

Welcome to the November *IASB Update*

The IASB met in public from 18-19 November 2015 at the IASB offices in London, UK.

The topics for discussion were:

- **Fair Value Measurement**
- **Post-employment benefits**
- **Goodwill and Impairment**
- **Insurance Contracts**
- ***Share-based Payment* research project**
- **IFRS Implementation Issues**

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Future IASB meetings

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

The next IASB meetings are:

14 to 18 December 2015
18 to 22 January 2016
12 to 19 February 2016

To see upcoming and past IASB meetings, [click here](#).

Archive of *IASB Update* Newsletter

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Podcast summaries

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Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value (Proposed amendments to IFRS 10, IFRS 12, IAS

27, IAS 28 and IAS 36 and Illustrative Examples for IFRS 13) (Agenda Paper 6)

The IASB discussed the findings of the research undertaken so far on the measurement proposals included in the Exposure Draft (ED) '*Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value*' (Proposed amendments to IFRS 10, IFRS 12, IAS 27, IAS 28 and IAS 36 and Illustrative Examples for IFRS 13). In particular, the IASB discussed the assessment of the population of entities that would be affected by the measurement proposals in the ED and the feedback received from valuation specialists, accounting firms, securities regulators, the Accounting Standards Advisory Forum and staff of the Financial Accounting Standards Board. No decisions were made.

Next steps

The IASB will continue its discussion on the topic at future meetings.

Post-employment benefits (Agenda Paper 15)

On 18 November 2015, the IASB received an update on its research project on post-employment benefits. The project update included:

- a. information about global trends in pensions (Agenda Paper 15A);
- b. an indication of potential models that might address the issue of hybrid plans (Agenda Paper 15B); and
- c. information about the potential impact of the Agenda Consultation and other IASB projects (for example, the *Conceptual Framework* project and the Insurance project) (Agenda Paper 15C).

No decisions were made.

Next steps

The IASB expects to decide its next steps, if any, after the Agenda Consultation. In the meantime, the staff will continue their internal analysis and information gathering.

Goodwill and Impairment (Agenda Paper 18)

The IASB met on 18 November 2015 to discuss the third topic covered by the Goodwill and Impairment project; identification and measurement of intangible assets in a business combination.

The IASB also discussed feedback from the Capital Markets Advisory Committee's (CMAC) October 2015 meeting and a summary of the feedback received in the Post-Implementation Review of IFRS 3 *Business Combinations* about what information users of financial statements want to receive about goodwill and impairment.

No decisions were made.

Next steps

At its December 2015 meeting, the Accounting Standards Advisory Forum (ASAF) will consider the IASB's initial discussions at its October and November 2015 meetings and provide advice on the way forward with the project.

The IASB will consider this feedback and also consider the steps it needs to take before holding further discussions with the US Financial Accounting Standards Board (FASB).

Insurance Contracts (Agenda Paper 2)

(Decision-making sessions)

The IASB met on 18 November 2015 to continue its discussions on its project on insurance contracts. In particular, the IASB considered the similarities and differences between the general model and the variable fee approach and three narrow consequential issues arising from the variable fee approach.

Comparison of the general model and the variable fee approach (Agenda Paper 2A)

Financial guarantees embedded in insurance contracts

The IASB tentatively decided that the variable fee approach should not be amended so that a financial guarantee embedded in an insurance contract would be treated as if it were part of the underlying assets. Under the variable fee approach, the changes in the fair value of the underlying items referenced in the insurance contract are recognised in the statement of comprehensive income in each period.

12 IASB members agreed and 2 IASB members disagreed with this decision.

Remeasurement of the CSM using current discount rates

The IASB tentatively decided not to require or permit in the general model the remeasurement of the contractual service margin using current discount rates.

10 IASB members agreed and 4 IASB members disagreed with this decision.

Treatment of discretion in participating contracts under the general model

The IASB discussed how to specify the effect of discretion that would be recognised in the contractual service margin under the general model. No decisions were made.

Consequential issues arising from the variable fee approach (Agenda Paper 2B)

Issue 1: measurement exception for underlying items in contracts with direct participation features

The IASB tentatively decided that an entity should be permitted to measure at fair value through profit or loss investment properties, investments in associates, owner occupied property, own debt and own

shares if they are underlying items held for a contract with direct participation features.

All 14 IASB members agreed with this decision.

Issue 2: Contractual service margin on transition for contracts measured using the variable fee approach

The IASB tentatively decided that in the simplified retrospective transition approach for a contract with direct participation features:

- a. An entity should measure the contractual service margin at the date of initial application of the Standard as follows:
 - i. at the date of initial application of the Standard, the entity should estimate the contractual service margin at the inception of the contract as (A) the total fair value of the underlying items less (B) the fulfilment cash flows adjusted to reflect relevant cash flows that have already occurred between the inception of the contract and the date of initial application of the Standard ; and
 - ii. the entity should estimate the amount of contractual service margin that relates to service provided before the date of initial application of the Standard by comparing the remaining coverage period with the total coverage period of the contract.
- b. An entity should restate the contractual service margin in comparative periods by adjusting the contractual service margin at the date of initial application of the Standard assuming that there had been no adjustments to the contractual service margin in the comparative periods except for the allocation of the contractual service margin.

All 14 IASB members agreed with this decision.

Issue 3: How the option to recognise changes in the value of the guarantee in profit or loss instead of the contractual service margin applies on transition

The IASB tentatively decided that an entity should apply the option to recognise changes in the value of the guarantee embedded in the insurance contract with direct participation features in profit or loss in specified circumstances prospectively from the date of initial application of the Standard.

13 IASB members agreed and 1 IASB member disagreed with this decision.

Next steps

The IASB expects to consider further how to specify the effect of discretion that would be recognised in the contractual service margin under the general model at a future meeting.

IFRS 2 Share-based Payment research project (Agenda Paper 16)

On 19 November 2015, the IASB considered a report on its research project on IFRS 2 *Share-based Payment*. The report included:

- a. an analysis of identified application issues and their causes;
- b. an analysis of the two existing measurement models in IFRS 2 for equity- and cash-settled

- share-based payment transactions; and
- c. various approaches for moving forward, including: a Post-implementation Review, further research on the grant date fair value measurement model, narrow-scope amendments to IFRS 2 or discontinuance of the research project.

No decisions were made.

Next steps

The IASB expects to decide its next steps after the Agenda Consultation.

Classification and Measurement of Share-based Payment Transactions (Proposed amendments to IFRS 2) (Agenda Paper 12)

In November 2014 the IASB published the Exposure Draft ED/2014/5 *Classification and Measurement of Share based Payment Transactions (Proposed amendments to IFRS 2 Share-based Payment)* ('the ED'). The ED contained proposals related to:

- a. the effects of vesting conditions on the measurement of a cash-settled share based payment;
- b. the classification of share-based payment transactions with net settlement features; and
- c. the accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The comment period ended on 25 March 2015.

Summary of the Interpretations Committee's recommendations (Agenda Paper 12A)

At its November 2015 meeting, the IASB considered a summary and an analysis of the 70 comment letters received on the ED as well as the recommendations from the IFRS Interpretations Committee.

The IASB tentatively decided that it should proceed with finalising the proposed amendments as recommended by the Interpretations Committee, subject to some revisions as follows:

- a. to add as an example of a disclosure that may be necessary to meet the disclosure objective of IFRS 2, the disclosure of the estimated amount of cash that the entity expects to pay in connection with the withholding of the employee's tax obligation, when a share-based payment award with net settlement features is classified as equity-settled using the proposed exception; and
- b. to make clear that the proposed exception for the classification of a share-based payment award with net settlement features does not apply to any shares withheld in excess of the tax withholding obligation.

All 14 IASB members agreed with this decision.

Next steps

At the December 2015 meeting, the IASB will consider the due process steps that the IASB has taken to date before issuing the final amendments to IFRS 2.

Sale or Contribution of Assets between an Investor and its Associates or Joint Ventures—Deferral of effective date (Agenda Paper 12C)

In August 2015, the IASB published an Exposure Draft *Effective Date of Amendments to IFRS 10 and IAS 28*. In order to prevent the requirements of IAS 28 being changed twice within a short space of time, that Exposure Draft proposed to postpone the effective date of *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*, a narrow scope amendment to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Associates and Joint Ventures* issued in September 2014. The comment period on the Exposure Draft ended on 9 October 2015.

At this meeting the IASB discussed the staff's analysis of the comment letters received on the Exposure Draft. Following those discussions, the IASB tentatively decided to finalise the proposals as worded in the Exposure Draft. All 14 IASB members agreed with this decision.

Next steps

The IASB will consider the due process undertaken on this project at the December IASB meeting. The IASB intends to issue *Effective Date of Amendments to IFRS 10 and IAS 28* in December 2015.

Work plan—projected targets as at 23 November 2015

The work plan reflecting decisions made at this meeting was updated on the IASB website on 23 November 2015. [View it here](#).

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