



<b>Project:</b>	<b>International Projects</b>	<b>Meeting</b>	AASB February 2016 (M150)
<b>Topic:</b>	<b>Various</b>	<b>Agenda Item:</b>	14.1
<b>Contact(s):</b>	Shaun Steenkamp <a href="mailto:ssteenkamp@aab.gov.au">ssteenkamp@aab.gov.au</a> (03) 9617 7640	<b>Date:</b>	8 February 2016
		<b>Project Priority:</b>	High
		<b>Decision-Making:</b>	Medium
		<b>Project Status:</b>	Various

## Introduction and objective of this paper

- The objective of this paper is to decide whether to take any action in relation to key decisions made at recent international standard-setting meetings.

## Link to project summary

[http://www.aasb.gov.au/admin/file/content102/c3/AASB\\_Standard\\_Setting\\_Work\\_Program.pdf](http://www.aasb.gov.au/admin/file/content102/c3/AASB_Standard_Setting_Work_Program.pdf)

## Attachments

Agenda Paper 14.2	<i>IASB Update</i> December 2015
Agenda Paper 14.3	<i>IASB Update</i> January 2016
Agenda Paper 14.4	<i>IASB Update</i> February 2016 [to be tabled if available]
Agenda Paper 14.5	<i>IFRIC Update</i> January 2016
Agenda Paper 14.6	Deloitte's <i>IFRS in Focus: Meeting of the IFRS Transition Resource Group for Impairment of Financial Instruments</i>
Agenda Paper 14.7	<i>IPSASB Meeting Highlights</i> December 2015

## Summary of staff recommendations

- The staff recommend the Board:
  - take no action regarding the final due process steps for the IASB's *Clarifications to IFRS 15* amendments discussed at the IASB's January meeting;
  - take no action regarding the IFRS Interpretation Committee's continued discussion of the classification of liabilities for prepaid cards; and

- (c) not make a submission on IPSASB Exposure Draft 61 *Amendments to Financial Reporting Under the Cash Basis of Accounting (the Cash Basis IPSAS)*.

## IASB

- 3 Subsequent to the December 2015 AASB meeting, the IASB has met twice on 15-16 December 2015 and 18-22 January 2016.

### December IASB meeting (see Agenda Paper 14.2)

- 4 At the IASB's December 2015 meeting, the key projects for discussion included: Effective Date of Amendments to IFRS 10 and IAS 28 – Due Process, Disclosure Initiative, IFRS Implementation Issues, IFRS 3 *Business Combinations* – Definition of a Business, the Research Programme, Revenue from Contracts with Customers and Discount rates research.
- 5 AASB staff do not have any concerns to bring to the Board's attention in relation to the December IASB meeting at this stage.

### January IASB Meeting (see Agenda Paper 14.3)

- 6 At the IASB's January 2016 meeting, the key projects for discussion included: Insurance Contracts, Discount Rates, Fair Value Measurement and Revenue from Contracts with Customers.
- 7 The IASB expects to issue the final amendments *Clarifications to IFRS 15* in March 2016. In relation to these amendments, the IASB tentatively decided to make *Clarifications to IFRS 15* mandatorily applicable for annual reporting periods beginning on or after 1 January 2018, while permitting early application.
- 8 The final amendments would be consistent with the proposals in [IASB ED/2015/6](#) *Clarifications to IFRS 15* and would require an entity to apply those amendments retrospectively. The AASB did not express any concerns about the proposals in IASB/ED/2015/6 in its [comment letter](#) to the IASB but did point out that amending Standards prior to their mandatory effective date is not an ideal approach. One IASB member has indicated an intention to dissent from issuing the amendments, but has not yet provided the basis for dissent.
- 9 AASB staff recommend that the Board take no action on the above issue at this stage.
- 10 The next IASB meeting is scheduled to be held on 12-19 February 2016. AASB staff will table any issues arising from that meeting.

### **Question 1 to Board members**

Do Board members agree with the staff recommendation not to take any action in relation to the final due process steps for the IASB's forthcoming *Clarifications to IFRS 15* amendments?

IFRS Interpretations Committee (see Agenda Paper 14.5)

- 11 The IFRS Interpretations Committee (the Committee) met on 12 January 2016, during which the Committee made final agenda decisions in relation to:
- (a) IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*;
  - (b) IFRS 11 *Joint Arrangements*;
  - (c) IAS 12 *Income Taxes*; and
  - (d) IAS 39 *Financial Instruments: Recognition and Measurement*.
- 12 The Committee also made a tentative agenda decision in relation IFRIC 12 *Service Concession Arrangements*.
- 13 AASB staff do not have any concerns to raise with the Board regarding the Committee's final and tentative agenda decisions. However, AASB staff wish to draw the Board's attention to the Committee's continued discussions regarding the classification of liabilities for prepaid cards in the issuer's financial statements. The Committee has discussed this issue on four occasions: November 2014, January 2015, September 2015 and January 2016. The most recent discussion was intended to consider constituent feedback on the Committee's tentative agenda decision not to add this issue to its agenda with a view to finalising that decision. While all five submissions on the draft agenda decision agreed with the Committee not to add this issue to its agenda, four raised concerns about the Committee's rationale for that tentative decision. After considering the feedback received, the Committee asked IASB staff to perform more analysis and bring this issue back to its March meeting for a final discussion. The Committee noted that it may issue an agenda decision stating that it could not reach a decision on this issue. AASB staff recommend the Board take no action on this issue at this stage.
- 14 The next Committee meeting is scheduled to be held on 22-23 March 2016.

**Question 2 to Board members**

Do Board members agree with the staff recommendation not to take any action in relation to the Committee's discussion on the classification of liabilities for prepaid cards?

IFRS Transition Resource Group for Impairment of Financial Instruments (ITG) (see Agenda Paper 14.6)

- 15 The ITG met on 11 December 2015 at which it discussed [10 topics](#):
- (a) meaning of current effective interest rate;
  - (b) collateral and other credit enhancements and the measurement of expected credit losses;
  - (c) inclusion of cash flows expected from the sale on default of a loan in the measurement of expected credit losses;

- (d) assessing for significant increases in credit risk for financial assets with a maturity of less than 12 months;
  - (e) measurement of the loss allowance for credit impaired financial assets;
  - (f) presentation of the loss allowance for financial assets measured at amortised cost;
  - (g) scope of paragraph 5.5.20 of IFRS 9;
  - (h) measurement of expected credit losses for charge cards;
  - (i) period over which to measure expected credit losses for revolving credit facilities; and
  - (j) incorporation of forward looking scenarios.
- 16 The ITG did not think any amendments were necessary for any of the above topics, and AASB staff do not have any concerns to raise with the Board at this stage in relation to these discussions.
- 17 No further ITG meetings are planned, however, the ITG is not being disbanded. Constituents will still be able to submit issues to the ITG, and the ITG will meet when required.

IPSASB (see Agenda Paper 14.7)

- 18 The IPSASB met on 8-11 December 2015 and the key topics discussed included: Public Sector Combinations, Public Sector Financial Instruments, Updating the Financial Instruments standards with the aim to converge with IASB literature (in particular IFRS 9), Employee Benefits, Cash Basis Review, Revenue/Non-Exchange Expenses, Emissions Trading Schemes and Heritage Assets.
- 19 This was the final meeting for Tim Youngberry (Australian IPSASB member) with Mike Blake taking on the role as of 1 January 2016. It was also the last meeting for IPSASB Chair, Andreas Bergmann. Ian Carruthers, prior UK IPSASB member, succeeds Andreas as the IPSASB Chair also effective 1 January 2016.
- 20 AASB staff wish to draw the Board's attention to the approval of three exposure drafts at the meeting:
- (a) Exposure Draft 59 *Amendments to IPSAS 25, Employee Benefits* (comments due by 30 April 2016);
  - (b) Exposure Draft 60 *Public Sector Combinations* (comments due by 30 June 2016); and
  - (c) Exposure Draft 61 *Amendments to Financial Reporting Under the Cash Basis of Accounting (the Cash Basis IPSAS)* (comments due by 31 July 2016).
- 21 The objective of ED 59 is to converge IPSAS 25 with IAS 19 *Employee Benefits* (as issued in 2004, with amendments up to 31 December 2015).

- 22 Key features of the proposals in ED 59 include:
- (a) removal of the corridor approach; and
  - (b) the components of defined benefit cost will be amended to include service cost, net interest and remeasurements.
- 23 The objective of ED 60 is to establish requirements for classifying, recognising and measuring public sector combinations, which are not currently addressed in IPSASs. In this absence, public sector entities that apply IPSASs are reliant on the guidance of international or national accounting standards that may result in inconsistent or inappropriate reporting of public sector combinations. The proposals in ED 60 are expected to promote consistency and comparability in how public sector combinations are reported by public sector entities.
- 24 Key features of the proposals in ED 60 include:
- (a) if one entity gains control, there is a rebuttable presumption that the combination is an acquisition and the acquisition method of accounting is applied; and
  - (b) amalgamated entities apply the modified pooling of interests method.
- 25 AASB staff recommend that the AASB makes a submission on ED 59 and ED 60 and not make a submission on ED 61 because it has no relevance to Australia.
- 26 Another item of interest is the appointment of Thomas Müller-Marqués Berger as the inaugural Chair of the IPSASB's Consultative Advisory Group (CAG). Nominations for CAG membership close on 19 February 2016 and AASB staff have been liaising with various stakeholders, including HoTARAC, to identify a suitable candidate to put forward as a member of this group.
- 27 The next IPSASB meeting is scheduled to be held on 8-11 March 2016 in New York.

**Question 3 to Board members**

Do Board members agree with staff recommendation to make a submission on ED 59 and ED 60 and not make a submission on ED 61?

**Appendix A: IFRS Interpretations Committee staff outreach requests (17 November 2015 – 9 February 2016)**

Topic	Date request received	Rate AASB staff responded
<p><b>IFRS 9 <i>Financial Instruments</i></b>                      Outreach request relating to the recognition of a gain or loss in profit or loss when a modification to a financial liability does not result in the derecognition of that financial liability.</p>	<p>25 January 2016</p>	<p>Not yet responded. Comments due by 25 February.</p>
<p><b>IFRS 9 <i>Financial Instruments</i></b>                      Outreach request questioning which fees and costs should be included when determining if a modification or exchange should result in derecognition of a financial liability.</p>	<p>25 January 2016</p>	<p>Not yet responded. Comments due by 25 February.</p>