



Project:	International Projects	Meeting	AASB April 2016 (M151)
Topic:	Various	Agenda Item:	9.1
Contact(s):	Shaun Steenkamp ssteenkamp@aab.gov.au (03) 9617 7640	Date:	4 April 2016
		Project Priority:	High
		Decision-Making:	Low
		Project Status:	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

Attachments

- | | |
|------------------|---|
| Agenda Paper 9.2 | <i>IASB Update</i> March 2016 |
| Agenda Paper 9.3 | <i>IFRIC Update</i> March 2016 |
| Agenda Paper 9.4 | <i>IPSASB Meeting Highlights</i> March 2016 |

Summary of staff recommendations

- The staff recommend the Board:
 - take no action, at this stage, on the IASB’s redeliberations on applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts*; and
 - take no action, at this stage, on the IFRS Interpretations Committee’s tentative decision not to add “loss of control transactions” to its agenda.

March IASB meeting (see Agenda Paper 9.2)

- At the IASB’s March 2016 meeting, the key projects for discussion included:
 - the Conceptual Framework;
 - Insurance and IFRS 9;

- (c) the Definition of a Business;
- (d) Goodwill and Impairment; and
- (e) the Agenda Consultation.

4 On Insurance and IFRS 9, the IASB redeliberated its recent proposals to provide an option to grandfather use of IAS 39 *Financial Instruments: Recognition and Measurement* (in place of IFRS 9 *Financial Instruments*) or allow application of both IAS 39 and IFRS 9 (the overlay approach) in the lead up to the revised IFRS 4 *Insurance Contracts* becoming mandatory.

5 The following table shows the IASB’s tentative decisions at its March meeting, whether the AASB was supportive in its [comment letter](#) on IASB ED/2015/11 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*, and any other relevant AASB staff comments.

	IASB tentative decision	AASB submission	Comment
(a)	Confirm ED proposal to provide a temporary exemption from applying IFRS 9 for qualifying entities	Supported the proposal	Possible, but unlikely, that Australian or NZ insurers would use this exemption
(b)	Confirm ED proposal that eligibility for exemption be determined at reporting entity level only. Hence, assess eligibility based on all activities of entity to which only one Standard would apply (either IFRS 9 or IAS 39)	Supported the proposal	Also see paragraph 6 below.
(c)	Confirm there should be a fixed expiry date for the exemption (1 January 2021 was proposed)	Broadly supported the proposal, but advocated providing more time if the revised IFRS 4 mandatory date is delayed	
(d)	Confirm ED proposal to provide an overlay approach	Supported the proposal	Highly unlikely any Australian or NZ insurers would use this approach
(e)	Confirm ED proposal that exemption from applying IFRS 9 and the overlay approach should be optional	Supported the proposal	

- 6 The IASB will consider the qualifying criteria for the temporary exemption at its April and/or May Board meetings. This is the most contentious issue and the AASB's submission opposed the proposed criteria (insurance liabilities are a predominant share [75%] of total liabilities) because it would disqualify entities:
- (a) with a mix of businesses, such as wealth management, banking and insurance, where insurance is not the predominant business; and
 - (b) operating exclusively or predominantly as insurers but with a gearing level which results in insurance liabilities not being predominant.
- 7 AASB staff do not have any other concerns to bring to the Board's attention in relation to the March IASB meeting and also do not recommend the Board take any action at this stage.
- 8 The next IASB meeting is scheduled for 18-22 April 2016.

Question 1 to Board members

Do Board members agree not to take any action at this stage in relation to the IASB's redeliberations on the IFRS 9 and IFRS 4 project?

IFRS Interpretations Committee (see Agenda Paper 9.3)

- 9 The IFRS Interpretations Committee (the Committee) met on 22 March 2016, during which it made final agenda decisions in relation to:
- (a) recoverable cash advances provided by government;
 - (b) variable payments for asset purchases;
 - (c) determining hedge effectiveness for net investment hedges; and
 - (d) offsetting and cash pooling arrangements.
- 10 The Committee made tentative decisions regarding:
- (a) accounting for proceeds and costs of testing property, plant and equipment;
 - (b) remeasurement of previously held interests (loss of control);
 - (c) classification of liabilities for prepaid cards in the issuer's financial statements;
 - (d) accounting for income tax consequences of payments on financial instruments classified as equity;
 - (e) combined service concession and lease arrangements; and
 - (f) long-term interests.

- 11 AASB staff note the Committee's decision not to add item 10(b) (loss of control transactions) to its agenda. Instead, the Committee will recommend to the IASB that it consider this issue as part of its short-term equity method research project. The Committee's rationale is that the perceived conflict between paragraph B98 of IFRS 10 *Consolidated Financial Statements* and paragraph B34 of IFRS 11 *Joint Arrangements* is similar to that of a sale or contribution of assets between an associate or joint venture. Therefore, the IASB should consider loss of control transactions concurrently with the equity method research project. At this stage the Committee has not published a tentative agenda decision on the issue. AASB staff will continue to monitor this issue and do not suggest the Board take any action at this stage.
- 12 AASB staff do not have any other concerns in relation to the March Committee meeting to bring to the Board's attention at this stage.
- 13 The next Committee meeting is scheduled for 10-11 May 2016.

Question 2 to Board members

Do Board members agree not to take any action in relation to the Committee's decision not to add loss of control transactions to its agenda?

IPSASB (see Agenda Paper 9.4)

- 14 The IPSASB met on 8-11 March 2016 and the key topics discussed included:
- (a) Heritage Assets;
 - (b) Leases;
 - (c) Impairment of Revalued Assets;
 - (d) Public Sector Financial Instruments;
 - (e) Social Benefits;
 - (f) Non-Exchange Expenses;
 - (g) Revenue; and
 - (h) Emissions Trading Schemes.
- 15 AASB staff do not have any concerns to bring to the Board's attention at this stage in relation to the March IPSASB meeting.
- 16 The next IPSASB meeting is scheduled for 21-24 June 2016 in Toronto.

Appendix A: IFRS Interpretations Committee staff outreach requests (9 February 2016 – 4 April 2016)

Topic	Date request received	Date AASB staff responded
<i>IAS 2 Inventories, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 9 Financial Instruments</i> Outreach request seeking clarification on accounting for commodity lease transactions.	11 March 2016	Not yet responded. Comments due by 1 April 2016.