IASB Update

From the International Accounting Standards Board

May 2013

Welcome to the IASB *Update*

The IASB met in public from 21-24 May 2013 at the IASB offices in London, UK. The FASB joined the IASB for some of the sessions via video from its offices in Norwalk.

The topics for discussion were:

- Fair Value Measurement;
- Comprehensive review of the *IFRS for SMEs*;
- IFRS 3 *Business Combinations*: mandatory purchases of non-controlling interests;
- IAS 39 *Financial Instruments: Recognition and Measurement*: novation of derivatives and continuation of hedge accounting;
- IAS 34 *Interim Financial Reporting*: disclosure of information “elsewhere in the interim financial report”;
- IFRS 3 *Business Combinations*: contingent consideration;
- IAS 41 *Agriculture* and IFRS 13 *Fair Value Measurement*: valuation of biological assets;
- IAS 27 *Separate Financial Statements*: equity method;
- *Conceptual Framework*;
- Accounting for macro hedging;
- Revenue Recognition; and
- Financial Instruments: classification and measurement

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Future Board meetings

The IASB meets at least once a month for up to five days.

The next Board meetings in 2013 are:

14-21 June
18-26 July
12-20 September

To see all Board meetings for 2013, **click here**.

Archive of IASB *Update* Newsletter

Click here for archived copies of past issues of IASB *Update* on the IFRS website.

Podcast summaries

To listen to a short Board meeting audio summary (podcast) of previous Board meetings, **click here**.

Fair Value Measurement

The staff informed the IASB about last week’s discussions with the IFRS Interpretations Committee (the Interpretations Committee) on the interaction between the use of Level 1 inputs and the portfolio exception in IFRS 13 *Fair Value Measurement*. The staff informed the IASB that the Interpretations Committee had concluded that this was an issue that should be considered by the IASB. The IASB also noted that this issue has similarities with the issue of the interaction between the use of Level 1 inputs and the unit of account that arises when measuring the fair value of investments in subsidiaries, joint ventures and associates. The IASB had discussed this latter issue in February and March. Consequently, the IASB decided to consider the portfolio exception issue raised by the Interpretations Committee before finalising the Exposure Draft that clarifies the fair value measurement of quoted investments in subsidiaries, joint ventures and associates. Fifteen IASB members agreed. One member was absent.

With respect to the Exposure Draft clarifying the fair value measurement of quoted investments in subsidiaries, joint ventures and associates, the IASB considered:

a. whether the proposed clarification should be made by amending IFRS 13 or IFRS 10 *Consolidated Financial Statements*, IAS 27 and IAS 28 *Investments in Associates and Joint Ventures*;
b. disclosures; and
c. transition provisions and effective date.

The IASB tentatively decided that the clarification about the fair value measurement of quoted investments in subsidiaries, joint ventures and associates should be made to the Standards that deal with these investments. Eleven IASB members agreed.

The IASB also tentatively decided that the proposed clarification did not necessitate additional disclosure requirements.

Fifteen IASB members agreed.

The IASB did not make a decision on the transition provisions. It will consider this topic again after considering any further amendments to the Exposure Draft that may arise from its consideration of the portfolio exception issue that was raised by the Interpretations Committee.

Next steps

The IASB expects to discuss the portfolio issue in a forthcoming meeting and to issue an Exposure Draft clarifying the fair value measurement of quoted investments in subsidiaries, joint ventures and associates (together with any other clarifications arising from consideration of the portfolio issue) during the third quarter of 2013.

Comprehensive review of the *IFRS for SMEs*

The IASB met on 21 May to continue discussing the issues from the IASB's 2012 Request for Information: *Comprehensive Review of the IFRS for SMEs* ('RfI').

New and revised Standards (Agenda Paper 8A)

The IASB continued its discussion from the April 2013 meeting on how the *IFRS for SMEs* should be updated in the light of new and revised Standards that have been issued since the *IFRS for SMEs* was first issued. At the April meeting the IASB considered the six new or revised Standards that the staff believed had the potential to result in the most significant changes for SMEs. At this meeting the IASB considered the other new and revised Standards.

The IASB tentatively decided that the main changes in the following new and revised Standards should be considered for incorporation in the *IFRS for SMEs*:

- IAS 1 *Presentation of Items of Other Comprehensive Income* (2011 amendment);
- IAS 32 *Classification of Rights Issues* (2009 amendment);
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*; and
- Two amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*:
  - *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* (2010); and
  - *Government Loans* (2012)

Thirteen IASB members agreed with this decision. One member was absent.

The IASB also tentatively decided that the main changes in the following annual improvements should be considered for incorporation in the *IFRS for SMEs*:

- Annual improvements issued in 2010:
  - *Revaluation basis as deemed cost* (IFRS 1);
  - *Use of deemed cost for operations subject to rate regulation* (IFRS 1); and
  - *Clarification of statement of changes in equity* (IAS 1);
- Annual improvements issued in 2012:
  - *Repeated application of IFRS 1* (IFRS 1);
  - *Classification of servicing equipment* (IAS 16); and
  - *Tax effect of distributions to holders of equity instruments* (IAS 32).

All IASB members present agreed with this decision.

Additional issues (Agenda Papers 8B & C)

As well as asking questions on known issues, the RfI also asked two questions to encourage respondents to raise their own issues on specific requirements in the *IFRS for SMEs* and on any other general issues relating to the *IFRS for SMEs*. At this meeting the IASB considered the main additional issues raised by respondents and made the following tentative decisions to amend the *IFRS for SMEs* to address some of those issues:

- to incorporate guidance to help SMEs apply the ‘undue cost or effort’ exemption (used in several sections of the *IFRS for SMEs*) based on Q&A 2012/01 *Application of ‘undue cost or effort’* issued by the SME Implementation Group in 2012;
- to add additional guidance in paragraph 9.16 on the preparation of consolidated financial statements if group entities have different reporting dates, but continue to require uniform reporting dates to be used unless it is impracticable to do so;
- to amend the criteria in paragraph 11.9 to clarify that loans payable in a foreign currency and loans with standard loan covenants will usually be basic financial instruments accounted for at amortised cost in accordance with Section 11 *Basic Financial Instruments*;
- to add an ‘undue cost or effort’ exemption to the requirement to recognise intangible assets separately in a business combination;
- to add specific guidance in paragraph 19.14 for the measurement of employee benefit arrangements and deferred taxes when allocating the cost of a business combination;
- to add an exemption in paragraph 22.8 for equity instruments issued as part of a business combination of entities or businesses under common control;
- to add an exemption in paragraph 22.17 for distributions of a non-cash asset ultimately controlled by the same parties before and after distribution;
- to revise the definition of ‘related party’ to be consistent with IAS 24 *Related Party Disclosures* (2009) and add the definition ‘close members of the family of a person’;
- to clarify the accounting requirements for entities involved in extractive activities; and
- to include an ‘undue cost or effort’ exemption from measurement of investments in equity instruments at fair value in Section 11 and Section 12 *Other Financial Instruments Issues*.

All IASB members present agreed with the above decisions.

Next steps

The IASB has now finished discussing the main issues from the RfI. At the next meeting the IASB will discuss a few additional issues identified by the staff and will then proceed to drafting the Exposure Draft of proposed amendments.

IFRS 3 *Business Combinations*: mandatory purchases of non-controlling interests in business combinations

The IFRS Interpretations Committee (the Interpretations Committee) received a request to address the accounting for mandatory purchases of non-controlling interests that arise as a result of business combinations. The submission noted that IFRS 3 does not specifically address 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 as a result of a regulatory requirement that obliges the acquirer to offer to purchase the ownership interests of non-controlling-interest shareholders.

The submission asked the Interpretations Committee to consider two questions:

- Should the initial acquisition of the controlling stake and the subsequent mandatory tender offer (MTO) be treated as separate transactions or as a single acquisition (ie as a linked transaction)?
- Should a liability be recognised for the MTO at the date that the acquirer obtains control of the acquiree?

At its November 2012 meeting, the Interpretations Committee tentatively agreed that the initial acquisition of the controlling stake and the subsequent MTO should be treated as a single acquisition. The Interpretations Committee tentatively decided that the guidance in IFRS 10 *Consolidated Financial Statements* on how to determine whether the disposal of a subsidiary achieved in stages should be accounted for as one transaction, or as multiple transactions, should also be applied to circumstances in which the acquisition of a business is followed by successive purchases of additional interests in the acquiree. The Interpretations Committee tentatively decided to propose to the IASB that it should amend IFRS 3 through Annual Improvements.

Also at its November 2012 meeting, the Interpretations Committee discussed whether a liability should be recognised for the MTO at the date the acquirer obtains control of the acquiree. The Interpretations Committee noted that IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* excludes from its scope contracts that are executory in nature and concluded that no liability needed to be recognised for the MTO. The Interpretations Committee tentatively decided to recommend to the IASB that it should not amend IFRS 3.

At its March 2013 meeting, the Interpretations Committee continued to discuss whether a liability should be recognised for the MTO. A small majority of Interpretations Committee members expressed the view that a liability should be recognised for the MTO in a manner that is consistent with IAS 32 *Financial Instruments: Presentation* at the date that the acquirer obtains control of the acquiree. Other Interpretations Committee members expressed the view that an MTO is not within the scope of IAS 32 or IAS 37 and that a liability should therefore not be recognised. The Interpretations Committee directed the staff to report its views to the IASB and noted that the IASB could address this issue as part of its Post-Implementation Review of IFRS 3.

At this meeting the IASB discussed the Interpretations Committee's views and recommendations. The IASB tentatively agreed with the Interpretations Committee's view that the initial acquisition of the controlling stake and the subsequent MTO should be treated as a single acquisition; however, the IASB tentatively decided not to proceed with an amendment to IFRS 3 through Annual Improvements. Instead, it tentatively decided to discuss this issue – along 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. The IASB noted that at its March 2013 meeting it tentatively decided to re-consider the measurement requirements in paragraph 23 of IAS 32, including whether all or particular put options and forward contracts written on an entity's own equity should be measured on a net basis at fair value. Because an MTO is economically similar to a put option written on a non-controlling interest, IASB members expressed the view that the accounting for those items should be considered at the same time. Fifteen members of the IASB agreed with these decisions. One member was absent.

The IASB will continue to discuss these issues at a future meeting.

IAS 39 *Financial Instruments: Recognition and Measurement*: novation of derivatives and continuation of hedge accounting

The IASB met on 22 May 2013 to analyse comment letters received on the Exposure Draft ED/2013/2 *Novation of Derivatives and Continuation of Hedge Accounting* (Proposed Amendments to IAS 39 and IFRS 9) that was published in February 2013.

The IASB had received an urgent request to clarify whether an entity is required to discontinue hedge accounting for hedging relationships in which a derivative that has been designated as a hedging instrument in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* is novated. In particular the request related to a circumstance in which that derivative is novated to a central counterparty (CCP) following the introduction of a new law or regulation. The IASB concluded that an entity is required to discontinue the hedge accounting for a derivative that has been designated as a hedging instrument in the existing hedging relationship if the derivative is novated to a CCP. The new derivatives, with a counterparty being the CCP, would be recognised at the time of the novation.

The IASB, however, was concerned about the financial reporting effects, specifically the discontinuation of hedge accounting that would arise as a result of the novation that occurs as a result of new laws or regulations. The IASB also noted that widespread legislative changes across jurisdictions were prompted by a G20 commitment to improve transparency and regulatory oversight of over-the-counter (OTC) derivatives in an internationally consistent and non-discriminatory way. Consequently, the amendments proposed in the Exposure Draft provided relief from discontinuing hedge accounting when the novation to a CCP meets three criteria: (1) novation is required by laws or regulations; (2) novation results in a central counterparty becoming the new counterparty to each of the parties to the novated derivatives; and (3) only specified (limited) changes are made to the terms of the novated derivative.

A great majority of respondents to the Exposure Draft requested the IASB to expand the scope of the amendments. They proposed that voluntary novation to a CCP should be provided with the same relief as novation required by laws or regulations. Some respondents also described circumstances in which an entity accesses a CCP indirectly, for example by novating to a clearing member of a CCP, and requested that the same relief should be provided in these circumstances.

Having considered respondents' comments, the IASB tentatively decided to expand the scope of the amendments to also provide relief from discontinuing hedge accounting for (1) voluntary novation to a CCP associated with a legislative or regulatory change and (2) novation that provides the entity with indirect access to a CCP. The IASB also tentatively decided to clarify some of the drafting in the final amendments. The IASB tentatively decided that the amendment should be applied retrospectively as proposed in the ED. In addition, the IASB concluded that equivalent amendments should be made to IFRS 9 *Financial Instruments* and that, consistently with the ED, no additional disclosure requirements arising from these amendments to IAS 39 and IFRS 9 were necessary.

The IASB tentatively decided that re-exposure is not necessary and that the mandatory effective date of the amendments should be 1 January 2014. The IASB also confirmed that it has completed the due process steps that are necessary to date for the finalisation of a narrow-scope project in accordance with the requirements set out in the IASB and IFRS Interpretations Committee Due Process Handbook and asked that the balloting process should begin.

Fifteen IASB members agreed. One member was absent.

Next steps

The IASB expects to issue the amendments to IAS 39 and IFRS 9 in June 2013.

IAS 34 *Interim Financial Reporting*: disclosure of information “elsewhere in the interim financial report”

Annual Improvements (2012-2014 Cycle)

At its November 2012 meeting, the IFRS Interpretations Committee (the Interpretations Committee) discussed a request to clarify the meaning of “interim financial report” in IAS 34. The submitter noted that the definition of the term “interim financial report” in paragraph 4 of IAS 34 is not sufficiently clear with respect to whether the “interim financial report” covers only the information reported under IFRS (meaning the IFRS interim financial statements) or more generally also includes a management report or other elements in addition to IFRS interim financial statements. The submitter further noted that there is diversity in interpreting the phrase “elsewhere in the interim financial report” in paragraph 16A of IAS 34 because it is not clear whether the phrase means that the required information should be provided in the notes to the interim financial statements or may be presented elsewhere.

The Interpretations Committee tentatively decided to recommend to the IASB that it should amend paragraph 16A of IAS 34 through Annual Improvements, to clarify the meaning of disclosure of information “elsewhere in the interim financial report” and to require the inclusion of a cross-reference from the interim financial statements to the location of this information. The Interpretations Committee referred to paragraph B6 of IFRS 7 *Financial Instruments: Disclosures* and paragraph 113 of IAS 1 *Presentation of Financial Statements*.

At the May 2013 IASB meeting, the IASB discussed the proposal made by the Interpretations Committee to amend paragraph 16A of IAS 34. The IASB tentatively agreed with the Interpretations Committee’s recommendation, subject to making clear in the Basis for Conclusions that the disclosure elsewhere in the interim financial report of information required by IAS 34 would extend the perimeter of the financial statements to include that part of the interim financial report.

Fifteen IASB members agreed. One IASB member was absent.

Next steps

The IASB plans to publish the exposure draft of proposed amendments *Annual Improvements to IFRSs 2012-2014 Cycle* in the fourth quarter of 2013.

IFRS 3 *Business Combinations*: contingent consideration

The IASB discussed one of the proposed Improvements to IFRSs from the Exposure Draft (ED) of the proposed *Annual Improvements to IFRSs 2010–2012 Cycle* published in May 2012.

Agenda Paper 11 Annual Improvements to IFRSs 2010–2012 Cycle*: IFRS 3* Business Combinations*–Accounting for contingent consideration in a business combination*

The IASB discussed the proposed amendment to IFRS 3 and consequential amendments to IFRS 9 *Financial Instruments* regarding accounting for contingent consideration in a business combination.

The IASB tentatively agreed with the following recommendations of the Interpretations Committee:

a. the wording of the requirement on the subsequent measurement of non-equity contingent consideration in paragraph 58(b) of IFRS 3 should be amended to ensure that it does not imply that contingent consideration can give rise only to a financial instrument;
b. that the amendment proposed in the ED to paragraph 4.1.2 of IFRS 9 should not be made; and
c. that all contingent consideration liabilities should be required to be subsequently measured at fair value through profit or loss.

Fifteen IASB members agreed. One IASB member was absent.

The IASB also tentatively decided that:

a. all non-equity contingent consideration in a business combination should be subsequently measured at fair value through profit or loss; and
b. equivalent consequential amendments should also be made to IAS 39 *Financial Instruments: Recognition and Measurement*.

Fifteen IASB members agreed.

The IASB tentatively decided to approve the revised, proposed amendments to IFRS 3 and consequential amendments to IFRS 9 and IAS 39, subject to review of the drafting, for inclusion in the final *Annual Improvements to IFRSs*. Fifteen IASB members agreed

Next steps

The IASB plans to issue the amendments *Annual Improvements to IFRSs 2010–2012 Cycle* in the third quarter of 2013.

IAS 41 *Agriculture* and IFRS 13 *Fair Value Measurement*—valuation of biological assets

In April 2012 the Interpretations Committee received a request seeking clarification of paragraph 25 of IAS 41. This paragraph refers to the use of a residual method as an example of a possible valuation technique to measure the fair value of biological assets that are physically attached to land, if the biological assets have no separate market but an active market does exist for the combined assets as a group.

The submitter's concern is how the valuation of the biological assets is linked to the valuation of the land on which they are situated, when an entity has concluded that the valuation premise of the biological assets is to use them in combination with other assets (such as land) and any of those other assets has a highest and best use that differs from its current use.

The Interpretations Committee discussed this issue at four of its meetings and observed that the same concern as raised in the submission could arise when the fair value of a non biological asset (for example, a building) is linked to the value of the land on which it is situated. The Interpretations Committee decided not to take this issue to its agenda because it is too broad for it to address.

At this meeting, the IASB noted that IAS 41 does not require the use of the residual method. It further noted that IFRS 13 encourages the use of multiple valuation techniques where appropriate.

The IASB acknowledged the Interpretations Committee’s observations about this issue. The IASB noted that the result of the outreach indicates that this issue is not currently widespread. It therefore decided that, depending on how practice develops in this area, this matter could be considered for review in the Post-Implementation Review of IFRS 13.

All IASB members present agreed with this decision.

IAS 27 Separate Financial Statements: equity method

In May 2012 the IASB tentatively decided to add to its agenda a narrow-scope project to restore the option to use the equity method of accounting in separate financial statements.

At this meeting the IASB tentatively decided to amend paragraph 10 of IAS 27 *Separate Financial Statements* to allow an entity to account for investments in subsidiaries, associates and joint ventures using the equity method in their separate financial statements.

Thirteen IASB members agreed. One IASB member was not present.

Conceptual Framework

The IASB discussed Agenda Paper 10 *Conceptual Framework*–Due process and permission to ballot.

The IASB decided that the comment period for the *Conceptual Framework* Discussion Paper should be 180 days. The IASB also stated that it is satisfied that it has completed all of the necessary steps to ensure that the *Conceptual Framework* Discussion Paper is likely to meet its purpose and instructed the staff to prepare for ballot a draft of the *Conceptual Framework* Discussion Paper.

Fifteen IASB members agreed. One IASB member was absent.

Next steps

The IASB expects to publish the *Conceptual Framework* Discussion Paper in July.

Accounting for macro hedging

The IASB met to continue the discussion on the proposed revaluation approach for accounting for macro hedging activity. At the meeting the IASB discussed two topics that had not been previously considered. Although the forthcoming Discussion Paper will not be limited in scope to the management of interest rate risk, the focus in both discussions was on the dynamic risk management of interest rate risk in the banking sector, because it is a well-known example of where a solution for accounting for macro hedging activity is required.

Income statement and balance sheet presentation

In the development of the portfolio revaluation approach for accounting for macro hedging activity, the discussion so far has focused on the **net** impact of the resultant accounting entries. At this meeting the IASB discussed the possible geography of the accounting entries within both the income statement and the statement of financial position.

The IASB discussed two alternatives for income statement presentation as follows:

- stable net interest income approach; and

- actual net interest income approach.

Three presentation alternatives for the statement of financial position were discussed by the IASB:

- line-by-line gross-up;
- separate lines for aggregate gross adjustments to assets and liabilities; and
- single net line item.

The IASB discussed all the alternatives, in particular considering the usefulness of the information provided by each presentation.

What the model should apply to

The IASB also discussed the ‘scope’ of the accounting for macro hedging. The staff categorised the key issues into the following aspects:

- What portfolios are to be revalued when an entity applies this approach?
- Is the application of the accounting for macro hedging mandatory or optional?

The IASB discussed the above aspects in the context of divergent views on the purpose of the accounting for macro hedging activity. One of the views considered is a ‘holistic’ view, which would result in applying the approach to the whole portfolio to which dynamic risk management was undertaken, including both hedged and intentionally unhedged positions within that portfolio. The other view is to focus more on hedging activity. The discussion focused on what the holistic view means, in particular when a bank manages interest rate exposures separately by geographical region, etc. The discussion also highlighted the implications of including ‘intentionally un-hedged’ open risk positions as part of the proposed portfolio revaluation approach as well as the operational difficulties of excluding proportions of portfolios from the application of the approach.

The IASB was not asked to make any decisions at the meeting.

Next steps

The staff will continue drafting the Discussion Paper, which will incorporate the alternatives presented in the Agenda Papers as discussed by the IASB at the May meeting.

Revenue Recognition

(IASB education session and IASB-only decision-making session)

On 23 May 2013, the IASB held an education session on the application of the revenue model to credit card reward programs (Paper 7A). No decisions were made.

At this meeting, the IASB also discussed IASB-only topics related to the revised Exposure Draft *Revenue from Contracts with Customers* (‘the 2011 ED’). Specifically, the IASB discussed (a) exemptions for transition for first-time adopters and (b) transition disclosures in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (Paper 7B).

The IASB also considered an analysis of its due process completed to date. The IASB noted that the FASB will complete its own due process analysis in the coming weeks; however, both boards will approve and issue the final Standard at the same time.

(IASB and FASB joint decision-making session)

On 24 May 2013, the IASB and the FASB met for a joint decision-making session on the application of the revenue model to credit card reward programmes (Paper 7A).

7A: Application of the model: credit card reward programmes

Some preparers in the financial services industry requested in their feedback to the 2011 ED clarification about the application of the revenue model to credit card reward programmes. Specifically, those respondents questioned whether the accounting illustrated in Example 24 in the 2011 ED would always apply to the award credits in a credit card reward programme.

The boards tentatively decided to amend paragraph IE21/IG79 (that is, the introductory paragraph to Example 24 in the 2011 ED) to clarify that the existence of a ‘customer loyalty programme’ and the promise to transfer award credits does not automatically give rise to a performance obligation. The boards noted that in all arrangements, including, for example, where there are more than two parties to the arrangement, the entities in the arrangement should consider all the facts and circumstances in applying the revenue model to determine whether the promise to transfer award credits gives rise to a performance obligation.

Fifteen IASB members agreed. One IASB member was absent.

All FASB members agreed.

7B: Transition: First-time adopters and IAS 8 disclosures

The IASB tentatively decided not to amend IFRS 1 *First-time Adoption of International Financial Reporting Standards* to permit first-time adopters of IFRS to use the alternative ‘cumulative catch-up’ transition method (as outlined by the boards in February 2013).

Eleven IASB members agreed. One IASB member was absent.

The IASB tentatively decided to amend IFRS 1 to provide an optional exemption for first-time adopters from the requirements of the final Revenue Standard in accounting for contracts completed before the earliest period presented. Under this exemption, a first-time adopter would not be required to restate all of its contracts for which it has recognised all of its revenue in accordance with its legacy revenue requirements before the earliest period presented.

Ten IASB members agreed.

The Board also tentatively decided that when an entity applies the retrospective transition method, the entity is not required to provide the amount of adjustments in the current period as required by paragraph 28(f) of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Fifteen IASB members agreed.

7C: Due process summary

The IASB discussed a summary of the mandatory and non-mandatory due process steps completed in developing the Revenue Recognition Standard. The IASB concluded that it had met its due process requirements and sufficient consultation and analysis had been undertaken. The IASB decided not to re-expose the Revenue Recognition Standard and agreed that the staff could begin the balloting process.

Fifteen IASB members agreed.

None of the IASB members present at the meeting indicated an intention to dissent from issuing the Revenue Recognition Standard.

Next steps

The staff have begun drafting the final Revenue Recognition Standard and will bring any ‘sweep’ issues that arise in the drafting process to a future board at a future FASB meeting.

Financial Instruments: classification and measurement

Agenda Paper 6A

The staff presented to the IASB and the FASB a summary of the main points received in the comment letters and the outreach activities on the IASB’s Exposure Draft ED/2012/4 *Classification and Measurement: Limited Amendments to IFRS 9* (Proposed amendments to IFRS 9 (2010)). No decisions were made at this meeting.

The Exposure Draft was published in November 2012, and the comment period ended on 28 March 2013. The IASB members and staff have also conducted outreach meetings with interested parties. The outreach efforts are ongoing and include an online survey and outreach with users of financial statements, as well as joint outreach with the FASB on their proposed Accounting Standards Update *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*

Next steps

At future joint meetings, the following will be discussed:

- an update on the outreach activities with users of financial statements;
- an analysis of the feedback received by the FASB on their proposed ASU; and
- a more detailed analysis of specific issues.

Work plan—projected targets as at 30 May 2013

Major IFRSs				
Next major project milestone				
	2013 Q1	**2013 Q2**	**2013 Q3**	**2013 Q4**
IFRS 9: *Financial Instruments* (replacement of IAS 39)				
Classification and Measurement (Limited amendments)		Redeliberations		
Impairment [comment period ends 5 July 2013]			Redeliberations	
Hedge Accounting			Target IFRS	

Accounting for Macro Hedging			Target DP	

	2013 Q1	**2013 Q2**	**2013 Q3**	**2013 Q4**
Insurance Contracts		Target ED		
Leases [Comment period ends 13 September 2013]				Redeliberations
Rate-regulated Activities				
Interim IFRS [comment period ends 4 September 2013]				Redeliberations
Rate Regulation				Target DP
Revenue Recognition			Target IFRS	

IFRS for SMEs: Comprehensive Review 2012–2014 – see **project page**

Implementation

Next major project milestone

Narrow-scope amendments	**2013 Q1**	**2013 Q2**	**2013 Q3**	**2013 Q4**
Acquisition of an Interest in a Joint Operation (Proposed amendments to IFRS 11)				Target IFRS
Actuarial Assumptions: Discount Rate (Proposed amendments to IAS 19)			Target ED	
Annual Improvements 2010–2012				Target IFRS
Annual Improvements 2011–2013				Target IFRS
Annual Improvements 2012–2014				Target ED
Bearer Plants (Proposed amendments to IAS 41)		Target ED		
Clarification of Acceptable Methods of Depreciation and Amortisation (Proposed amendments to IAS 16 and IAS 38)				Target IFRS
Defined Benefit Plans: Employee Contributions (Proposed amendments to IAS 19) [comment period ends 25 July 2013]				Target IFRS
Disclosure Requirements about Assessment of Going Concern (Proposed amendments to IAS 1)				Target ED
Equity Method: Share of Other Net Asset Changes (Proposed amendments to IAS 28)				Target IFRS
Fair Value Measurement: Unit of Account			Target ED	
Novation of Derivatives and Continuation of Hedge Accounting (Proposed amendments to IAS 39 and IFRS 9)		Target IFRS		
Put Options Written on Non-controlling Interests (Proposed amendments to IAS 32)			Target ED	

Recognition of Deferred Tax Assets for Unrealised Losses (Proposed amendments to IAS 12)				Target ED
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Proposed amendments to IFRS 10 and IAS 28)				Target IFRS
Separate Financial Statements (Equity Method) (Proposed amendments to IAS 27)			Target ED	

Post-implementation reviews	2013 Q1	2013 Q2	2013 Q3	2013 Q4
IFRS 8 *Operating Segments*		Publish report on Post-implementation Review		
IFRS 3 *Business Combinations*		Initiate review		

Conceptual Framework

Next major project milestone

	2013 Q1	2013 Q2	2013 Q3	2013 Q4
Conceptual Framework (chapters addressing elements of financial statements, measurement, reporting entity and presentation and disclosure)		Target DP		
Disclosures: Discussion Forum [Feedback Statement published 28 May 2013. **Click here**.]				

Research Projects

Research projects involve preliminary research to help the IASB evaluate whether to add a topic to its work plan. The IASB will begin research on the following topics in due course.

Business combinations under common control	
Discount rates	
Emissions trading schemes	
Equity method of accounting	
Extractive activities	
Financial instruments with characteristics of equity	
Financial reporting in high inflationary economies	
Foreign currency translation	
Income taxes	
Intangible assets	
Liabilities—amendments to IAS 37	
Post-employment benefits (including pensions)	
Share-based payments	

Completed IFRSs

Major projects	Issued date	Effective date	Year that post-implementation review is expected to start*	
Amendments to IAS 19 *Employee Benefits*	June 2011	1 January 2013	2015	
IFRS 10 *Consolidated Financial Statements*	May 2011	1 January 2013	2016	
IFRS 11 *Joint Arrangements*	May 2011	1 January 2013	2016	
IFRS 12 *Disclosure of Interests in Other Entities*	May 2011	1 January 2013	2016	
IFRS 13 *Fair Value Measurement*	May 2011	1 January 2013	2015	
IFRS 9 *Financial Instruments*	October 2010	1 January 2015	TBC	

*A post-implementation review normally begins after the new requirements have been applied internationally for two years, which is generally about 30-36 months after the effective date.

Narrow-scope amendments	Issued date	Effective date	
Annual Improvements 2009-2011 • **IFRS 1 *First-time Adoption of International Financial Reporting Standards***: ○ Repeated application of IFRS 1 ○ Borrowing costs • IAS 1 *Presentation of Financial Statements*—Clarification of the requirements for comparative information • IAS 16 *Property, Plant and Equipment*—Classification of servicing equipment • IAS 32 *Financial Instruments: Presentation*—Tax effect of distribution to holders of equity instruments • IAS 34 *Interim Financial Reporting*—Interim financial reporting and segment information for total assets and liabilities	May 2012	1 January 2013	
***Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance* (Amendments to IFRS 10, IFRS 11, and IFRS 12)**	June 2012	1 January 2013	
***Disclosures-Offsetting Financial Assets and Financial Liabilities* (Amendments to IFRS 7)**	December 2011	1 January 2013	
IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*	October 2011	1 January 2013	
IFRS 1 *First-time Adoption of International Financial Reporting Standards*—Government Loans	March 2012	1 January 2013	
IAS 32 *Financial Instruments: Presentation*—Offsetting Financial Assets and Financial Liabilities	December 2011	1 January 2014	
***Investment Entities* (Amendments to IFRS 10, IFRS 12 and IAS 27)**	October 2012	1 January 2014	

Recoverable Amount Disclosures for Non-Financial Assets **(Amendments to IAS 36)**	May 2013	1 January 2014	
IFRS 9 *Financial Instruments*—Mandatory effective date of IFRS 9 and transition disclosures	December 2011	1 January 2015	
Interpretations	**Issued date**	**Effective date**	
IFRIC 21 *Levies*	May 2013	1 January 2014	

Agenda consultation

Next major project milestone

	2013	2014	2015
Three-yearly public consultation [Feedback Statement published 18 December 2012] [Next consultation scheduled 2015]			Initiate second triennial public consultation

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