

STAFF PAPER

July 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 September 2017 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 March 2017 ASAF meeting.

Project update and agenda planning

2. Appendix A of this paper sets out the suggested agenda topics for the September 2017 ASAF meeting.
3. An update on the Board's work plan, as at 18 May 2017, is summarised in Appendix B of this paper. Further details of the projects are available on the website.
4. Appendix C of this paper sets out a table summarising the feedback from the March 2017 ASAF meeting and how the staff or the Board have used this feedback.

Questions to ASAF members

1. Do ASAF members have any comments on the proposed agenda topics for the September 2017 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
July 2017 (Actual)	<i>Disclosure Initiative—Principles of Disclosure</i>
	<i>Post-implementation Review of IFRS 13 Fair Value Measurement</i>
	<i>Property, Plant and Equipment—Proceeds before Intended Use (Proposed amendments to IAS 16)</i>
	<i>Improvements to IFRS 8 Operating Segments (Proposed amendments to IFRS 8 and IAS 34)</i>
	Primary Financial Statements
	Rate-regulated Activities
	Wider Corporate Reporting
	Goodwill and Impairment
September 2017	<i>Disclosure Initiative—Principles of Disclosure</i>
	<i>Disclosure Initiative—Definition of Material</i>
	IFRS 13 <i>Fair Value Measurement</i>
	Primary Financial Statements
	Rate-regulated Activities
	Goodwill and Impairment

Project Update 18 May 2017

Project	Project objective	Past ASAF input	Future ASAF input
Research Projects			
Principles of Disclosure (POD)	<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> is open for comment until 2 October 2017.</p>	<p>Advice has been requested on all major topics discussed in the <i>Principles of Disclosure</i> discussion paper.</p> <p>The ASAF last discussed this project in July 2015.</p>	<p>July 2017 At the ASAF meeting there will be a short session for ASAF members to share initial thoughts on the proposals in the discussion paper.</p> <p>September 2017 We plan to discuss ASAF members' views on the discussion paper and findings from members outreach.</p>
Primary Financial Statements	<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>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 staff paper on the statement of cash flows.</p> <p>December 2015 ASAF members were provided with a verbal update on the project.</p>	<p>July 2017 We are asking for ASAF members' views on the Board's tentative decision to explore:</p> <ul style="list-style-type: none"> • requiring the presentation of an earnings before interest and tax (EBIT) subtotal in the statement(s) of financial performance; and • requiring the presentation of a management operating performance measure, rather than seeking to define operating profit, in the statement(s) of financial performance. <p>September 2017 We will ask for ASAF members' views on the topics to be discussed by the Board in July 2017 to October 2017.</p>

Project Update 18 May 2017

Project	Project objective	Past ASAF input	Future ASAF input
<p>Business Combinations under Common Control (BCUCC)</p>	<p>The Board is examining how companies should account for group reorganisations. ‘Business combinations under common control’ are outside the scope of IFRS 3 <i>Business Combinations</i> and they are currently accounted for in different ways.</p> <p>The Board plans to publish a discussion paper in 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>We will ask for ASAF’s advice in the future when the project progresses.</p>

Project Update 18 May 2017

Project	Project objective	Past ASAF input	Future ASAF input
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 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 We asked ASAF’s advice 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>December 2017 The staff will seek further advice from the ASAF following Board discussions.</p>

Project Update 18 May 2017

Project	Project objective	Past ASAF input	Future ASAF input
<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 expects to publish a discussion paper around the end of 2017.</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>We plan to discuss the proposals to be included in the Discussion Paper at the World Standard-setters Conference in September 2017. Consequently, we are not planning to hold further discussions with the ASAF until 2018.</p>

Project Update 18 May 2017

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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.</p> <p>The Board will continue its discussions through the second half of 2017 before deciding the next steps.</p>	<p>July 2016 ASAF discussed findings from the research on Goodwill and Impairment undertaken by the Accounting Standards Board of Japan and 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>The ASAF discussed the findings from the PIR in March 2015.</p>	<p>July 2017 We will discuss the feedback from the GPF meeting.</p> <p>September 2017 We will discuss the proposals to be presented to the Board.</p>
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 later in 2017.</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>
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 later in 2017.</p>	<p>April 2016 We asked ASAF's advice on the possible next steps in this project.</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>

Project Update 18 May 2017

Project	Project objective	Past ASAF input	Future ASAF input
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 expects to publish the revised <i>Conceptual Framework</i> around the end of 2017.</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>We will hold education session at the World Standard-setters conference in September 2017.</p> <p>Currently we are not anticipating further discussions with ASAF.</p>

Project Update 18 May 2017

Project	Project objective	Past ASAF input	Future ASAF input
		<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>	
Disclosure Initiative—Materiality Practice Statement	<p>The Board is finalising a Practice Statement to provide guidance on how to apply judgement in deciding what financial information is material in preparing IFRS financial statements.</p> <p>The Board plans to publish the Practice Statement later in 2017. It will be non-mandatory and will come into effect immediately.</p>	<p>July 2016 We asked ASAF's advice on matters from the feedback on the draft Practice Statement.</p> <p>December 2015 ASAF members' preliminary views on the draft Practice Statement were requested.</p>	We do not envisage requesting further advice from ASAF.
<p><i>Disclosure Initiative—Definition of Material</i></p> <p>(Amendments to IAS 1 and IAS 8)</p>	The Board will propose clarifying the definition of what information is material in preparing financial statements.	Discussed (indirectly) as part of the Disclosure Initiative in March 2015.	<p>September 2017 We are requesting advice on the proposals in the exposure draft, expected to be published July 2017.</p>
Rate-regulated Activities	<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>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>July 2017 We are requesting advice views on the draft model for accounting for rate-regulated activities.</p> <p>September 2017 Advice requested will depend on how the project discussions with the Board progress.</p>

Project Update 18 May 2017

Project	Project objective	Past ASAF input	Future ASAF input
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. Stakeholders can provide feedback on their experiences with IFRS 13 until 22 September 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>July 2017 We are requesting ASAF members' initial views on the Request for Views published May 2017.</p> <p>September 2017 We will discuss an overview of the feedback received.</p>

Project Update 18 May 2017

Project	Objective	Status	Next steps
Maintenance projects			
Accounting Policies and Estimates (Amendments to IAS 8)	The Board will propose clarifying the distinction between a change in accounting policy and a change in an accounting estimate—the two are accounted for differently.	At its January 2017 meeting the Board tentatively decided that the exposure draft should define ‘accounting estimates’ rather than ‘a change in accounting estimate’.	The Board plans to publish an exposure draft in July 2017.
Availability of a Refund (Amendments to IFRIC 14)	The Board is finalising amendments to IFRIC 14 IAS 19— <i>The Limit on a Defined Benefit Asset, Minimum Funding Requirement</i> and their Interaction to clarify the accounting when other parties have rights to make particular decisions about a company’s defined benefit plan.	At its December 2016 meeting the Board tentatively decided to finalise the amendments to IFRIC 14. The Board will be provided with information on the expected effect of the amendments to IFRIC 14 at a future meeting and will consider the effective date and due process steps.	The Board expects to issue the amendments around the end of 2017.
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> . This is expected to be around the end of 2017.
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.	Comment period closed on 31 October 2016. The project was discussed at the September 2016 ASAF meeting.	The Board expects to complete its discussions on the feedback on its proposals in the second half of 2017.

Project Update 18 May 2017

Project	Objective	Status	Next steps
Maintenance projects			
Improvements to IFRS 8 Operating Segments (Proposed amendments to IFRS 8 and IAS 34) Comment period closes 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.	Open for comment.	The Board will consider stakeholders’ feedback on its proposals later in 2017 The exposure draft will be discussed at the July 2017 ASAF meeting.
Long-term interests in associates and joint ventures (Amendments to IAS 28)	The Board has proposed clarifying that a company applies IFRS 9 <i>Financial Instruments</i> to long-term interests in an associate or joint venture if it does not apply the equity method to those interests.	At its meeting in May 2017 the Board tentatively decided to finalise the proposed amendments subject to some clarifications and the development of an example as educational material. The Board will discuss the due process steps at a future meeting.	The Board plans to finalise the proposed amendments to IAS 28 <i>Investments in Associates and Joint Ventures</i> later in 2017.
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	The Board has proposed 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 will consider the effective date and due process steps at a future meeting.	The Board expects to issue the amendments later in 2017.
Prepayment features with negative compensation (Amendments to IFRS 9)	The Board has proposed amendments to IFRS 9 <i>Financial Instruments</i> to enable companies to measure at amortised cost some pre-payable financial assets with so-called negative compensation.	Comment period closed 24 May 2017.	The Board will consider stakeholders’ feedbacks on its proposals in Q3 2017. An update will be provided at the July 2017 ASAF meeting.

Project Update 18 May 2017

Project	Objective	Status	Next steps
Maintenance projects			
Previously Held Interests in Joint Operation (Amendment 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 will consider the effective date and due process steps at a future meeting.	The Board plans to finalise the amendments later in 2017.
Property, Plant and Equipment— Proceeds before Intended Use (Amendments to IAS 16)	The Board is examining 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.	At its November 2016 meeting, Board members confirmed that the necessary due process steps on the project have been undertaken and instructed the staff to begin the balloting process. One Board member indicated that he will dissent from the proposed amendment to IAS 16.	The Board plans to publish an exposure draft in June 2017. The exposure draft will be discussed at the July 2017 ASAF meeting.
Annual Improvements 2015-2017 Cycle			
Borrowing costs eligible for capitalisation (Amendments to IAS 23)	The Board has proposed clarifying which borrowing costs are eligible for capitalisation as part of the cost of an asset in particular circumstances.	The comment period closed on 12 April 2017.	The Board will consider stakeholders' feedback on its proposals later in 2017.
Income tax consequences of payments on instruments classified as equity (Amendments to IAS 12)	The Board has proposed amending to IAS 12 <i>Income Taxes</i> to clarify that a company should account for all income tax consequences of dividends in the same way, regardless of how the tax arises.		
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
Rate-regulated activities		
Core Principle	<p>ASAF members generally supported the core principle and considered that focusing on the customer base is an important feature of the type of rate regulation intended to be within the scope of the model. Some ASAF members expressed a concern that the description of regulatory assets and regulatory liabilities as regulatory performance adjustments (ie the result of an imbalance between the performance of the entity and the performance of the customer base) needs to be more clearly articulated.</p> <p>ASAF members made a number of suggestions, including:</p> <ul style="list-style-type: none"> (a) describing regulatory assets and liabilities as ‘consideration adjustments’ instead of as performance imbalances. (b) that a consideration adjustment is an appropriate description in some cases, but in other cases describing it as a performance adjustment is more appropriate. (c) characterising the regulatory adjustments as profit adjustments given that the rate regulator actually makes sure that an entity is not making too much profit and, at the same time, ensures the continued financial viability of the entity to enable it to carry out the rate-regulated activities. <p>The AASB/NZASB representative stated the rationale for the basis for the new model should focus on providing investors with more relevant and faithfully represented information.</p>	<p>The advice is being taken into consideration in developing the current Board papers.</p>
Supplementary approach	<p>All ASAF members supported the supplementary approach, which does not override existing the existing Standards.</p>	<p>The advice is being taken into consideration in developing the current Board papers.</p>

Topic	Summary of advice	Action
Scope	ASAF members generally supported the scope of the model. However, they expressed mixed views about the articulation of the criteria for being in the scope of the project, making similar comments to those on the articulation of the adjustments as performance imbalances.	The advice is being taken into consideration in developing the current Board papers.
Recognition of regulatory assets and regulatory liabilities	ASAF members generally supported having some probability threshold and guidance, particularly for recognising regulatory assets. ASAF discussed if the probability criteria should be symmetric.	The advice is being taken into consideration in developing the current Board papers.
Definition of a Business		
	<p>The staff asked ASAF members’ advice on whether the screening test proposed in Exposure Draft <i>Definition of a Business and Accounting for Previously Held Interests</i> Proposed amendments to IFRS 3 and IFRS 11 should be determinative, a rebuttable presumption or an indicator.</p> <p>ASAF members expressed a variety of views on screening test with suggestions about possible alternative approaches.</p>	The advice was reported to the Board in the Board papers for April 2017.

Topic	Summary of advice	Action
Conceptual Framework		
Asymmetry	Some ASAF member requested more guidance on asymmetry in the <i>Conceptual Framework</i> , however other ASAF members considered the Board’s position to a reasonable compromise.	The advice is being taken into consideration in the drafting the revised <i>Conceptual Framework</i> .
Reporting entity	The EFRAG representative asked whether and when additional guidance would be provided as to how to define the boundaries of some reporting entities and how to identify its assets and liabilities objectively.	
Definition of a liability	The EFRAG representative asked whether the Board had considered further the suggestion in some of the staff papers that ‘simply existing’ could be a past event that gives rise to a liability. The staff member explained that the Board was largely supportive of the staff’s suggestion. However, it may be necessary to clarify in the revised <i>Conceptual Framework</i> the Board’s intentions regarding when ‘simply existing’ can be a past event.	
Executory contracts	The EFRAG representative relayed the feedback from EFRAG’s constituents that in some cases, the right and the obligation that arise in an executory contract are separable and could be presented gross. The EFRAG representative also asked whether the Basis for Conclusions on the revised <i>Conceptual Framework</i> would discuss recognition and measurement of executory contracts.	
Dynamic Risk Management		
EFRAG research findings	At this meeting, the EFRAG representative presented the findings of outreach conducted by EFRAG.	The research will provide evidence to the project team in drafting the forthcoming Board papers.

Topic	Summary of advice	Action
Financial Instruments with Characteristics of Equity		
Illustrative examples	The staff provided some examples to illustrate the application of the proposed approach to be included in the discussion paper. The ASAF members provided the input on the examples to help in developing the forthcoming discussion paper. In addition ASAF members provide general suggestions for the forthcoming discussion paper.	The advice is being taken into consideration in the drafting the discussion paper.
Symmetric Prepayment Options		
	ASAF members generally supported the Board’s tentative decision to propose an amendment to IFRS 9 for financial assets with ‘symmetric prepayment options’ and for the need to finalise the amendment as soon as possible.	The advice will be included in the comment letter summary on the exposure draft.
Primary Financial Statements		
	<p>ASAF members generally supported the direction of the Primary Financial Statements project. Specifically some ASAF members supported the Board’s proposal to describe and require an EBIT (Earnings before interest and tax) subtotal.</p> <p>Some ASAF members advised the Board to issue principles-based guidance and avoid guidance that is too prescriptive in this project. Particular recommendations included:</p> <ul style="list-style-type: none"> (a) The Board should not eliminate some presentation options. (b) The Board should provide illustrative examples of financial statements. (c) The Board should address the presentation of non-recurring items. 	In light of the feedback from the ASAF and the Board, the staff have further developed their proposals to describe and require an EBIT subtotal using a principles-based approach. We have also further developed our proposals to introduce a management performance measures which considers how management presents non-recurring items. We will seek feedback from ASAF on our updated proposals at the June meeting.