptive maximum life for intangible assets of 20 years and IAS 22 did the same for goodwill.
IAS 38 was amended to require useful life to be regarded as indefinite when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period of time over which the intangible asset is expected to generate net cash inflows for the entity.

The amendments to IAS 38 resulted in the prohibition of amortising intangible assets with indefinite useful lives and in the requirement for regular impairment testing.

When those amendments were being developed some constituents suggested that an inability to determine clearly the useful life of an asset applies equally to many items of property, plant and equipment. Nonetheless, entities are required to determine the useful lives of those items of property, plant and equipment. Those constituents suggested that there was no conceptual reason for treating intangible assets differently.

Questions for the Interpretations Committee

<table>
<thead>
<tr>
<th>Questions for the Interpretations Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
</tr>
<tr>
<td>2</td>
</tr>
<tr>
<td>3</td>
</tr>
<tr>
<td>4</td>
</tr>
</tbody>
</table>
Appendix 1—Background to IFRS 3

1. In 2001 the IASB began a project to review IAS 22 *Business Combinations* (revised in 1998) as part of its initial agenda, with the objective of improving the quality of, and seeking international convergence on, the accounting for business combinations. The IASB decided to address the accounting for business combinations in two phases.

2. As part of the first phase, the IASB published in December 2002 Exposure Draft (ED) 3 *Business Combinations*, together with an Exposure Draft of proposed related amendments to IAS 36 *Impairment of Assets* and IAS 38 *Intangible Assets*.

3. The IASB concluded the first phase in March 2004 by issuing simultaneously IFRS 3 *Business Combinations* and revised versions of IAS 36 and IAS 38. The IASB’s primary conclusion in the first phase was that virtually all business combinations are acquisitions. Accordingly, the IASB decided to require the use of one method of accounting for business combinations—the acquisition method.

4. The main changes introduced by IFRS 3 (2004) from IAS 22 were:
   
   (a) All business combinations within its scope were to be accounted for using the purchase method. The pooling of interests method is no longer permitted.

   (b) All assets and liabilities and contingent liabilities of the acquiree (with some specific exceptions) are measured at their fair values at acquisition date. IAS 22 had permitted identifiable assets and liabilities to be measured as the aggregate of the acquirer’s share of their fair value plus the minority’s proportion of their pre-acquisition book value. The value of minority interests under IAS 22 was therefore affected by the measurement of the acquiree’s assets and liabilities.

   (c) Liabilities for terminating or reducing the activities of an acquire can only be recognised in purchase accounting if the acquiree had, at the acquisition date, an existing liability in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

   (d) Contingent liabilities of an acquiree must be separately recognised and not be subsumed within goodwill.
(e) An intangible asset acquired in a business combination is assumed to satisfy the recognition criterion that it is probable that future economic benefits will flow to the entity. It will therefore be recognised provided it meets the definition of an intangible asset and if its fair value can be measured reliably.

(f) Goodwill acquired in a business combination was no longer amortised but instead is subject to annual impairment testing.

(g) Negative goodwill arising on a business combination is recognised immediately in profit or loss. IAS 22 had required negative goodwill to be deferred and amortised to profit or loss according to the pattern of expected future losses or over the average useful life of the identifiable depreciable/amortisable assets acquired. This applied in most cases, although sometimes immediate recognition in profit or loss was required.

5. The FASB also conducted a project on business combinations in multiple phases. The FASB concluded its first phase in June 2001 by issuing FASB Statements No. 141 Business Combinations (SFAS 141) and No. 142 Goodwill and Other Intangible Assets. The scope of that first phase was similar to IFRS 3 and the FASB reached similar conclusions on the major issues.

6. The two boards began deliberating the second phases of their projects at about the same time. They decided that a significant improvement could be made to financial reporting if they had similar standards for accounting for business combinations. They therefore agreed to conduct the second phase of the project jointly with the objective of reaching the same conclusions.

7. The second phase of the project addressed the guidance for applying the acquisition method. In June 2005 the boards published jointly an Exposure Draft of revisions to IFRS 3 and SFAS 141, together with Exposure Drafts of related amendments to IAS 27 Consolidated and Separate Financial Statements and Accounting Research Bulletin No. 51 Consolidated Financial Statements.

8. The boards concluded the second phase of the project by issuing their revised standards, IFRS 3 Business Combinations (as revised in 2008) and FASB Statement No. 141 (revised 2007) Business Combinations and the related
The main revisions made in 2008 were:

(a) The scope was broadened to cover business combinations involving only mutual entities and business combinations achieved by contract alone.

(b) The definitions of a business and of a business combination were amended and additional guidance was added for identifying when a group of assets constitutes a business.

(c) For each business combination, the acquirer must measure any non-controlling interest in the acquiree either at fair value or as the non-controlling interest’s proportionate share of the acquiree’s net identifiable assets. Previously, only the latter was permitted.

(d) An acquirer is no longer permitted to recognise contingencies acquired in a business combination that do not meet the definition of a liability.

(e) Costs that the acquirer incurs in connection with the business combination must be accounted for separately from the business combination, which usually means that they are recognised as expenses (rather than included in goodwill).

(f) Consideration transferred by the acquirer, including contingent consideration, must be measured and recognised at fair value at the acquisition date. Subsequent changes in the fair value of contingent consideration classified as liabilities are recognised in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*, IAS 37 or other IFRSs, as appropriate (rather than by adjusting goodwill). The disclosures required to be made in relation to contingent consideration were enhanced.

(g) For business combinations achieved in stages, having the acquisition date as the single measurement date was extended to include the measurement of goodwill. An acquirer must remeasure any equity interest it holds in the acquiree immediately before achieving control at its acquisition-date fair value and recognise the resulting gain or loss in profit or loss.
World Standard-setters Meeting
Monday 23 and Tuesday 24 September 2013
The Grange City Hotel (London)

NOTES
World Standard-setters Meeting
Monday 23 and Tuesday 24 September 2013
The Grange City Hotel (London)

Working with national standard-setters

Ian Mackintosh
Vice-Chairman
IASB

Yael Almog
Executive Director
IFRS Foundation

Alan Teixeira
Senior Director, Technical Activities
IASB
The views expressed in this presentation are those of the presenter, not necessarily those of the IASB or IFRS Foundation.

Jurisdiction Profiles of IFRS Application
Charting progress towards global accounting standards
Yael Almog
WSS, September 2013

Support for global accounting standards
- Public support for global accounting standards:
  - G20
  - World Bank
  - IMF
  - Basel Committee
  - International Organization of Securities Commissions (IOSCO)
  - International Federation of Accountants (IFAC)
  - European Parliament and Council
  - Many others

Support for global accounting standards
- February 2012 strategy review report of the Trustees of the IFRS Foundation
  “We remain committed to the belief that a single set of International Financial Reporting Standards (IFRS) is in the best interests of the global economy, and that any divergence from a single set of standards, once transition to IFRS is complete, can undermine confidence in financial reporting.”

Study of how countries have adopted IFRS
- Goals of the project:
  - Develop a central source of information to chart jurisdictional progress toward global adoption of a single set of financial reporting standards
  - Respond to assertions that there are many national variations of IFRS around the world
  - Identify where IFRS Foundation can help counties on their path to adoption of IFRS

Where are countries on the road to IFRS?
- 81 jurisdiction profiles are now posted:
  - All G20 plus 61 others
  - http://go.ifrs.org/global-standards
- Starting point was a survey of standard setters
- Profiles prepared by IFRS Foundation
- Reviewed by survey respondent, regulators, and international audit firms
- Profiles reflect current status of use of IFRS rather than hopes and intentions

66 profiles posted June 2013

<table>
<thead>
<tr>
<th>Albania</th>
<th>China</th>
<th>Italy</th>
<th>New Zealand</th>
<th>Tanzania</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>Colombia</td>
<td>Jamaica</td>
<td>Norway</td>
<td>Turkey</td>
</tr>
<tr>
<td>Australia</td>
<td>Czech Republic</td>
<td>Japan</td>
<td>Pakistan</td>
<td>Uganda</td>
</tr>
<tr>
<td>Austria</td>
<td>Denmark</td>
<td>Lesotho</td>
<td>Romania</td>
<td>Ukraine</td>
</tr>
<tr>
<td>Bahamas</td>
<td>Ecuador</td>
<td>Lithuania</td>
<td>Russia</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>Belgium</td>
<td>European Union</td>
<td>Macao</td>
<td>Saudi Arabia</td>
<td>United States</td>
</tr>
<tr>
<td>Bhutan</td>
<td>Fiji</td>
<td>Macedonia</td>
<td>Serbia</td>
<td>Uruguay</td>
</tr>
<tr>
<td>Bolivia</td>
<td>France</td>
<td>Malaysia</td>
<td>Singapore</td>
<td>Venezuela</td>
</tr>
<tr>
<td>Botswana</td>
<td>Georgia</td>
<td>Malta</td>
<td>Slovakia</td>
<td>Zambia</td>
</tr>
<tr>
<td>Brazil</td>
<td>Germany</td>
<td>Mauritius</td>
<td>South Africa</td>
<td>Zimbabwe</td>
</tr>
<tr>
<td>Brunei</td>
<td>Hong Kong</td>
<td>Mexico</td>
<td>South Korea</td>
<td></td>
</tr>
<tr>
<td>Bulgaria</td>
<td>India</td>
<td>Mongolia</td>
<td>Sri Lanka</td>
<td></td>
</tr>
<tr>
<td>Canada</td>
<td>Indonesia</td>
<td>Myanmar</td>
<td>Switzerland</td>
<td></td>
</tr>
<tr>
<td>Chile</td>
<td>Israel</td>
<td>Netherlands</td>
<td>Taiwan</td>
<td></td>
</tr>
</tbody>
</table>
15 more profiles posted September 2013

Cyprus Iceland Poland
Estonia Ireland Portugal
Finland Latvia Slovenia
Greece Liechtenstein Spain
Hungary Luxembourg Sweden

Content of each profile

- Survey participant details
- Commitment to global accounting standards
- Extent of IFRS application:
  - Which companies? Required or permitted? Consolidated only? Unlisted also?
- IFRS endorsement:
  - Process, legal authority, auditor’s report
  - Eliminate options? Make modifications?
  - Process for translation of IFRS
  - Adoption of the IFRS for SMEs

Commitment to IFRS as global standards

- Stated a public commitment in support of global accounting standards?
  - Yes = 78 of the 81 jurisdictions
  - No = 3 (Albania, Macao, Switzerland)
- Made a public commitment to IFRS as those standards?
  - Yes = 80 of the 81 jurisdictions
  - No = 1 (Switzerland)

IFRS already adopted

- IFRS required for all or most listed companies?
  - Yes = 70 of 81 jurisdictions (85%)
  - Not yet = 11 jurisdictions (see next slide)
- Around 60% of the 70 who have adopted IFRS for listed companies also require IFRS for financial institutions and/or large unlisted.
- Around 90% of the 70 who have adopted IFRS for listed companies also require or permit IFRS for many unlisted companies.

On the road to adoption of IFRS

About the 11 yet to complete adoption:
- Japan: IFRS permitted if criteria are met. 22 now use. By 2014 expect more than 20% of total market cap to use IFRS.
- United States: IFRS permitted for non-US companies. 450 SEC registrants now use IFRS.
- China: Substantially converged.
- India: Permitted on limited voluntary basis. 11 companies use.
- Pakistan and Singapore: Adopted many but not all IFRSs.
- Saudi Arabia: IFRS now required for banks and insurance companies. Plan to adopt for all listed and financial.
- Bhutan and Bolivia: Yet to adopt, but IFRS used by some.
- Indonesia and Macao: Adopted some individual IFRSs. No plan for full adoption.

Modifications to IFRS are rare

- European Union: IAS 39 ‘temporary carve-out’ – is used by fewer than 2 dozen out of 8,000 listed companies in the EU
  - 99.5% use IFRS as issued by the IASB.
- Effective dates: A few jurisdictions deferred dates of several standards, notably IFRSs 10, 11, 12
- Pending completion of IASB projects: A few modifications or deferrals pending completion of IASB projects on equity method, agriculture, loan loss provisions, hedge accounting, rate regulation
Auditor’s report

- **Independent auditor’s report**: In the 70 jurisdictions that have adopted IFRS, the auditor’s report refers to:
  - **IFRS as issued by the IASB**: 32 jurisdictions
  - **IFRS as adopted by the EU**: 32 jurisdictions*
    * Many of these also assert compliance with IFRS as issued by the IASB
  - **National standards**: 6 jurisdictions

Endorsement process in the 81 jurisdictions

- No endorsement required: 23 jurisdictions
- European Union process: 31 jurisdictions
  - Endorsement done solely by professional accounting body: 8 jurisdictions
  - Endorsement done solely by government agency: 8 jurisdictions (includes Japan)
  - Endorsement involves both professional body and government: 6 jurisdictions
- IFRS not yet adopted for domestic or foreign companies: 5 jurisdictions

Adoption of the IFRS for SMEs

- **IFRS for SMEs**: 30 jurisdictions have adopted the IFRS for SMEs. Another 11 actively considering it.
- **Of the 30 who have adopted IFRS for SMEs**:
  - 5 require it for all SMEs not required to use full IFRS.
  - 13 give SMEs option to use full IFRS instead.
  - 11 give SMEs option to use either full IFRS or local GAAP instead of the IFRS for SMEs.
  - 1 jurisdiction requires local GAAP if it does not choose the IFRS for SMEs.

Adoption of the IFRS for SMEs

- In adopting the IFRS for SMEs, 24 of the 30 jurisdictions made no modifications to it.
- 6 jurisdictions made modifications. Of those:
  - 2 made a modification that affects separate company financial statements only
  - 1 modified the income tax section to conform with IAS 11 rather than with the IFRS for SMEs
  - 2 made significant modifications (and call it national GAAP for SMEs)
  - 1 is currently considering modifications

Next steps in the project

- Surveys were sent in late July to another 80 jurisdictions
  - Post Profiles in 4th Quarter 2013
- Follow-up survey in late 2013 or early 2014
  - Including some additional questions relating to IFRS adoption

Thank you

**Comments or questions?**

Expressions of individual views by members of the IASB and its staff are encouraged.

The views expressed in this presentation are those of the presenter.

Official positions of the IASB on accounting matters are determined only after extensive due process and deliberation.
World Standard-setters Meeting
Monday 23 and Tuesday 24 September 2013
The Grange City Hotel (London)

NOTES
The views expressed in this presentation are those of the presenter, not necessarily those of the IASB or IFRS Foundation.


International Financial Reporting Standards

Working with the IASB

Alan Teixeira, Senior Technical Director

Session overview

• Background
• Opportunities to work together

Background

• Problem definition is given primacy
• Need more evidence to support decision making

Opportunities to work together

• Implementation
  – Evidence of diversity
• Post-implementation reviews
  • New projects
    – Within the IASB research programme
    – In anticipation of the agenda consultation
  • Current projects
    – Fieldwork, specific issues
• Thought leadership
  – Information dissemination

Different ways to work

• Whole project
• A manageable piece
• Partners work together or ‘compete’
• Specific tasks
  – Effects
  – Jurisdictional differences

Clear objective and expectations

• Each (IASB) project will have an owner (staff) at the IASB
• Before you start a project you need to understand what problem we are trying to address.
• It is important that you work with the IASB to set out the right initial questions to ‘seed’ the project.
• Timetabling needs to be sensitive to the capacity of the IASB (i.e. the Board) and outside parties who are expected to respond to a public consultation.
• Clear expectations of expected output.
Research projects

Issues include...

<table>
<thead>
<tr>
<th>Research project</th>
<th>Issues include...</th>
</tr>
</thead>
</table>
| 1. Business combinations under common control | • Scoped out of existing standards, so practice varies  
• Assets acquired and liabilities assumed: carry over basis or fair value?  
• Recognise goodwill?  
• Push-down accounting? |
| 2. Discount rates | • Different discount rates in different standards, partly because of different objectives  
• Link to measurement chapter of conceptual framework  
• Long maturities, liquidity premium, own credit |
| 3. Emissions trading schemes | • Does a gain arise when an entity receives allowances? |
| 4. Equity method of accounting | • Keep equity method for associates?  
• If yes, measurement method or one line consolidation? |
| 5. Extractive activities | • Scoped out of existing standards, and temporary exemption grandfathers existing practice (IFRS 6) |
| 6. Financial characteristics with characteristics of equity | • How to distinguish financial liabilities from equity instruments?  
• Existing standard (IAS 32) complex, difficult to apply and many requests for interpretation  
• Conceptual framework (definition of a liability) |
| 7. Financial reporting in highly inflationary economies | • Does existing standard produce the most useful answer? |
| 8. Foreign currency translation | • Concerns of emerging markets, particularly about translation of foreign currency debt |
| 9. Intangible assets | • Intangible assets more important in modern economy  
• Should more (or fewer) intangibles be recognised?  
• If yes, how should they be measured?  
• Are disclosures adequate?  
• Links: extractive activities / emission trading schemes?  
• Conceptual framework (definition of an asset, recognition, measurement, disclosure) |
| 10. Liabilities – amendments to IAS 37 | • When to recognise uncertain liabilities?  
• How to measure them?  
• Disclosure  
• Conceptual framework (elements, recognition, measurement, disclosure) |

Getting involved

• IFASS site  
• Email me  
• IASB website

Questions

• Longer term research that could lead to a fundamental review of standards on:  
  – Income taxes  
  – Post-employment benefits (including pensions)  
  – Share-based payments  

• For these three areas:  
  – Not likely to start research before the next agenda consultation  
  – Encourage others to work in these areas  
  – We will monitor work by others
World Standard-setters Meeting
Monday 23 and Tuesday 24 September 2013
The Grange City Hotel (London)

IFRS Advisory Council update

Christoph Hütten
Vice-Chairman
IFRS Advisory Council
Role of the Council

- Strategic, not technical input
- Advise IASB on agenda, major projects and process
- Advise IFRS Foundation on strategy
- Forward-looking agenda

Current Membership

- 48 members + 3 observer organisations representing various stakeholder groups and geographic regions
- Under-represented
  - Emerging economies
- Approximately 20 members retire in 2013
- Appointment of new members in progress
- Expect same numbers with rebalancing of representation

Membership by Stakeholder Group

- Preparers: 12
- Users: 11
- Regulators: 8
- Auditors: 7
- Standard setters: 7
- Others: 4
- Academics: 2

Membership by Region

- International organizations: 19
- Asia-Oceania: 11
- Europe: 10
- North America: 9
- Africa: 2
- South America: 1

Major Items in 2013

- Implementation and maintenance activities
  - Encourage work to ensure consistent application
- Conceptual Framework
  - Viewed as matter of highest priority
  - Satisfied with progress and outcomes to date
- IASB Advisory Framework
  - Supported creation of ASAF but asked for a review in a couple of years re. clarity of roles ASAF vs. Council
  - Advised against merger of XBRL and IFRS advisory Council but views strategic financial reporting aspects of XBRL in the IFRS Advisory Council’s scope
Major Items in 2013

- Comprehensive review of IFRS-SMEs
  – Advised to maintain separate standard
  – Majority of members advised against expansion of scope
- Disclosure framework
  – Supported two-stage approach (short-term amendments to IAS 1 and mid-term comprehensive disclosure framework)

Looking Ahead: the October Council Meeting

- Implementation and maintenance activities
  – post publication implementation support (eg implementation groups)
  – balance being responsive to implementation needs and imposing changes in IFRSs
  – maintaining convergence of jointly developed standards
- Conceptual Framework: Purpose
- IFRS Network: Interaction of International Valuation Standards and IFRSs
- Effects analysis: draft report of the Effects Analysis Consultative Group
- Use of IFRSs around the world
- Role and composition of the IFRS Advisory Council

Thank you
World Standard-setters Meeting
Monday 23 and Tuesday 24 September 2013
The Grange City Hotel (London)

Jurisdiction updates

Kevin Stevenson
Chairman
AOSSG

Pieter Dekker
Technical Director
EFRAG

Tom Linsmeier
Member
FASB

Jorge Gil
Chairman
GLASS

Tricia O’Malley
Chairman
IFASS

Vickson Ncube
CEO
PAFA
Recent Developments in Asia-Oceania

Kevin Stevenson
AOSSG Chair

Objectives of the AOSSG

- Promoting the adoption of, and convergence with, the IFRSs by jurisdictions in the region
- Promoting consistent application of the IFRSs by jurisdictions in the region;
- Coordinating input from the region to the technical activities of the IASB
- Cooperating with governments, regulators and other regional and international organisations to improve the quality of financial reporting in the region

AOSSG Structure

IFRS application in the region 2013

<table>
<thead>
<tr>
<th>Being Converged with IFRSs</th>
<th>Fully Converged with IFRSs</th>
<th>IFRSs Permitted</th>
<th>IFRSs Required for Some</th>
<th>IFRSs Required for Most</th>
<th>IFRSs Required for All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brunei, India, Indonesia, Japan, Nepal, Singapore, Syria, Thailand, Vietnam</td>
<td>China, Brunei, India, Japan, Malaysia (some entities), Malaysia, Singapore, Uzbekistan</td>
<td>South Arabia, Uzbekistan, Malaysia, Philippines, Australia, Cambodia, China, Hong Kong, India, Kazakhstan, Korea, Mongolia, New Zealand, Pakistan, Sri Lanka</td>
<td>9</td>
<td>1</td>
<td>6</td>
</tr>
</tbody>
</table>

chair@aossg.org | vice-chair@aossg.org | aossg@aossg.org

www.aossg.org
Mechanisms within the AOSSG

• Modus Operandi of an AOSSG Working Group
• ASAF Working Party
• Protocol for raising emerging issues
• Protocol for responding to IASB/IFRS Interpretations Committee technical requests

IFRS Centre of Excellence for a Developing Country (COEDC)

• IFRS COEDC will belong to the NASB
• Progress:
  – Review of std-setting (April 2013) and first Train-the-trainer (June 2013)
  – Further TTTs to be conducted [next session expected to take place in October 2013]
• Trainers contributed by AOSSG members
• Working Party of 10 members
World Standard-setters Meeting
Monday 23 and Tuesday 24 September 2013
The Grange City Hotel (London)

NOTES