

## Welcome to the *IASB Update*

The IASB met in public from 22-24 July 2014 at the IASB offices in London, UK.

The topics for discussion were:

- **Disclosure Initiative**
- **Insurance Contracts**
- ***Annual Improvements to IFRSs 2012–2014 Cycle* (Agenda Paper 12A)**
- ***Annual Improvements to IFRSs 2014–2016 Cycle* (Agenda Paper 12B)**
- **Matters arising from the IFRS Interpretations Committee (Agenda Paper 12C)**
- **Conceptual Framework**
- **Leases**
- **Research programme**
- **Rate-regulated Activities**

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### Future board meetings

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

The next board meetings are:

18-24 September

16-24 October

13-21 November

To see all board meetings for 2014, [click here](#).

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## Disclosure Initiative (Agenda Paper 11)

The IASB met on 22 July to continue its discussions on its Disclosure Initiative. In particular, the IASB discussed whether to establish a

consultative group, amendments to IAS 7 *Statement of Cash Flows*, including disclosures about changes in liabilities from financing activities, the Principles of Disclosure project and financial statement presentation.

### **Disclosure Initiative—overall**

#### *Establishing a consultative group (Agenda Paper 11A)*

The IASB decided not to establish a consultative group for the Disclosure Initiative because the topics within the Disclosure Initiative are pervasive in nature rather than addressing a particular technical accounting topic. The IASB will continue to consult a wide range of the constituents, including the IASB's existing consultative groups.

All IASB members agreed.

### **Amendments to IAS 7**

The IASB discussed the reconciliation of liabilities related to financing activities and disclosure about restrictions on cash and cash equivalents.

#### *Reconciliation of liabilities related to financing activities—Summary of feedback (Agenda Paper 11B)*

The IASB considered the feedback it had received on the illustrative examples it plans to include in the proposal to require a reconciliation of liabilities related to financing activities.

The IASB tentatively decided that it should include elements in the proposed update to the IFRS Taxonomy only for items included in the text of the proposed amendment to IAS 7, including the Illustrative Example.

Eleven IASB members supported that approach.

#### *Disclosure about restrictions on cash and cash equivalents (Agenda Paper 11C)*

The IASB asked the staff to perform further outreach to identify whether it is possible to improve disclosure about cash and cash equivalents in the short term or whether to address the topic as part of the Principles of Disclosure research project.

#### *Summary of due process (Agenda Paper 11D)*

The IASB deferred the discussion of this paper until it has considered further the possibility of short-term improvements to the disclosures on cash and cash equivalents.

### **Next steps**

The IASB will continue its discussions at the September 2014 meeting, by considering the possibility of short-term improvements to the disclosures on cash and cash equivalents.

### **Principles of Disclosure**

#### *Cross-referencing (Agenda Paper 11E)*

The IASB asked the staff to explore whether further guidance on the use of cross-referencing for incorporating disclosures into financial statements could be developed to form a general principle. Specifically the IASB asked the staff to consider limiting the use of cross-referencing to information disclosed in the management commentary and to circumstances in which the discrete nature and magnitude of the disclosure justifies the use of cross-referencing.

The IASB noted that use of cross-referencing would be discussed in the Principles of Disclosure Discussion Paper, rather than in narrow-scope amendments to IAS 1.

### **Next steps**

At a future meeting the IASB will consider whether a revised principle for incorporating disclosure into financial statements by way of cross-references should be applicable across IFRS or whether it should be used solely by the IASB to determine whether cross-referencing is applicable in particular Standards.

## **Financial Statement Presentation**

*Research Programme—Financial Statement Presentation* (Agenda Paper 11F)

The IASB tentatively decided to add a project to its Research Programme on *Performance Reporting*.

Eight IASB members supported the proposal.

### **Next steps**

The staff will develop a more detailed plan for developing a *Performance Reporting* project, with a particular emphasis on describing how such a project relates to the Disclosure initiative, the *Conceptual Framework* project and the previous Financial Statement Presentation project, which was suspended in 2010.

## **Insurance Contracts (Agenda Paper 3)**

The IASB met on 22 July 2014 to continue its discussions on insurance contracts. In particular, the IASB considered a second approach for determining interest expense in profit or loss for participating contracts, the rate used to accrete interest and calculate the present value of cash flows that offset the contractual service margin, and the restrictions on changes in accounting policy relating to the presentation of the effect of changes in discount rates.

(IASB education session)

*OCI mechanics for contracts with participating features* (Agenda Paper 2A)

The staff plan to ask the IASB to consider whether an entity should be permitted or required to present the effects of changes in discount rates in other comprehensive income (OCI) for an insurance contract with participating features. The IASB directed the staff to consider an approach whereby:

- a. the discount rate for the presentation of interest expense in profit or loss should be reset for *all* the cash flows in the contract whenever there are changes in estimates of investment returns that result in changes in the amounts paid to policyholders (ie cash flows that vary with returns on underlying items). That approach would apply when the cash flows that vary with underlying items are a substantial proportion of the total benefits to the policyholder over the life of the contract. Resetting the discount rate for all cash flows would replace the proposal in the 2013 Exposure Draft *Insurance Contracts* (2013 ED) for the presentation of interest expense in profit or loss, which would require the entity to split the cash flows and apply applicable discount rates to those cash flows; and
- b. the discount rate used for the presentation of interest expense in profit or loss should be determined using an approach similar

to the effective interest method. This method would replace the 2013 proposal to lock in the yield curve.

The approach in (a) and (b) would be considered alongside the book yield approach. This approach could be applied to all contracts with participating features or, if there is a book yield approach, to contracts that do not meet the specified criteria to apply the book yield approach.

No decisions were made.

(IASB decision-making session)

*Rate used to accrete interest and calculate the present value of cash flows that is offset against the contractual service margin (Agenda Paper 2B)*

The IASB tentatively confirmed the proposal in the 2013 ED that, for contracts without participating features, an entity should use the locked-in rate at inception of the contract for accruing interest and for determining the change in the present value of expected cash flows that offsets the contractual service margin.

Ten IASB members agreed with this decision and four IASB members disagreed.

*Changes in accounting policy (Agenda Paper 2C)*

The IASB tentatively decided that an entity should apply the requirements in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to changes in accounting policy relating to the presentation of the effect of changes in discount rates.

Ten IASB members agreed with this decision and two IASB members disagreed. Two IASB members were absent.

### **Next steps**

The IASB will continue its redeliberations on the Insurance Contracts project at the September 2014 meeting.

## **Annual Improvements to IFRSs 2012–2014 Cycle (Agenda Paper 12A)**

On 23 July, the IASB met to review the due process steps taken so far and decide whether the staff should begin the balloting process to finalise the five proposed amendments included as part of the *Annual Improvements to IFRSs 2012–2014 Cycle*. These amendments are as follows:

- a. IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*—changes in methods of disposal;
- b. IFRS 7 *Financial Instruments: Disclosures*—servicing contracts;
- c. IFRS 7 *Financial Instruments: Disclosures*—applicability of the amendments to IFRS 7 to condensed interim financial statements;
- d. IAS 19 *Employee Benefits*—discount rate: regional market issue; and
- e. IAS 34 *Interim Financial Reporting*—disclosure of information 'elsewhere in the interim financial report'.

All IASB members confirmed that they:

- a. are satisfied that the IASB has completed all of the necessary due process steps on the project to date;
- b. agree with the mandatory effective date of 1 January 2016; and

- c. do not intend to dissent from the publication of *Annual Improvements to IFRSs 2012-2014 Cycle*.

They therefore instructed the staff to commence the balloting process for those amendments.

#### **Next steps**

The IASB expects to finalise the *Annual Improvements to IFRSs 2012–2014 Cycle* in Q3 of 2014.

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

On 23 July the IASB decided to:

- a. discontinue the *Annual Improvements to IFRSs 2013-2015 Cycle*, because it would otherwise include only the proposed amendment to delete some short-term exemptions from IFRS 1 *First-time Adoption of International Financial Reporting Standards*. That proposed amendment had been approved in December 2013.
- b. initiate a new cycle (ie the *Annual Improvements to IFRSs 2014-2016 Cycle*); and
- c. carry forward the proposed amendment to IFRS 1 and include it in the *Annual Improvements to IFRSs 2014-2016 Cycle*.

All IASB members agreed with these decisions.

#### **Next steps**

The IASB expects to issue an Exposure Draft of the *Annual Improvements to IFRSs 2014–2016 Cycle* in 2015.

## **Matters arising from the IFRS Interpretations Committee (Agenda Paper 12C)**

### *Accounting for a structure that appears to lack the physical characteristics of a building*

The IASB considered an issue that had previously been discussed by the Interpretations Committee. The issue was whether an entity should apply IAS 40 *Investment Property* to account for a structure that lacks the physical characteristics of a building, such as a telecommunication tower, if the entity lets spaces in the tower to tenants to earn rentals.

The Interpretations Committee had questioned whether such a tower qualifies as a 'building' because it lacks the features usually associated with a building, such as walls, floors and a roof. However, the Interpretations Committee had expressed general support for broadening the scope of IAS 40 to also include a structure such as a telecommunication tower, but was concerned that the question could also be raised in respect of other structures, such as gas storage tanks and advertising billboards.

The IASB directed the staff to undertake preliminary research on this issue, in particular the scope, to help the IASB to decide how to proceed.

All IASB members agreed with this decision.

#### **Next steps**

The IASB will discuss the outcome of the preliminary research in a future meeting.

## Conceptual Framework (Agenda Paper 10)

On 23 July the IASB started its discussion on measurement. In particular, the IASB discussed the objective of measurement and the effect of the qualitative characteristics on measurement and measurement categories.

*Measurement—Objective and the effect of the qualitative characteristics (Agenda Paper 10J)*

The IASB discussed the objective of measurement and tentatively decided that the Exposure Draft should:

- a. *not* define a separate measurement objective; and
- b. describe as follows how measurement contributes to the overall objective of financial reporting:

"Measurement is the process of quantifying in monetary terms information about the resources of an entity, claims against the entity and changes in those resources and claims. Such information helps users to assess the entity's prospects for future cash flows and assess management's stewardship of the entity's resources."

Fourteen IASB members agreed with these decisions.

The IASB also discussed the implications of the qualitative characteristics of useful financial information for measurement and tentatively decided that the Exposure Draft should:

- a. state that when the IASB selects a measurement basis, it should consider the nature and relevance of the resulting information produced in both the statement of financial position and the statement(s) of profit or loss and other comprehensive income (OCI). Fourteen IASB members agreed with this decision.
- b. state that:
  - i. the level of uncertainty associated with the measurement of an item is one of the factors that should be considered when selecting a measurement basis; and
  - ii. if a measurement is subject to a high degree of measurement uncertainty, that fact does not, by itself, mean that the measurement does not provide relevant information.

Twelve IASB members agreed with this decision.

- c. not make explicit use of the term 'reliability' when describing the level of measurement uncertainty associated with the measurement of an item. Thirteen IASB members agreed with this decision.
- d. retain the discussion of faithful representation included in the Discussion Paper. Ten IASB members agreed with this decision.
- e. discuss in the measurement section that a faithful representation by itself does not necessarily result in useful information. The information provided by the representation must also be relevant. Fourteen IASB members agreed with this decision.
- f. explain the need to weigh the benefits of introducing a new or different measurement basis against any increased costs or complexity. This would replace the statement in the Discussion Paper that the number of measurement bases should be the smallest necessary to provide relevant information. Nine IASB members agreed with this decision.
- g. retain the discussion of necessary and unnecessary changes in measurement bases included in the Discussion Paper. Fourteen IASB members agreed with this decision.
- h. retain the discussion of the other enhancing qualitative characteristics included in the Discussion Paper. Fourteen IASB members agreed with this decision.
- i. state explicitly in the measurement section that the cost-benefit constraint is one of the factors the IASB should consider when selecting a measurement. Nine IASB members agreed with this decision.

*Measurement—Measurement categories (Agenda Paper 10K)*

The IASB discussed an initial working draft of the description and discussion of measurement bases for the Exposure Draft. The IASB instructed the staff to bring a paper to a future meeting that:

- a. groups measurement bases into a small number of categories (for example, historical and current measurements); and
- b. reduces the number of measurement bases described (for example, by combining similar measurement bases and eliminating the description of little-used measurement bases).

On 24 July the IASB continued its redeliberations on the *Conceptual Framework*. The IASB discussed:

- measurement;
- profit or loss and other comprehensive income;
- additional guidance on the definition of a liability;
- control;
- derecognition;
- elements for the statement of cash flows and statement of changes in equity;
- business model;
- presentation and disclosure; and
- transition and effective date.

#### *Cash flow-based measurements (Agenda Paper 10L)*

The IASB tentatively decided that the purpose of cash flow-based measurement techniques is normally to implement one of the measurement bases that will be described in the *Conceptual Framework*. However, if the IASB decides in a particular Standard to use a cash flow-based measurement technique to implement a measurement basis that is not one of those described in the *Conceptual Framework*, the Basis for Conclusions on that Standard should explain why. Twelve IASB members agreed with this decision.

The IASB also tentatively decided that the Exposure Draft should include additional guidance on:

- a. the different approaches to dealing with uncertain cash flows;
- b. the use of discount rates. This guidance would state, among other things, that if an entity measures an item using a cash flow-based measurement technique, and the effect of the time value of money is significant for the cash flows associated with that item, then the entity should discount those cash flows to reflect the time value of money; and
- c. how to decide when the measurement of a liability should include the effect of a reporting entity's own credit standing.

Thirteen IASB members agreed with these decisions.

#### *Profit or loss and other comprehensive income (OCI)—clarifying the proposed approach (Agenda Paper 10B)*

The IASB discussed why profit or loss is the primary source of information about an entity's performance for the period.

The IASB tentatively decided that the Exposure Draft should:

- a. propose that the presumption for including items of income and expense in profit or loss cannot be rebutted for items of income and expense that arise when cost-based measures are used for assets and liabilities.
- b. propose that the presumption for including items of income and expense in profit or loss can only be rebutted for changes in current measures of assets and liabilities, and only if including those changes—or components of those changes—in OCI enhances the relevance of profit or loss as the primary source of information about an entity's performance for the period; and
- c. emphasise that including items of income and expense resulting from changes in current measures of assets and liabilities—or components of those changes—in OCI is an application of the classification, aggregation and disaggregation principle for presentation and disclosure (discussed in Agenda Paper 10F), which is designed to provide effective communication of

financial information and to make that information more understandable.

Nine IASB members agreed with these decisions.

*Liability definition—present obligation (Agenda Paper 10C)*

The IASB tentatively decided that an entity has a present obligation to transfer an economic resource as a result of past events if both:

- a. the entity has no practical ability to avoid the transfer; and
- b. the amount of the transfer is determined by reference to benefits that the entity has received, or activities that it has conducted, in the past.

Fourteen IASB members agreed with this decision.

The IASB noted that it will need to consider what 'no practical ability' means for transactions within the scope of particular Standards that it develops or amends. However, the *Conceptual Framework* should clarify that the fact that an entity intends to make a transfer or that the transfer is probable is not sufficient to conclude that the entity has no practical ability to avoid the transfer. The IASB tentatively decided that the *Conceptual Framework* should include the following general guidance:

- a. Most obligations arise from contracts, legislation or some other operation of the law. In the absence of legal enforceability, an entity has no practical ability to avoid transferring an economic resource if its customary practices, published policies or specific statements create a valid expectation in another party that the entity will transfer the resource to (or on behalf of) that other party. In such situations, the entity has a constructive obligation to transfer the resource.
- b. In some situations, an entity may be required to transfer an economic resource if it takes a particular course of action in the future, such as conducting particular activities or exercising particular options within a contract. In such situations, if the entity has no practical ability to avoid the particular course of action that would require the transfer, and the other criterion is also met (the amount of the transfer is determined by reference to benefits that the entity has received, or activities that it has conducted, in the past), the entity has a present obligation.
- c. Situations in which an entity has no practical ability to avoid a particular course of action include those in which all courses of action that avoid the transfer would cause significant business disruption or would have economic consequences significantly more adverse than the transfer itself.
- d. An entity that prepares financial statements on a going concern basis has no practical ability to avoid a transfer that could be avoided only by liquidating the entity or ceasing trading.

Fourteen IASB members agreed with this decision.

In addition, the IASB tentatively decided that no guidance is needed in the *Conceptual Framework* on the role of constrained discretion in the identification of assets. Fourteen IASB members agreed with this decision.

*Asset definition: control (Agenda Paper 10D)*

The IASB tentatively decided:

- a. not to move the requirement for control from the asset definition to the asset recognition criteria;
- b. the definition of an asset should continue to require an economic resource to be 'controlled' by the entity. The definition should not be changed so that it instead (or in addition) requires the entity to have exposure or rights to the significant risks and rewards of ownership of the resource;
- c. supporting guidance should identify exposure to the significant risks and rewards of ownership as an indicator of control (but explain that it is only one factor to consider in the overall assessment);
- d. the terminology relating to control should be consistent with that in IFRS 10 *Consolidated Financial Statements*. Instead of using the term 'risks and rewards of ownership', the *Conceptual Framework* should use wording that explains the meaning of



that term, ie 'exposure, or rights, to variations in benefits'; and

- e. the *Conceptual Framework* should state that an entity controls an economic resource if it has the present ability to direct the use of the economic resource and obtain the economic benefits that flow from it.

Fourteen IASB members agreed with these decisions.

In addition, the IASB tentatively decided that the *Conceptual Framework* should include supporting guidance on the meaning of control, based on the guidance suggested in paragraphs 3.26-3.32 of the Discussion Paper but:

- a. adding clarification that a component of control is the ability to prevent other parties from directing the use of, and obtaining the benefits from, the economic resource; and
- b. deleting some of the examples that were included in the Discussion Paper.

Fourteen IASB members agreed with this decision.

#### *Derecognition (Agenda Paper 10E)*

The IASB tentatively decided that the *Conceptual Framework* should describe the approaches available, and discuss what factors to consider, in deciding at the Standards level:

- a. how best to portray the changes that result from a transaction in which an entity retains only a component of an asset or a liability, by either:
  - i. full derecognition—ie derecognise the original asset (or liability) entirely and recognise any retained right (or obligation) as a new asset (or liability);
  - ii. partial derecognition—ie continue to recognise the component of the original asset (or liability) that is retained and derecognise the component that is not retained; or
  - iii. continued recognition—ie continue to recognise the original asset (or liability) and treat the proceeds received or paid for the transfer as a loan received (or granted); and
- b. how to account for modifications of contracts.

Fourteen IASB members agreed with these decisions.

#### *Presentation and disclosure – scope and content (Agenda Paper 10F)*

The IASB tentatively decided that the Exposure Draft should:

- a. *not* introduce the notion of 'primary financial statements' that had been proposed in the Discussion Paper. Twelve IASB members agreed with this decision;
- b. state that the objective of financial statements is to provide information about an entity's assets, liabilities, equity, income and expenses that is useful to users of financial statements in assessing the prospects for future net cash inflows to the entity and in assessing management's stewardship of the entity's resources. As a result, financial statements provide information about the financial position, financial performance and cash flows of an entity. Nine IASB members agreed with this decision. One IASB member was absent;
- c. discuss disclosures that the IASB would normally consider requiring in setting Standards (but should not provide examples of different types of disclosures). Thirteen IASB members agreed with this decision;
- d. retain the discussion of disclosure of risks and forward-looking information proposed in the Discussion Paper. In particular:
  - i. the IASB would normally consider requiring disclosures about the nature and extent of risks arising from the entity's assets and liabilities; and
  - ii. the IASB should require forward-looking information to be included in the notes to the financial statements only if it provides relevant information about the assets and liabilities that existed at the end of, or during, the reporting period;

Thirteen IASB members agreed with this decision.

- e. retain the guidance on classification and aggregation, offsetting and comparative information proposed in the Discussion Paper; in particular that:
- i. in order to present information that is understandable, an entity should classify, aggregate and disaggregate information about recognised elements in a way that reflects similarities in the properties of the information;
  - ii. offsetting items of dissimilar nature does not generally provide the most useful information; and
  - iii. comparative information is an integral part of an entity's financial statements for the current period because it provides relevant trend information.

Fourteen IASB members agreed with this decision.

#### *Other elements (Agenda Paper 10G)*

The IASB tentatively decided that the *Conceptual Framework* should not define elements for the statement of changes in equity and for the statement of cash flows. Eleven IASB members agreed with this decision. Thus, the only elements would continue to be assets, liabilities and equity, and income and expenses.

#### *Business model (Agenda Paper 10H)*

The IASB tentatively decided that the Exposure Draft should not provide a single overarching description of how the nature of an entity's business activities would affect standard-setting. Instead, the IASB should describe, for each area affected, how consideration of an entity's business activities would affect standard setting. The IASB also indicated that the nature of an entity's business activities is likely to affect measurement, the unit of account, the distinction between profit or loss and OCI, and presentation and disclosure. It is less likely to affect other areas covered by the *Conceptual Framework*.

Fourteen IASB members agreed with these decisions.

#### *Transition and effective date (Agenda Paper 10I)*

The IASB tentatively decided that:

- a. the IASB and the IFRS Interpretations Committee should apply the revised *Conceptual Framework* immediately after its publication;
- b. a transition period of no less than approximately 18 months should be allowed for entities that use the *Conceptual Framework* to develop and apply accounting policies for a transaction, other event or condition for which no IFRS specifically applies. Early application should be permitted; and
- c. no additional guidance on transition should be provided in the revised *Conceptual Framework*. Consequently, entities would be required to apply the provisions of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to any changes in accounting policy arising from an application of the revised *Conceptual Framework*.

Fourteen IASB members agreed with this decision.

#### **Next steps**

At its September meeting the IASB plans to discuss:

- the distinction between liabilities and equity;
- remaining aspects of measurement;
- implications of long-term investment;
- possible amendments to Chapters 1 and 3; and

- consequential amendments.

## Leases (Agenda Paper 3)

The FASB and the IASB (the boards) continued redeliberating the proposals in the May 2013 Exposure Draft *Leases*, specifically discussing the following topics:

1. sale and leaseback transactions (Agenda Paper 3A/FASB Memo 290); and
2. lessor disclosure requirements (Agenda Paper 3B/FASB Memo 291).

### *Sale and leaseback transactions (Agenda Paper 3A/FASB Memo 290)*

#### *Determining whether a sale has occurred*

The boards tentatively decided to retain the guidance in the 2013 Exposure Draft that in order for a sale to occur within the context of a sale and leaseback transaction, the sale must meet the requirements for a sale in the recently issued Revenue Recognition Standard. The boards reaffirmed that the presence of the leaseback does not, in isolation, preclude the seller-lessee from concluding that it has sold the underlying asset to the buyer-lessor. All FASB and all IASB members agreed.

The FASB tentatively decided that if the seller-lessee determines that the leaseback is a Type A lease, assessed from the seller lessee's perspective, then no sale has occurred. All FASB members agreed.

The FASB tentatively decided to further evaluate (i) whether to include additional application guidance in the final Leases Standard regarding the determination of the sale and (ii) the effect of repurchase options on sale and leaseback transactions, particularly call options exercisable at fair value.

The IASB tentatively decided not to include any additional application guidance in the final Leases Standard regarding the determination of the sale. The IASB clarified, however, that if the seller-lessee has a substantive repurchase option with respect to the underlying asset, then no sale has occurred. Twelve IASB members agreed.

#### *Accounting for the sale/purchase*

The boards tentatively decided to retain the guidance in the 2013 Exposure Draft that a buyer-lessor should account for the purchase of the underlying asset consistently with the guidance that would apply to any other purchase of a nonfinancial asset (that is, without the presence of the leaseback). All FASB and all IASB members agreed.

The boards tentatively decided to retain the guidance in the 2013 Exposure Draft that a seller-lessee should account for any loss on a completed sale in a sale and leaseback transaction consistent with the guidance that would apply to any other similar sale. All FASB and all IASB members agreed.

The FASB tentatively decided to retain the guidance in the 2013 Exposure Draft that a seller-lessee should account for any gain on a completed sale in a sale and leaseback transaction consistently with the guidance that would apply to any other similar sale. All FASB members agreed.

The IASB tentatively decided that the gain recognised by a seller-lessee on a completed sale in a sale and leaseback transaction should be restricted to the amount of the gain that relates to the residual interest in the underlying asset at the end of the leaseback. All IASB members agreed.

#### *Accounting for the leaseback*

The boards tentatively decided to retain the guidance in the 2013 Exposure Draft that if a sale is completed, the seller-lessee and the buyer-lessor should account for the leaseback in the same manner as for any other lease. All FASB and all IASB members agreed.

#### *Accounting for "off-market" terms*

The boards tentatively decided that an entity should determine any potential "off-market" adjustment on the basis of the difference between either (a) the sale price and the fair value of the underlying asset or (b) the present value of the contractual lease payments and the present value of fair market value lease payments, whichever is more readily determinable.

For sale and leaseback transactions entered into at "off-market" terms, the boards tentatively decided that an entity should account for:

- a. any *deficiency* in the same manner as a prepayment of rent; and
- b. any *excess* as additional financing provided by the buyer-lessor to the seller-lessee.

All FASB and all IASB members agreed.

#### *Accounting for failed sale and leaseback transactions*

The FASB decided to perform additional analysis on the accounting that should apply to "failed" sale and leaseback transactions

The IASB tentatively decided to retain the guidance proposed in the 2013 Exposure Draft that both a seller-lessee and a buyer-lessor would account for a "failed" sale and leaseback transaction as a financing transaction. All IASB members agreed.

#### *Lessor disclosure requirements (Agenda Paper 3B/FASB Memo 291)*

The boards tentatively decided that a lessor should be required to disclose:

- a. information about the nature of its leases, as well as information about significant assumptions and judgments made in applying the leases requirements;
- b. a table of lease income during the reporting period; and
- c. information about how a lessor manages its risk associated with the residual value of its leased assets.

All FASB and twelve IASB members agreed.

The boards tentatively decided that a lessor should treat assets subject to Type B leases as a class of property, plant, and equipment (IFRS) or a major class of depreciable assets (US GAAP), further distinguished by significant class of underlying asset. Accordingly, a lessor should provide the required property, plant, and equipment disclosures for assets subject to Type B leases separately from owned assets held and used by the lessor. All FASB and twelve IASB members agreed.

The boards also tentatively decided that a lessor should be required to disclose:

- a. for Type A leases, a maturity analysis of the undiscounted cash flows that comprise the lessor's lease receivables for each of the first five years following the reporting date and a total of the amount for the remaining years thereafter. A lessor should reconcile the maturity analysis to the balance of lease receivables presented separately in the balance sheet or disclosed separately in the notes; and
- b. for Type B leases, a maturity analysis of the undiscounted future lease payments to be received for each of the first five years following the reporting date and a total of the amount for the remaining years thereafter.

Five FASB and eight IASB members agreed.

The FASB tentatively decided that a lessor should be required to provide an explanation of the significant changes in the components of the net investment in Type A leases other than the lease receivable during the reporting period. The FASB will consider disclosures related to Type A lease receivables when it discusses disclosures in its project on accounting for financial instruments—credit impairment. All FASB members agreed.

The IASB tentatively decided that a lessor should be required to provide a qualitative and quantitative explanation of the significant changes in the net investment in Type A leases during the reporting period. All IASB members agreed.

#### ***Next steps***

The boards will continue their redeliberations at a future board meeting.

## **Research programme (Agenda Paper 8)**

The staff presented an assessment of how the IASB should prioritise the projects on its research programme, using *demand*, *potential impact* and *timeliness* as the main determining factors, with resource considerations as a constraint. IASB members generally supported the approach and recommendations, although some IASB members were concerned that the research programme might be too ambitious.

The staff will update the project pages, setting out the main issues being considered and likely next milestone for each project. They will also add a section on project priorities to the Research Programme introductory section on the website.

The staff will update the Board periodically on progress in the overall Research Programme.

## **Rate-regulated Activities: Research project (Agenda Paper 9)**

#### ***Due process and permission to ballot***

The IASB reviewed the due process steps that the IASB has taken to date in preparation for the publication of the Discussion Paper *Reporting the Financial Effects of Rate Regulation*.

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

In addition, the IASB tentatively decided that there should be a comment period for the Discussion Paper of 120 days. All IASB members agreed with this decision.

#### ***Next steps***

The staff will commence the balloting process of the proposed amendments. The IASB plans to publish the Discussion Paper in September 2014.

## Work plan—projected targets as at 30 July 2014

Major Projects				
Next major project milestone				
	2014 Q3	2014 Q4	2015 Q1	2015 Q2
Upcoming Standards				
Insurance Contracts	Redeliberations			
Leases	Redeliberations			
IFRS for SMEs		Redeliberations		
Upcoming Exposure Drafts				
Conceptual Framework			Target ED	
Issued Discussion Papers				
Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging [Comment period ends 17 October 2014]	Public consultation			
Upcoming Discussion Papers				
Rate-regulated Activities	Target DP			
Disclosure Initiative				
Principles of disclosure	Board discussion			
The Disclosure Initiative is a portfolio of Implementation and Research projects.				
Implementation				
Next major project milestone				
	2014 Q3	2014 Q4	2015 Q1	2015 Q2
Narrow-scope amendments				
Annual Improvements 2012–2014	Target IFRS			
Annual Improvements 2014–2016				Target ED
Clarifications of Classification and Measurement of Share-based Payment Transactions (Proposed amendment to IFRS 2)		Target ED		
Classification of liabilities (Proposed amendment to IAS 1)		Target ED		
Disclosure Initiative				

<b>Amendments to IAS 1 (Disclosure Initiative)</b> [Comment period ended 23 July 2014]	Redeliberations			
<b>Reconciliation of liabilities from financing activities</b>		Target ED		
<b>Elimination of gains or losses arising from transactions between an entity and its associate or joint venture</b> (Proposed amendments to IAS 28)		Target ED		
<b>Equity Method in Separate Financial Statements</b> (Proposed amendments to IAS 27)	Target IFRS			
<b>Fair Value Measurement: Unit of Account</b>	Target ED			
<b>Investment Entities: Applying the Consolidation Exception</b> (Proposed amendments to IFRS 10 and IAS 28) [Comment period ends 15 September 2014]		Redeliberations		
<b>Recognition of Deferred Tax Assets for Unrealised Losses</b> (Proposed amendments to IAS 12)	Target ED			
<b>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</b> (Proposed amendments to IFRS 10 and IAS 28)	Target IFRS			
Next major project milestone				
<b>Post-implementation Reviews</b>	<b>2014 Q3</b>	<b>2014 Q4</b>	<b>2015 Q1</b>	<b>2015 Q2</b>
<b>IFRS 3 Business Combinations</b>	Deliberations			
<b>Research Projects</b>				
Next major project milestone				
	<b>2014 Q3</b>	<b>2014 Q4</b>	<b>2015 Q1</b>	<b>2015 Q2</b>
<b>Short- and medium-term projects</b>				
<b>Business combinations under common control</b>	Board discussion			
<b>Disclosure Initiative</b>				
General disclosure review	To be determined			
<b>Materiality</b>	Board discussion			
<b>Principles of disclosure</b>	Board discussion			
<b>Discount rates</b>		Board discussion		
<b>Emissions trading scheme</b>	To be determined			
<b>Equity method of accounting</b>	Board discussion			
<b>Financial instruments with characteristics of equity</b>	Pending developments in the <i>Conceptual Framework</i> project			
<b>Foreign currency translation/inflation</b>		Board		

		discussion		
<b>Liabilities—amendments to IAS 37</b>	Pending developments in the <i>Conceptual Framework</i> project			
<b>Rate-regulated Activities</b>	Target DP			
<b>Longer-term projects</b>				
<b>Extractive activities/Intangible assets/R&amp;D activities</b>				
<b>Income taxes</b>				
<b>Post-employment benefits (including pensions)</b>				
<b>Share-based payments</b>				
The IASB is developing its research capabilities—for further information see the <a href="#">Tommaso Padoa-Schloppa Memorial Lecture</a> and <a href="#">IASB Research Forum page</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>	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>Issued date</b>	<b>Effective date</b>		
<b>IAS 32 <i>Financial Instruments: Presentation—Offsetting Financial Assets and Financial Liabilities</i></b> (Amendments to IAS 32)	December 2011	1 January 2014		
<b><i>Investment Entities</i></b> (Amendments to IFRS 10, IFRS 12 and IAS 27)	October 2012	1 January 2014		
<b><i>Recoverable Amount Disclosures for Non-Financial Assets</i></b> (Amendments to IAS 36)	May 2013	1 January 2014		
<b><i>Novation of Derivatives and Continuation of Hedge Accounting</i></b> (Amendments to IAS 39)	June 2013	1 January 2014		
<b><i>Defined Benefit Plans: Employee Contributions</i></b> (Amendments to IAS 19)	November 2013	1 July 2014		
<b><i>Annual Improvements 2010–2012</i></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</b></li> </ul> </li> </ul>	December 2013	1 July 2014		



<ul style="list-style-type: none"> <li>• <b>segments' assets to the entity's assets</b></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>			
<p><b>Annual Improvements 2011–2013</b></p> <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	
<p><b>Accounting for Acquisitions of Interests in Joint Operations</b> (Amendments to IFRS 11)</p>	May 2014	1 January 2016	
<p><b>Clarification of Acceptable Methods of Depreciation and Amortisation</b> (Amendments to IAS 16 and IAS 38)</p>	May 2014	1 January 2016	
<p><b>Agriculture: Bearer Plants</b> (Proposed amendments to IAS 16 and IAS 41)</p>	June 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>2014</b>	<b>2015</b>	<b>2016</b>
<b>Three-yearly public consultation</b>		Initiate second triennial public consultation	

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