



Project:	International Projects – Tabled Update	Meeting	AASB February 2016 (M150)
Topic:	Various	Agenda Item:	14.8
Contact(s):	Shaun Steenkamp ssteenkamp@aasb.gov.au (03) 9617 7640	Date:	22 February 2016
		Project Priority:	High
		Decision-Making:	Medium
		Project Status:	Various

Introduction and objective of this paper

- 1 The objective of this paper is to inform the Board of developments since Agenda Paper 14.1 was finalised on 9 February 2016 and whether to take any action in relation to those developments.

Summary of staff recommendations

- 2 The staff recommend the Board:
 - (a) take no action regarding the International Accounting Standards Board's (IASB) discussions on Insurance Contracts; and
 - (b) defer further consideration of the proposals in AASB ED 254 *Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value* until such time as the IASB returns to this project as part of its post-implementation review (PIR) of IFRS 13 *Fair Value Measurement*.

IASB (see Agenda Paper 14.4)

- 3 At the IASB's February 2016 meeting, the key projects for discussion included: Insurance Contracts, Goodwill and Impairment, IFRS Implementation Issues and Financial Instruments with Characteristics of Equity (FICE).

Insurance Contracts

- 4 AASB staff would like to bring the IASB's discussions on Insurance to the Board's attention. At its January 2016 meeting, the IASB confirmed its decision that the level at which onerous contract testing should be conducted is a group of contracts that, at inception:
 - (a) have cash flows expected to respond to in similar ways to key drivers of risk; and

- (b) have similar expected profitability (similar contractual service margins).
- 5 It also tentatively decided "... there should be no exception to the level of aggregation for determining onerous contracts or the allocation of contractual service margin when regulation affects the pricing of contracts." Ten members supported that decision and four did not.
 - 6 This issue of the impact of regulation on the level of aggregation at which contracts might be assessed as being onerous was not covered in the 2013 ED; however, the issue is highly significant.
 - 7 At its February 2016 meeting, all 14 IASB members confirmed they are satisfied the Board has completed all the necessary due process steps on the Insurance Contracts project to date and instructed the staff to commence the drafting process.
 - 8 AASB staff have volunteered to review and comment to IASB staff as they undertake their drafting.
 - 9 Notwithstanding the IASB decision on drafting, all the IASB's decisions are still being described as 'tentative'.
 - 10 The AASB Project Advisory Panel is meeting in Sydney on 3 March (10 to 11am) with Ian Mackintosh to discuss two issues: the discount rate used to accrete interest on the contractual service margin; and the January 2016 IASB decision about regulation and onerous contracts.
 - 11 AASB staff do not recommend the Board take any action on this issue at this stage.

Question 1 to Board members

- Q1 Do Board members agree with the staff recommendation not to take any action in relation to the IASB's recent discussions on Insurance Contracts?

Fair Value Measurement

- 12 AASB staff would like to bring to the Board's attention the IASB's discussions on its Exposure Draft ED/2014/4 *Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value* (incorporated into AASB ED 254).
- 13 The IASB decided to incorporate research and feedback received on the ED into the PIR of IFRS 13 *Fair Value Measurement* rather than finalising the proposals at this time. Accordingly, AASB staff suggest that further consideration of this project be deferred until the IASB commences its PIR.

Question 2 to Board members

- Q2 Do Board members agree with the staff recommendation to defer further consideration of this project until such time that the IASB commences its PIR of IFRS 13?