



# IASB Update October 2018

This IASB *Update* highlights preliminary decisions of the International Accounting Standards Board (Board). The Board's final decisions on IFRS® Standards, Amendments and IFRIC® Interpretations are formally balloted as set forth in the *Due Process Handbook* of the IFRS Foundation and the IFRS Interpretation Committee.

The Board met on Wednesday 24 and Thursday 25 October 2018 at the IFRS Foundation's offices in London.

The topics, in order of discussion, were:

- Disclosure Initiative: Accounting Policies
- Goodwill and Impairment
- Implementation: Deferred tax—tax base of assets and liabilities
- Insurance Contracts
- Management Commentary
- Rate-regulated Activities
- Updating the Preface to IFRS Standards
- Primary Financial Statements

## Disclosure Initiative (Agenda Paper 11)

The Board met on 24 October 2018 to discuss:

- a. progress on the Targeted Standards-level Review of Disclosures; and
- b. guidance and examples intended to help entities apply the four-step materiality process in IFRS Practice Statement 2—*Making Materiality Judgements* (Materiality Practice Statement) when determining which accounting policies to disclose.

### Cover Paper (Agenda Paper 11)

The Board received an oral update from the staff about progress on the Targeted Standards-level Review of Disclosures. The Board was not asked to make any decisions.

### Guidance (Agenda Paper 11A)

The Board tentatively decided to clarify that not all accounting policies relating to material transactions, other events or conditions are themselves material.

Thirteen of 14 Board members agreed and one disagreed with this decision.

The Board tentatively decided to continue developing guidance and examples to help entities decide whether the accounting policies they apply to material transactions, other events or conditions are themselves material.

Twelve of 14 Board members agreed and two disagreed with this decision.

### ***Next steps***

The Board asked the staff to perform some further analysis and expects to continue its discussion about accounting policy disclosures at a future meeting.

## **Goodwill and Impairment (Agenda Paper 18)**

The Board met on 25 October 2018 to continue its discussions on the Goodwill and Impairment research project.

### ***Additional work to be performed (Agenda Paper 18A)***

The Board discussed the additional work to be performed on the research project before drafting a discussion paper and the timing of that work.

The Board did not make any decisions.

### ***Identifying better disclosures for business combinations, goodwill and impairment (Agenda Paper 18B)***

In its July 2018 meeting, the Board set three research objectives for the research project. One objective is to explore ways to improve disclosure requirements to enable investors to assess whether a business combination was a good investment decision and whether, after the acquisition, the acquired business is performing as was expected at the time of the acquisition.

The Board tentatively decided that the staff should not perform a complete review of all the disclosure requirements in IFRS 3 *Business Combinations* and IAS 36 *Impairment of Assets*.

Thirteen of 14 Board members agreed and one was absent.

### ***Discussion paper outline (Agenda Paper 18C)***

The Board reviewed a draft outline of a Discussion Paper and Board members provided comments for the staff to consider.

The Board was not asked to make any decisions.

## **Next Step**

Feedback will be obtained from the Board's consultative groups in November and December and the staff will report back to the Board at a future meeting.

## **Implementation (Agenda Paper 12)**

The Board met on 24 October 2018 to discuss implementation and maintenance projects.

### **IFRIC<sup>®</sup> Update (Agenda Paper 12A)**

The Board received an update on the September 2018 meeting of the IFRS Interpretations Committee (Committee). Details of this meeting were published in *IFRIC Update (Agenda Paper 12A)*.

The Board was not asked to make any decisions.

### **Deferred tax: tax base of assets and liabilities (IAS 12 *Income Taxes*)—Agenda Papers 12B and 12C**

The Board discussed the Committee's recommendation to propose a narrow-scope amendment to IAS 12 *Income Taxes*. The proposed amendment relates to the recognition of deferred tax when an entity accounts for transactions, such as leases or decommissioning obligations, by recognising both an asset and a liability.

The proposed narrow-scope amendment would narrow the initial recognition exemption in paragraphs 15 and 24 of IAS 12 so that it would not apply to transactions that give rise to both taxable and deductible temporary differences, to the extent the amounts recognised for the temporary differences are the same.

All Board members agreed with the Committee's recommendation.

### **Next steps**

The Board will discuss transition and due process steps at a future meeting.

## **Insurance Contracts (Agenda Paper 2)**

The Board met on 24 October 2018 to receive an update on work to support implementation of IFRS 17 *Insurance Contracts*, including the meeting of the Transition Resource Group for IFRS 17 *Insurance Contracts* held on 26–27 September 2018, and to consider criteria for evaluating possible amendments to IFRS 17.

## **Summary of the TRG for IFRS 17 *Insurance Contracts* meeting held on 26–27 September 2018 (Agenda Paper 2A) and Submissions Log (Agenda Paper 2B)**

The Board received an update on the third meeting of the Transition Resource Group held on 26–27 September 2018. The Board was not asked to make any decisions.

### **Criteria for evaluating possible amendments to IFRS 17 (Agenda Paper 2C)**

The Board noted that at a future meeting it would consider whether any of the concerns and implementation challenges discussed by the Transition Resource Group and other stakeholders, including those relating to the costs and benefits of IFRS 17, indicate a need to amend the requirements of IFRS 17.

The Board tentatively decided, that when proposing any amendment to IFRS 17, in addition to demonstrating a need for the amendment, the staff must show that any proposal meets the following criteria:

- a. the amendments would not result in significant loss of useful information relative to that which would otherwise be provided by IFRS 17 for users of financial statements—any amendments would avoid:
  - i. reducing the relevance and faithful representation of information in the financial statements of entities applying IFRS 17;
  - ii. causing reduced comparability or introducing internal inconsistency in IFRS Standards, including within IFRS 17; or
  - iii. increasing complexity for users of financial statements, thus reducing understandability.
- b. the amendments would not unduly disrupt implementation already under way or risk undue delays in the effective date of this Standard, which is needed to address many inadequacies in the existing wide range of insurance accounting practices.

All 14 Board members agreed with this decision.

### **Concerns and implementation challenges (Agenda Paper 2D)**

The Board discussed an overview of the main concerns and implementation challenges raised by stakeholders about requirements in IFRS 17.

The Board was not asked to make any decisions.

### ***Next steps***

At a future meeting, the Board will consider whether any concerns and implementation challenges indicate a need for standard-setting to amend the requirements of IFRS 17 beyond the annual improvements the Board has already tentatively decided to propose. The Board will also consider implications for the effective date of IFRS 17.

## **Management Commentary (oral update)**

The Board met on 24 October 2018 to receive an update on the project and the main messages from the Consultative Group meeting held in September 2018. The Board was not asked to make any decisions.

### **Next steps**

The Board expects to start discussions on the objective of the project at the November Board meeting.

## **Rate-regulated Activities (Agenda Paper 9)**

The Board met on 25 October 2018 to receive an update on the October 2018 Accounting Standards Advisory Forum discussion on disclosure objectives and requirements relating to timing differences resulting from defined rate regulation. The staff also set out its plans to discuss with the Board other aspects of the defined rate regulation accounting model being developed.

The Board was not asked to make any decisions.

### **Next Steps**

The Board expects to continue its discussions on presentation and disclosure at a future meeting.

## **Preface to IFRS Standards (Agenda Paper 28)**

The Board met on 23 October to discuss updating the *Preface to IFRS Standards (Preface)*.

The Board tentatively decided to remove information from the *Preface* now more appropriately covered by the *Constitution* or *Due Process Handbook* of the IFRS Foundation, as well as by IFRS Standards.

The Board also tentatively decided that the amendments to the *Preface* did not require public consultation.

All 14 Board members agreed with these decisions.

### **Next steps**

The revised *Preface* will be included in all editions of the bound volumes of the Standards, beginning with *Required IFRS Standards 2019*, to be published mid-December 2018. The proposed revisions to the *Preface* will be maintained on the Board's website until then.

# Primary Financial Statements (Agenda Paper 21)

## **Descriptions of subtotals (Agenda Paper 21A)**

The Board met on 24 October to discuss the descriptions of three subtotals that the Board is proposing for the statement(s) of financial performance.

The Board tentatively decided that:

- a. one of the three proposed subtotals should be described as 'operating profit or loss'.  
Thirteen of 14 Board members agreed and one disagreed with this decision.
- b. the subtotal previously described as 'business profit from consolidated entities' should be described as 'operating profit or loss'. Ten of 14 Board members agreed and four disagreed with this decision.
- c. the subtotal previously described as 'profit before income/expenses from investments, finance income/expenses and income tax' should be described as 'operating profit or loss and share of profit or loss of integral associates and joint ventures'. Eleven of 14 Board members agreed and three disagreed with this decision.
- d. the subtotal previously described as 'profit before finance income/expenses and income tax' should be described as 'profit or loss before financing and income tax'. Nine of 14 Board members agreed and five disagreed with this decision.

The Board noted that the description of any subtotals in the statement(s) of financial performance should faithfully represent what that subtotal represents. Consequently, the Board tentatively decided to clarify, possibly through the use of an example in a revised Standard, that:

- a. the label 'earnings before interest and taxes' (EBIT) would not be a faithful representation of the subtotal referred to in d; and
- b. any management performance measure labelled as 'earnings before interest and taxes' should faithfully represent what is included in that management performance measure.

Thirteen of 14 Board members agreed and one disagreed with this decision.

## **Next steps**

The Board will continue discussing topics within the scope of the project at future Board meetings.