AASB Staff Summary of IFRS Interpretations Committee Decisions July 2014

At the IFRS Interpretations Committee (Committee) meeting held on 15-16 July 2014, the Committee made final agenda decisions relating to:

- IFRS 2 *Share-based Payment*—price difference between the institutional offer price and the retail offer price for shares in an initial public offering;
- IAS 1 *Presentation of Financial Statements*—disclosure requirements relating to assessment of going concern;
- IAS 12 *Income Taxes*—recognition of current income tax on uncertain tax position;
- IAS 12 *Income Taxes*—recognition of deferred tax for a single asset in a corporate wrapper;
- IAS 34 *Interim Financial Reporting*—condensed statement of cash flows; and
- IAS 39 *Financial Instruments: Recognition and Measurement*—classification of a hybrid financial instrument by the holder. (See Part A below)

The Committee also made tentative agenda decisions in relation to:

- IFRS 12 *Disclosure of Interests in Other Entities*—disclosure of summarised financial information about material joint ventures and associates;
- IAS 16 *Property, Plant and Equipment* and IAS 2 *Inventories*—‘Core inventories’;
- IAS 16 *Property, Plant and Equipment*—accounting for proceeds and costs of testing on PPE;
- IAS 21 *The Effect of Changes in Foreign Exchange Rates*—foreign exchange restrictions and hyperinflation; and
- IAS 39 *Financial Instruments: Recognition and Measurement*—holder’s accounting for exchange of equity instruments. (See Part B below)

The Committee also discussed issues considered issues on its current agenda (see Part C below), issues for Annual Improvements (see Part D below) and work in progress (See Part E below). The tables below provide our overview of key items discussed and decisions made. Please refer to the *IFRIC Update* (Agenda Paper 4.3) for a more detailed description of each issue discussed by the Committee.

Part A: Summary of final agenda decisions

	Topic	Brief Description	AASB staff comments
A1	IFRS 2 *Share-based Payment*—price difference between the institutional offer price and the retail offer price for shares in an initial public offering	The Committee received a request to clarify how an entity should account for a price difference between the institutional offer price and the retail offer price for shares issued in an initial public offering (IPO). The submitter refers to the fact that the final retail price could be different from the institutional price because of: (a) an unintentional difference arising from the book-building process; or (b) an intentional difference arising from a discount given to retail investors by the issuer of the equity instruments as indicated in the prospectus. The submitter described a situation in which the issuer needs to fulfil a minimum number of shareholders to qualify for a listing under the stock exchange's regulations in its jurisdiction. In achieving this minimum number the issuer may offer shares to retail investors at a discount from the price at which shares are sold to institutional investors. The submitter asked the Committee to clarify whether the transaction should be analysed within the scope of IFRS 2. The Committee observed that the guidance in IFRS 2 is not applicable because there is no share-based payment transaction. The Committee observed that in the fact pattern considered in this submission the listing is not received from the institutional or retail shareholders. It further observed that the fair value of the shares issued to retail investors is different from the fair value of the shares issued to institutional investors. The fact that a regulatory requirement is met by virtue of issuing the retail shares does not indicate that unidentifiable goods or services were received from the purchasers. On the basis of this analysis, the Committee determined that, in the light of the existing IFRS requirements, sufficient guidance exists and that neither an Interpretation nor an amendment to a Standard was necessary. Consequently, the Committee decided not to add this issue to its agenda.	**AASB staff agree** with the Committee's decision not to add this issue to its agenda.

	Topic	Brief Description	AASB staff comments
A2	IAS 1 *Presentation of Financial Statements*—disclosure requirements relating to assessment of going concern	The Committee received a submission requesting clarification about the disclosures required in relation to material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. The Committee proposed to the IASB that it should make a narrow-scope amendment to change the disclosure requirements in IAS 1 in response to this issue. At its meeting in November 2013 the IASB discussed the issue and considered amendments proposed by the staff, but decided not to proceed with these amendments and removed this topic from its agenda. Consequently, the Committee removed the topic from its agenda. The Committee observed that paragraph 122 of IAS 1 requires disclosure of the judgements made in applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements. The Committee also observed that in the circumstance discussed, the disclosure requirements of paragraph 122 of IAS 1 would apply to the judgements made in concluding that there remain no material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern.	In January 2014, the AASB made a submission to the IASB in relation to this issue[1]. **AASB staff remain concerned** that the disclosure of material uncertainty may not be seen as relating to having a significant effect on the amounts recognised in the financial statements and/or the accounting policies of the entity (as outlined in paragraph 122 of IAS 1). Given the decision not to proceed with the project, **AASB staff can appreciate** that Committee staff may consider it not to be worthwhile to examine the disclosures that would be required by paragraphs 25 and 122 of IAS 1. However, as mentioned at the April 2014 Board meeting[2], **AASB staff remain concerned** with the lack of guidance on what would be expected to be disclosed regarding going concern material uncertainty as required by paragraphs 25 and 122 of IAS 1. **AASB staff do not recommend** writing to the IASB as the AASB has previously made a submission to the IASB in relation to this issue.
A3	IAS 12 *Income Taxes*—recognition of current income tax on uncertain tax position	The Committee received a request to clarify the recognition of a tax asset in the situation in which tax laws require an entity to make an immediate payment when a tax examination results in an additional charge, even if the entity intends to appeal against the additional charge. In the situation described by the submitter, the entity expects, but is not certain, to recover some or all of the amount paid. The Committee was asked to clarify whether IAS 12 is applied to determine whether to recognise an asset for the payment, or whether the guidance in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* should be applied.	**AASB staff note** that the Committee has decided to address the recognition and measurement elements of this interpretation question separately, with the Committee deciding to: • not add the recognition question onto its agenda (which is this Issue); and • undertake further research into the measurement question (which is identified

1 http://www.aasb.gov.au/admin/file/content102/c3/AASB_Submission_to_IASB_Going_Concern_Jan14.pdf
2 http://www.aasb.gov.au/admin/file/content102/c3/M137_4.2_Staff_Summary_IFRSIC_Decisions_March_2014.pdf

	Topic	Brief Description	AASB staff comments
		The Committee noted that: (a) paragraph 12 of IAS 12 provides guidance on the recognition of current tax assets and current tax liabilities. In particular, it states that: (i) current tax for current and prior periods shall, to the extent unpaid, be recognised as a liability; and (ii) if the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess shall be recognised as an asset. (b) in the specific fact pattern described in the submission, an asset is recognised if the amount of cash paid (which is a certain amount) exceeds the amount of tax expected to be due (which is an uncertain amount). (c) the timing of payment should not affect the amount of current tax expense recognised. The Committee understood that the reference to IAS 37 in paragraph 88 of IAS 12 in respect of tax-related contingent liabilities and contingent assets may have been understood by some to mean that IAS 37 applied to the recognition of such items. However, the Committee noted that paragraph 88 of IAS 12 provides guidance only on disclosures required for such items, and that IAS 12, not IAS 37, provides the relevant guidance on recognition, as described above. On the basis of this analysis, the Committee noted that sufficient guidance exists. Consequently, the Committee concluded that the agenda criteria are not met and decided to remove from its agenda the issue of how current income tax, the amount of which is uncertain, is recognised.	in this Agenda Paper as Issue C2). **Although AASB staff agree** with the reasons for not adding the recognition question onto the Committee's agenda, **AASB staff would have preferred** the Committee defer its decision until it has analysed the related measurement issue and to then make an agenda decision that applies equally to the recognition and measurement questions. This would have enabled the recognition and measurement questions to be addressed together, either in a future Interpretation or in a published agenda decision (depending outcome of the Committee's ultimate decision). It is not clear what will be achieved by the Committee addressing the recognition and measurement questions separately. Addressing the recognition question in isolation does not seem overly helpful because the Committee Staff Paper 3 from July 2014 noted that "we acknowledge that four of [the 10 respondents to the tentative agenda decision] pointed out that addressing the recognition issue without developing guidance on measurement will not resolve the existing diversity in accounting because measurement is the main source of the diversity in practice that has arisen" (paragraph 11(b)). Furthermore, the **AASB staff expect** that, if a draft Interpretation is developed on the measurement question, the Interpretation would likely need to address the recognition question in order to provide guidance on the measurement question.

	Topic	Brief Description	AASB staff comments
A4	IAS 12 *Income Taxes*—recognition of deferred tax for a single asset in a corporate wrapper	The Committee received a request to clarify the accounting for deferred tax in the consolidated financial statements of the parent, when a subsidiary has only one asset within it (the asset inside) and the parent expects to recover the carrying amount of the asset inside by selling the shares in the subsidiary (the shares). The Committee noted that: (a) paragraph 11 of IAS 12 requires the entity to determine temporary differences in the consolidated financial statements by comparing the carrying amounts of assets and liabilities in the consolidated financial statements with the appropriate tax base. In the case of an asset or a liability of a subsidiary that files separate tax returns, this is the amount that will be taxable or deductible on the recovery (settlement) of the asset (liability) in the tax returns of the subsidiary. (b) the requirement in paragraph 11 of IAS 12 is complemented by the requirement in paragraph 38 of IAS 12 to determine the temporary difference related to the shares held by the parent in the subsidiary by comparing the parent's share of the net assets of the subsidiary in the consolidated financial statements, including the carrying amount of goodwill, with the tax base of the shares for purposes of the parent's tax returns. The Committee also noted that these paragraphs require a parent to recognise both the deferred tax related to the asset inside and the deferred tax related to the shares, if: (a) tax law attributes separate tax bases to the asset inside and to the shares; (b) in the case of deferred tax assets, the related deductible temporary differences can be utilised as specified in paragraphs 24–31 of IAS 12; and (c) no specific exceptions in IAS 12 apply. The Committee noted that several concerns were raised with respect to the current requirements in IAS 12. However, analysing and assessing these concerns would require a broader project than the Committee could perform on behalf of the IASB. Consequently, the Committee decided not to take the issue onto its agenda but instead to recommend to the IASB that it should analyse and assess these concerns in its research project on Income Taxes.	**AASB staff agree** with the Committee's decision to not add this issue to its agenda and agree that this issue is more appropriately addressed in the IASB's forthcoming research project on Income Taxes. **AASB staff think** the Committee should also consider the specificity of the statements and reasoning given in its agenda decisions, especially on topics such as income taxes whereby the IASB has indicated that the accounting requirements will be revisited. This is because the July 2014 Committee staff paper[3] on this issue noted that the wording of the agenda decision could result in a change in practice for some entities – a change that might be more technically correct, but which may not always lead to improved financial reporting. For example, in jurisdictions where, as one of the respondents to the tentative agenda decision noted, all market participants will purchase and sell property within a corporate shell. Consequently, given the likely change in practice and the (extended) period of time before the IASB issues a revised standard on income taxes, **AASB staff think** that the Committee should also consider whether its objective in explaining its agenda decisions on topics such as income taxes is to provide a literal response or a pragmatic response to the interpretative issue raised.

3 http://www.ifrs.org/Meetings/MeetingDocs/Interpretations%20Committee/2014/July/AP11%20-%20IAS%2012%20Recognition%20of%20deferred%20tax%20for%20a%20single%20asset%20in%20a%20corporate%20wrapper.pdf

	Topic	Brief Description	AASB staff comments
A5	IAS 34 *Interim Financial Reporting*—condensed statement of cash flows	The Committee received a request to clarify the application of the requirements regarding the presentation and content of the condensed statement of cash flows in the interim financial statements according to IAS 34. The submitter observed that there are divergent views on the presentation and content of the condensed statement of cash flows. One view is that an entity should present a detailed structure of the condensed statement of cash flows showing cash flows by nature. Another view is that an entity may present a three-line condensed statement of cash flows showing only a total for each of operating, investing and financing cash flow activities. The Committee noted that a condensed statement of cash flows is one of the primary statements that is included as part of an interim financial report as prescribed by paragraph 8 of IAS 34. Paragraph 10 of IAS 34 specifies that each of the condensed statements shall include, at a minimum, each of the headings and subtotals that were included in the most recent annual financial statements. Paragraph 10 of IAS 34 also requires additional line items to be included if their omission would make the interim financial statements misleading. The Committee noted that to meet the requirements in paragraphs 10, 15 and 25 of IAS 34 a condensed statement of cash flows should include all information that is relevant in understanding the entity's ability to generate cash flows and the entity's needs to utilise those cash flows. It also noted that it did not expect that a three-line presentation alone would meet the requirements in IAS 34. On the basis of this analysis, the Committee determined that an Interpretation or an amendment to a Standard was not necessary. Consequently, the Committee decided not to add this issue to its agenda.	**AASB staff agree** with the Committee's decision not to add this issue to its agenda.

	Topic	Brief Description	AASB staff comments
A6	IAS 39 *Financial Instruments: Recognition and Measurement*—classification of a hybrid financial instrument by the holder	The Committee received a request to clarify the classification by the holder of a hybrid financial instrument with a revolving maturity option, an early settlement option and a suspension of interest payments option (all at the option of the issuer). Specifically, the submitter raised the question of whether the host of such a financial instrument should be classified by the holder as equity, or as a debt instrument under IAS 39. On the basis of the responses to the outreach request, the Committee observed that the issue is not widespread. The Committee also noted that the financial instrument described in the submission is specific and it would not be appropriate to provide guidance on this particular issue. The Committee considered that its agenda criteria are not met. Consequently, the Committee decided not to add this issue to its agenda.	**AASB staff agree** with Committee's decision not to add the issue to its agenda, as the specific issue does not appear to be widespread.

Part B: Summary of tentative agenda decisions

	Topic	Brief description	AASB staff comments
B1	IFRS 12 *Disclosure of Interests in Other Entities*—disclosure of summarised financial information about material joint ventures and associates	The Committee received a request to clarify the requirement to disclose summary financial information on material joint ventures and associates in paragraph 21(b)(ii) of IFRS 12 and its interaction with the aggregation principle in paragraphs 4 and B2-B6 of IFRS 12. The submitter asserts that there are two ways to interpret the application of those paragraphs. Either the information required in paragraph 21(b)(ii) of IFRS 12 can be disclosed in aggregate for all material joint ventures or such information should be disclosed individually for each material joint venture or associate. The submitter also asked the Committee to clarify the requirements in paragraph 21(b)(ii) of IFRS 12 when the information relates to a listed joint venture or associate, and local regulatory requirements would prevent the investor from disclosing such information until the joint venture or associate has released its own financial statements. Would the investor be excused from disclosing the information? The Committee noted that it expected the requirement in paragraph 21(b)(ii) of IFRS 12 to lead to the disclosure of summarised information on an individual basis for each joint venture or associate that is material to the reporting entity. The Committee observed that this reflects the IASB's intentions as described in paragraph BC50 of IFRS 12's Basis for Conclusions. The Committee also noted that there is no provision in IFRS 12 that permits non-disclosure of the information required in paragraph 21(b)(ii) of IFRS 12. The Committee analysed the results of the outreach request performed by the staff. This outreach indicated that there was no significant diversity observed in practice on this issue. In the light of the existing IFRS requirements and on the basis of the outreach results received, the Committee determined that neither an Interpretation nor an amendment to a Standard was necessary and consequently [decided] not to add this issue to its agenda.	**AASB staff agree** with Committee's tentative decision not to add the issue to its agenda, as outreach indicates the specific issue is not widespread and there is little diversity in practice.

	Topic	Brief description	AASB staff comments
B2	IAS 16 *Property, Plant and Equipment* and IAS 2 *Inventories*—'Core inventories'	The Committee received a request to clarify the accounting for 'core inventories'. The submitter defined core inventories as a minimum amount of material that: (a) is necessary to permit a production facility to start operating and to maintain subsequent production; (b) cannot be physically separated from other inventories; and (c) can be removed only when the production facility is finally decommissioned or at considerable financial charge. The issue is whether core inventories should be accounted for under IAS 2 or IAS 16. The Committee discussed the issue at the March 2014 meeting and tentatively decided to develop an interpretation. The Committee further directed the staff to define the scope of what is considered to be core inventories and to analyse the applicability of the concept to a range of industries. At the July 2014 meeting, the Committee discussed the feedback received from the informal consultations with IASB members, the proposed scope of core inventories and the staff analysis of the applicability of the issue to a range of industries. In its redeliberations, the Committee observed that the fact patterns in different industries can vary significantly. The Committee further noted that, although the diversity in practice was noted between industries, there was no, or only limited, diversity in practice within the industries for which the issue is significant. In the light of the additional analysis of the different fact patterns that arise in practice, the Committee [decided] not to continue with the development of an interpretation, and to remove this item from its agenda.	While **AASB staff agree** this issue is too broad for the Committee to deal with, **AASB staff disagree** with the Committee's basis for proposing to remove the item from the agenda. As specifically identified in Committee Agenda Paper 4B[4], although diversity in practice is not prevalent *within industries*, diversity is prevalent *between industries*. Consequently, **AASB staff think** that the issue should be further considered by the Committee. Accordingly, **AASB staff recommend** the AASB write to the Committee, questioning the basis for removing the issue from its agenda, and recommending the issue be considered further.

4 http://www.ifrs.org/Meetings/MeetingDocs/Interpretations%20Committee/2014/July/AP04B%20-%20IAS%2016%20Core%20inventories%20-%20Applicability%20to%20a%20range%20of%20industries.pdf

	Topic	Brief description	AASB staff comments
B3	IAS 16 *Property, Plant and Equipment*—accounting for proceeds and costs of testing on PPE	The Committee received a request to clarify accounting for the net proceeds from selling any items produced while bringing an item of property, plant and equipment (PPE) to the location and condition necessary for it to be capable of operating in the manner intended by management. The submitter has asked whether the amount by which the net proceeds received exceed the costs of testing should be recognised in profit or loss or as a deduction from the cost of the PPE. The submitter also expressed concern about the lack of disclosure requirements about the accounting for the net proceeds from selling items produced and the costs of testing. The Committee noted that paragraph 17 of IAS 16 states that directly attributable costs include the costs of testing whether the asset is functioning properly, after deducting the net proceeds from selling any items produced while bringing the asset to that location and condition (necessary for it to be capable of operating in the manner intended by management). Consequently, the Committee considered that the amount by which net proceeds received exceed the costs of testing would be recognised in profit and loss and not against the cost of the asset. The Committee considered that an additional disclosure requirement is not necessary for the net proceeds and the costs of testing. If the net proceeds and the costs of testing are material, paragraph 17(c) of IAS 1 *Presentation of Financial Statements* would require additional disclosure if that information is necessary to enable users to understand the impact on the financial statements. The Committee considered that in the light of its analysis of the existing IFRS requirements, IAS 16 and IAS 1 contain sufficient guidance and neither an Interpretation nor an amendment to a Standard was necessary. Consequently, the Committee [decided] not to add the issue to its agenda.	**AASB staff disagree** with the Committee's tentative agenda decision. **AASB staff disagree** with the Committee's interpretation of IAS 16 paragraph 17(e) as creating a ceiling for proceeds from testing that equal the costs of testing. **AASB staff consider** that the excess of the net proceeds from testing over the costs of testing should be credited to the carrying amount of the asset. In this case, the necessary testing has in fact reduced the aggregate cost of the asset. Paragraph 17(e) states only that the testing component of directly attributable costs is measured at the costs of testing less any net proceeds. This does not preclude a negative result for that calculation, even though that is not what we would normally expect. Furthermore, **AASB staff do not consider** there to be a conceptual basis for treating the excess from net proceeds over sales any differently from those below the costs of testing. **AASB staff also disagree** with the following wording in the tentative agenda decision: ... *Consequently, the Interpretations Committee considered that the amount by which net proceeds received exceed the costs of testing would be recognised in profit and loss and not against the cost of the asset.* **AASB staff disagree** that recognising the net proceeds of sales over the costs of testing through profit and loss <u>is a consequence</u> of

	Topic	Brief description	AASB staff comments
			paragraph 17(e). **AASB staff also note** that during the July 2014 Committee meeting[5]: a) the majority of Committee members noted that paragraph 17(e) of IAS 16: i. could be read both ways (i.e. recognising excess of net sales proceeds over the costs of testing by crediting the asset; or through P&L); or ii. could only result in crediting the asset; and b) the results of the Committee staff outreach indicated the predominant approach in practice was to credit the asset. Accordingly, **AASB staff disagree** with the wording in the tentative agenda decision that suggests sufficient guidance is provided in IAS 16. In light of the concerns noted above, **AASB staff recommend** the AASB write to the Committee in relation to their interpretation of paragraph 17(e) of IAS 16 and, in particular, noting that the excess of the net proceeds from testing over the costs of testing should be credited to the carrying amount of the asset.

5 Recording of the July 2014 Committee meeting: http://www.ifrs.org/Meetings/Pages/IFRS-IC-Jul-14.aspx (accessed 5 August 2014)

	Topic	Brief description	AASB staff comments
B4	IAS 21 *The Effect of Changes in Foreign Exchange Rates*—foreign exchange restrictions and hyperinflation	The Committee received a request for guidance on the translation and consolidation of the results and financial position of foreign operations in Venezuela. The issue arises because of strict foreign exchange controls in Venezuela. This includes the existence of several official exchange rates that may not fully reflect the local rate of hyperinflation and of restrictions over the amount of local currency that can be exchanged. Concerns were raised that using an official exchange rate to translate an entity's net investment in a foreign operation in Venezuela appeared not to appropriately reflect the financial performance and position of the foreign operation in the group's consolidated financial statements. The Committee identified two primary accounting issues: (a) which rate should be used to translate the entity's net investment in the foreign operation when there are multiple exchange rates? (b) what rate should be used when there is a longer-term lack of exchangeability? With respect to the first issue, the Committee observed very little diversity in practice regarding the principle to use when determining which of multiple rates should be used to translate an entity's net investment in a foreign operation. The Committee noted that predominant practice is to apply by extension the principle in paragraph 26 of IAS 21, which gives guidance on which exchange rate to use when reporting foreign currency transactions in the functional currency when several exchange rates are available. Hence, despite the widespread applicability, the Committee [decided] not to take the first issue onto its agenda. With respect to the second issue, the Committee observed that this issue is widespread and has led to some diversity in practice. A longer-term lack of exchangeability is not addressed by the requirements in IAS 21, and so it is not entirely clear how IAS 21 applies in such situations. However, the Committee thought that addressing this issue is a broader-scope project than it could address (because of related cross-cutting issues). Accordingly the Committee [decided] not to take this issue onto its agenda.	**AASB staff agree** that there is little or no diversity in practice on whether there is a principle to use when determining which of the multiple rates should be used to translate an entity's net investment in a foreign operation (Issue 1). **AASB staff also agree** that Issue 2 is too broad for the Committee to take onto its agenda and acknowledge that some existing disclosure requirements in IFRS apply when the issue has a material impact on a reporting entity's financial performance and position. Accordingly, **AASB staff agree** with Committee's tentative decision not to add the issue to its agenda.

	Topic	Brief description	AASB staff comments
B5	IAS 39 *Financial Instruments: Recognition and Measurement*—holder's accounting for exchange of equity instruments	The Committee received a request about the accounting by the holder of equity instruments in the circumstance in which the issuer exchanges its original equity instruments for new equity instruments in the same entity but with different terms. Specifically, this transaction involved equity instruments issued by a central bank and the exchange of instruments was imposed on the holders as a consequence of a change in legislation. The submitter asked whether the holders of the equity instruments should account for this exchange under IAS 39 as a derecognition of the original equity instruments and the recognition of new instruments. The Committee observed that: (a) because of the unique nature of the transaction, the issue is not widespread; and (b) the submitter had not identified significant diversity in accounting for this transaction among the holders of the equity instruments in question. For these reasons, the Committee [decided] not to add this issue to its agenda.	**AASB staff agree** with Committee's tentative decision not to add the issue to its agenda, as the specific issue does not appear to be widespread.

Part C: Issues on the Committee's current agenda

	Topic	Brief description	AASB staff comments
C1	IFRS 11 *Joint Arrangements*—analysis of implementation issues	*Feedback from informal consultations with IASB members (Agenda Paper 2A)* The Committee discussed feedback from the informal consultations with IASB members on the issue of how to prepare the (separate) financial statements of a joint operation that is a separate vehicle. The Committee noted that the feedback is consistent with its view that: (a) IFRS 11 applies only to the accounting by the joint operators and not to the accounting by a separate vehicle that is a joint operation; (b) the financial statements of the separate vehicle would therefore be prepared in accordance with applicable Standards; (c) reporting the same financial statement items in the (separate) financial statements of both the joint operators and the joint operation could be appropriate and would not be in conflict with the Standards; however (d) it will be important to reflect the effect of the joint operators' rights and obligations in the accounting for the joint operation's assets and liabilities. *Consideration of a specific type of joint arrangement structure (Agenda Paper 2B)* The Committee discussed the classification of a specific type of joint arrangement structure, established for a bespoke construction project for delivery of a construction service to a single customer. The Committee noted that the features in the example included in this paper: (a) would not indicate that the parties to the joint arrangement have, in substance, direct rights to the assets of the joint arrangement; but (b) could indicate that the parties to the joint arrangement have, in substance, direct obligations for the liabilities of the joint arrangement, depending on the nature of the parties' obligations. Consequently, the Committee noted that the joint arrangement having the features in the example would not be classified as a joint operation. This is because in order to classify a joint arrangement as a joint operation, IFRS 11 requires that the parties to the joint arrangement have, in substance, both direct rights to the assets and direct obligations for the liabilities relating to the joint arrangement. The Committee also noted that two joint arrangements with similar features can be classified differently depending on whether or not the joint arrangement is structured through a separate	**AASB staff agree** with the Committee staff's recommendation not to add the issues identified in papers 2A, 2B and 2C to its agenda. In particular: • **AASB staff agree** that it is appropriate for the joint operation and the joint operators to report the same financial statement items in each of their separate financial statements from the perspective of reporting entity. (Paper 2A) • **AASB staff agree** that the assessment of the classification of a joint arrangement depends on specific contractual terms and conditions and requires a comprehensive analysis of features involving the joint arrangement. Accordingly, staff agree that the Committee should not add the issue to its agenda. (Paper 2B) • **AASB staff agree** that there could be various reasons for the difference between the share of output purchased by the joint operators and the share of ownership interest of the joint operators depending on the details of the contractual arrangement. Staff also agree that the joint operators should

	Topic	Brief description	AASB staff comments
		vehicle (in circumstances in which the legal form confers separation between the parties and the separate vehicle). This is because: (a) in the case of a joint arrangement that is structured through a separate vehicle, the legal form of the vehicle must be overcome by other contractual arrangements or specific 'other facts and circumstances' in order for the joint arrangement to be classified as a joint operation; but (b) in the case of a joint arrangement that is not structured through a separate vehicle, it is automatically classified as a joint operation. The Committee noted that this reflects the approach adopted in IFRS 11, which places importance on: (a) reflecting the rights and obligations of the parties to the joint arrangement; and (b) the presence of a separate vehicle affecting those rights and obligations. The Committee noted that the assessment of the classification of a joint arrangement depends on specific contractual terms and conditions and requires a full analysis of the features of the joint arrangement structure. *Accounting treatment when the joint operators' share of output purchased differs from their share of ownership interest in the joint operation (Agenda Paper 2C)* The Committee discussed how the joint operators should recognise assets, liabilities, revenues and expenses in relation to their interests in the joint operation. The Committee discussed the issue by considering a circumstance in which the joint arrangement is classified as a joint operation because the assessment of 'other facts and circumstances' shows that: (a) the parties to the joint arrangement purchase all output from the joint arrangement; and (b) this fact, in addition to other facts, indicates that the parties have rights to the assets and obligations for the liabilities relating to the joint arrangement. In this circumstance, the joint operators would not recognise any amount in relation to 'share of the revenue from the sale of the output by the joint operation' (paragraph 20(d) of IFRS 11). This is because the share of the revenue from the sale of the output to the joint operators by the joint operation would be eliminated against the share of the output purchased by the joint operators. The Committee discussed the accounting by the joint operators when the joint operators' share of the output purchased differs from their ownership interests in the joint operation. The Committee noted that it is important to understand why the share of the output purchased differs from the ownership interests in the joint operation. The Committee also noted that the accounting for the	reflect the reason for the difference between its share of output and its share of ownership interest in its reporting. Accordingly, **AASB staff agree** that existing guidance in IFRS 11 is appropriate and that the Committee should not add the issue to its agenda. (Paper 2C) Despite AASB staff's view not to add the issues outlined above to the Committee's agenda, **AASB staff consider** there is significant value in the discussions and conclusions made on the analysed issues over the last six months, and that these discussions should be captured somewhere in the IFRS literature for future guidance to IFRS first time adopters. Accordingly, **AASB staff disagree** with the Committee staff's recommendation to wait for practice to develop further and allow the IFRS 11 PIR to consider whether any further standard-setting action is required. AASB staff note that the Committee will discuss how best to document its conclusions and observations on the issues at the next Committee meeting.

	Topic	Brief description	AASB staff comments
		difference arising between the share of the output purchased and the ownership interest can vary depending on the details of the contractual agreement. Judgement will therefore be needed to determine the appropriate accounting. *Consideration of next steps (Agenda Paper 2D)* The Committee considered the next steps with regard to various issues that it had identified at its November 2013 meeting. The Committee noted that its discussion on joint arrangements in its meetings from November 2013 would help stakeholders to address implementation issues relating to IFRS 11. The Committee therefore decided to discuss, at its next meeting, how it can best document its conclusions and observations from this work so that it will be helpful for stakeholders.	
C2	IAS 12 *Income Taxes*—measurement of current income tax on uncertain tax position	The Committee received a request to clarify the recognition of a tax asset in the situation in which tax laws require an entity to make an immediate payment when a tax examination results in an additional charge, even if the entity intends to appeal against the additional charge. In the situation described by the submitter, the entity expects, but is not certain, to recover some or all of the amount paid. The Committee was asked to clarify whether IAS 12 is applied to determine whether to recognise an asset for the payment, or whether the guidance in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* should be applied. At this meeting the Committee decided that it should consider separately the question of recognition and the question of measurement of assets and liabilities in the situation in which tax position is uncertain. The results of the Committee discussions on the question of recognition of assets and liabilities in the situation in which tax position is uncertain are included as an agenda decision below [Issue A3]. The Committee noted that one of the principal issues in respect of uncertain tax positions is how to measure related assets and liabilities. The Committee asked the staff to prepare a paper for discussion at a future meeting that analyses the question of how to measure assets and liabilities in the situation in which tax position is uncertain. In particular, the Committee asked the staff to analyse how detection risk and probability should be reflected in the measurement of tax assets and liabilities in such situations.	See also response to Issue A3 (above). **AASB staff consider** that accounting for uncertain tax positions should be addressed comprehensively as part of the IASB's research project to fundamentally review income tax accounting. **AASB staff do not think** that the Committee should further consider the measurement question in isolation. It is interesting to note that the 2011 IASB Agenda Consultation document made the following comment about the income tax project: "Among the issues to be addressed within the current project is the accounting for uncertain tax provisions, although resolution of this issue may first require completion of the project to revise accounting for non-financial liabilities (amendments to IAS 37)".

	Topic	Brief description	AASB staff comments
C3	IFRIC 14 *IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*—availability of refunds from a defined benefit plan managed by an independent trustee	The Committee received a request to clarify the application of the requirements of IFRIC 14 regarding the availability of refunds from a defined benefit plan managed by an independent trustee. The Committee discussed this issue at its May 2014 meeting. Specifically, it discussed a question about whether an employer has an unconditional right to a refund of surplus in the following circumstances: (a) the trustee acts on behalf of the plan's members and is independent from the employer; (b) the trustee has discretion in the event of a surplus arising in the plan to make alternative use of that surplus by augmenting the benefits payable to members or by winding up the plan through purchase of annuities, or both; and (c) the trustee has not exercised such a power at the end of the reporting date. The issue discussed related to a plan that is closed to the accrual of future benefits, so that there will be no future service costs. Consequently, no economic benefit is available through a reduction in future contributions. At its May 2014 meeting, the Committee noted that the fact that an existing surplus at the balance sheet date could be decreased or extinguished by uncertain future events that are beyond the control of the entity is not relevant to the existence of the right to a refund but it also noted that it would affect the measurement of the asset recognised. At this meeting, the Committee considered the informal feedback received from the IASB members and discussed this matter further. The Committee noted the difficulty associated with assessing the consequences of the trustee's future actions and its effect on the entity's ability to estimate reliably the amount to be received by the entity. Consequently a majority of the Committee members observed that no asset should be recognised in this circumstance. However, some Committee members were concerned about the consequences that this conclusion could have on the accounting for a minimum funding requirement and the consistency of this conclusion with the recognition and measurement requirements of IAS 19. Consequently, the Committee requested the staff to perform further analyses on the interaction of this tentative decision with the requirement to recognise an additional liability when a minimum funding requirement applies and the relationship with the general requirements of IAS 19. The staff will present these additional analyses with a new proposal at a future meeting.	Due to the complexity of the issue, **AASB staff agree** that the Committee staff should perform further analysis on the interaction of this tentative decision with the requirement to recognise an additional liability when a minimum funding requirement applies and the relationship with the general requirements of IAS 19.

Part D: Issues recommended for Annual Improvements

	Topic	Brief description	AASB staff comments
D1	IAS 19 *Employee Benefits*—remeasurement at a plan amendment or curtailment	The Committee received a request to clarify the accounting treatment in accordance with IAS 19 for issues related to the remeasurement of the net defined benefit liability (asset) (hereafter 'net DBL') in the event of a plan amendment or curtailment in IAS 19. The Committee discussed this issue at its May 2014 meeting. At that meeting it tentatively agreed to develop an amendment to require an entity to: (a) take account of the remeasurement of the net DBL at the event date when determining net interest for the post-event period; and (b) use the updated actuarial assumptions for the calculation of current service cost and net interest for the post-event period. The Committee thought that this would result in more relevant information and greater consistency between IAS 19 and paragraph B9 of IAS 34 *Interim Financial Reporting*, if an entity remeasures the net DBL during a period because of a significant event (plan amendment, curtailment or settlement) or a significant market fluctuation. At this meeting, the Committee reaffirmed that the benefits expected from the proposed amendment are clear: it would provide more relevant information and enhance comparability and understandability. It noted that additional costs resulting from the proposal would not outweigh the expected benefits, because of the existing requirement to remeasure the net DBL in IAS 19 and IAS 34 when significant events or changes occur. The Committee noted that the proposal would not change how frequently an entity should remeasure the net DBL during a period. The frequency of remeasurement is determined in accordance with the existing guidance such as paragraphs 58 and 99 of IAS 19 and paragraph B9 of IAS 34. This proposal intends to clarify that an entity should determine current service cost and net interest for the remaining portion of the reporting period after a remeasurement, using the updated assumptions and taking account of significant changes in the net DBL. The Committee noted that the requirement to remeasure the net DBL is determined on a plan-by-plan basis (not a country basis or an overall entity basis). The Committee also noted concerns with the wording in paragraphs BC58–BC64 of IAS 19 and asked that the proposed amendment should address these points. The Committee concluded that the proposed amendment to IAS 19 meets the criteria for Annual Improvements. It requested the staff to revise its proposed amendment to IAS 19 to clarify the intended requirements and to reflect the points raised during this meeting.	**AASB staff agree** with the Committee's conclusion that the proposed amendments would provide more relevant information, enhance comparability and understandability and that the additional costs resulting from the proposal would not outweigh the expected benefits, because of the existing requirement to remeasure the net DBL in IAS 19 and IAS 34 when significant events or changes occur. **AASB also staff agree** with the Committee's conclusion that the proposed amendment to IAS 19 meets the criteria for Annual Improvements.

Part E: Work in progress

	Topic	Brief description	AASB staff comments
E1		The Committee received a report on three new issues and two ongoing issues for consideration at future meetings. The report also included two issues that are on hold and that will be considered again at future meetings. The Committee also enquired about an issue relating to accounting for variable payments for the separate acquisition of property, plant and equipment and intangible assets outside a business combination. This issue has been discussed by the Committee in past meetings and it made a recommendation to the IASB that amendments should be made to IFRS to provide guidance on the accounting for such items. The Committee's recommendations were presented to the IASB at its July 2013 meeting. At that meeting the IASB noted that the accounting for variable payments is a topic that was discussed as part of the Leases and Conceptual Framework projects. The IASB decided that it would reconsider the accounting for variable payments for the acquisition of tangible and intangible assets after the proposals in the Exposure Draft *Leases* (published in May 2013) have been redeliberated. The Committee was informed that this project will therefore be revisited once these redeliberations are complete.	**AASB staff have no comment** at this stage and will continue to monitor the Committee's work in progress.