

## Welcome to the July *IASB Update*

The IASB met in public on 20, 22 and 23 July 2015 at the IASB offices in London, UK.

The topics for discussion were:

- **Insurance Contracts**
- **IFRS Taxonomy**
- **IFRS Implementation Issues**
- **Rate-regulated Activities**
- **Accounting for Dynamic Risk Management**
- **Revenue from Contracts with Customers**
- **Provisions, contingent liabilities and contingent assets**
- **Fair Value Measurement**
- **Financial Instruments with Characteristics of Equity**
- **Agenda Consultation**

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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:

21 - 25 September 2015

19 - 23 October 2015

16 - 20 November 2015

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

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## Insurance Contracts (Agenda Paper 2)

The IASB met on 20 July 2015 to continue its discussions on the accounting for insurance contracts.

The IASB tentatively decided to amend IFRS 4 *Insurance Contracts* to permit an entity to remove from profit or loss and recognise in other comprehensive income the difference between (i) the amounts that would be recognised in profit or loss in accordance with IFRS 9 *Financial Instruments* and (ii) the amounts recognised in profit or loss in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* for specified assets. In doing this, an entity applies IFRS 9 in full but makes the adjustments described above in profit or loss and other comprehensive income:

- a. in relation to assets:
  - i. that were previously, or would have been, classified at amortised cost or as available-for-sale in accordance with IAS 39 and are classified in accordance with IFRS 9 at fair value through profit or loss; and
  - ii. relate to insurance activities.
- b. provided that the entity:
  - i. issues contracts accounted for under IFRS 4; and
  - ii. applies IFRS 9 in conjunction with IFRS 4.

Consequently, the net effect on profit or loss will reflect the IAS 39 accounting for those specified assets.

The IASB will consider at a future meeting how to identify these assets, any additional disclosures and the requirements that would need to apply when those assets are transferred within a group.

All fourteen IASB members agreed with this decision.

### **Next steps**

The IASB staff will continue to analyse the accounting consequences that could arise from the application of IFRS 9 for entities applying IFRS 4 prior to the new forthcoming insurance Standard. To address possible issues in an expeditious manner, the IASB staff will continue to explore several approaches including approaches based on a deferral of IFRS 9. The IASB staff noted that there may be a need to consider whether a single approach or a variety of approaches (eg a combination of asset and liability based approaches) are necessary, because of the difficulties in precisely targeting any approaches and the different circumstances affecting reporting entities.

## IFRS Taxonomy [Education] (Agenda Paper 13)

The IASB met on 22 July to discuss the due process for developing and approving an *IFRS Taxonomy Update*.

The IASB discussed a staff analysis of the comments received on a trial of the IFRS Taxonomy due process that was conducted as part of the consultation on the Exposure Draft *Disclosure Initiative Proposed*

Amendments to IAS 7.

No decisions were made at this meeting. However, most IASB members were of the view that the IASB should develop and approve a *Proposed IFRS Taxonomy Update* at the time a Standard is being finalised.

#### **Next steps**

The staff will discuss the due process for developing and approving an *IFRS Taxonomy Update* with the Due Process Oversight Committee at its meeting in October 2015 with the aim of starting a public consultation on the IFRS Taxonomy Due Process thereafter.

## **IFRS Implementation Issues (Agenda Paper 12)**

### ***IAS 12 Income Taxes narrow-scope amendment Recognition of Deferred Tax Assets for Unrealised Losses—Due process steps followed (Agenda Paper 12A)***

The IASB met on 22 July to discuss IFRS implementation issues. The IASB reviewed the due process steps undertaken in completing the narrow-scope amendments to IAS 12 on the recognition of deferred tax assets for unrealised losses.

All IASB members agreed that:

- a. the amendments to IAS 12 should be finalised without re-exposure;
- b. the effective date of the amendments should be 1 January 2017 and earlier application should be permitted; and
- c. the due process requirements to date have been complied with.

No IASB members indicated that they intend to dissent from the publication of the final amendments to IAS 12.

#### **Next steps**

The IASB plans to issue the final amendments to IAS 12 in Q4 of 2015.

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

At its June 2015 meeting the IASB decided to suspend work on a narrow-scope amendment to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Associates and Joint Ventures* and, instead, decided to address those issues as part of the research project on the equity method of accounting. It also decided to postpone the effective date of a related amendment, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*, which was completed and issued in September 2014, (the 'September 2014 Amendment') to prevent the requirements of IAS 28 being changed twice within a short space of time.

At this meeting, the IASB decided:

- a. to propose that the effective date of the September 2014 Amendment should be deferred for an indefinite period. Early application should continue to be allowed. Ten IASB members agreed with this decision.
- b. that a short comment period of 60 days should be set so that the proposals can be finalised before the effective date of the September 2014 Amendments, ie 1 January 2016. The IASB noted that this shorter period has been approved by the Due Process Oversight Committee. All IASB members agreed with this decision.

### ***Next steps***

The IASB expects to issue an Exposure Draft *Effective Date of Amendments to IFRS 10 and IAS 28* in early August.

### ***Next steps for a series of issues relating to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (Agenda Paper 12C)***

The IASB considered various IFRS 5 issues that the IFRS Interpretations Committee (the 'Interpretations Committee') has discussed but has not yet resolved, and discussed what further work would be appropriate.

The IASB decided that the issues should be divided into those that could be considered in the short term and those that could be considered in the medium to longer term. For the medium- to longer-term issues, the IASB tentatively decided to include a reference to the IFRS 5 concerns raised by the Interpretations Committee in the Request for Views for the forthcoming Agenda Consultation.

All IASB members agreed with these decisions.

For the short-term issues, the IASB decided that Issues 5 and 9 in [Agenda Paper 12C](#) should be referred to the Interpretations Committee for possible agenda decisions. Issue 11 in [Agenda Paper 12C](#) was considered separately through the discussion of Agenda Paper 12D.

Eleven IASB members agreed with this decision and three IASB members disagreed.

### ***Next steps***

The issues identified for possible agenda decisions will be discussed by the Interpretations Committee at its next meeting. The Request for Views that will be issued as part of the forthcoming Agenda Consultation will include a reference to the IFRS 5 concerns raised by the Interpretations Committee.

### ***Clarification of the scope of the disclosure requirements in IFRS 12 Disclosure of Interests in Other Entities (Agenda Paper 12D)***

The IASB discussed an issue relating to the interaction between the scope of IFRS 5 and the scope of IFRS 12 that had been submitted to the Interpretations Committee. Specifically, the IASB discussed whether the disclosure requirements in IFRS 12, other than those in paragraphs B10-B16, should apply to interests that

are classified as held for sale or discontinued operations in accordance with IFRS 5.

The IASB observed that the objective of IFRS 12 would apply to an entity's interests in other entities regardless of their classification as held for sale or discontinued operations. Consequently, the IASB tentatively decided to clarify the scope of IFRS 12 by specifying that the disclosure requirements in IFRS 12, other than those in paragraphs B10-B16, apply to interests that are classified as held for sale or discontinued operations.

The IASB also decided:

- a. to include this amendment in the Exposure Draft *Annual Improvements to IFRS 2014-2016 Cycle*; and
- b. that the proposed amendment should be applied retrospectively.

All fourteen IASB members agreed with these decisions.

The IASB reviewed the due process steps that had been taken to date that relate to the publication of the Exposure Draft *Annual Improvements to IFRS 2014-2016 Cycle*, including the amendment discussed at this meeting. All fourteen IASB members confirmed that they:

- a. do not intend to dissent from the publication of *Annual Improvements to IFRS 2014-2016 Cycle*;
- b. agree with the proposed comment period of 90 days; and
- c. are satisfied that the IASB has completed all of the necessary due process steps on the project to date.

The IASB therefore instructed the staff to commence the balloting process for the Exposure Draft.

### ***Next steps***

The IASB expects to issue an Exposure Draft on *Annual Improvements to IFRS 2014-2016 Cycle* in Q4 of 2015.

## **Rate-regulated Activities (Agenda Paper 9)**

The IASB met on 22 July to discuss possible accounting approaches that could be developed for a particular type of rate regulation, which is described as 'defined rate regulation' in the Discussion Paper *Reporting the Financial Effects of Rate Regulation*, which was issued in September 2014.

IASB members provided the staff with views on how to progress the project.

The IASB was not asked to make any decisions.

### ***Next steps***

In future meetings, the IASB will consider possible accounting models that could be included in a further

Discussion Paper on the accounting for rate-regulated activities.

## **Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging (Agenda Paper 4)**

The IASB met on 22 July 2015 to discuss the project's due process and the process for identifying information needs of constituents relating to dynamic risk management activities for interest rate risk.

### ***Agenda Paper 4A: Due process***

The IASB noted that the Discussion Paper '*Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging*' had been successful in terms of gathering views of respondents and confirming the need for the project. However, the IASB concluded that the insights that it had received from the comment letters and feedback so far did not enable it to develop proposals for an Exposure Draft.

Accordingly, the IASB decided that the project should remain in the Research Programme, with the aim of publishing a second Discussion Paper. However, if during the development of that Discussion Paper a comprehensive solution addressing recognition, measurement and disclosure requirements were to emerge, the IASB noted that it would then consider the possibility of moving directly to an Exposure Draft.

Thirteen IASB members agreed with these decisions. One member was absent.

### ***Agenda Paper 4B: The process to identify information needs***

The IASB discussed the process for identifying information needs of constituents relating to dynamic risk management activities for interest rate risk. The IASB tentatively decided that the scope of the work to be undertaken should not only explore any information needs arising when entities carry out dynamic risk management activities but also any information needs that may arise when entities face interest rate risk but do not carry out dynamic risk management activities to manage that risk.

All fourteen IASB members agreed.

The IASB also discussed the completeness and appropriateness of the process to identify information needs.

### ***Next steps***

The IASB will continue its discussions on the project at future meetings.

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

The IASB met on 22 July 2015 to discuss a summary of the feedback received on the Exposure Draft

### *Effective Date of IFRS 15.*

The IASB decided to confirm its proposal to defer the effective date of IFRS 15 by one year. Accordingly, entities will apply IFRS 15 for annual reporting periods beginning on or after 1 January 2018. Early application of the Standard continues to be permitted.

All fourteen IASB members agreed.

All IASB members confirmed that they are satisfied that the IASB has completed all of the necessary due process steps and therefore instructed the staff to commence the balloting process to amend the effective date of IFRS 15.

### ***Next steps***

The IASB plans to issue the amendment regarding the effective date of IFRS 15 in September 2015.

## **Provisions, contingent liabilities and contingent assets (Agenda Paper 14)**

On 23 July 2015 the IASB held an education session to discuss its research project on IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

The purpose of the research project is to gather evidence to help the IASB decide:

- a. whether to take on an active project to amend aspects of IAS 37; and
- b. if so, what the scope of the active project should be.

At this education session, the IASB discussed:

- a. a range of matters that have been raised as possible problems with IAS 37; and
- b. the implications of proposed amendments to the IASB's *Conceptual Framework*.

No decisions were made.

### ***Next steps***

The IASB is likely to wait until it is close to finalising revisions to the *Conceptual Framework* before making any decisions on whether to start an active project to amend aspects of IAS 37. In the meantime, the staff will continue to gather evidence about matters that could be addressed within the scope of such a project.

## **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 23 July to discuss how to proceed with 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).

The IASB decided that further research should be undertaken with respect to the fair value measurement of investments in subsidiaries, associates and joint ventures that are quoted in an active market. The IASB also decided that further research should be undertaken on the measurement of the recoverable amount of cash-generating units on the basis of fair value less costs of disposal when the cash-generating unit is an entity that is quoted in an active market.

Ten IASB members agreed with this decision. Four members disagreed.

### **Next steps**

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

## **Financial Instruments with Characteristics of Equity (Agenda Paper 5)**

The IASB met on 23 July 2015 to discuss the research project on Financial Instruments with Characteristics of Equity.

The IASB discussed the relevance of features of claims to various assessments that users might make using information provided in the statement of financial position and statement of financial performance.

No decisions were made, but the IASB agreed with the staff analysis that some features of claims may be more relevant for some of the assessments identified than for others.

### **Next steps**

The IASB will continue its discussion at a future meeting.

## **2015 Agenda Consultation—*Permission to publish the Request for Views* (Agenda Paper 15)**

The IASB met on 23 July to review the summary of outreach conducted to date, including consultation with the IFRS Advisory Council, and the contents and questions proposed in the Agenda Paper for the Request for Views ('RFV'). The IASB also noted the link between this public consultation and another Request for Views, *Trustees' Review of Structure and Effectiveness*, published in July 2015.

All IASB members agreed that the approach proposed for the 2015 Agenda Consultation was appropriate



and all IASB members approved the publication of the RFV.

***Next steps***

The IASB plans to publish the RFV in August 2015.

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