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IASB Research Programme and PIR of IFRSs 10, 11 and 12 Cover Note

Objective

- 1 This paper seeks views from EFRAG TEG and EFRAG CFSS on:
 - (a) the projects in the IASB's research pipeline; and
 - (b) the forthcoming post-implementation review (PIR) of IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*.

IASB Research programme

- 2 The IASB now has capacity to start work on the projects that are in its research pipeline, but not yet included in its work plan. It plans in the next few months to:
 - (a) carry out work on variable and contingent consideration to assess how broad that research project should be (this project will be one of those proposed in the forthcoming EFRAG Research Agenda Consultation);
 - (b) complete the remaining research on provisions reasonably soon after the Conceptual Framework is issued;
 - (c) start work on extractive activities by asking those national standard-setters whose staff contributed to the 2010 Discussion Paper *Extractive Activities* to make the IASB aware of any developments since then; and
 - (d) start the research on pension benefits that depend on asset returns (this project interfaces to some extent with the EFRAG research on pension plans).
- 3 The other projects in the research pipeline are the Equity Method; Pollutant Pricing Mechanisms; and High Inflation: Scope of IAS 29. The IASB aims to start these projects in 2019 or early 2020. The IASB will consider the outcome of the Post-implementation Review of IFRS 11 in defining the scope of work on the Equity Method – that is, whether the project should deal with targeted improvements to solve specific practical issues or involve a more fundamental review.

Questions for EFRAG TEG-CFSS

- 4 Do you have any comments on the research pipeline?

Post-implementation review ('PIR') of IFRS 10, IFRS 11 and IFRS 12

Background

- 5 A PIR is an opportunity for the IASB to assess the effect of the new requirements of an IFRS Standard on investors, preparers and auditors. In undertaking a PIR the IASB:
 - (a) considers important or contentious issues in the development of the IFRS Standard;
 - (b) considers issues that have come to the Board's attention since issue; and
 - (c) identifies areas where unexpected costs or implementation problems were encountered.
- 6 The IASB normally begins a PIR after the IFRS Standard has been implemented for two years internationally, which is generally about 30-36 months after the effective date. The first phase of a PIR involves the initial assessment of the matters to be examined. The Board consults publicly on the matters identified in the first phase of the PIR. It also reviews relevant academic studies and other reports and may also conduct surveys and other outreach.
- 7 IFRS 10, IFRS 11 and IFRS 12 as issued by the IASB were to be applied for annual periods beginning on or after 1 January 2013. The endorsed Standards were to be applied in Europe as from the commencement date of its first financial year starting on or after 1 January 2014.

Issues for consideration by EFRAG TEG and EFRAG CFSS

- 8 The development of these Standards was controversial, and the EFRAG final endorsement advice included dissents from some EFRAG TEG members. The dissents related to:
 - (a) IFRS 10: concerns about the definition of potential voting rights in IFRS 10 no longer being aligned with that in IAS 28 *Investments in Associates and Joint Ventures*; the definition of agency relationships; the complexity of the Standard and practical implementation difficulties; and
 - (b) IFRS 11: elimination of proportionate consolidation; insufficient guidance in the Standard; accounting for interest in joint operations structured through a separate vehicle in separate financial statements.
- 9 The practical experience with the *Investment Entities* amendment to IFRS 10 is limited because the most recent refinement of the requirements was only effective for annual periods beginning on or after 1 January 2016. Should this be included in the PIR?
- 10 In developing IFRS 10, IFRS 11 and IFRS 12, the IASB also amended IAS 27 *Separate Financial Statements* and IAS 28. Are there issues from these amendments that should be considered in the PIR?

Questions for EFRAG TEG-CFSS

- 11 Do you have views on the best time to start the PIRs of IFRS 10, IFRS 11 and IFRS 12?
- 12 Do you have views on whether the PIRs of IFRS 10, IFRS 11 and IFRS 12 should be undertaken as:
 - (a) one project (that is the PIRs of all three Standards are combined into a single project); or
 - (b) two or more separate projects (for example, IFRS 11 separately from IFRS 10 and IFRS 12, or the requirements for investment entities separately from other aspects of those Standards)?

Agenda Papers

- 13 In addition to this cover note, agenda paper 15-02 ASAF 9A Research Programme TEG-CFSS 18-04-05 has been provided for background.