

Welcome to the *IASB Update*

The IASB met in public from 19-20 November 2014 at the IASB offices in London, UK.

The topics for discussion were:

- ***IFRS for SMEs: Comprehensive Review 20122014 (Agenda Paper 5)***
- ***Insurance Contracts (Agenda Paper 2)***
- ***Conceptual Framework (Agenda Paper 10)***
- ***Disclosure Initiative (Agenda Paper 11)***
- ***Leases (Agenda Paper 3)***
- ***Emission Trading Schemes (Agenda Paper 6)***

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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:

14-18 December
19-23 January
16-20 February

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

Archive of *IASB Update* Newsletter

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Podcast summaries

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IFRS for SMEs: Comprehensive Review 20122014 (Agenda Paper 5)

The IASB met on 19 November to discuss the remaining issues raised by respondents on the changes proposed by the Exposure Draft

Proposed amendments to the IFRS for SMEs (the ED).

Agenda Papers 5A and 5B: Additional issues raised by respondents: Specific requirements

After considering the remaining issues raised by respondents, the IASB tentatively decided to make the following changes to the proposals in the ED:

- in Section 29 *Income Taxes*:
 - to align the criteria for assessing the probability that taxable profit will be available against which unused tax losses or credits can be utilised so that they are the same as the criteria in paragraph 36 of IAS 12 *Income Tax*;
 - to add the requirement in paragraph 41C of IAS 12 that the presumption that the carrying amount of investment property will be recovered through sale is rebutted if the property is depreciable and held within a business model that will consume substantially all of the economic benefits of the investment over time;
 - to move guidance on substantively enacted from the Glossary into the body of Section 29 to avoid defining a term in full Standards; and
 - to redraft paragraph 29.29 to clarify the use of the 'undue cost or effort' exemption for offsetting deferred tax assets and liabilities.
- for each undue cost or effort exemption in the *IFRS for SMEs*, to require that an SME should disclose when it has used the exemption and disclose its reasoning for doing so;
- to clarify the criterion for basic financial instruments in paragraph 11.9(a)(iv) through clearer drafting and the addition of examples;
- to align the main recognition and measurement requirements for exploration and evaluation assets with IFRS 6 *Exploration for and Evaluation of Mineral Resources*;
- to add guidance on how to account for a subsidiary acquired with the intention of sale or disposal within one year if the subsidiary is not sold or disposed of within that timeframe;
- to add guidance on when a price in a binding sale agreement may be a good estimate of fair value;
- to require investment property measured under the cost model to be presented separately from investment property measured under the fair value model on the face of the statement of financial position;
- to permit the exemption in paragraph 70 of IAS 16 *Property, Plant and Equipment* that an entity may use the cost of the replacement as an indication of what the cost of the replaced part was at the time it was acquired or constructed, if it is not practicable for that entity to determine the carrying amount of a part of an item of property, plant and equipment that has been replaced;
- to state more clearly when financial instruments are not measured at their transaction price in paragraph 11.13; and
- not to modify the definition of a financial liability as proposed in the ED to incorporate IAS 32 (2009 amendment) *Classification of Rights Issues*.

All of the fourteen IASB members agreed with these decisions.

The IASB also tentatively decided to add an undue cost or effort exemption from the requirement to measure the liability to pay a non-cash dividend at the fair value of the non-cash assets to be distributed. Twelve of the fourteen IASB members agreed with this decision.

Paragraph 11.2 of the *IFRS for SMEs* permits an entity to apply the recognition and measurement provisions of IAS 39 *Financial Instruments: Recognition and Measurement* and the disclosure requirements of Sections 11 and 12, instead of Sections 11 and 12 in full. The ED did not propose to modify that requirement. Consequently the IASB tentatively decided that it would post the latest version of IAS 39, not updated by IFRS 9 *Financial Instruments*, to the SME project pages of the IASB website. The updated version of the *IFRS for SMEs* would refer to this location. All of the fourteen IASB members agreed.

Transition provisions

The IASB tentatively decided to modify the ED proposal so that the forthcoming amendments to the *IFRS for SMEs* should be applied retrospectively as follows:

- if it is impracticable for an entity to apply any of the amendments to Sections 2-34 retrospectively, the entity shall apply those

- requirements in the earliest period for which it is practicable to do so; and
- an entity may elect to apply the amendments to Section 29 prospectively as of the beginning of the annual period in which the amendments are initially applied.

All of the fourteen IASB members agreed with these decisions.

Next steps

At the next meeting the IASB will review the due process steps taken so far in this initial review of the *IFRS for SMEs* and decide whether the staff can begin the balloting process for the final amendments to the *IFRS for SMEs*.

Some respondents and SMEIG members raised general issues about the *IFRS for SMEs* that go beyond the scope of the comprehensive review, for example, regarding supporting the implementation of the *IFRS for SMEs* and improving engagement with stakeholders. The IASB will discuss these issues in early 2015 together with comments raised in response to Question 7 in the ED about the procedures surrounding future reviews of the *IFRS for SMEs*.

Insurance Contracts (Agenda Paper 2)

(IASB education session)

The IASB held an education session on 19 November in which it considered a paper prepared by the European Insurance CFO Forum setting out its proposals for the accounting for contracts with participating features.

No decisions were made.

Next steps

The IASB intends to consider the input from this education session, together with input from other sources, in making its decisions on the accounting for contracts with participating features. The IASB expects to continue its discussion on the accounting for insurance contracts in early 2015.

Conceptual Framework (Agenda Paper 10)

On 19 November the IASB discussed:

- sweep issues that have arisen during the early stages of drafting the *Conceptual Framework* Exposure Draft (the Exposure Draft); and
- transaction costs.

The staff also provided the IASB with an update on the *Conceptual Framework* projects undertaken by the US Financial Accounting Standards Board (FASB) and the International Public Sector Accounting Standards Board (IPSASB).

Agenda Paper 10B: Sweep issues

The IASB tentatively decided to update the definitions of income and expenses in the Exposure Draft and to align them with the proposed definitions of assets and liabilities. Hence the IASB tentatively decided that:

- a. income should be defined as increases in assets or decreases in liabilities that result in increases in equity, other than those relating to contributions from equity participants; and
- b. expenses should be defined as decreases in assets or increases in liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

The IASB also tentatively decided that the discussion of income and expenses in the elements chapter of the existing *Conceptual Framework* should be amended as follows:

- a. the discussion about presentation of income and expenses should be moved to the presentation and disclosure chapter;
- b. the *Conceptual Framework* should no longer contain references to ordinary activities; and
- c. the discussion of income should not refer to revenue and gains, and the discussion of expenses should not refer to expenses and losses. The Basis for Conclusions should explain that the removal of these terms is not intended to restrict the definitions of income and of expense. The elements chapter should not define distinct categories of income and expenses, but could include examples of different types of income and expenses.

In addition, the IASB tentatively decided that the *Conceptual Framework* should *not* comment on whether the objective of disclosure should include the provision of information that enables a user of financial statements to recalculate the amounts recognised in the financial statements. Instead, the IASB should consider that topic in its Disclosure Initiative project.

The IASB also noted that it believes that the tentative decisions it has already taken are sufficient to ensure that the revised *Conceptual Framework* will adequately explain the role of matching in IFRS, and will not conflict with IFRS 15 *Revenue from Contracts with Customers*.

Eleven IASB members agreed with these decisions on sweep issues and three IASB members disagreed.

Agenda Paper 10D: Measurement—Transaction costs

The IASB tentatively decided that the Exposure Draft should state that:

- a. if a measurement depicts the current value (ie fair value, fulfilment value or value in use) of an asset or liability then that measurement should not reflect the transaction costs of acquiring the asset or incurring the liability.
- b. if a measurement depicts the value in use of an asset, the transaction costs that would be incurred on ultimate disposal of that asset should be deducted in producing the measurement.
- c. if a measurement depicts the fulfilment value of a liability, the costs that would be incurred in fulfilling that liability should be added in producing the measurement. That measurement would not include transaction costs that would be incurred on transferring the liability to another party or on negotiating a settlement of the liability.
- d. the fair value of an asset (liability) is not reduced (increased) by the costs of selling (transferring) the asset (liability). However, this does not preclude the IASB from deciding to measure an asset at fair value less costs to sell (or a liability at fair value plus costs of transfer), if doing so would provide users of financial statements with information that is more relevant than a fair value measurement.
- e. if a measurement depicts the cost of an asset or liability (rather than its transaction price), that measurement:
 - i. should reflect (among other things) the transaction costs of acquiring the asset or incurring the liability;
 - ii. should not be decreased (increased) to reflect the transaction costs of realising the asset (or settling or transferring the liability).

Nine IASB members agreed with these decisions and five IASB members disagreed.

Next steps

At this meeting, the IASB substantially completed its redeliberations of the *Conceptual Framework*. The IASB plans to publish the Exposure Draft in the first quarter of 2015.

Disclosure Initiative (Agenda Paper 11)

The IASB met on 20 November to discuss the Principles of Disclosure, Materiality and Amendments to IAS 1 as part of its Disclosure Initiative.

Principles of Disclosure

The IASB continued its discussion on topics to be included in the Discussion Paper *Principles of Disclosure*, namely:

- a. whether the IFRS should include guidance about the formatting of information in the notes to the financial statements; and
- b. when it might be appropriate to disclose information required by IFRS outside the financial statements and use cross-referencing to incorporate it into the financial statements.

Agenda Paper 11A: Format of information in the notes

The IASB tentatively decided that:

- a. the Discussion Paper should include high level guidance on formatting that is applicable across IFRS; and
- b. it would develop educational material on formatting.

Thirteen IASB members agreed with these decisions and one disagreed.

Agenda Paper 11B: Cross-referencing—disclosing IFRS information outside the financial statements

The IASB tentatively agreed that the Discussion Paper should include:

- a. a general principle for disclosing information required by IFRS outside of financial statements and incorporating such information into financial statements by cross-referencing; and
- b. to limit the application of this general principle to situations in which:
 - i. an entity places information required by IFRS outside of its financial statements but within its annual report. The annual report would be described as a single reporting package of the entity. It would have boundaries similar to those proposed by the International Auditing and Assurance Standards Board in ED ISA 720;
 - ii. applying the general principle would make the annual report as a whole more understandable; and
 - iii. the financial statements remain understandable and fairly presented.

Twelve IASB members agreed with these decisions and two disagreed.

Materiality

Agenda Paper 11C: Materiality

The IASB discussed the next steps for its Materiality project and tentatively decided:

- a. to change the current definition of materiality within IFRS only to align the definitions in IAS 1 *Presentation of Financial Statements*, IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and the *Conceptual Framework for Financial Reporting* with each other. However the Discussion Paper *Principles of Disclosure* would describe the rationale for retaining the current definition of materiality, and ask for feedback on this issue. All fourteen IASB members agreed with this decision.

- b. to insert a paragraph in IAS 1 clarifying the key characteristics of materiality. This will also be included in the Discussion Paper *Principles of Disclosure*. All fourteen IASB members agreed with this decision.
- c. to provide guidance on the application of materiality, which will take the form of a Practice Statement. Thirteen IASB members agreed that there should be such guidance and one disagreed. Eleven IASB members agreed that the guidance should be in the form of a practice statement.
- d. to wait until further work has been performed on the Review of Standards project before considering possible changes to address the use of inconsistent or excessively prescriptive language in Standards. All fourteen IASB members agreed with this decision.
- e. not to include a reminder in each Standard that requirements only apply where their application is material. All fourteen IASB members agreed with this decision.

Amendments to IAS 1

Agenda Paper 11D: Sweep issue

The IASB tentatively decided that an entity need not disclose that it has applied the amendments proposed in *Disclosure Initiative: Amendments to IAS 1*, whether through early or mandatory application. However, an entity would still need to comply with disclosures about any change in accounting policy required by IAS 8.

All fourteen IASB members agreed with this decision

Next steps

At its December meeting IASB plans to discuss the following topics as part of its *Principles of Disclosure* project:

- grouping of information and the cohesive depiction of entities activities;
- non-IFRS information in a complete set of financial statements; and
- issues relating to cash flow statements and related disclosures.

Leases (Agenda Paper 3)

The IASB met on 20 November 2014 to continue redeliberating the proposals in the May 2013 Exposure Draft *Leases*, specifically discussing the consequential amendments to IAS 40 *Investment Property*.

Agenda Paper 3: Consequential amendments to IAS 40

The IASB tentatively decided to confirm the proposed amendments to IAS 40 in the 2013 ED, ie right-of-use assets arising from property leases should be within the scope of IAS 40 if the property would otherwise meet the definition of investment property.

Twelve IASB members agreed with this decision and two disagreed.

Next steps

The IASB will continue the redeliberations, together with the FASB, at a future joint Board meeting.

Emission Trading Schemes (Agenda Paper 6)

The IASB held an education session on Emissions Trading Schemes in which it considered a summary of background information on common types of emissions management schemes and related accounting issues.

No decisions were made.

Next steps

The staff will bring a Project Plan to a future IASB meeting.

Work plan—projected targets as at 24 November 2014

Major Projects				
Next major project milestone				
	2014 Q4	2015 Q1	2015 Q2	2015 Q3
Upcoming Standards				
Insurance Contracts	Redeliberations			
Leases				Target IFRS (H2 2015)
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]		Comment letter analysis		
Rate-regulated Activities [Comment period ends 15 January 2015]	Public consultation			
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

Narrow-scope amendments	2014 Q4	2015 Q1	2015 Q2	2015 Q3
Annual Improvements 2014–2016			Target ED	
Clarifications of Classification and Measurement of Share-based Payment Transactions (Proposed amendment to IFRS 2)			Redeliberations	
Classification of liabilities (Proposed amendment to IAS 1)		Target ED		
Disclosure Initiative				
Amendments to IAS 1	Target IFRS			
Reconciliation of liabilities from financing activities (Proposed amendments to IAS 7)	Target ED			
Elimination of gains or losses arising from transactions between an entity and its associate or joint venture (Proposed amendments to IAS 28)		Target ED		
Fair Value Measurement: Unit of Account [Comment period ends 16 January 2015]	Public consultation			
Investment Entities: Applying the Consolidation Exception (Proposed amendments to IFRS 10 and IAS 28)	Target IFRS			
Recognition of Deferred Tax Assets for Unrealised Losses (Proposed amendments to IAS 12) [Comment period ends 18 December 2014]		Redeliberations		

Next major project milestone

Post-implementation Reviews	2014 Q4	2015 Q1	2015 Q2	2015 Q3
IFRS 3 <i>Business Combinations</i>		Target Feedback Statement		

Conceptual Framework

Next major project milestone

Conceptual Framework	2014 Q4	2015 Q1	2015 Q2	2015 Q3
Conceptual Framework		Target ED		

Research Projects

Next major project milestone

	2014 Q4	2015 Q1	2015 Q2	2015 Q3
Short- and medium-term projects				
Business combinations under common control		Board discussion		
Disclosure Initiative				
General disclosure review	To be determined			
Materiality	Board discussion			
Principles of disclosure			Target DP	
Discount rates		Board discussion		
Emissions trading scheme	Board discussion			
Equity method of accounting	Board discussion			
Financial instruments with characteristics of equity	Board discussion			
Inflation		Board discussion		
Liabilities—amendments to IAS 37	Pending developments in the <i>Conceptual Framework</i> project			
Performance Reporting		Board discussion		
Longer-term projects				
Extractive activities/Intangible assets/R&D activities				
Foreign currency translation				
Income taxes				
Post-employment benefits (including pensions)		Board discussion		
Share-based payments				
The IASB is developing its research capabilities. For further information visit the IFRS Research Centre				
Completed IFRS				
Major projects	Issued date	Effective date	Year that PIR is expected to start*	
IFRS 9 <i>Financial Instruments</i>	July 2014	1 January 2018	TBC	
IFRS 14 <i>Regulatory Deferral Accounts</i>	January 2014	1 January 2016	TBC	
IFRS 15 <i>Revenue from Contracts with Customers</i>	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.				
Narrow-scope amendments	Issued date	Effective date		

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

Equity Method in Separate Financial Statements (Proposed amendments to IAS 27)	August 2014	1 January 2016	
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Proposed amendments to IFRS 10 and IAS 28)	September 2014	1 January 2016	
Annual Improvements 2012–2014 <ul style="list-style-type: none"> • IFRS 4 <i>Non-current Assets Held for Sale and Discontinued Operations</i> <ul style="list-style-type: none"> ○ Changes in methods of disposal • IFRS 7 <i>Financial Instruments: Disclosures</i> <ul style="list-style-type: none"> ○ Servicing contracts ○ Applicability of the amendments to IFRS 7 to condensed interim financial statements • IFRS 19 <i>Employee Benefits</i> <ul style="list-style-type: none"> ○ Discount rate: regional market issue • IAS 34 <i>Interim Financial Reporting</i> <ul style="list-style-type: none"> ○ Disclosure of information elsewhere in the interim financial report 	September 2014	1 January 2016	

Interpretations	Issued date	Effective date	
IFRIC 21 Levies	May 2013	1 January 2014	

Agenda consultation

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 **feedback** from our first formal consultation was published in December 2012.

Next major project milestone

	2014	2015	2016
Three-yearly public consultation		Initiate second three-yearly public consultation	

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