

## Welcome to the *IASB Update*

The IASB met in public from 27-29 April 2015 at the IASB offices in London, UK.

The topics for discussion were:

- **Fair Value Measurement**
- **Revenue from Contracts with Customers**
- **IFRS implementation issues**
- **Disclosure Initiative**
- **High Inflation**

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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:

18 to 22 May 2015  
22 to 26 June 2015

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 met on 27 April 2015 to discuss the proposals in the September 2014 Exposure Draft *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) (the Exposure Draft). Specifically, the IASB discussed the example proposed in the Exposure Draft that illustrates the application of paragraph 48 of IFRS 13 *Fair Value Measurement*.

The IASB decided that the illustrative example proposed in the Exposure Draft appropriately illustrates the application of paragraph 48 of IFRS 13. That is, if an entity elects to use the exception in paragraph 48 of IFRS 13, the appropriate fair value measurement of the net risk exposure arising from a group of financial assets and financial liabilities whose market risks are substantially the same, and whose fair value measurement is categorised within Level 1 of the fair value hierarchy, would be determined by multiplying the financial instruments included in the resulting net position by the corresponding unadjusted Level 1 price. All fourteen IASB members agreed with this decision.

The IASB noted that the proposed illustrative example to IFRS 13 is non-authoritative, and the comments received did not reveal significant diversity in practice. Accordingly, the IASB concluded that it was unnecessary to publish the proposed illustrative example in IFRS 13 as a separate document. Thirteen IASB members agreed with this decision. One member disagreed.

### ***Next steps***

The IASB will continue the discussions on the remaining aspects of the project in future meetings.

## ***Revenue from Contracts with Customers (Agenda Paper 7)***

The IASB met on 28 April 2015 to discuss the following issues related to IFRS 15 *Revenue from Contracts with Customers*:

- a. effective date of IFRS 15; and
- b. collectability considerations—issues emerging from meetings of the Transition Resource Group for Revenue Recognition (TRG)

### ***Effective date of IFRS 15 (Agenda Paper 7A)***

The IASB tentatively decided to defer the effective date of IFRS 15 by one year. Accordingly, entities would apply IFRS 15 for annual reporting periods beginning on or after 1 January 2018. Early application of the Standard continues to be permitted. Eleven IASB members agreed and three disagreed.

### ***Collectability considerations (Agenda Paper 7B)***

The IASB tentatively decided not to make any clarifications or amendments to IFRS 15 in the light of the issues regarding the collectability highlighted during the TRG discussions in January 2015.

Twelve IASB members agreed and two disagreed.

### ***Next steps***

The IASB will publish a narrow-scope Exposure Draft regarding the effective date of IFRS 15, with a comment period of no less than 30 days. The IASB intends to finalise its discussions regarding the effective date of IFRS 15 at the July 2015 IASB meeting.

## **IAS 40 Investment property—Should an investment property under construction be transferred from inventory to investment property when there is an evident change in use? (Agenda Paper 12A)**

The IASB discussed the recommendations from the IFRS Interpretations Committee ('the Interpretations Committee') for a narrow scope amendment of paragraph 57 of IAS 40.

The IASB observed that, in accordance with paragraph 57, transfers into, or out of, investment property should occur when and only when there has been a change in use which is evidenced by the circumstances mentioned in paragraphs 57 (a) –(d). The IASB further observed that the use of the words “when and only when” in paragraph 57 implies that a change in use is limited to one of the circumstances described in paragraphs 57(a) –(d) and that the list in paragraphs 57(a) –(d) is exhaustive.

The IASB tentatively agreed to amend paragraph 57 to reinforce the principle for transfers into, or out of, investment property in IAS 40 to specify that:

- a. a transfer into, or out of investment property should be made only when there has been a change in use of the property; and
- b. such a change in use would involve an assessment of whether the property qualifies as an investment property. That change in use should be supported by evidence.

As recommended by the Interpretations Committee, the IASB tentatively decided that the list of circumstances set out in paragraph 57(a)–(d) should be re-presented as examples of evidence that a change in use has occurred, rather than as an exhaustive list.

All 14 IASB members agreed with this decision.

The IASB tentatively decided not to require disclosure of the evidence used to support a change in use for each transfer into, or out of, investment property. This disclosure had been recommended to the IASB by the Interpretations Committee.

Ten IASB members agreed with this decision and four disagreed.

### **Next steps**

The IASB will consider the due process undertaken on the proposed narrow-scope amendment to IAS 40 at a future meeting. The IASB expects to issue an Exposure Draft of this proposed amendment in Q3 of 2015.

## **Annual Improvements to IFRSs 2014–2016 Cycle (Agenda Paper 12B)**

On 28 April the IASB confirmed it would proceed with publishing an Exposure Draft arising from the *Annual Improvements to IFRSs 2014–2016 Cycle*. The Exposure Draft would include the following two proposed amendments that had been tentatively approved by the IASB:

- a. IFRS 1 *First-time Adoption of International Financial Reporting Standards: short-term exemptions for first-time adopters*. This amendment was tentatively approved by the IASB in December 2013.
- b. IAS 28 *Investments in Associates and Joint Ventures*: clarification that measuring investees at fair value through profit or loss is an investment- by- investment choice. This amendment was tentatively approved by the IASB in January 2015.

All 14 IASB members agreed with this decision.

### **Next steps**

The IASB will consider the due process undertaken on the annual improvements to IFRSs 2014-2016 Cycle at a future meeting. The IASB expects to issue an Exposure Draft on *Annual Improvements to IFRSs 2014–2016 Cycle* in Q3 of 2015.

## **Draft IFRIC Interpretation—Accounting for uncertainties in income taxes Due process document (Agenda Paper 12C)**

At its meeting on 28 April 2015, the IASB considered a draft IFRIC Interpretation—*Accounting for uncertainties in income taxes*, developed by the Interpretations Committee. The draft Interpretation proposes guidance on:

- the recognition and measurement of income tax payable (recoverable) when there are uncertainties for income taxes; and
- the determination of units of measurement for uncertainties and on assumptions for tax authorities' examinations and would explain the existing relevant disclosure requirements.

The IASB reviewed the due process steps relating to the development and publication of the draft IFRIC Interpretation *Accounting for uncertainties in income taxes*. All IASB members confirmed that they are satisfied that the IASB has undertaken sufficient due process steps and therefore instructed the staff to start the balloting process.

One IASB member indicated a possible intention to object to the release of the draft Interpretation.

### **Next steps**

The release of the draft Interpretation is expected in Q2 2015.

## **Disclosure Initiative (Agenda Paper 11)**

The IASB met on 29 April to discuss the Principles of Disclosure and Materiality projects as part of its Disclosure Initiative.

### **Materiality**

The IASB reviewed the due process steps taken in the project. All thirteen IASB members present confirmed that they are satisfied that the IASB has completed all of the necessary due process steps to date and agreed that:

- a limited Basis for Conclusions should be issued with the Exposure Draft of a proposed Practice Statement *Application of materiality to financial statements*; and
- a comment period of 120 days is sufficient.

The IASB therefore instructed the staff to commence the balloting process for the Exposure Draft. No IASB members indicated that they intend to dissent from its publication.

### *Agenda Paper 11B: Aligning the definition and additional paragraphs for IAS 1*

The IASB tentatively decided that a general disclosure Standard (such as IAS 1 *Presentation of Financial Statements* or a replacement Standard) should include proposed amendments to the definition of materiality and clarifying paragraphs on the key characteristics of materiality.

Twelve of the thirteen IASB members present agreed with this decision and one disagreed.

## **Principles of Disclosure**

### *Agenda Paper 11C: Aggregation and summarisation of information*

The IASB tentatively decided that the Principles of Disclosure Discussion Paper should include proposed amendments to the materiality and aggregation section of IAS 1 *Presentation of Financial Statements*. That section would be eventually be included in a general disclosure Standard (such as IAS 1 or a replacement Standard). Those amendments would provide additional guidance on:

- a. when an item should be separately presented in a primary financial statement or in the notes; and
- b. how much detail should be disclosed in the notes with regard to a specific disclosure requirement.

Twelve of the thirteen IASB members present agreed with this decision and one disagreed.

### *Agenda Paper 11E: Content of the notes*

The IASB tentatively decided that a general disclosure Standard (such as IAS 1 or a replacement Standard) should include:

- a. a description of the role of the notes; and
- b. a central set of disclosure objectives built on the objective of Financial Statements and the role of the notes.

In addition, the IASB tentatively decided that the Discussion Paper should include two approaches for developing these objectives, either focusing on:

- a. the different types of information disclosed in the notes; or
- b. how users commonly assess the prospects for future net cash inflows to an entity and management's stewardship of that entity's resources.

Twelve of the thirteen IASB members present agreed with this decision and one disagreed.

### *Agenda Papers 11F: Drafting of disclosure requirements*

The IASB tentatively decided to field test a proposed new approach to drafting the disclosure requirements for Standards to be included in the Principles of Disclosure Discussion Paper, with particular reference to:

- a. IAS 16 *Property, Plant and Equipment* as discussed in Agenda Paper 11G; and
- b. IFRS 3 *Business Combinations* as discussed in Agenda Paper 11H.

The IASB plans to field test the proposed approach with preparers, auditors, regulators and users in different jurisdictions, prior to publication of the Discussion Paper.

All thirteen IASB members present agreed with this decision.

## **Next steps**

At its May 2015 meeting, as part of the Principles of Disclosure project, the IASB plans to discuss:

- a. Accounting policies (follow-up);
- b. Review of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;
- c. Presentation on the face or in the notes; and
- d. Non-IFRS Information (follow-up).

## High Inflation (Agenda Paper 14)

The IASB discussed high inflation, a project in the research program. The purpose of this project is to consider the requests made by the Federación Argentina de Consejos Profesionales de Ciencias Económicas, the Argentinian standard-setter, and the Group of Latin American Standard Setters (GLASS) to:

- eliminate or reduce the cumulative inflation rate threshold currently included in IAS 29 Financial reporting in Hyperinflationary Economies to identify when hyperinflation exists; and
- to modify the procedures for reporting the adjustments resulting from restating the financial statements.

The IASB tentatively decided that it would not propose lowering the inflation threshold in IAS 29 and nor would it do any work on developing an alternative to IAS 29 or a Standard that addresses inflation more generally. The project will therefore be designated as having a low priority but will remain on the research programme to enable interested parties to comment on these decisions in the Agenda Consultation. The 13 IASB members present supported this decision.

In addition, the IASB plans to ask its Emerging Economies Group to examine whether there could be merit in developing disclosure requirements for entities in jurisdictions suffering from high inflation.

## Work plan—projected targets as at 5 May 2015

Major Projects				
Next major project milestone				
	2015 Q2	2015 Q3	2015 Q4	2016 Q1
Upcoming Standards				
Insurance Contracts	Redeliberations			
Leases			Target IFRS	
Comprehensive review of the <i>IFRS for SMEs</i>	Target amended <i>IFRS for SMEs</i>			
Upcoming Exposure Drafts				
<i>Conceptual Framework</i>	Target ED			
Published Discussion Papers				
Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging [Comment period ended 17 October 2014]	Redeliberations			
Rate-regulated Activities	Board discussions			
Upcoming Discussion Papers				
Disclosure Initiative				
Principles of disclosure			Target DP	
The Disclosure Initiative is a portfolio of Implementation and Research projects.				
Implementation Projects				
Next major project milestone				
	2015 Q2	2015 Q3	2015 Q4	2016 Q1
Narrow-scope amendments				
Annual Improvements 2014–2016	Target ED			
Clarifications of Classification and Measurement of Share-based Payment Transactions (Proposed amendment to IFRS 2)	Redeliberations			
Clarifications to IFRS 15 Revenue from Contracts with Customers	Target ED			
Classification of liabilities (Proposed amendment to IAS 1)		Redeliberations		
Disclosure Initiative				
Amendments to IAS 7 [Comment period ends 17 Apr 2015]	Public consultation			
Elimination of gains or losses arising from transactions between an entity and its associate or joint venture	Target ED			

(Proposed amendments to IFRS 10 and IAS 28)				
<b>Fair Value Measurement: Unit of Account</b>	Redeliberations			
<b>Recognition of Deferred Tax Assets for Unrealised Losses</b> (Proposed amendments to IAS 12)	Redeliberations			
<b>Remeasurement at a plan amendment, curtailment or settlement / Availability of a refund of a surplus from a defined benefit plan</b> (Proposed amendments to IAS 19 and IFRIC 14)	Target ED			
<b>Transfer of investment property</b> (Proposed amendments to IAS 40)		Target ED		
<b>Interpretations</b>	<b>2015 Q2</b>	<b>2015 Q3</b>	<b>2015 Q4</b>	<b>2016 Q1</b>
<b>Draft IFRIC Interpretation – Accounting for uncertainties in income taxes</b>	Target draft Interpretation			
Next major project milestone				
<b>Post-implementation Reviews</b>	<b>2015 Q2</b>	<b>2015 Q3</b>	<b>2015 Q4</b>	<b>2016 Q1</b>
<b>IFRS 3 Business Combinations</b>	Target Feedback Statement			
<b>Conceptual Framework</b>				
Next major project milestone				
	<b>2015 Q2</b>	<b>2015 Q3</b>	<b>2015 Q4</b>	<b>2016 Q1</b>
<b>Conceptual Framework</b>	Target ED			
<b>Research Projects</b>				
Next major project milestone				
	<b>2015 Q2</b>	<b>2015 Q3</b>	<b>2015 Q4</b>	<b>2016 Q1</b>
<b>Short- and medium-term projects</b>				
<b>Business combinations under common control</b>	Board discussion			
Business (definition of)				
<b>Disclosure Initiative</b>				
Standards-level review of disclosures (formerly General disclosure review)			Board discussion	
<b>Materiality</b>		Target Draft Practice Statement		



<b>Principles of disclosure</b>			Target DP	
<b>Discount rates</b>	Board discussion			
<b>Equity method of accounting</b>	Board discussion			
<b>Financial instruments with characteristics of equity</b>	Board discussion			
Goodwill				
High inflation	Board discussion			
Performance Reporting	Board discussion			
<b>Pollutant Pricing Mechanisms (formerly Emissions Trading Schemes)</b>	Board discussion			
Provisions, Contingent Liabilities and Contingent Assets	*Pending developments in the <i>Conceptual Framework</i> project.			
<b>Longer-term projects</b>				
<b>Extractive activities/Intangible assets/R&amp;D activities</b>				
<b>Foreign currency translation</b>				
<b>Income taxes</b>		Board discussion		
<b>Post-employment benefits (including pensions)</b>	Board discussion			
<b>Share-based payments</b>	Board discussion			
The IASB is developing its research capabilities. For further information visit the <a href="#">IFRS Research Centre</a>				
<b>Completed IFRS</b>				
<b>Major projects</b>	<b>Issued date</b>	<b>Effective date</b>	<b>Year that PIR is expected to start*</b>	
<b>IFRS 9 <i>Financial Instruments</i></b>	July 2014	1 January 2018	TBC	
<b>IFRS 14 <i>Regulatory Deferral Accounts</i></b>	January 2014	1 January 2016	TBC	
<b>IFRS 15 <i>Revenue from Contracts with Customers</i></b> In April 2015 the IASB voted to publish an Exposure Draft proposing a one-year deferral of the effective date of IFRS 15 to 1 January 2018. The IASB plans to publish the Exposure Draft in May 2015.	May 2014	1 January 2017	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.				
<b>Narrow-scope amendments</b>				
<b>IAS 32 <i>Financial Instruments: Presentation—Offsetting Financial Assets and Financial Liabilities</i></b>	December 2011	1 January 2014		

(Amendments to IAS 32)			
<b>Investment Entities</b> (Amendments to IFRS 10, IFRS 12 and IAS 27)	October 2012	1 January 2014	
<b>Recoverable Amount Disclosures for Non-Financial Assets</b> (Amendments to IAS 36)	May 2013	1 January 2014	
<b>Novation of Derivatives and Continuation of Hedge Accounting</b> (Amendments to IAS 39)	June 2013	1 January 2014	
<b>Defined Benefit Plans: Employee Contributions</b> (Amendments to IAS 19)	November 2013	1 July 2014	
<b>Annual Improvements 2010–2012</b> <ul style="list-style-type: none"> <li>• IFRS 2 <i>Share-based Payment</i> <ul style="list-style-type: none"> <li>○ <b>Definition of vesting condition</b></li> </ul> </li> <li>• IFRS 3 <i>Business Combination</i> <ul style="list-style-type: none"> <li>○ <b>Accounting for contingent consideration in a business combination</b></li> </ul> </li> <li>• IFRS 8 <i>Operating Segments</i> <ul style="list-style-type: none"> <li>○ <b>Aggregation of operating segments</b></li> <li>○ <b>Reconciliation of the total of the reportable segments' assets to the entity's assets</b></li> </ul> </li> <li>• IFRS 13 <i>Fair Value Measurement</i> <ul style="list-style-type: none"> <li>○ <b>Short-term receivables and payables</b></li> </ul> </li> <li>• IAS 16 <i>Property, Plant and Equipment</i> <ul style="list-style-type: none"> <li>○ <b>Revaluation method—proportionate restatement of accumulated depreciation</b></li> </ul> </li> <li>• IAS 24 <i>Related Party Disclosures</i> <ul style="list-style-type: none"> <li>○ <b>Key management personnel services</b></li> </ul> </li> <li>• IAS 38 <i>Intangible Assets</i> <ul style="list-style-type: none"> <li>○ <b>Revaluation method—proportionate restatement of accumulated amortisation</b></li> </ul> </li> </ul>	December 2013	1 July 2014	
<b>Annual Improvements 2011–2013</b> <ul style="list-style-type: none"> <li>• IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i> <ul style="list-style-type: none"> <li>○ <b>Meaning of 'effective IFRSs'</b></li> </ul> </li> <li>• IFRS 3 <i>Business Combinations</i> <ul style="list-style-type: none"> <li>○ <b>Scope exceptions for joint ventures</b></li> </ul> </li> <li>• IFRS 13 <i>Fair Value Measurement</i> <ul style="list-style-type: none"> <li>○ <b>Scope of paragraph 52 (portfolio exception)</b></li> </ul> </li> <li>• IAS 40 <i>Investment Property</i> <ul style="list-style-type: none"> <li>○ <b>Clarifying the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property</b></li> </ul> </li> </ul>	December 2013	1 July 2014	
<b>Accounting for Acquisitions of Interests in Joint Operations</b> (Amendments to IFRS 11)	May 2014	1 January 2016	
<b>Clarification of Acceptable Methods of Depreciation and Amortisation</b> (Amendments to IAS 16 and IAS 38)	May 2014	1 January 2016	
<b>Agriculture: Bearer Plants</b> (Amendments to IAS 16 and IAS 41)	June 2014	1 January 2016	
<b>Equity Method in Separate Financial Statements</b> (Amendments to IAS 27)	August 2014	1 January 2016	

<b><i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i></b> (Amendments to IFRS 10 and IAS 28)	September 2014	1 January 2016	
<b><i>Annual Improvements 2012–2014</i></b>  <ul style="list-style-type: none"> <li>• IFRS 4 <i>Non-current Assets Held for Sale and Discontinued Operations</i> <ul style="list-style-type: none"> <li>○ <b>Changes in methods of disposal</b></li> </ul> </li> <li>• IFRS 7 <i>Financial Instruments: Disclosures</i> <ul style="list-style-type: none"> <li>○ <b>Servicing contracts</b></li> <li>○ <b>Applicability of the amendments to IFRS 7 to condensed interim financial statements</b></li> </ul> </li> <li>• IAS 19 <i>Employee Benefits</i> <ul style="list-style-type: none"> <li>○ <b>Discount rate: regional market issue</b></li> </ul> </li> <li>• IAS 34 <i>Interim Financial Reporting</i> <ul style="list-style-type: none"> <li>○ <b>Disclosure of information ‘elsewhere in the interim financial report’</b></li> </ul> </li> </ul>	September 2014	1 January 2016	
<b><i>Investment Entities: Applying the Consolidated Exception</i></b> (Amendments to IFRS 10, IFRS 12 and IAS 28)	December 2014	1 January 2016	
<b><i>Disclosure Initiative</i></b> (Amendments to IAS 1)	December 2014	1 January 2016	
<b>Interpretations</b>	<b>Issued date</b>	<b>Effective date</b>	
<b>IFRIC 21 Levies</b>	May 2013	1 January 2014	
<b>Agenda consultation</b>			
The IASB is committed to carrying out regular public agenda consultations to seek formal input on the strategic direction and overall balance of our work programme. The <b>feedback</b> from our first formal consultation was published in December 2012.			
Next major project milestone			
	<b>2015</b>	<b>2016</b>	
<b>Three-yearly public consultation</b>	Initiate second three-yearly public consultation		

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