AASB Staff Summary of IFRS Interpretations Committee Decisions March 2013

At the IFRS IC meeting held on 12-13 March 2013, the Interpretations Committee (IC):

A. made some decisions in relation to the valuation of biological assets using a residual method and accounting for reverse acquisitions that do not constitute a business (see part A below);
B. made tentative decisions in relation to the selection of a pre-tax or post-tax discount rate for the calculation of a defined benefit obligation (see part B below;
C. discussed issues considered for Annual Improvements and narrow scope amendment (see part C below),
D. discussed issues on its current agenda (see part D below); and
E. discussed issues that are work in progress (see part E below).

The tables below provide our overview of key items discussed and decisions made, and our reaction to those decisions. Please refer to the IFRIC Update (Agenda Paper 4.3) for a more detailed description of each issue discussed.

Part A: Summary of final agenda decisions

	Topic	Brief description	AASB staff comments
A1	IAS 41 *Agriculture* and IFRS 13 *Fair Value Measurement*—Valuation of biological assets using a residual method	The IC received a request seeking clarification on paragraph 25 of IAS 41. This paragraph refers to the use of a residual method as an example of a possible valuation technique to measure the fair value of biological assets that are physically attached to land, if the biological assets have no separate market but an active market exists for the combined assets. The submitter's concern is that using the fair value of the land (i.e. based on its highest and best use as required by IFRS 13) in applying the residual method might result in a minimal or nil fair value for the biological assets when the highest and best use of the land is different from its current use. The IC noted that this issue could also affect the accounting for assets in the scope of other Standards. The IC observed that this issue is too broad for it to address and, accordingly decided not to take this issue onto its agenda. The IC directed the staff to ask the IASB to provide clarification of the accounting requirements for the issues considered by the IC.	AASB staff consider that the implications of the principles in paragraphs 31(a)(iii) and 31(b) of IFRS 13 are reasonably clear. We also note that the agenda paper considered by the IC indicates that concerns with the guidance on fair value regarding this topic seem to reflect disagreement with those implications, which is a different issue from whether the requirements of IFRS 13 on this topic are unclear. Nonetheless, AASB staff **can accept** that additional IASB guidance on this topic to make the implications of IFRS 13 explicit would be useful.
A2	IFRS 3 *Business Combinations* and	The IC received requests for guidance on how to account for transactions in which the former shareholders of a non-listed operating entity become the	AASB staff **agree** with the IC deliberations, and that neither an Interpretation nor an amendment to Standards is

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	IFRS 2 *Share-based Payment*—Accounting for reverse acquisitions that do not constitute a business	majority shareholders of the combined entity by exchanging their shares for new shares of a listed non-operating entity. The transaction is structured such that the listed non-operating entity acquires the entire share capital of the non-listed operating entity. In the absence of a Standard that specifically applies to this transaction the IC observed that the analysed transaction has some features of a reverse acquisition under IFRS 3 because the former shareholders of the legal subsidiary obtain control of the legal parent. Consequently, it is appropriate to apply by analogy, in accordance with paragraphs 10–12 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, the guidance in paragraphs B19–B27 of IFRS 3 for reverse acquisitions. If the listed non-operating entity qualifies as a business on the basis of the guidance in paragraph B7 of IFRS 3, IFRS 3 would be applicable to the transaction. However, if the listed non-operating entity is not a business, the transaction is not a business combinations and is therefore not within the scope of IFRS 3. Because the analysed transaction is not within the scope of IFRS 3, the IC noted that it is therefore a share-based payment transaction that should be accounted for in accordance with IFRS 2. The IC determined that, in the light of the existing IFRS requirements, neither an interpretation nor an amendment to Standards was necessary and consequently decided not to add this issue to its agenda.	warranted.

Part B: Summary of tentative agenda decisions

	Topic	Brief description	AASB staff comments
B1	IAS 19 *Employee Benefits*—Pre-tax or post-tax discount rate	The IC received a request for guidance on the calculation of defined benefit obligations, to clarify whether, in accordance with IAS 19, the discount rate used to calculate a defined benefit liability should be a pre-tax or post-tax rate. The IC noted that: • paragraph 76(b)(iv) of IAS 19 (2011) mentions only taxes on contributions and benefits payable within the context of measuring the defined benefit obligation; • paragraph 130 of IAS 19 (2011) states that in determining the return on plan assets, an entity deducts the costs of managing the plan assets and any tax payable by the plan itself, other than tax included in the actuarial assumptions used to measure the defined benefit obligation; and • according to paragraph BC130 of IAS 19 (2011) the measurement of the obligations should be independent of the measurement of any plan assets actually held by the plan. Consequently, the IC observed that the discount rate used to calculate a defined benefit obligation should be a pre-tax discount rate. On the basis of the analysis above the IC [decided] not to add this issue to its agenda.	AASB staff **agree** with the outcome of the IC deliberations and **can accept** the IC's rationale for not adding the issue to its agenda. AASB staff view is that the IAS 19 requirements imply a pre-tax rate, and we understand that this is the basis for the discount rate used for measuring long-term employee benefit liabilities in Australia. AASB staff's preferred rationale for using a pre-tax discount rate is that paragraph 83 of IAS 19 requires the use of a discount rate determined by reference to yields on high-quality corporate bonds or government bond yields. There might be some room to argue that the words 'by reference to' could include an adjustment for tax; however, the wording on government bond yields appears to leave no room for debate and is not adjustable for tax. To date, the prevailing view has been that there is no active market in high-quality corporate bonds in Australia and government bond yields have been applied.

Part C: Issues considered for Annual Improvements

	Topic	Brief description	AASB staff comments
Issues recommended for finalisation for the Standard to be developed from ED/2012/1 *Annual Improvements to IFRSs 2010-2012 Cycle*			
C1	IFRS 3 *Business Combinations*—Accounting for contingent consideration in a business combination	The issue concerns a proposal to amend IFRS 3 to clarify the classification and subsequent measurement requirements for contingent consideration in a business combination. The ED proposed that changes in fair value be presented in either profit or loss or other comprehensive income depending on the requirements of IFRS 9. The IC decided to recommend to the IASB that it should proceed with an amendment that would require all liability contingent consideration to be subsequently measured at fair value through profit or loss.	In the AASB's submission (dated 27 August 2012) to the IASB on the ED, the AASB expressed agreement with the ED's proposal that changes in fair value of contingent consideration be presented in either profit or loss or other comprehensive income depending on the requirements of IFRS 9. Although AASB staff continue to support the ED's proposals to present contingent consideration either in profit or loss or other comprehensive income, consistent with IFRS 9, AASB staff **can accept** the IC's recommendation to the IASB to require all contingent consideration to be subsequently measured at fair value through profit or loss on the basis that: a) the IC has weighed up all the feedback from constituents (including the AASB's views) on the ED; and b) the IC's recommendation promotes a simple and consistent approach in application. AASB staff note that unfortunately from a principles-based standard setting perspective, the IC's recommendation would result in some inconsistencies with IFRS 9.
Annual Improvements not recommended for finalisation			
C2	IAS 7 *Statement of Cash Flows*—Interest paid that is	This issue concerns proposals to amend IAS 7 to clarify the classification in the statement of cash flows of interest paid that is capitalised into the cost of property, plant and equipment.	AASB staff **agree** with the IC's decision at this stage on the grounds that the IC would need to address the issue of broader principles underlying IAS 7 first. This would entail fundamental modification to IAS 7. We note that

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	capitalised	The proposed amendments were to: • propose that the example guidance in paragraph 16(a) of cash flows arising from investing activities should explicitly include interest paid that is capitalised into the cost of property, plant and equipment; and • clarify that interest paid that is capitalised in accordance with IAS 23 *Borrowing Costs* should be classified in conformity with the classification of the underlying asset to which those payments were capitalised. After considering the comments received from the respondents, the IC decided to recommend the IASB to refrain from proceeding with the proposed amendment to paragraphs 16(a) and 33 and with the proposed addition of paragraph 33A to IAS 7 due to the concerns raised about the implementation of the amendment.	the IC has not been able to reach a consensus on dealing with the broader IAS 7 principles at this stage (refer to item C4 below).
Issues considered for inclusion in Annual Improvements Cycle 2012 – 2014			
C3	IAS 7 *Statement of Cash Flows*—Classification of expenditures in the statement of cash flows	In connection with its deliberations on IAS 7 on the definitions of operating, investing and financing activities (see item C4 below) the IC analysed the guidance in paragraph 16 of IAS 7 which makes explicit that "only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as investing activities". It observed that this guidance is: • leading to the misinterpretation that expenditures that give rise to recognised assets are, by default, investing activities; and • giving precedence to the second principle that the IC had identified in previous meetings which is that "cash flows in IAS 7 should be classified consistently with the classification of the related or underlying item in the statement of financial position". The IC had identified in previous meetings that the primary principle behind the classification of cash flows in IAS 7 is that based on paragraph 11 of IAS 7, cash flows should be classified based on the nature of the activity in a manner that is most appropriate to the business of the	AASB staff **agree** with the IC's recommendation to delete the guidance "only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as "investing activities" on the grounds that: (a) recognition of an asset as a result of the cash outflows should not be a precondition for classification of the cash flows as investing; and (b) not all cash flows resulting in the recognition of an asset should be classified as investing. .

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		entity, in accordance with the definitions of operating, investing and financing activities in paragraph 6 of IAS 7. During its deliberations in March 2013, the IC concluded that: • an expenditure that gives rise to a recognised asset should be classified as an investing activity when it meets the definition of an investing activity; and • an expenditure that does not give rise to a recognisable asset can also meet the definition of investing activities to the extent that this expenditure has been made for resources that are intended to generate future income and cash flows. Consequently, to avoid misinterpretations, the IC suggests the IASB delete the guidance in paragraph 16 that "only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as investing activities".	
C4	IAS 7 *Statement of Cash Flows*—Definitions of operating, investing and financing activities	Following discussion, the IC decided not to suggest that the IASB further clarify in IAS 7 the application of the primary principle for the classification of cash flows that cash flows should be classified based on the nature of the activity in a manner that is most appropriate to the business of the entity, in accordance with the definitions of operating, investing and financing activities.	AASB staff **agree** with the IC's decision. AASB staff believe that some of the issues relating to the cash flow statement are of a fundamental nature and are interrelated. Accordingly a piecemeal approach is not appropriate in dealing with them. Some of these issues have been raised in Agenda Paper 7 discussed at the March 2013 IC meeting and include: (a) cash flow from operating activities has a residual status; and (b) transactions and other events that enter into the determination of profit or loss might include transactions that have an investing or financing nature rather than an operating nature. There is a need for more robust definitions and criteria/clarifications in regard to classification of

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			cash flows as investing or financing activities. Dealing with such issues would be beyond the scope of the annual improvements project and would need to be dealt with as part of a broader project. However, initiating such a broad project should be subject to other priorities that the IASB has set for dealing with financial reporting issues.
C5	IFRS 3 *Business Combinations*—Mandatory purchases of non-controlling interests in business combinations	The IC received a request to address the accounting for mandatory purchases of non-controlling interests (MTO) that arise as a result of business combinations. At this meeting, the IC discussed whether a liability should be recognised for the MTO. A small majority of IC members expressed the view that a liability should be recognised for the MTO in a manner that is consistent with IAS 32 *Financial Instruments: Presentation* at the date that the acquirer obtains control of the acquiree. Other IC members expressed the view that an MTO is not within the scope of IAS 32 or IAS 37 and that a liability should therefore not be recognised. The IC acknowledged that in some jurisdictions an entity is obliged to offer to purchase the remaining ownership interests when it obtains less than a controlling stake (eg an entity obtains a 30 per cent stake and is obliged to offer to purchase the remaining 70 per cent). The IC noted that there may be similar questions in practice about whether a liability should be recognised in those circumstances. The IC directed the staff to report its views on whether a liability should be recognised for the MTO to the IASB and noted that the IASB could address this issue as part of its post-implementation review of IFRS 3. The IASB plans to initiate that review later in 2013.	AASB staff **can accept** the IC's decision to refer the matter to the IASB. AASB staff consider that a liability should be recognised for an MTO in a manner consistent with IAS 32 at the date the acquirer obtains control of an acquiree. This is consistent with feedback from our outreach performed in Australia on the issue. We understand that in practice the legal requirement to initiate an MTO is recognised by Australian constituents as a liability at the date control is obtained. This is because the offer document provides the NCI shareholders the right to put their shares to the entity making the tender offer. The entity making the takeover offer has to accept the shares, therefore, legally the entity has a liability to buy the shares.
Issues recommended a for narrow scope amendment			
C6	IFRS 2 *Share-based Payment*—Share-	This issue concerns the classification of a share-based payment transaction with a net settlement feature in which the entity withholds a specified	AASB staff **can accept** the IC's recommendation to the IASB that a narrow scope amendment is warranted to

	Topic	Brief description	AASB staff comments
	based payment awards settled net of tax withholdings	portion of the equity instruments that would otherwise be issued to the counterparty upon exercise (or vesting) of the share-based payment award. The equity instruments are withheld by the entity in return for settling the counterparty's tax obligation that is associated with the share-based payment. The request received by the IC asked whether the portion of the share-based payment that is withheld should be classified as cash-settled or equity-settled, if the entire award would otherwise be classified as equity-settled without the net settlement feature. The IC decided to recommend to the IASB that to mitigate the diversity in practice on this issue the IASB should amend IFRS 2 in a narrow-scope amendment project by adding specific guidance that addresses limited types of share-based payment transactions with a net settlement feature. The guidance would be to clarify that a share-based payment transaction in which the entity settles the share-based payment arrangement net by withholding a specified portion of the equity instruments to meet its minimum statutory tax withholding requirements would be classified as equity-settled in its entirety, if the entire award would otherwise be classified as equity-settled without the net settlement feature.	address the issue. In outreach conducted on behalf of the IC staff, AASB staff received feedback from Australian constituents that the issue is not common in Australia. AASB staff consider that for the specific fact pattern discussed at the IC meeting, IFRS 2 (as it is currently drafted) would require the cash payment made by the entity to tax authorities on behalf of a counter-party to be treated as a cash-settled share-based payment. AASB staff note the accounting under IFRS 2 (as it is currently drafted) would be materially different for two arrangements that are similar in substance. For example an entity that issues the entire award in equity shares to its counterparties and then settles the tax withholding obligation of its counterparties using cash proceeds from broker assisted sales of some of its counterparties shares would treat the entire award as an equity-settled share-based payment whereas an entity that reduces the number of equity shares to be issued to its counterparties and cash settles the tax withholding obligation of its counterparties directly would treat the award as two separate components (one being cash-settled). To ensure that arrangements that are similar in substance are accounted for in the same manner under IFRS 2, we think a proper review and amendment of IFRS 2 should be considered in due course by the IASB.
C7	IFRS 2 *Share-based Payment*—Modification of a share-based payment from cash-settled to equity-settled	The request received by the IC asked for clarification on how to account for a share-based payment award in situations in which a cash-settled award is cancelled and is replaced by a new equity-settled award and the replacement award has a higher fair value than the original award. Currently IFRS 2 does not explicitly address such circumstances. The IC decided to recommend to the IASB that it should amend IFRS 2 in a narrow-scope amendment project in a manner consistent with the	AASB staff **agree** with the IC's deliberations, and that a narrow scope amendment to IFRS 2 is warranted.

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		following: • the cancellation of a share-based award followed by a replacement equity-settled award should be viewed as a modification of the share-based award because the economic substance of cancellation followed by replacement is the same as the modification of the terms of the original share-based award. This is consistent with the requirements in paragraph 28(c) of IFRS 2, which requires replacement of an equity-settled award to be accounted for in the same manner as a modification of the original grant of equity instruments; • the new equity-settled award should be measured by reference to the modification-date fair value of the equity-settled award, because the modification-date should be viewed as the grant date of the new award in accordance with the definition of grant date in IFRS 2; • the liability recorded in respect of the original cash-settled award should be derecognised upon the modification and the equity-settled replacement award should be recognised to the extent that service has been rendered up to the modification date; • the unrecognised portion of the modification-date fair value of the new equity-settled award should be recognised as compensation expense over the remaining vesting period as the services are rendered; and • the difference between the carrying amount of the liability and the amount recognised in equity as at the modification date should be recorded in profit or loss immediately in order to show that the liability has been remeasured to its fair value at the settlement date in accordance with paragraph 30 of IFRS 2.	

Part D: IFRS IC Current agenda

	Topic	Brief description	AASB staff comments
D1	IAS 16 *Property, Plant and Equipment*, IAS 38 *Intangible Assets* and IFRIC 12 *Service Concession Arrangements*—Variable payments for the separate acquisition of PPE and intangible assets	The IC received a request to address an issue that is related to contractual payments that are made by an operator under a service concession arrangement that is within the scope of IFRIC 12. Specifically, the submitter requested the IC to clarify in what circumstances (if any) those payments should: • be included in the measurement of an asset and liability at the start of the concession; or • be accounted for as executory in nature (ie be recognised as expenses as they are incurred over the term of the concession arrangement). At the January 2013 meeting, the IC tentatively decided to recommend to the IASB that it should amend IAS 16, IAS 38 and IAS 39, to require that the adjustments of the carrying amount of a financial liability, other than those adjustments for finance costs that are not eligible for capitalisation in accordance with IAS 23, are recognised as corresponding adjustments to the cost of the asset to the extent that IAS 16 or IAS 38 requires so. The IC also decided to proceed with its recommendation to propose amendments to IFRIC 12. At this meeting, the IC reviewed the proposed amendments to IAS 16, IAS 38 and IAS 39 and IFRIC 12. It decided to recommend to the IASB that it should amend IAS 16, IAS 38 and IAS 39 and IFRIC 12 as part of a narrow-scope project.	AASB staff **agree** with the IC's decision to recommend the IASB amend IAS 16,IAS 38, IAS 39 and IFRIC 12 as part of a narrow scope project. We will monitor the development of the proposed amendments.
D2	IAS 37 – Interpretation on levies	At its January 2013 meeting, the IC finished its redeliberations and asked the staff to prepare a final Levies Interpretation. The final Interpretation will address the	Although AASB staff generally support the changes to the Exposure Draft of this Interpretation, which are generally consistent with the AASB's comments in its submission (dated

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		accounting for a liability to pay a levy that is accounted for in accordance with IAS 37. At this meeting, the IC concluded that it did not need to re-expose the Interpretation and decided to publish the Levies Interpretation subject to minor drafting amendments.	21 August 2012) on that ED, we have **some concerns**. Our main concern, which was communicated to IC staff before the IC meeting, is that the exclusion from the scope of the Interpretation for liabilities arising from emission trading schemes could be interpreted too narrowly, particularly in relation to liabilities arising from schemes where there is a pre-determined fixed price for a permit (a carbon tax), e.g. the fixed price phase of the legislated carbon pricing mechanism in Australia. In this regard, the AASB Staff Paper entitled *Possible Financial Reporting Implications of the Fixed Price Phase of the Carbon Pricing Mechanism for Emitter Entities* (July 2012) argues an emission on day one of the scheme by a designated heavy emitter would be expected to result in the recognition of a liability on that day (because emitting carbon is the obligating event, it is probable that the carbon tax will be paid by the heavy emitter and a reliable estimate of the amount of the obligation can be made). Furthermore, AASB staff think the IC should conduct further due process for the Interpretation (e.g. targeted outreach), because of: • the addition (since the ED) of guidance on levies triggered if a minimum threshold is passed; and • the usefulness of obtaining feedback on the boundaries of the new scope exclusion for liabilities arising from emission trading schemes.

Part E: IC work in progress

	Topic	Brief description	AASB staff comments
E1	IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*—Classification in conjunction with a planned initial public offering (IPO) but where the prospectus has not been approved by the securities regulator	The IC received a request to clarify the application of the guidance in IFRS 5 with regard to the classification of a disposal group as held for sale, in the case of a disposal plan that is intended to be achieved by means of an IPO, but where the prospectus (ie the legal document with an initial offer) has not yet been approved by the securities regulator. The IC had a preliminary discussion of this issue and directed the staff to do additional research on the general issues raised during the discussion and present some further analysis including a recommendation at a future Committee meeting.	There are no tentative decisions of the IC to comment on. AASB staff will **continue to monitor** the IC's work on this topic.
E2	IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*—Change in a disposal method from a plan to sell to a plan to distribute a dividend in kind	The IC received a request to clarify the application of the guidance in IFRS 5 regarding the case of a change in a disposal plan from a plan to sell a division by means of an initial public offering to a plan to spin off a division and distribute a dividend in kind to its shareholders. The IC had a preliminary discussion of this issue and directed the staff to do some further analysis including a recommendation at a future Committee meeting.	There are no tentative decisions of the IC to comment on. AASB staff will **continue to monitor** the IC's work on this topic.
E3	IFRS 7 *Financial Instruments: Disclosure*—Applicability of the amendments to IFRS 7 *Disclosure–Offsetting Financial Assets and Financial Liabilities* to condensed interim financial statements	The IC received a request for guidance on the applicability of the amendments to IFRS 7 issued in December 2011 to condensed interim financial statements. In particular, the submitter asked the IC to clarify the meaning of "interim periods within those annual periods" as used in paragraph 44R of IFRS 7. The IC noted that the current wording of paragraph 44R has the potential to lead to divergent interpretations.	AASB **staff agree** that the IC should clarify the IASB's intention. This question was addressed in recent outreach conducted in Australia by AASB staff on behalf of the IC. AASB staff agreed with IC staff that the requirements are not sufficiently clear and we expect this could lead to divergent interpretations. We also agreed that an amendment should be made to clarify what is required, to explicitly state in which period(s) the

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		Consequently the IC requested the staff to consult with the IASB in order to determine what the IASB's intention was. The staff will report back to the IC at a future meeting.	disclosures are required for – whether in relation to complete interim financial statements and condensed financial statements. AASB staff question the suitability of an approach that would introduce the disclosure requirements for interim/condensed accounts in the first year of adoption only and would prefer that the IASB did not indicate that such an approach was intended.
E4	IFRS 10 *Consolidated Financial Statements*—Effect of protective rights on an assessment of control	The IC received a request for clarification about IFRS 10. The query relates to protective rights and the effect of those rights on the power over the investee. More specifically, the submitter asked whether the control assessment should be reassessed if protective rights become exercisable, typically on the breach of a covenant in a borrowing arrangement that gives rise to a default, or whether protective rights can never affect an assessment of control. The IC observed that paragraph 8 of IFRS 10 requires an investor to reassess whether it controls an investee if facts and circumstances change and further observed that if the breach resulted in the protective rights becoming exercisable that did constitute such a change. The IC concluded that who controlled the investee would need to be reassessed after the breach occurred and after the rights in question became exercisable, but it did not think that it had enough information about the rights of the investor, bank or others to come to a conclusion about the outcome of that control assessment in the submitted example. The IC tentatively decided that the agenda criteria were not met for this submission and requested that the staff should	Staff **agree** with the outcome of the IC deliberations. However, the agenda decision needs to be clearly limited to an assessment of protective rights. The IFRIC Update text is so limited, because it assumes that the query is about protective rights. In other circumstances, the contingent rights addressed in the submission to the IC might be considered to be contingent substantive rights (rather than protective rights). In that case, the substantive rights are always included in the assessment of control, in the manner explained in paragraph B13 of IFRS 10, which concerns two or more investors having the current ability to direct relevant activities that occur at different times. Until a default occurs, those contingent substantive rights might not satisfy the power criterion. The definition of protective rights in Appendix A and the description in paragraph B26 of IFRS 10 do not clearly distinguish protective and substantive rights. We do not want the IC to inadvertently opine on the distinction in an agenda (rejection) decision. Accordingly, we will **monitor** the wording of the agenda decision as it is developed by the IC.

	Topic	Brief description	AASB staff comments
		prepare an agenda decision for discussion at its May meeting.	
E5	IAS 19 – Actuarial assumptions: discount rate	Whether corporate bonds with a rating lower than “AA” can be considered to be high quality corporate (HQC) bonds. The IC observed that IAS 19 does not specify how to determine the market yields on HQC bonds, and what grade of bonds should be designated as high quality. Therefore, an entity would need to use judgment (applying the guidance in paragraphs 84 and 85 of IAS 19 (2011)) in determining the current market yields on HQC bonds. At this meeting the IC was informed that the majority of the IASB members agreed that: (a) the objective for the determination of the discount rate is paragraph 84 of IAS 19, ie “the discount rate reflects the time value of money but not the actuarial or investment risk. Furthermore, the discount rate does not reflect the entity-specific credit risk borne by the entity's creditors, nor does it reflect the risk that future experience may differ from actuarial assumptions.”; (b) the IC should clarify the sentence “the discount rate reflects the time value of money but not the actuarial or investment risk” and that this sentence does not mean that the discount rate for post-employment benefit obligations should be a risk-free rate; (c) the discount rate should reflect the credit risk of HQCB and that a reasonable interpretation of HQCB could be corporate bonds with minimal or very low credit risk; and	AASB staff **agree** with the IC’s approach of undertaking further consultation on this issue, and we will **continue to monitor** the IC’s work on this topic. AASB staff observe that the IC’s proposal of shifting from ‘countries’ to ‘currencies’ raises issues about whether it should contemplate future changes to the standard that might allow entities in countries that borrow predominantly in foreign currency and swap back into their own currency to use the rate on those foreign borrowings for discounting purposes.

	Topic	Brief description	AASB staff comments
		(d) the IC should propose amendments to IAS 19 to specify that when government bonds are used to determine the discount rate they should be of high quality. Consequently the IC requested the staff to consult appropriate experts, for example actuaries, and to prepare proposals for a narrow-scope amendment to IAS 19 that reflects the IASB's direction above. It provided the staff with some comments to address in drafting the proposals, particularly with respect to (c) and (d) above. In addition, the IC asked that the proposed amendment should also clarify that, in determining the discount rate, an entity shall include high quality corporate bonds issued in other countries, provided that they are issued in the currency in which the benefits are to be paid. The IC will discuss the staff proposals at a future meeting.	
E6	IAS 28 *Investments in Associates and Joint Ventures*—Elimination of gains arising from a transaction between a joint venturer and its joint venture	The IC received a request to clarify the accounting for a finance lease transaction in which a joint venturer (an entity) leases an item of property, plant and equipment to its joint venture. The request describes a situation in which the amount of the entity's share of the gain from the transaction to be eliminated in accordance with paragraph 28 of IAS 28 exceeds the amount of the entity's interest in the joint venture. The IC requested the staff to bring further analysis and any proposed amendments to IAS 28 to the next meeting so that the IC can consider whether amendments could or should be made.	There are no tentative decisions of the IC to comment on. AASB staff will **continue to monitor** the IC's work on this topic.