

STAFF PAPER

December 2017

Accounting Standards Advisory Forum

Project	Accounting Standards Advisory Forum		
Paper topic	IASB[®] Project Update & Agenda Planning		
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This paper has been prepared for discussion at a public meeting of the Accounting Standards Advisory Forum. The views expressed in this paper do not represent the views of the International Accounting Standards Board (Board) or any individual member of the Board. Comments on the application of IFRS[®] Standards do not purport to set out acceptable or unacceptable application of IFRS Standards. Technical decisions are made in public and reported in IASB[®] *Update*.

Introduction

1. The aim of this paper is to:
 - (a) discuss the agenda topics for the April 2018 Accounting Standards Advisory Forum (ASAF) meeting;
 - (b) provide the ASAF with a short update on International Accounting Standards Board[®] (Board) agenda projects; and
 - (c) provide ASAF members with feedback on how the staff or the Board have considered (or will consider) the advice given at the September 2017 ASAF meeting.

Project update and agenda planning

2. Appendix A of this paper sets out the suggested agenda topics for the April 2018 ASAF meeting.
3. An update on the Board's work plan, as at 13 November 2017, is summarised in Appendix B of this paper. Further details of the projects are available on the IFRS Foundation website.
4. Appendix C of this paper sets out a table summarising the feedback from the September 2017 ASAF meeting and how the staff or the Board have considered (or will consider) this feedback.

Questions to ASAF members

1. Do ASAF members have any comments on the proposed agenda topics for the April 2018 ASAF meeting (Appendix A)?
2. Do ASAF members wish to add items arising from their jurisdiction to the proposed agenda topics?
3. Do ASAF members have any comments on the project update (Appendix B) or on when the Board plans to seek the advice of the ASAF?

Appendix A ASAF Agenda topics

Meeting	Agenda topic
December 2017 (Actual)	Primary Financial Statements
	Disclosure Initiative— <i>Definition of Material</i>
	Disclosure Initiative— <i>Principles of Disclosure</i>
	Post-implementation Review of IFRS 13 <i>Fair Value Measurement</i>
	Wider Corporate Reporting
	Business Combinations Under Common Control
	Improvements to IFRS 8 <i>Operating Segments</i> (Proposed amendments to IFRS 8 and IAS 34)
	Consolidation
	Academic Liaison
April 2018	Disclosure Initiative— <i>Principles of Disclosure</i>
	Primary Financial Statements
	Dynamic Risk Management
	Goodwill and Impairment
	Rate-regulated Activities
	Property, Plant and Equipment— <i>Proceeds before Intended Use</i> (Amendments to IAS 16)

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Project	Project objective	Past ASAF input	Future ASAF input
Research Projects			
Principles of Disclosure	<p>The Board is consulting stakeholders about possible principles of disclosure that could help the Board develop better disclosure requirements and help companies communicate information more effectively to users of financial statements.</p> <p>The Discussion Paper <i>Disclosure Initiative—Principles of Disclosure</i> closed for comment on 2 October 2017.</p>	<p>July 2017 ASAF members shared initial feedback from their jurisdictions on the proposals in the Discussion Paper.</p> <p>Advice was requested on all major topics discussed in the <i>Principles of Disclosure</i> Discussion Paper.</p>	<p>December 2017 We will provide an initial overview of comments on the Discussion Paper and ask for ASAF members' advice on the project's next steps.</p> <p>April 2018 We will discuss specific topics, depending on how the project progresses.</p>

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Project	Project objective	Past ASAF input	Future ASAF input
<p>Primary Financial Statements</p>	<p>The Board is exploring targeted improvements to the structure and content of the primary financial statements, with a focus on the statement(s) of financial performance.</p> <p>The Board will continue its discussions through the second half of 2017 before deciding whether to publish a Discussion Paper or an Exposure Draft.</p>	<p>September 2017 ASAF members discussed:</p> <ul style="list-style-type: none"> (i) research by the New Zealand Accounting Standards Board on the views of investors about the usefulness of alternative performance measures; and (ii) feedback on the UK Financial Reporting Council’s Discussion Paper <i>Improving the Statement of Cash Flows</i>. <p>July 2017 ASAF members discussed papers on:</p> <ul style="list-style-type: none"> (i) the presentation of earnings before interest and tax (EBIT); (ii) the presentation of a management operating performance measure; and (iii) the presentation of the share of profit or loss of associates and joint ventures. <p>March 2017 The ASAF discussed the outcome of the initial research and proposed scope of the project.</p> <p>July 2016 We asked the ASAF’s advice on the scope of the project.</p> <p>ASAF also discussed the UK Financial Reporting Council’s Discussion Paper <i>Improving the Statement of Cash Flows</i>.</p> <p>December 2015 ASAF members received a verbal update on the project.</p>	<p>December 2017 We are asking for feedback on the staff proposals to introduce an investing category and comparable subtotals in the statement of financial performance.</p> <p>April 2018 We will discuss specific topics, depending on how the project progresses.</p>

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<p>Business Combinations under Common Control (BCUCC)</p>	<p>The Board is discussing how companies should account for business combinations under common control. Such transactions are outside the scope of IFRS Standards, and accounted for in different ways.</p> <p>The Board plans to publish a Discussion Paper in H2 of 2018.</p>	<p>April 2016 We asked the ASAF’s advice on the approach to the project.</p> <p>December 2015 The Hong Kong Institute of Certified Public Accountants (HKICPA) presented a paper on how BCUCC are accounted for in Hong Kong.</p> <p>The staff requested ASAF members’ views on how the predecessor method should be applied when a BCUCC takes place.</p> <p>March 2015 We asked advice on the staff’s preliminary view on which method to apply for a BCUCC.</p> <p>The ASAF has also discussed a paper by the Canadian Accounting Standards Board, which set out the historical and current accounting practices in Canada for BCUCC, with specific reference to the Canadian related party accounting Standard.</p>	<p>December 2017 We will provide an update on the Board’s discussions and will seek ASAF members’ views on:</p> <ul style="list-style-type: none"> (a) clarifications of the scope of the project; and (b) factors to consider in selecting an appropriate accounting method for transactions within the scope of the project.

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Dynamic Risk Management	<p>The Board is exploring whether it can develop an accounting model that will provide users of financial statements with better information about a company's dynamic risk management activities and how it manages those activities.</p> <p>The Board plans to publish a Discussion Paper in H2 of 2018.</p>	<p>March 2017 The ASAF discussed the research findings from the work undertaken by the European Financial Reporting Advisory Group (EFRAG).</p> <p>July 2015 ASAF's advice was requested on additional information needs relating to an entity's dynamic interest rate risk management activities not identified through comment letters on the Discussion Paper and through outreach activities.</p> <p>We asked ASAF's advice in developing the Discussion Paper.</p>	<p>April 2018 The staff will seek further advice from the ASAF following Board discussions.</p>

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<p>Financial Instruments with Characteristics of Equity</p>	<p>The Board is exploring whether it can improve the existing requirements in IAS 32 <i>Financial Instruments: Presentation</i> for classifying financial instruments that have characteristics of both a liability and equity. The Board will also examine presentation and disclosure requirements.</p> <p>The Board plans to publish a Discussion Paper in H1 of 2018.</p>	<p>March 2017 The ASAF discussed possible examples that illustrate the practical implications of the model that will be included in the forthcoming Discussion Paper.</p> <p>December 2016 We asked ASAF’s advice on the project outreach and messaging.</p> <p>July 2016 We asked ASAF’s advice on how to apply the ‘no practical ability to avoid’ concept to classification of liabilities and equity.</p> <p>March 2015 The ASAF discussed examples of financial instruments with characteristics of equity.</p> <p>The ASAF also discussed the feedback on EFRAG’s Discussion Paper <i>Classification of Claims</i>.</p> <p>The ASAF has provided advice on the scope of this project.</p>	<p>July 2018 We will provide an opportunity for ASAF members to share views on the proposals in the Discussion Paper.</p>

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Goodwill and Impairment	<p>The Board is exploring whether the existing impairment test for goodwill can be improved or simplified, whether goodwill should be amortised and which intangible assets should be separated from goodwill. The Board is also considering related disclosure requirements.</p> <p>The Board will continue its discussions through the second half of 2017 before deciding the next steps.</p>	<p>September 2017 ASAF discussed:</p> <ul style="list-style-type: none"> (i) proposals in the EFRAG Discussion Paper <i>Goodwill Impairment Test: Can it be improved?</i>; and (ii) staff proposals to improve the effectiveness measures for the impairment test. <p>July 2017 ASAF discussed two papers by the Accounting Standards Board of Japan (ASBJ):</p> <ul style="list-style-type: none"> (i) Possible Approaches to Addressing the Too-Little-Too-Late issue; (ii) Research Paper No.3: <i>Analyst Views on Financial Information about Goodwill</i>. <p>In addition, ASAF discussed approaches to the impairment model.</p> <p>July 2016 ASAF discussed findings from the research on Goodwill and Impairment undertaken by the ASBJ and European Financial Reporting Advisory Group (EFRAG).</p> <p>December 2015 We asked ASAF's advice on the Board's tentative decisions from meetings in October and November 2015.</p>	<p>April 2018 We will discuss the Board's tentative decisions, if any.</p>

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Discount Rates	<p>The Board examined why different IFRS® Standards require different discount rates. The Board identified some discount rate issues that may be investigated while doing other projects.</p> <p>The Board plans to publish a summary of the research findings in 2018.</p>	<p>July 2015 The ASAF discussed the findings of the research work.</p> <p>The ASAF has previously discussed the approach to this project.</p>	<p>The Board has completed its assessment of these projects and plans no further work.</p> <p>The staff are considering how best to make the work performed visible and retrievable.</p> <p>We do not expect to ask further advice from ASAF.</p>
Share-based Payment	<p>The Board examined why IFRS 2 <i>Share-based Payments</i> generated many application questions for the IFRS Interpretations Committee. Several of these resulted in narrow-scope amendments.</p> <p>The Board has completed its research and concluded that no further amendments to IFRS 2 are needed.</p> <p>The Board plans to publish a summary of the research findings in 2018.</p>	<p>April 2016 We asked ASAF's advice on the possible next steps in this project.</p>	

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Standard-setting and related projects			
<p><i>Conceptual Framework</i></p> <p>The ASAF acts as the advisory body for this project.</p>	<p>The Board is finalising an update to the <i>Conceptual Framework for Financial Reporting</i> to provide a more complete, clear and updated set of concepts to use when the Board develops or revises IFRS Standards.</p> <p>The Board plans to publish the revised <i>Conceptual Framework</i> in Q1 of 2018.</p>	<p>March 2017 ASAF discussed members' additional comments on the proposals in the Exposure Draft <i>Conceptual Framework for Financial Reporting</i>.</p> <p>December 2016 We asked ASAF's advice on:</p> <ul style="list-style-type: none"> (a) the concepts supporting the liability definition; and (b) the staff recommendations for the approach to capital maintenance in the revised <i>Conceptual Framework</i>. <p>September 2016 We asked ASAF's advice on:</p> <ul style="list-style-type: none"> (a) the selection of a relevant measurement basis; and (b) the link between the reporting of financial performance and measurement. <p>July 2016 We asked ASAF's advice on:</p> <ul style="list-style-type: none"> (a) possible refinements to the proposed liability concepts; (b) whether and how to apply the 'no practical ability to avoid' concept to classification of liabilities and equity; and (c) possible refinements to the proposed concepts for recognition of assets and 	<p>The Board has concluded its deliberations of the proposals in the Exposure Draft <i>Conceptual Framework for Financial Reporting</i>.</p> <p>Currently we are not anticipating further discussions with ASAF.</p>

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		<p>liabilities with a low probability of inflows or outflows of economic benefits.</p> <p>April 2016 We asked ASAF's advice on the strategy for developing the <i>Conceptual Framework</i>.</p>	
<p><i>Disclosure Initiative—Definition of Material</i></p> <p>(Amendments to IAS 1 and IAS 8)</p>	<p>The Board has proposed clarifying the definition of what information is material in preparing financial statements.</p>	<p>Discussed (indirectly) as part of the Disclosure Initiative in March 2015.</p>	<p>December 2017 We are asking for ASAF members' views on the Exposure Draft; Disclosure Initiative—<i>Definition of Material (Proposed amendments to IAS 1 and IAS 8)</i>.</p>
<p>Rate-regulated Activities</p>	<p>The Board is exploring whether IFRS Standards should be amended to reflect the effects of rate regulation. It has had initial discussions on a new accounting model for rate-regulated activities.</p> <p>The Board will continue its discussions through the second half of 2017 before deciding whether to publish a second Discussion Paper or an Exposure Draft.</p>	<p>September 2017 ASAF members discussed illustrative examples, exploring issues relating to measurement of the regulatory asset or liability.</p> <p>July 2017 ASAF advice on the draft model for accounting for rate-regulated activities was requested.</p> <p>March 2017 The ASAF received an update on the Board's deliberations.</p> <p>December 2016 We asked ASAF's advice on the core principles and key features of the model.</p>	<p>April 2018 We will ask for advice on the factors the Board should consider on deciding whether to publish a Discussion Paper or an Exposure Draft.</p>

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Post-implementation reviews (PIR)			
IFRS 13 <i>Fair Value Measurement</i>	<p>The Board is examining the effect of IFRS 13 <i>Fair Value Measurement</i> on financial reporting. IFRS 13 came into effect in 2013, introducing a framework for measuring fair value.</p> <p>The Board has published a Request for Information. The RFI closed for comment on 22 September 2017.</p>	<p>July 2017 We requested ASAF members' initial views on the Request for Information published May 2017.</p> <p>December 2016 We asked ASAF's advice on the scope of the second phase of the PIR of IFRS 13.</p>	<p>December 2017 We will provide an overview of responses to the Request for Information and ask ASAF members' advice on the project's next steps.</p>

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Project	Objective	Status	Next steps
Maintenance projects			
Accounting Policies and Estimates (Amendments to IAS 8)	The Board proposed clarifying the distinction between a change in accounting policy and a change in an accounting estimate—the two are accounted for differently.	The Board has published an Exposure Draft.	Exposure Draft is out for comment until 15 January 2018.
Accounting policy changes (Amendments to IAS 8)	The Board has tentatively decided to amend IAS 8 to lower the impracticability threshold regarding retrospective application of voluntary changes in accounting policies that result from agenda decisions. The proposed threshold would include a consideration of the benefits and costs of applying the change retrospectively.	ASAF discussed the staff proposals at its July 2017 meeting.	The Board plans to publish an Exposure Draft in Q1 of 2018.
Availability of a Refund (Amendments to IFRIC 14)	Following comments on the effects of the proposals, the Board is performing further work to assess whether it can establish a more principles-based approach in IFRIC 14 for an entity to assess the availability of a refund of a surplus.	At its July 2017 meeting the Board was provided with information on the expected effect of the amendments to IFRIC 14. The Board is continuing its work on the possible effects of the proposed amendments.	The Board plans to issue an Amendment in H1 of 2018.
Classification of Liabilities (Amendments to IAS 1)	The Board has proposed clarifying whether companies classify debt as current or non-current if they have a right to renew the debt.	At its February 2016 meeting the Board discussed some of the main comments received on the Exposure Draft.	The Board will continue its discussion alongside the final stages of revising the <i>Conceptual Framework for Financial Reporting</i> .
Definition of a Business (Amendment to IFRS 3)	The Board has proposed clarifying how a company determines whether it has acquired a business or a group of assets. The accounting models differ for those two types of transactions.	At its September 2017 meeting ASAF discussed a comparison between the Board's tentative decisions made at its April and June 2017 meetings and the Accounting Standards Update <i>Clarifying the Definition of a Business</i> issued by the FASB in January 2017.	The Board plans to issue an Amendment in H1 of 2018.

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Project	Objective	Status	Next steps
Maintenance projects			
Improvements to IFRS 8 Operating Segments (Proposed amendments to IFRS 8 and IAS 34) Comment period closed 31 July 2017.	The Board has published an Exposure Draft proposing to clarify the meaning of ‘chief operating decision maker’ and to improve the disclosure requirements for operating segments.	The Board considered a summary of the feedback on the ED in November 2017. We are requesting input from ASAF on the project’s next steps at a future meeting.	The Board will discuss the project’s next steps at a future meeting.
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	The Board has proposed amending IAS 19 to clarify the accounting when a plan amendment, curtailment or settlement occurs.	At its April 2017 meeting the Board tentatively decided to finalise the proposed amendments subject to drafting changes. The Board has tentatively decided to finalise the amendments separately from the amendments to IFRIC 14 on Availability of a Refund.	The Board plans to issue an Amendment in January 2018.
Previously Held Interests in Joint Operation (Amendments to IFRS 3 and IFRS 11)	The Board has proposed amendments to IFRS 3 <i>Business Combinations</i> and IFRS 11 <i>Joint Arrangements</i> to clarify how a company accounts for obtaining control (or joint control) of a joint operation if the company already holds an interest in the joint operation.	At its April 2017 meeting the Board tentatively decided to finalise the proposed amendments to IFRS 3 and IFRS 11.	The Board plans to issue an Amendment in December 2017, as part of Annual Improvements to IFRS Standards 2015-2017 cycle.
Property, Plant and Equipment—Proceeds before Intended Use (Amendments to IAS 16) Comment period closed 19 October 2017.	The Board has examined how companies account for the proceeds from selling items produced while testing an item of plant or equipment before it is used for its intended purpose. The Board has proposed narrow-scope amendments to reduce the diversity in accounting for those proceeds.	The Exposure Draft was discussed at the July 2017 ASAF meeting. We plan to discuss the proposals for finalisation with ASAF members at the April 2018 meeting.	The Board will consider feedback on its proposals at its meeting in December 2017.

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Project	Objective	Status	Next steps
Maintenance projects			
Annual Improvements 2015-2017 Cycle			
Borrowing costs eligible for capitalisation (Amendments to IAS 23)	The Board has proposed amending IAS 23 to clarify which borrowing costs are eligible for capitalisation in particular circumstances.	The Board has tentatively decided to finalise the amendments with no substantive changes.	The Board plans to issue the amendments in December 2017.
Income tax consequences of payments on instruments classified as equity (Amendments to IAS 12)	The Board has proposed amending IAS 12 to clarify that the requirements in paragraph 52B apply to all income tax consequences of dividends.		
Next Annual Improvements Cycle			
Fees in the '10 per cent' test for derecognition (Amendments to IFRS 9)	The Board will publish a proposal to amend IFRS 9 <i>Financial Instruments</i> to clarify which fees and costs a company includes in a quantitative '10 per cent' test for assessing whether to derecognise a financial liability.	At its meeting in April 2017, the Board tentatively decided to amend IFRS 9 as part of the next annual improvements cycle.	The timing of publication of the proposed amendments depends on the identification of other matters for inclusion in the annual improvements process.

Topic	Summary of advice	Action
Primary Financial Statements—Alternative Performance Measures (APM): A New Zealand user-needs survey		
<p><i>A New Zealand user-needs survey</i></p>	<p>The NZASB survey identified that users think APMs are useful and that the majority use APMs together with measures defined by accounting standards ('GAAP measures'). However, many users use APMs cautiously and say that APMs must be accompanied by a reconciliation to GAAP measures and by other explanatory information. Users also suggested some improvements to accounting standards.</p> <p>Some ASAF members said the results of the survey were consistent with the findings of similar research and outreach conducted in their jurisdictions. Nevertheless, some members highlighted differences with their jurisdictions.</p> <p>Some ASAF members expressed their support for some of the improvements to accounting standards suggested by the survey respondents, such as standardised definitions for some performance measures and non-recurring items. However, other ASAF members said that the Board should carefully consider the feasibility of the suggestions</p>	<p>ASAF advice and the survey results are being considered along with our own research when developing our proposals for guidance on the use of performance measures in the primary financial statements.</p> <p>The Board has already discussed proposals for introducing comparable subtotals in the statement(s) of financial performance. We expect to bring proposals for introducing a management performance measure (MPM) subtotal and considering whether to provide any guidance on presentation of non-recurring, unusual or infrequently occurring items to the Board in the coming months.</p>

Topic	Summary of advice	Action
Primary Financial Statements—Feedback on the UK FRC Discussion Paper		
<i>UK Financial Reporting Council’s Discussion Paper Improving the Statement of Cash Flows</i>	<p>Some ASAF members said that the FRC Discussion Paper and the feedback received have highlighted areas in need of improvement, thereby providing useful input for the Board’s Primary Financial Statements project.</p> <p>Some ASAF members supported the targeted improvements to the statement of cash flows that the Board has tentatively decided to consider (in paragraph 5 of Agenda Paper 2C of the meeting).</p>	<p>ASAF advice will be considered when developing our proposals for the statement of cash flows. We expect to bring these proposals to the Board in the coming months.</p>
Rate-regulated Activities		
<p>At this meeting, ASAF members received an update on recent Board discussions about a possible new accounting model for activities subject to ‘defined rate regulation’ (the model)</p>	<p>Most ASAF members commented that if a regulatory asset will be recovered over an extended period, the time value of money should be considered if the effect of the time value of money is material.</p> <p>Several ASAF members suggested considering the nature of the past event that triggers the recognition of the regulatory asset, to determine whether any profit should be included in the measurement of the regulatory asset.</p> <p>The NZASB/AASB member commented that given the rationale provided for recognising the asset and how it has been described in the model (as a right to increase the rate charged to customers, to the extent needed to recover the costs incurred), this suggests that the past event that resulted in recognition of the asset is not relevant to its nature or its measurement.</p> <p>Some ASAF members raised concerns about operational challenges in identifying an appropriate discount rate. They questioned whether discounting was essential.</p>	<p>The advice will be used in developing the Discussion Paper or Exposure Draft.</p>

Topic	Summary of advice	Action
Definition of a Business		
<p>The objective of this session was to obtain feedback from ASAF members on the Board’s tentative decisions made at its April and June 2017 meetings.</p>	<p>Initially ASAF members had mixed views on the Board’s tentative decision to make the screening test optional. The IASB staff explained the Board’s rationale in deciding to make the screening test optional. Following clarification by the IASB staff, ASAF members were more understanding of the tentative decision.</p> <p>The AcSB member appreciated the efforts made by the Board and the FASB to remain converged and noted that her analysis indicated those applying the different Standards should be able to achieve converged outcomes.</p>	<p>ASAF's advice, and the discussion, was very helpful in prompting the IASB staff to explain more precisely in the October 2017 Board meeting what the option is and how it works.</p>
<p>Goodwill and Impairment</p> <p><i>ASAF members’ advice was asked on possible approaches to improve the impairment testing of goodwill.</i></p>		
<p>Goodwill accretion approach & Pre-acquisition Headroom (PH) approach</p>	<p>ASAF members generally expressed concerns that both goodwill accretion (developed by EFRAG) and the PH approach (developed by the IASB staff) would add complexity to the impairment testing model and are too complex.</p>	
<p>Single method</p>	<p>ASAF members made the following comments on the use of a single method:</p> <ul style="list-style-type: none"> (a) FVLCD and VIU measurements would not produce significantly different measurements in most cases. However, if a single method is introduced for all other assets within the scope of IAS 36 <i>Impairment of Assets</i>, that would be a significant change. (b) In some situations VIU differs significantly from FVLCD. For example, in the mining industry VIU, as described in IAS 36, is much less than FVLCD. 	<p>The advice will be used in developing the Discussion Paper or Exposure Draft.</p>