



**INTERPRETATIONS – ISSUES IN PROGRESS**  
**(18 November 2011)\***

**Part A: IFRS Interpretations Committee Topics**

Note: Part A consists of 6 sections. Section I is a potted history and status report on current *IFRIC agenda issues*. Sections II and III summarise *IFRIC agenda decisions* and *IFRIC tentative agenda decisions* made from July through November 2011 respectively – the content of which is drawn from the IFRIC Update relating to those meetings.

Sections IV to VI list *IFRIC other issues considered*, *IFRIC work in progress*, and *Issues considered for Annual Improvements* respectively. For section IV to VI, detailed information is available in the latest IFRIC Update (see Agenda paper 4.3).

**I. IFRIC agenda issues**

**1. Classification of Vesting Conditions** IFRS 2 *Share-based Payment*

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| <b>Issue</b>                             | In July 2009, the IFRIC considered a request to add to its agenda a project to clarify how the examples of non-vesting conditions in paragraph IG24 of IFRS 2 should be applied. After further analysis, the IFRIC decided to give this issue further consideration.  |
| <b>Recent History and Current Status</b> | <p>At the January 2010 meeting, the IFRIC decided to add to its agenda a request to clarify the basis on which vesting conditions, especially performance conditions, can be distinguished from non-vesting conditions. Specifically, the IFRIC was asked how to distinguish between a service condition, a performance condition and a non-vesting condition. Additionally, the IFRIC was asked for clarification on the interaction of multiple conditions.</p> <p>At the July 2010 meeting the IFRIC tentatively decided that:</p> <ul style="list-style-type: none"> <li>• a performance condition should be defined by reference to the operation or activities of the entity but without reference to the proposed attributes;</li> <li>• there should be no change to the accounting for Save-As-You-Earn (SAYE) plans; and</li> <li>• IPO and a change of control conditions should be deemed to constitute a performance condition.</li> </ul> <p>At the September 2010 meeting, the IFRIC completed its discussions on the technical issues included in this project. Specifically, the IFRIC tentatively decided that:</p> <ul style="list-style-type: none"> <li>• a non-compete provision should be presumed to be a contingent feature; and</li> <li>• a performance target should fully coincide with an explicit or implicit service requirement for the entire period between grant date and the performance target</li> </ul> |

\* Outcome of July, September and November 2011 IFRS Interpretations Committee deliberations are shaded

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| <p><b>Issue 1</b><br/><b>(Continued)</b></p> | <p>date in order to constitute a performance condition.</p> <p>The IFRIC decided to ask the IASB for its recommendations on how to proceed. The IASB subsequently requested the IFRIC to prioritise the issues being addressed by this project and consider the best path forward on an issue by issue basis.</p> <p>At the November 2010 meeting, the IFRIC identified the following as higher priority issues to be addressed through the next <i>Annual Improvements cycle</i>:</p> <ul style="list-style-type: none"> <li>• the correlation between an employee’s responsibility and the performance target;</li> <li>• whether a share market index target may constitute a performance condition;</li> <li>• whether a performance target that refers to a longer period than the required service period may constitute a performance condition; and</li> <li>• whether termination of employment is a forfeiture or cancellation event.</li> </ul> <p>In March 2011 the IFRIC decided to recommend to the IASB that the classification of share-based payments settled net of tax withholding should be included in a future agenda proposal for IFRS 2.</p> |
| <p><b>Next Steps</b></p>                     | <p>The IFRIC in March 2011:</p> <p>(1) decided to propose clarification to the definitions of service conditions and performance conditions through the next <i>Annual Improvements cycle</i>.; and</p> <p>(2) concluded that the following issues should be referred to the IASB for consideration in a future agenda proposal for IFRS 2:</p> <ul style="list-style-type: none"> <li>• classification of a non-compete provision</li> <li>• accounting for the interaction of multiple vesting conditions.</li> <li>• classification of share-based payments settled net of tax withholding</li> </ul>   |
| <p><b>Timing</b></p>                         | <p>1) Next <i>Annual Improvements cycle</i> – commencing mid 2011</p> <p>2) Uncertain</p>  |

## 2. Put options written over non-controlling interests IAS 32 *Financial Instruments: Presentation*

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| <p><b>Issue</b></p>                             | <p>In May 2010, the IFRIC considered a request for guidance on how an entity should account for changes in the carrying amount of a financial liability for a put option, written over shares held by a non-controlling interest shareholder ('NCI put'), in the consolidated financial statements of a parent entity.</p> <p>The issue arises because of a potential conflict that the 2008 amendments to IFRS 3 <i>Business Combinations</i>, IAS 27 <i>Consolidated and Separate Financial Statements</i> and IAS 39 <i>Financial Instruments: Recognition and Measurement</i>, has created in the financial instrument guidance in IAS 32 <i>Financial Instruments: Presentation</i>, IAS 39 and the guidance in IAS 27.</p> <p>Some constituents believe, consistent with the guidance in IAS 32 and IAS 39, that because a financial liability is initially recognised for the NCI put, subsequent changes in its carrying amount should be recognised in profit and loss. However, other constituents believe changes in the carrying amount of the NCI put should be recognised in equity, which is consistent with the guidance in IAS 27.</p>   |
| <p><b>Recent History and Current Status</b></p> | <p>At the May 2010 meeting, the IFRIC decided to add the issue of accounting for NCI puts to its agenda.</p> <p>At the July 2010 meeting, the IFRIC tentatively decided to include within the scope of the draft Interpretation guidance for the:</p> <ul style="list-style-type: none"> <li>• initial recognition of NCI puts proposing that a financial liability should be recognised and initially measured at fair value (the present value of the redemption amount) of the NCI put; and</li> <li>• subsequent measurement of NCI puts, proposing that changes in the carrying amount of a financial liability for a NCI put should be recognised in profit or loss in accordance with the guidance in IAS 39.</li> </ul> <p>At the November 2010 IASB meeting, the IASB expressed support for the IFRIC to work with the staff of the Financial Instruments with Characteristics of Equity (FICE) project team to develop a short term solution to the issue.</p> <p>At the March 2011 Committee meeting, the IFRIC discussed a possible scope exclusion from IAS 32. The scope exclusion would change the measurement basis of NCI puts to that used for other derivative contracts. Specifically IAS 32, including the requirements in paragraph 23 to recognise a financial liability at the present value of the option exercise price, would not apply to NCI puts. Instead the requirements in IAS 39 and IFRS 9 for derivative contracts would apply. The IFRIC agreed that a scope exclusion from IAS 32 for NCI puts is a viable short-term solution.</p> <p>The scope exclusion would apply only to the consolidated financial statements of the controlling shareholder. In addition, the scope exclusion would apply only to NCI puts with the following features:</p> <ul style="list-style-type: none"> <li>• The NCI put is not embedded in another contract.</li> <li>• The NCI put contains an obligation for an entity in the consolidated group to settle the contract by delivering cash or another financial asset in exchange for the interest in the subsidiary.</li> </ul> <p>In September 2011 the IASB decided not to proceed with the proposed amendment to the scope of IAS 32 that had been recommended by the IFRIC. However, the IASB asked the IFRIC to consider addressing the diversity in accounting, not by changing the measurement basis of the NCI puts, but by clarifying the accounting for subsequent changes in those liabilities. The IASB asked the staff to obtain feedback from the IFRIC on whether it wished to be involved in further considering this issue.</p> <p>At the November 2011 Committee meeting, the IFRIC confirmed that it is willing to consider this issue further and decided to take the issue back onto its agenda.</p> |
| <p><b>Next Steps</b></p>                        | <p>The IFRIC asked the staff to obtain clear guidance from the IASB on how the IASB would like the IFRIC to take the issue forward.</p>   |
| <p><b>Timing</b></p>                            | <p>Uncertain</p>  |

### 3. Contingent pricing of property, plant and equipment and intangible assets IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*

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| <b>Issue</b>                             | In January 2011, the IFRIC considered a request asking for guidance on how to account for contingent pricing for the outright purchase of a single item of property, plant and equipment (PPE) or intangible asset. The issues include (i) when to record the liability for such contingent prices and (ii) whether subsequent changes to the contingent price, when recognised, should be recognised in profit or loss or as an adjustment to the cost of the asset purchased. The IFRIC noted a lack of specific guidance in current IFRSs in relation to contingent prices, for transactions that are not business combinations.  |
| <b>Recent History and Current Status</b> | <p>At the January 2011 meeting, the IFRIC decided to take the issue onto its agenda with a view to developing an interpretation. As part of its discussions, the IFRIC noted that while certain contingent price arrangements would meet the definition of a financial liability, others would not. It also noted that the timing at which the criteria for recognition of an asset are met might differ from that for a financial liability. With respect to subsequent changes, it noted that IAS 39 <i>Financial Instruments: Recognition and Measurement</i> requires changes to a financial liability recognised for the contingent price payable to be recorded in profit or loss. Some viewed this as being in conflict with the cost model in IAS 16, as they hold the view that IAS 16 requires that the actual amount paid be considered part of the cost recognised for the asset.</p> <p>At the March 2011 meeting, the IFRIC noted that, where the obligation for the contingent price arises from a contractual agreement, the requirements in IAS 32/IAS 39/IFRS 9 <i>Financial Instruments</i> would apply. The contract would establish an obligation for the contingent price and IAS 32/IAS 39/IFRS 9 would lead to recognising a financial liability on the date of purchase of the asset for the fair value of the contingent payment. The definition of cost in IAS 16 similarly requires that the cost of the asset on the date of purchase should include the fair value of the consideration given (if a reliable estimate can be made), such as an obligation to pay a contingent price. The IFRIC noted that the initial accounting for contingent prices arising from the purchase of a single asset is consistent with the initial accounting for contingent consideration arising from a business combination under IFRS 3 (2008).</p> <p>The IFRIC also noted that the core issue is the accounting for the remeasurement of the liability and whether that remeasurement should be recognised in profit or loss, or included as an adjustment to the cost of the asset. The IFRIC noted that an initial analysis of IAS 39/IFRS 9 would suggest that the remeasurement should be recognised in profit or loss. However, the IFRIC expressed concern about whether this was a reasonable depiction of the transaction, noting that IFRIC 1 <i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i> had addressed a similar issue in the context of decommissioning, restoration and similar liabilities and had required an adjustment to the cost of the asset.</p> <p>At the May 2011 meeting, the IFRIC reviewed advantages and drawbacks of developing guidance by analogy to IFRIC 1, which would require the cost of the asset to include an estimate of the contingent consideration at the date of purchase, with subsequent changes to the liability, to the extent that they do not reflect the passage of time, be adjusted against the cost of the asset and IFRS 3 <i>Business Combinations</i>, which would require the cost of the asset to include the fair value of the contingent consideration at the date of purchase, with subsequent changes to the contingent consideration being recognised in profit or loss. They also discussed the consequences for this project of the IASB's recent decisions on the leases and revenue recognition projects.</p> |
| <b>Next Steps</b>                        | The IFRIC decided in May 2011 to defer further work on this project until the IASB concludes its discussions on the accounting for the liability for variable payments as part of the leases project.  |
| <b>Timing</b>                            | Uncertain  |

**4. IFRIC 15 *Agreements for the Construction of Real Estate*—meaning of continuous transfer of control in real estate transactions**

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| <b>Issue</b>                             | In March 2011, the IFRIC considered a request asking for clarification on the meaning of ‘continuous transfer’ referred to in IFRIC 15. The submission described the sale of residential apartments off plan and that, in some jurisdictions, relevant public authorities may be involved in addition to the direct parties to the sale and purchase transaction (ie the buyer and the developer). The role of such authorities is usually to protect the buyer if the developer defaults.  |
| <b>Recent History and Current Status</b> | <p>At the March 2011 meeting, the IFRIC was informed that diversity of views exists for similar types of fact patterns as to whether there is continuous transfer of control while construction is in progress. The IFRIC expressed concern about evidence received of formal local interpretations of IFRSs on this matter within some of the jurisdictions concerned.</p> <p>Several Committee members observed that IFRIC 15 provides a principle for determining when continuous transfer is achieved and they thought that any further guidance that the IFRIC might give would be in the form of implementation guidance. They also noted that the IASB project on revenue recognition is currently developing guidance on the meaning of transfer and continuous transfer, with a view to finalising the new IFRS by 30 June 2011. The IFRIC recommended that the IASB should consider the fact pattern of the submission received in its revenue recognition project.</p> <p>At the May 2011 meeting, the staff provided the IFRIC with an update of their outreach activities to the jurisdictions in which real estate sales agreements have the characteristics described in the original submission. The revenue recognition project team also provided the IFRIC with an update on the criteria from the IASB’s latest decisions that are intended to help determine when the transfer of control in a sales transaction takes place and more specifically whether a performance obligation is satisfied continuously.</p> |
| <b>Next Steps</b>                        | The IFRIC decided in May 2011 to defer further discussion on this matter until the criteria for the determination of the transfer of goods and services are finalised as part of the revenue recognition project.   |
| <b>Timing</b>                            | Uncertain   |

**5. IAS 37 Provisions, Contingent Liabilities and Contingent Assets and IFRIC 6 Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment—use of IFRIC 6 by analogy**

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| <b>Issue</b>                             | In May 2011, the IFRIC Committee considered a request to clarify whether, under certain circumstances, IFRIC 6 should be applied by analogy to other levies charged for participation in a market on a specified date to identify the event that gives rise to a liability. The concern raised relates to when a liability should be recognised and to the definition of a present obligation in IAS 37.   |
| <b>Recent History and Current Status</b> | <p>At the May 2011 meeting, the IFRIC noted that the issue raises the two following fundamental challenges:</p> <ul style="list-style-type: none"> <li>• determining whether the obligating event is the participation in an activity on the date specified by the legislation, or whether other factors create an earlier obligation; and</li> <li>• when the obligating event arises in the current annual period, determining the circumstances when an appropriate portion of the charge can be accrued at an interim reporting date.</li> </ul> <p>At the July 2011 meeting, the IFRIC discussed whether the obligating event is the participation in the market on a specified date specified by the legislation, or whether other factors create an earlier obligation. The IFRIC decided to add this issue to its agenda with the aim of developing guidance. The IFRIC also tentatively concluded that IFRIC 6 is not directly applicable, but because IFRIC 6 is an interpretation of IAS 37, any conclusions drawn on the application of IAS 37 to the levies should be consistent with the conclusions drawn in IFRIC 6.</p> <p>At the September 2011 meeting, the IFRIC continued its discussions and noted the following:</p> <ul style="list-style-type: none"> <li>▪ Any guidance developed on this matter should only address levies charged by public authorities;</li> <li>▪ The guidance should not address payments related to private contractual arrangements;</li> <li>▪ Economic compulsion to participate in the market in the next period does not create a constructive obligation and does not cause the recognition of a liability in IAS 37. The IFRIC will consider whether any guidance developed could or should also clarify this point; and</li> <li>▪ The obligation to pay a levy does not automatically create an asset.</li> </ul> <p>At the November 2011 meeting, the IFRIC continued its discussions and noted the following:</p> <ul style="list-style-type: none"> <li>▪ An entity does not have a constructive obligation to pay a levy that arises from operating in a future period, even if the entity is economically compelled to continue operating in that future period;</li> <li>▪ The going concern principle does not lead to the recognition of a liability at a reporting date for levies that arise from operating in the future;</li> <li>▪ The obligating event in accordance with IAS 37 is the last of the necessary events that is sufficient to create the present obligation. Consequently, for example, the obligating event for a levy that is charged if the entity undertakes discrete activities both in the current and in the previous period is the activity in the latter period as identified by the legislation;</li> <li>▪ The obligating event arises progressively if the activity that creates the present obligation occurs over a period of time. For example, a liability is recognised progressively if the obligating event as identified by the legislation is the generation of revenues over a period of time; and</li> <li>▪ The liability for the obligation to pay a levy gives rise to an expense, unless the levy is an exchange transaction in which the entity that pays the levy receives assets or future services in consideration for the payment of the levy.</li> </ul> |

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| <b>Next Steps</b> | At the November 2011 meeting, the IFRIC directed the staff to test the principle that the obligating event arises progressively if the activity that creates the present obligation occurs over a period of time. The IFRIC also directed the staff to test this principle against specific examples and to provide the IFRIC with proposed guidance to consider this issue at a future meeting. |
| <b>Timing</b>     | Uncertain  |

## II. IFRIC agenda decisions

### 1. IFRS 3 *Business Combinations*—business combinations involving newly formed entities: factors affecting the identification of the acquirer

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| <b>Issue</b>                             | The IFRIC received a request for guidance on the circumstances or factors that are relevant when identifying an acquirer in a business combination under IFRS 3. More specifically, the submitter described a fact pattern in which a group plans to spin off two of its subsidiaries using a new entity ('Newco'). Newco will acquire these subsidiaries for cash from the parent company (Entity A) only on condition of the occurrence of Newco's initial public offering (IPO). The cash paid by Newco to Entity A to acquire the subsidiaries is raised through the IPO. After the IPO occurs, Entity A loses control of Newco. If the IPO does not take place, Newco will not acquire the subsidiaries. |
| <b>Recent History and Current Status</b> | In September 2011, the IFRIC issued an agenda decision not to add the issue to its agenda – see <a href="#">IFRIC Update September 2011</a> .   |
| <b>Next Steps</b>                        | In September 2011, the IFRIC recommended the IASB to consider the fact pattern described in the submission as part of its project on common control transactions.   |
| <b>Timing</b>                            | Uncertain   |

### 2. IFRS 3 *Business Combinations*—business combinations involving newly formed entities: business combinations under common control

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| <b>Issue</b>                             | The IFRIC received a request for guidance on accounting for common control transactions. More specifically, the submission describes a fact pattern that illustrates a type of common control transaction in which the parent company (Entity A), which is wholly owned by Shareholder A, transfers a business (Business A) to a new entity (referred to as 'Newco') also wholly owned by Shareholder A. The submission requests clarification on (a) the accounting at the time of the transfer of the business to Newco; and (b) whether an initial public offering (IPO) of Newco, which might occur after the transfer of Business A to Newco, is considered to be relevant in analysing the transaction under IFRS 3. |
| <b>Recent History and Current Status</b> | In September 2011, the IFRIC issued an agenda decision not to add the issue to its agenda – see <a href="#">IFRIC Update September 2011</a> .  |
| <b>Next Steps</b>                        | In September 2011, the IFRIC recommended the IASB to consider the fact pattern described in the submission as part of its project on common control transactions.  |
| <b>Timing</b>                            | Uncertain  |

### 3. IFRS 3 *Business Combinations*—acquirer in a reverse acquisition

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| <b>Issue</b>                             | The IFRIC received a request for guidance asking whether a business that is not a legal entity could be considered to be the acquirer in a reverse acquisition under IFRS 3. |
| <b>Recent History and Current Status</b> | In September 2011, the IFRIC noted that this issue is not widespread and issued an agenda decision not to add the issue to its agenda – see IFRIC Update September 2011.     |
| <b>Next Steps</b>                        | n/a  |
| <b>Timing</b>                            | n/a  |

### 4. IAS 12 *Income Tax*—rebuttable presumption to determine the manner of recovery

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| <b>Issue</b>                             | In September 2011, the IFRIC made a tentative agenda decision on IAS 12 <i>Income Tax</i> —rebuttable presumption to determine the manner of recovery to clarify whether the presumption contained in Paragraph 51C of IAS 12 can be rebutted in cases other than the case described in paragraph 51C. The rebuttable presumption is, for the purposes of recognising deferred tax, that the carrying amount of an investment property measured at fair value will be recovered through sale. |
| <b>Recent History and Current Status</b> | In November 2011, the IFRIC issued an agenda decision – see IFRIC Update November 2011 (Agenda paper 4.3).  |
| <b>Next Steps</b>                        | n/a   |
| <b>Timing</b>                            | n/a   |

**5. IAS 16 Property, Plant and Equipment—cost of testing**

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| <b>Issue</b>                             | The IFRIC received a request to clarify the accounting for sales proceeds from testing an asset before it is ready for commercial production. The submitted fact pattern is that of an industrial group with several autonomous plants being available for use at different times. This group is subject to regulation that requires it to identify a 'commercial production date' for the whole industrial complex. The question asked of the IFRIC is whether the proceeds from those plants already in operation can be offset against the costs of testing those plants that are not yet available for use. |
| <b>Recent History and Current Status</b> | The IFRIC does not expect diversity to arise in practice. Therefore, in July 2011, the IFRIC issued an agenda decision not to add the issue to its agenda – see IFRIC Update July 2011.   |
| <b>Next Steps</b>                        | n/a   |
| <b>Timing</b>                            | n/a   |

**6. IAS 19 Employee Benefits—defined contribution plans with vesting conditions**

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| <b>Issue</b>                             | The IFRIC received a request seeking clarification on the effect that vesting conditions have on the accounting for defined contribution plans. The IFRIC was asked whether contributions to such plans should be recognised as an expense in the period for which they are paid or over the vesting period. In the examples given in the submission, the employee's failure to meet a vesting condition could result in the refund of contributions to, or reductions in future contributions by, the employer. |
| <b>Recent History and Current Status</b> | In July 2011, The IFRIC noted that there is no significant diversity in practice in respect of the effect that vesting conditions have on the accounting for defined contribution post-employment benefit plans, nor does it expect significant diversity in practice to emerge in the future. Consequently, the IFRIC issued an agenda decision not to add the issue to its agenda – see IFRIC Update July 2011.  |
| <b>Next Steps</b>                        | n/a  |
| <b>Timing</b>                            | n/a  |

## 7. IAS 27 Consolidated and Separate Financial Statements—group reorganisations in separate financial statements

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| <b>Issue</b>                             | The IFRIC received a request asking for clarification of whether paragraphs 38B and 38C of IAS 27 (amended 2008) or paragraphs 13 and 14 of IAS 27 (revised 2011) apply either directly or by analogy to reorganisations of groups that result in the new intermediate parent having more than one direct subsidiary. The request addresses the accounting of the new intermediate parent for its investments in subsidiaries when it accounts for these investments in its separate financial statements at cost in accordance with paragraph 38(a) of IAS 27 (amended 2008) or paragraph 10(a) of IAS 27 (revised 2011). |
| <b>Recent History and Current Status</b> | The IFRIC noted that there is already sufficient guidance in IAS 27 (amended 2008) and IAS 27 (revised 2011). Consequently, in September 2011, the IFRIC issued an agenda decision not to add the issue to its agenda – see IFRIC Update September 2011.   |
| <b>Next Steps</b>                        | n/a  |
| <b>Timing</b>                            | n/a  |

### III. IFRIC tentative agenda decision

#### 1. IAS 19 Employee Benefits—Applying the definition of termination benefits to ‘Altersteilzeit’ plans

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| <b>Issue</b>                             | The IFRIC received a request for guidance regarding the application of IAS 19 (2011) to ‘Altersteilzeit’ plans (ATZ plans) in Germany. ATZ plans are early retirement programmes designed to create an incentive for employees within a certain age group to smooth the transition from (full- or part-time) employment into retirement before the employees’ legal retirement age. ATZ plans offer bonus payments to employees in exchange for a 50 per cent reduction in working hours. Their employment is terminated at the end of the required service period. The bonus payments are conditional on the completion of the required service period. Eligibility for the benefit would be on the basis of the employee’s age but would also typically include a past service requirement. |
| <b>Recent History and Current Status</b> | The IFRIC noted that, consistent with paragraph 162(a) of IAS 19 (2011), the fact that the bonus payments are conditional upon completion of employee service over a specified period indicates that the benefits are in exchange for that service and they therefore do not meet the definition of termination benefits. Therefore, in November 2011, the IFRIC issued a tentative agenda decision not to add the issue to its agenda – see IFRIC Update November 2011 (Agenda paper 4.3).   |
| <b>Next Steps</b>                        | n/a   |
| <b>Timing</b>                            | n/a   |

### IV. IFRIC other issues considered

| No | Issue  |
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| 1  | IFRS 1 <i>First-time Adoption of IFRSs</i> —prospective application provisions for first-time adopters                       |
| 2  | IFRS 8 <i>Operating Segments</i> —aggregation of operating segments and identification of the chief operating decision maker |

## V. IFRIC work in progress

| No | Issue   |
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| 1  | IFRS 3 <i>Business Combinations</i> —definition of a business   |
| 2  | IFRS 11 <i>Joint Arrangements</i> —Acquisition of interest in a joint operation   |
| 3  | IAS 7 <i>Statement of Cash Flows</i> —classification of business combination cash flows   |
| 4  | IAS 12 <i>Income Taxes</i> —Corporate wrapper   |
| 5  | IAS 28 <i>Investments in Associates and Joint Ventures</i> —Application of the equity method  |
| 6  | IAS 33 <i>Earnings per Share</i> —Calculating earnings per share considering noncumulative preference dividends                       |
| 7  | IFRIC 12 <i>Service Concession Arrangements</i> —Payments made by an operator in a service concession arrangement                     |
| 8  | IFRIC 15 <i>Agreements for the Construction of Real Estate</i> —Meaning of continuous transfer of control in real estate transactions |

## VI. Issues considered for Annual Improvements

### 1. Issues recommended for inclusion in the 2011-2013 cycle for Annual Improvements

| No | Issue   |
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| 1  | IFRS 3 <i>Business Combinations</i> —Definition of a business   |
| 2  | IFRS 3 <i>Business Combinations</i> —Scope of exception for joint ventures  |
| 3  | IAS 38 <i>Intangible Assets</i> and IFRIC 12 <i>Service Concession arrangements</i> —Selection of amortisation method |
| 4  | IFRIC 12 <i>Service Concession Arrangements</i> —Presentation of cash flows for construction or upgrade services      |

### 2. Issues with recommendations not to be added to Annual Improvements

| No | Issue   |
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| 1  | IAS 7 <i>Statement of Cash Flows</i> —Classification of cash payments for deferred and contingent consideration |

## Part B: Domestic Topics

### Domestic 1. Related Party Disclosures – Managed Investment Schemes (MIS)

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| <b>Issue</b>                             | AASB decided to refer the issue of whether an entity can be a key management person to the IFRIC (December 2007).  |
| <b>Recent History and Current Status</b> | <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>When the IASB discussed State-controlled Entities and the Definition of a Related Party (September 2008), it decided not to consider in this project whether an entity can be a member of key management personnel at the same time.</p> <p>It subsequently emerged that the issue may also be a concern in New Zealand.</p> <p>A joint letter from the AASB and FRSB was sent to the IASB requesting that the issue be reconsidered (July 2009).</p> <p>The IASB advised by letter (September 2009 Agenda paper 9.2.1) 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 IASB 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>The issue was discussed by NSS in April 2010 and the general view that emerged was that the definition of KMP related only to people, but that it would be impracticable in many cases to identify the compensation paid to KMP employed by another entity. Furthermore, the view was noted that a possible principle underlying the disclosure framework was that the information disclosed should be about the entity reporting, not information about other entities, and in certain circumstances it would be best to require disclosure of the fees paid to another entity as compensation. Accordingly the NSS agreed there is a sound basis for seeking to have the IASB amend IAS 24 to remove issues of impracticability and potentially inappropriate disclosures (April 2010).</p> <p>A joint letter from the AASB and FRSB (Agenda paper 17.3 of the AASB's June 2010 meeting) was sent to the IASB requesting that the issue be addressed as an Annual Improvement (June 2010).</p> <p>The IFRIC recommended that the IASB amend, within Annual Improvements, the definition of a 'related party' in IAS 24 to clarify that a management entity that provides KMP services to a reporting entity is deemed to be identified as the relevant related party in respect of those KMP services. Consequently, the service fees paid by the reporting entity to the management entity would be disclosed (September 2010).</p> <p>The Board decided not to amend the existing definition of KMP in IAS 24. However, the Board tentatively decided to amend IAS 24 to identify entities that provide KMP services as a related party of the reporting entity, and to require the separate disclosure of fees paid to related parties in respect of KMP services. The Board will include the proposed amendments in the next Improvements to IFRSs exposure draft. The Board also discussed the staff recommendation that compensation provided to the management entity for KPM services would not be compensation as defined in IAS 24—those amounts would not need to be disclosed. The Board also tentatively decided to accept the staff's proposal to seek further input on variable payments to related parties and to consider any proposals as part of the 2011-2013 Annual Improvements project. (November 2011)</p> |
| <b>Next Steps</b>                        | IASB <i>Annual Improvements</i>  |
| <b>Timing</b>                            | Uncertain  |