

INTERPRETATION ISSUES IN PROGRESS
(14 April 2010)

Part A: IFRIC Topics

No	Project	History and Current Status	Next Steps	Timing
1	<p>Classification of Vesting Conditions</p> <p>IFRS 2 <i>Share-based Payment</i></p>	<p>In May 2009, the IFRIC received a request to clarify the basis on which vesting conditions, especially performance conditions, can be distinguished from non-vesting conditions. The request arose because constituents are interpreting differently the principle set out in IFRS 2 that the vesting conditions should be those that determine whether the entity receives the required services from the counterparty.</p> <p>The IFRIC decided that further research and analysis were needed to determine:</p> <ul style="list-style-type: none"> ▪ whether the issues identified in the submission fundamentally relate to the interaction of other conditions with the service conditions; and ▪ whether these types of transactions are widespread and the extent of diversity in practice. <p>The IFRIC will resume its discussion of whether this project should be added to its agenda at a future meeting (July 2009).</p> <p>The IFRIC received a status update (Nov 2009).</p> <p>The IFRIC considered two application issues:</p> <ul style="list-style-type: none"> ▪ does there need to be a direct link between a performance target and an individual employee’s service in order for that target to be a performance condition?; and ▪ when determining whether the target qualifies as a performance condition, does it matter whether the specified service period is shorter or longer than the period over which the performance target should be met? <p>The IFRIC noted that the revised guidance issued in January 2008 (IG24) lacked clarity and therefore divergent practices may result when distinguishing between vesting conditions and non-vesting conditions.</p> <p>The IFRIC concluded that consistency could be improved by clarifying the distinction between service, performance and non-vesting conditions and therefore decided to add the issue to its agenda (Jan 2010).</p> <p>The IFRIC received a status update from the staff and also began preliminary deliberations on the scope of the project. Staff were asked to consider whether convergence with US GAAP on this matter would be helpful (March 2010).</p>	<p>Discussions to continue</p>	<p>May 2010</p>
2	<p>Accounting for production stripping costs</p> <p>IAS 16 <i>Property, Plant and Equipment</i></p>	<p>In June 2009 the IFRIC received a request for guidance in respect of the accounting treatment of stripping costs during the production stage of a mine. The topic was discussed in two separate sessions of the IFRIC meeting. The first session gave a brief discussion on the nature of stripping costs and current accounting practices and Niall Weatherstone from Rio Tinto gave a presentation which provided additional background on the mechanics of and economic</p>	<p>Staff to prepare a draft interpretation for discussion</p>	<p>May 2010</p>

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		<p>considerations within the mining industry.</p> <p>In the second session the IFRIC discussed four methods of accounting for stripping costs under various frameworks:</p> <ul style="list-style-type: none"> ▪ expense production stripping costs as incurred; ▪ capitalise stripping costs as a cost of inventory, as variable production costs; ▪ capitalise stripping costs and attribute to reserves benefited in a systematic and rational manner; and ▪ capitalise stripping costs using a strip ratio. <p>The IFRIC noted that in general, mine development costs qualify for capitalisation and that where production stripping activities create a future benefit for the entity, the related costs would qualify for recognition as an asset, or as part of an asset.</p> <p>The IFRIC agreed that there is diversity in practice and this exists because the issue is not addressed in IFRSs and there is differing guidance in other frameworks e.g. US and Canadian GAAP. Further, as the issue is not going to be addressed in the IASB's <i>Extractive Activities</i> project and the issue is sufficiently narrow in nature, the IFRIC decided to add it to its agenda (Nov 2009).</p> <p>The IFRIC reviewed and accepted a project plan which proposes the issuance of an interpretation in June 2010. The scope of the proposed interpretation was discussed and the following wording was decided on:</p> <p><i>“Accounting for the costs of removal of waste material in a surface mining activity during the production phase”</i> (January 2010).</p> <p>IFRIC Staff presented two papers for discussion:</p> <ul style="list-style-type: none"> ▪ a paper discussing the accounting for the costs of waste removal and the associated benefit; and ▪ a paper discussing the attribution of the stripping cost asset. <p>In respect of the costs of waste removal and the associated benefit, the IFRIC tentatively agreed:</p> <ul style="list-style-type: none"> ▪ the benefit to the entity is that of improved access to the ore; ▪ the principle in IAS 16 <i>Property, Plant and Equipment</i> should apply, however whether the asset meets the definition of PPE or of an intangible asset will be decided at a future meeting; and ▪ the benefit should be allocated to current and future periods using the specific identification approach. <p>The IFRIC also tentatively agreed that the unit of account is the stripping campaign, and that the asset created should be attributed over the specific ore reserves that benefited from the stripping campaign (March 2010).</p>		

Part B: Domestic Topics

No	Project	History and Current Status	Next Step	Timing
1	<i>Related Party Disclosures – Managed Investment Schemes (MIS)</i>	<p>AASB decided to refer the issue of whether an entity can be a key management person to the IFRIC (December 2007).</p> <p>AASB Chairman sent a letter to the IASB requesting the IASB to address this issue when considering the amendments to IAS 24 in relation to state-controlled entities and the definition of a related party.</p> <p>The IASB discussed <i>State-controlled Entities and the Definition of a Related Party</i> and decided not to consider in this project whether an entity can be a member of key management personnel (September 2008).</p> <p>It has recently emerged that the issue may also be a concern in New Zealand.</p> <p>A joint letter from the AASB and FRSB has been sent to the IASB requesting that the issue be reconsidered (July 2009).</p> <p>Received a letter from the IASB (see September 2009 Agenda paper 9.2.1) explaining that the issue was not going to be considered by the IASB in its current IAS 24 project as it was beyond the limited scope of the existing project. The letter suggests that the AASB/FRSB consider submitting the issue to the IFRIC (Aug 2009).</p> <p>The Board agreed that the issue should be circulated to National Standard Setters to determine if any other jurisdictions are experiencing the same issue (Sept 2009).</p>	<p>Being presented to NSS – Seoul April 2010</p> <p>A verbal report on outcomes of NSS discussions will be provided to the AASB at its April 2010 meeting</p>	April 2010
2	<i>Non-Reporting Entities – Applicability of Standards</i>	<p>The AASB considered a proposed agenda rejection statement, related issue proposal and submissions received.</p> <p>The AASB reconsidered a draft agenda decision from May 2007 and decided to defer any further action until the project on differential reporting is completed (June 2008).</p>	Await outcome of differential reporting project.	Timing uncertain – June 2010 at earliest