

Welcome to the May IASB Update

This IASB *Update* highlights preliminary decisions of the International Accounting Standards Board (the Board). The Board's final decisions on Standards, Amendments and Interpretations are formally balloted as set forth in the IFRS[®] Foundation and IFRS Interpretation Committee *Due Process Handbook*.

The Board met in public on Tuesday 16 and Wednesday 17 May 2017 at the IFRS Foundation's offices in London, UK.

The topics for discussion were:

- **Dynamic Risk Management**
- **Rate-Regulated Activities**
- **IFRS Implementation Issues**
- **Leases—Implementation Update**
- **Research update**
- **Goodwill and Impairment**

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Future IASB meetings

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

The next IASB meetings are:

19 to 23 June 2017

17 to 21 July 2017

No meeting in August 2017

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

Archive of IASB Update Newsletter

For past issues of *IASB Update* [click here](#).

Podcast summaries

To listen to a short Board meeting audio summary (Podcast) of previous Board meetings, [click here](#).

Dynamic Risk Management (Agenda Paper 4)

The Board met on 16 May 2017 for a presentation on the Dynamic Risk Management research project. They viewed educational material relating to the project and heard:

- a. how and why net interest margin is managed for deposit-funded portfolios; and
- b. how demand deposit modelling helps inform dynamic risk management actions.

The Board was not asked to make any decisions.

Next Steps

The Board will discuss the dynamic nature of portfolios.

Rate-Regulated Activities (Agenda Paper 9)

The Board met on 16 May 2017 to resume discussions about a possible accounting model for activities subject to 'defined-rate regulation'. Defined-rate regulation establishes a basis for setting the regulated rate that an entity can charge its customers for specified goods or services, using measures including a rate-adjustment mechanism. This mechanism determines whether the entity has a right to increase or an obligation to decrease the regulated rate for a future period to:

- a. correct past estimation variances; or
- b. reverse or spread the effects that current, temporary differences will have on future periods. Such differences arise when the regulated rate in one period includes amounts related to required activities that the entity carried out in a different period.

The Board discussed an analysis that suggests that rights or obligations created by the rate-adjustment mechanism are assets or liabilities, as those terms are expected to be defined in the forthcoming revised *Conceptual Framework for Financial Reporting*.

The Board was not asked to make any decisions.

Next Steps

The Board plans to discuss further aspects of the model at its June meeting.

Implementation and maintenance of IFRS Standards (Agenda Paper 12)

The Board met on 16 May 2017 to discuss implementation and maintenance projects.

IFRIC® Update (Agenda Paper 12)

The Board received an update about the May 2017 meeting of the IFRS Interpretations Committee. Details of this meeting were published in the *IFRIC Update*, available [here](#).

Ratification of IFRIC Interpretation (Agenda Paper 12A)

The Board ratified IFRIC Interpretation *Uncertainty over Income Tax Treatments* (the Interpretation). The Interpretation addresses how to reflect uncertainty in accounting for income taxes.

All 13 Board members agreed with this ratification.

Next Steps

The Board expects to issue the Interpretation in the second quarter of 2017.

Amendments to IAS 28—Long-term interests in associates and joint ventures (Agenda Paper 12B)

The Board considered comments on the proposed amendments to IAS 28 *Investments in Associates and Joint Ventures* which would clarify that IFRS 9 *Financial Instruments* applies to long-term interests in associates or joint ventures. Long-term interests are interests to which the equity method is not applied but that, in substance, form part of the net investment in an associate or joint venture. The proposed amendments were included in the Exposure Draft *Annual Improvements to IFRS Standards 2015–2017 Cycle*. The Board tentatively decided to finalise the proposed amendments to IAS 28 and to:

- a. clarify in IAS 28 that:

- i. an entity applies the requirements in IFRS 9 to long-term interests before applying the loss allocation and impairment requirements in IAS 28; and
 - ii. in applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that result from the application of IAS 28.
- b. develop educational material that includes an example illustrating how the requirements in IAS 28 and IFRS 9 interact with respect to long-term interests.

Twelve of 13 Board members agreed with these decisions and one member disagreed.

In addition, the Board tentatively decided to:

- a. set an effective date of 1 January 2019, with earlier application permitted;
- b. require retrospective application of the amendments applying IAS 8, subject to the transition requirements in c. below; and
- c. provide transition requirements similar to those in IFRS 9 regarding the classification and measurement of financial assets for entities that apply the amendments after they first apply IFRS 9.

All 13 Board members agreed with these decisions.

Next Steps

The Board will discuss due process steps and transition requirements for first-time adopters at a future meeting.

Leases—Implementation update (Agenda Paper 6)

The Board met on 16 May 2017 to receive an update on implementation support for IFRS 16 *Leases*. The update included information about support activities and their reach, queries received from stakeholders, and planned future activities.

Next Steps

The Board will continue to monitor progress on the implementation of IFRS 16.

Research update (Agenda Paper 8)

The Board met on 16 May 2017 to receive an update on developments to its research programme since the February 2017 meeting. Information on the Board's work plan, including its research programme, is available [here](#).

The Board noted that:

- a. work on the project on Business Combinations under Common Control is likely to resume in the second quarter of 2017;
- b. work will not start on any of the projects in the research pipeline in the next few months; and
- c. work on a proposal to add a project to revise the Practice Statement Management Commentary to the active research agenda began in March 2017. This is part of the Board's work on wider corporate reporting.

The Board was not asked to make any decisions.

Next Steps

The Board is due to receive the next update on the research programme in about four months.

Goodwill and Impairment (Agenda Paper 18)

The Board met on 17 May 2017 to discuss possible simplifications to the impairment test in IAS 36 *Impairment of Assets*.

The Board was not asked to make any decisions.

Next steps

The Board will continue to discuss whether it is possible to:

- a. simplify and improve the application of the impairment test in IAS 36 without loss of information to users of financial statements; and
- b. improve the quality of information provided to users without imposing costs that might outweigh any benefits.

Work plan—projected targets as at 18 May 2017

The work plan reflecting decisions made at this meeting was updated on the IASB website on 18 May 2017.

View it here.

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