



IASB Update May 2019

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 Tuesday 14 to Thursday 16 May 2019 at the IFRS Foundation's offices in London.

The topics, in order of discussion, were:

- Provisions
- Implementation matters
- Primary Financial Statements
- Amendments to IFRS 17 *Insurance Contracts*
- Disclosure Initiative
- Management Commentary
- Review of the *IFRS for SMEs* Standard
- Rate-regulated Activities
- Goodwill and Impairment

Provisions (Agenda Paper 22)

The Board met on 14 May 2019 to discuss stakeholder feedback on the scope of a possible project to amend aspects of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

The Board was not asked to make any decisions.

Next step

The Board will decide at a future meeting whether to undertake a project to amend aspects of IAS 37 and, if so, which aspects to consider amending.

Implementation matters (Agenda Paper 12)

The Board met on 14 May 2019 to discuss implementation matters.

Onerous Contracts—Cost of Fulfilling a Contract (Agenda Paper 12)

The Board discussed a summary of feedback on the Exposure Draft *Onerous Contracts—Cost of Fulfilling a Contract*.

The Board was not asked to make any decisions.

Next step

The Board will consider the direction of the proposed amendments to IAS 37 at a future meeting.

Primary Financial Statements (Agenda Paper 21)

The Board met on 14 May 2019 to discuss which type of consultation document to publish for the project.

The consultation document—a discussion paper or an exposure draft (Agenda Paper 21A)

The Board decided the consultation document for this project should be an exposure draft.

All 14 Board members agreed with this decision.

Next step

The Board will discuss at a future meeting permission to begin the balloting process for the exposure draft.

Amendments to IFRS 17 *Insurance Contracts* (Agenda Paper 2)

The Board met on 15 May 2019 to conclude its deliberations before issuing the exposure draft of proposed amendments to IFRS 17 *Insurance Contracts*. At this meeting the Board:

- a. received an update on the Transition Resource Group for IFRS 17 *Insurance Contracts* (TRG) meeting, held on 4 April 2019;
- b. discussed technical issues for the Board to consider before finalising the exposure draft; and
- c. considered what comment period to set for the exposure draft.

Update on the discussions at the TRG meeting (Agenda Papers 2A–2B)

The Board received the summary of the TRG meeting held on 4 April 2019 and the TRG log of submissions considered at that and previous meetings.

Sweep issues (Agenda Paper 2C)

The Board tentatively decided:

- a. to specify in IFRS 17 criteria that must be met for an insurance contract to provide an investment return service. The criteria are necessary conditions for such a service but are not determinative—such service might not exist even if the criteria are met. The criteria are:
 - i. there is an investment component, or the policyholder has a right to withdraw an amount;
 - ii. the investment component or amount the policyholder has a right to withdraw is expected to include a positive investment return; and
 - iii. the entity expects to perform investment activity to generate that positive investment return.

The Board's tentative decision revises an earlier one that established that investment services exist only in contracts that include investment components.

- b. to include in IFRS 17 guidance that a positive investment return can occur even when the absolute return is negative (for example, in a negative interest rate environment).
- c. to amend paragraph 103 of IFRS 17 to clarify that, in the reconciliation from the opening to the closing balance of insurance contract liabilities, an entity need not disclose investment components and refunds of premiums separately.
- d. to amend paragraph B123(a) of IFRS 17 to clarify that changes in the liability for remaining coverage related to amounts lent to customers are excluded from insurance revenue.

The Board also tentatively decided to not amend IFRS 17 in respect of insurance contracts issued by mutual entities. However, the Board decided to add a footnote to paragraph BC265 of the Basis for Conclusions on IFRS 17, to clarify that not all entities that may be described as mutual entities have the feature that the most residual interest of the entity is due to a policyholder.

Thirteen of 14 Board members agreed with these decisions. One member was absent.

Comment period for Exposure Draft Amendments to IFRS 17 (Agenda Paper 2D)

The Board decided to set a comment period of 90 days for the Exposure Draft, a decision permission for which was given by the Due Process Oversight Committee on 23 April 2019.

Thirteen of 14 Board members agreed with this decision. One member was absent.

Next step

The staff expects that Exposure Draft *Amendments to IFRS 17* will be published at the end of June 2019.

At present, no further TRG meetings are scheduled. A TRG meeting may be scheduled in the future depending on the nature of any new submissions and whether discussion of those submissions would be helpful to stakeholders at that stage of implementing IFRS 17, without disrupting implementation.

Disclosure Initiative—Targeted Standards-level Review of Disclosures (Agenda Paper 11)

The Board met on 15 May 2019 to hear a summary of feedback from stakeholders on disclosures about employee benefits and fair value measurements; and to discuss proposed approaches to developing technical analysis and recommendations in light of that feedback.

Agenda Papers 11A, 11B and 11C provided a summary of outreach activities and the feedback they generated.

Approach to technical analysis (Agenda Paper 11D)

The Board tentatively decided to:

- a. explore whether disclosure of new or different information about employee benefits would more effectively meet the needs of stakeholders than existing IAS 19 *Employee Benefits* disclosure requirements; and
- b. explore helping preparers to make effective materiality judgements about fair value measurement disclosures.

All 14 Board members agreed with these decisions.

Next step

The Board will discuss detailed technical analysis of the disclosure requirements in IAS 19 and IFRS 13 *Fair Value Measurement* at future meetings.

Management Commentary (Agenda Paper 15)

The Board met on 15 May 2019 to discuss the overview of the staff's approach to revising IFRS Practice Statement 1 *Management Commentary*.

The Board noted that the revision of the Practice Statement is intended to promote preparation of management commentaries that better meet the information needs of the primary users of financial reports. The revised Practice Statement will provide guidance that:

- a. consolidates innovations in narrative reporting;

- b. addresses gaps in reporting practice; and
- c. remains principles-based but contains sufficient detail to support rigorous application.

The Board was not asked to make any decisions.

Next step

The Board will discuss how the qualitative characteristics of useful financial information should be considered in preparing management commentary.

2019 Comprehensive Review of the *IFRS for SMEs* Standard (Agenda Paper 30)

The Board met on 15 May 2019 to discuss the 2019 Comprehensive Review of the *IFRS for SMEs* Standard (2019 Review). The Board discussed:

- a. its approach to the 2019 Review—Agenda Paper 30A;
- b. an example demonstrating whether and how the *IFRS for SMEs* Standard could be aligned with IFRS 16 *Leases*—Agenda Paper 30B; and
- c. the way forward and next steps—Agenda Paper 30C.

The Board decided that the Request for Information to be issued as part of the 2019 Review should request views on whether and, if so, how the *IFRS for SMEs* Standard should be aligned with full IFRS Standards and amendments not currently incorporated into the *IFRS for SMEs* Standard.

In deciding whether and how the *IFRS for SMEs* Standard should be aligned with full IFRS Standards and amendments not currently incorporated into the *IFRS for SMEs* Standard the Board would apply three principles:

- a. relevance to SMEs;
- b. simplicity; and
- c. faithful representation.

The Board requested that the staff prepare a summary of the Board's tentative decisions to date on the 2019 Review, including a description of how the principles should be applied.

Eleven of 14 Board members agreed and two disagreed with this decision. One member was absent.

Next step

In June 2019 the Board will begin discussions on whether and how to align the *IFRS for SMEs* Standard with full IFRS Standards and amendments that are not incorporated in the *IFRS for SMEs* Standard.

Rate-regulated Activities (Agenda Paper 9)

The Board met on 16 May 2019 for an educational session on the Rate-regulated Activities project. The session included:

- a. a summary of the principles underlying the accounting model (model) being developed for regulatory assets and regulatory liabilities arising when an entity subject to defined rate regulation supplies goods or services; and
- b. a discussion of whether the Board's tentative decisions are consistent with the model's underlying principles.

The Board was not asked to make any decisions.

Next step

The Board will continue its deliberations on the main principles of the model in June 2019.

Goodwill and Impairment (Agenda Paper 18)

The Board met on 16 May 2019 to discuss:

- a. how to improve disclosure requirements for business combinations; and
- b. whether to provide relief from the mandatory annual quantitative impairment test.

Better disclosures for business combinations (Agenda Paper 18A)

One objective of the Goodwill and Impairment project is to identify better disclosures for business combinations. The Board discussed further analysis of the potential improvements to the disclosure objectives and disclosure requirements of IFRS 3 *Business Combinations* in response to feedback from the April 2019 Board meeting.

The Board was not asked to make any decisions.

Relief from the mandatory annual impairment test (Agenda Paper 18B)

Another objective of the Goodwill and Impairment project is to simplify the accounting for goodwill. The Board discussed potential relief from the mandatory annual quantitative impairment test to meet that objective, including:

- a. removing the requirement to carry out an annual quantitative impairment test for goodwill when no indicator of impairment exists; and
- b. applying the same relief to intangible assets with indefinite useful lives and intangible assets not yet available for use.

The Board was not asked to make any decisions.

Next steps

The Board intends to discuss in its June 2019 Board meeting which preliminary views to include in a discussion paper. The Board plans to publish that discussion paper in the second half of 2019.