

## STAFF PAPER

April 2018

## Accounting Standards Advisory Forum

Project	Research Programme
Paper topic	Update on Research Programme (including Research Project Pipeline)
CONTACT(S)	Peter Clark pclark@ifrs.org

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**Research Programme**

1. The aim of this paper is to update members of the Accounting Standards Advisory Forum (ASAF) on the projects on the International Accounting Standards Board (Board) research programme, as well as those projects on the research pipeline.
2. The Board's active research projects at 15 March 2018 are listed in Appendix 1 of this agenda paper.
3. At its February 2018 meeting, the Board received an update on its research programme. During the discussion, the Board reviewed its research pipeline. Projects in the pipeline are not on the work plan. However, before the next Agenda Consultation (due in 2021), the Board expects to complete a significant proportion of the research needed for each project, though not necessarily to complete all of them. The Board decided that in the next few months the staff should aim to:
  - (a) carry out work on variable and contingent consideration to assess how broad that research project should be.
  - (b) complete the remaining research on provisions reasonably soon after the Board issues the Conceptual Framework.

- (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 Board aware of any developments since then.
  - (d) start the research on pension benefits that depend on asset returns.
  - (e) start the research on SMEs that are subsidiaries. The staff will consider how that research should interact with the next comprehensive review of the *IFRS for SMEs*<sup>®</sup> Standard.
4. The other projects in the research pipeline are: the Equity Method; Pollutant Pricing Mechanisms; and High Inflation: Scope of IAS 29. The Board aims to start those projects in 2019 or early 2020, as well as the Post-implementation Reviews of:
- (a) IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*;  
and
  - (b) IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.
5. The projects in the research pipeline are summarised in the table below:

Pipeline project	Description	Comments	Proposed next step
<u>Pipeline projects expected to start in 2018</u>			
Provisions	This project had been assessing whether the Board should consider amending any aspects of IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i> in the light of possible changes to the <i>Conceptual Framework</i> .	The Board has completed its discussion of the staff's initial research. It plans no further work until the revised <i>Conceptual Framework</i> is closer to finalisation.	Complete the remaining research on provisions.
Extractive Activities	This project would assess whether the Board should introduce accounting requirements for exploration, evaluation, development and production of minerals, and oil and gas.	No work has yet been done on this project.	Start by asking those national standard-setters whose staff contributed to the 2010 Discussion Paper <i>Extractive Activities</i> to make the Board aware of any developments since then.

Pipeline project	Description	Comments	Proposed next step
Variable and Contingent Consideration	The Board will determine the scope and objective of this project when it becomes an active project. Once the Board has considered this topic, there may be a need for some follow up research on risk-sharing and collaborative arrangements.	The IFRS Interpretations Committee has considered this topic but has been unable to conclude on all of the issues because of interactions between several Standards.	Assess how broad the research project should be.
Pension Benefits that Depend on Asset Returns	The project's objective will be to assess whether it would be feasible to develop an approach that places a cap on asset returns used in estimates of asset-dependent benefits, without considering other aspects of IAS 19. To avoid an existing anomaly, those returns would not be more than the discount rate.	If the research establishes that this approach would not be feasible, the staff expects to recommend no work on pensions.	Outreach to establish whether the approach: <ul style="list-style-type: none"> <li>(a) is technically feasible; and</li> <li>(b) would lead to an improvement significant enough to be worthwhile.</li> </ul>

Pipeline project	Description	Comments	Proposed next step
SMEs that are Subsidiaries	<p>The project's objective will be to assess whether it would be feasible to permit SMEs to use the recognition and measurement requirements in IFRS Standards and the disclosure requirements in the <i>IFRS for SMEs</i> Standard.</p> <p>The aim is not to establish a new third regime (alongside IFRS Standards and the <i>IFRS for SMEs</i> Standard).</p>	<p>If the research establishes that this approach would not be feasible, the staff expects to recommend no work in this area.</p>	<p>Investigate how much tailoring the existing disclosure requirements of the <i>IFRS for SMEs</i> Standard would need to make them dovetail with the recognition and measurements of IFRS Standards.</p> <p>Outreach to establish whether preparers would have sufficient appetite for the package to make it worthwhile to pursue it.</p> <p>Assess whether any tailoring of the disclosure requirements is significant enough to require user feedback before the Board decides whether to add a standard-setting project to its work plan.</p> <p>Consider how this research should interact with the next comprehensive review of the <i>IFRS for SMEs</i><sup>®</sup> Standard.</p>

Pipeline project	Description	Comments
<u>Pipeline projects expected to start in 2018</u>		
Equity Method	The equity method is used in accounting for investments in associates and joint ventures and is permitted for use in separate financial statements. The project had been assessing whether practice problems could be addressed by amending the equity method or whether a more fundamental review is needed.	The Board plans no further work until the Post-implementation Review (PIR) of IFRS 11 <i>Joint Arrangements</i> is undertaken.
Pollutant pricing mechanisms	This project had been assessing whether the Board should consider addressing any diversity that may exist in accounting for pollutant pricing mechanisms (including emissions trading schemes).	The Board plans no further work until the revised <i>Conceptual Framework</i> is closer to finalisation.
High inflation: scope of IAS 29	The project's objective will be to assess whether it would be feasible to extend the scope of IAS 29 <i>Financial Reporting in Hyperinflationary Economics</i> to cover economies subject to only high inflation, without amending other requirements of IAS 29.	If the research establishes that it would not be feasible to extend the scope of IAS 29 in this way, the staff expect to recommend no work on IAS 29.
Post-implementation review of IFRSs 10-12		
Post-implementation review of IFRSs 5		

## Post-implementation Reviews

6. As noted above, the Board is due to commence the Post-implementation Reviews (PIR) of:

- (a) IFRS 10 *Consolidated Financial Statements*,
- (b) IFRS 11 *Joint Arrangements*,
- (c) IFRS 12 *Disclosure of Interests in Other Entities*

7. ASAF members will recall the Board undertakes PIRs of each new IFRS Standard or major amendment.

A PIR is an opportunity for the Board to assess the effect of the new requirements of an IFRS Standard on investors, preparers and auditors. In undertaking a PIR the Board:

- (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.

The Board 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.

8. The staff would like ASAF members' views on when an appropriate time would be to commence the above PIRs; and whether members consider the PIRs should be undertaken as one project (that is the PIRs of all three Standards are combined into a single project), or as 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).

#### Question for ASAF members

Do ASAF members have:

1. suggestions on the best time to start the PIRs of IFRS 10, IFRS 11 and IFRS 12?
2. any comments 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).
3. any comments on the research pipeline?



## Appendix 1: Active Research Projects

Description	Next due process step	Expected date for next due process step as at 13.3.2018
<b>Research Projects</b>		
Business Combinations under Common Control	Discussion Paper	H1 2019
Dynamic Risk Management	Discussion Paper	H1 2019
Financial Instruments with Characteristics of Equity	Discussion Paper	Q2 2018
Goodwill and Impairment	Discussion Paper or Exposure Draft	H2 2018
Primary Financial Statements	Discussion Paper or Exposure Draft	H1 2019
Principles of Disclosure	Decide project direction	March 2018
Discount Rates	Research summary	Q2 2018
Share-based Payment	Research summary	Q2 2018
<b>Post-implementation review</b>		
IFRS 13 <i>Fair Value Measurement</i>	RFI Feedback	January 2018