REPORT ON INTERNATIONAL FORUM OF ACCOUNTING STANDARD-SETTERS (IFASS) — 23–24 March 2015 (Dubai)

IFASS met in Dubai, United Arab Emirates on 23–24 March 2015 and discussed the agenda items set out below.

Background

IFASS is an informal network of national accounting standard setters from around the world, plus other organisations that have a close involvement in financial reporting issues. It is a forum at which interested stakeholders can discuss matters of common interest. The group is chaired by Tricia O'Malley, a former Chair of the Canadian Accounting Standards Board and former member of the International Accounting Standards Board.

The public meeting was attended by representatives of standard setters from Australia, Austria, Belgium, Brazil, Canada, France, Germany, Hong Kong, India, Indonesia, Iraq, Italy, Japan, Kenya, Lebanon, Mexico, Nepal, the Netherlands, Pakistan, Republic of Korea, Sierra Leone, Singapore, South Africa, Spain, Sudan, Sweden, Syria, Taiwan, the United Arab Emirates, the United Kingdom and the United States. Representatives of the Asian-Oceanian Standard-Setters Group (AOSSG), European Financial Reporting Advisory Group (EFRAG), International Accounting Standards Board (IASB), International Public Sector Accounting Standards Board (IPSASB), and the International Arab Society of Certified Accountants also attended. A complete list of participants is attached.

Welcome

Tricia O'Malley welcomed participants to Dubai, United Arab Emirates and thanked the Association of Accountants and Auditors in the United Arab Emirates and the International Arab Society of Certified Accountants for hosting the meeting. She also welcomed first-time participants and encouraged them to learn about standard-setting activities in other countries. She encouraged all participants to fill out and return the evaluation forms at the end of the meeting. She advised participants to take note of the scale (5 = strongly agree; 1 = strongly disagree).[1]

1. IASB Workplan and IFRS Foundation Developments

1.1 Michelle Sansom, ASAF co-ordinator, IASB staff, and Rebecca Villmann, Director, Canadian Accounting Standards Board, provided an update of the IASB's current agenda projects and the IFRS Foundation activities. Ms. Sansom led the update and noted that Paper I takes a different approach than in the past as it not only provides the status of each project, but it also includes a column for activities that National Standard Setters' may include that is based on the suggested activities in A Model for National Standard-Setters (see Paper marked Paper I, including Appendix A and Appendix B).

1.2 Ms. Villmann highlighted activities that National Standards Setters may wish to undertake to support the IASB in achieving its work. She encouraged participants to raise any unintended consequences or concerns relating to specific projects before the final re-deliberations phase, for example, during an exposure draft phase. Ms. Villmann provided an example of

1 Felipe Pérez Cervantes, Mexican Financial Reporting Standards Board will be analysing and summarizing participants' responses on the meeting evaluation form and putting forward any recommendations.

how National Standard Setters could help in gathering input for an exposure draft. She noted that the Canadian Accounting Standards Board develops a plan to formally respond to an exposure draft. This plan typically includes its staff bringing together Canadian stakeholders such as preparers, auditors, and financial statement users to discuss various aspects of an exposure draft. Some of these discussions may involve IASB staff to directly provide them with feedback. The input from these discussions is also relayed to the Canadian Board to help it develop a formal response on an exposure draft.

1.3 Ms. Villmann provided examples of ways in which National Standard Setters encourage input to the IASB from stakeholders in their jurisdictions on invitations to comment:

- The Australian Accounting Standards Board issues email alerts to subscribers of its website regarding activities being conducted by international accounting standard setters such as invitations for comment by the IASB.
- The Canadian Accounting Standards Board issues email alerts to subscribers of its website on invitations for comment by the IASB.

1.4 Ms. Villmann asked participants during this discussion to provide examples of other ways to encourage such input. All examples related to the Conceptual Framework project. (See section below under the heading for this project.)

1.5 Comments from the presenters and participants on specific projects are indicated below, in alphabetical order under the sub-topics.

Major Projects

<u>Conceptual Framework</u>

1.6 Ms. Sansom noted that the IASB is re-deliberating comments received on various Exposure Drafts, the most important of which relates to the Conceptual Framework project. She noted that some areas within this project overlap with the IASB's research agenda, for example, the financial instruments with characteristics of equity project.

1.7 A representative from Australia noted that its Board has started posting notices on LinkedIn that it hopes will be a success, for example, in inviting stakeholders to roundtables that it is hosting on the Conceptual Framework project. (It was noted that the IASB Vice-Chairman plans to attend this upcoming roundtable.) This notice adds "flavour" to pique stakeholders' interest.

1.8 The IASB Vice-Chairman noted that the IASB will be conducting as extensive an outreach as possible on the Conceptual Framework project and plans to contact stakeholders in April 2015. He noted that it is important to get it right and get the project finished.

1.9 The Chairman noted that on Day 2 of this IFASS meeting there will be a session on the Conceptual Framework project. She thanked Andrew Lennard, Director of Research at the U.K. Financial Reporting Council (FRC), for suggesting the session and providing the opportunity for a discussion that will help participants in developing responses to the forthcoming Exposure Draft.

1.10 The Chairman asked participants to consider how to raise interest from stakeholders in their jurisdictions in order to gather input on the forthcoming Exposure Draft. (Ms. Villmann suggested approaching stakeholders who were interested in the rate-regulated activities project as Canada has experienced some cross-over effects.)

1.11 A representative from the U.K. noted that the IASB has moved forward thinking in various areas such as prudence. He suggested that the IASB consider questions that will "energize and hook" stakeholders to enable it to manage the last few issues.

1.12 The Chairman noted that stakeholders have been struggling with this topic and noted the importance of an educational campaign before trying to have an in-depth discussion. She reiterated a point made earlier from Ms. Villmann regarding the importance of engaging stakeholders' interest early on in a project.

1.13 A representative from France noted the importance of this project because it underpins all other accounting, and helps to frame our standard-setting activities. He recommended participation from all jurisdictions in this project given its importance. He noted that this project provides a real opportunity to clarify the direction of other standard-setting topics.

1.14 The Chairman asked participants to think of the most important issues and most controversial sub-topics in the forthcoming Exposure Draft that they may wish to address in their formal response letter. (To aid thinking about issues – see separate section below on the Conceptual Framework.)

<u>Disclosure Initiative</u>

1.15 Ms. Sansom noted that the IASB plans to issue a discussion paper on this topic in H2 2015 and encouraged input from stakeholders.

1.16 Ms. Villmann provided an example of how National Standard Setters could help promote this project. The Canadian Accounting Standards Board has a standing committee of sell-side and buy-side analysts (the User Advisory Council) that generally meets three times a year. This Council plans to meet to discuss relevant aspects of the discussion paper. A discussion typically includes, via conference call, an IASB staff member working on the project. She asked participants to provide other ways in which National Standard Setters can connect.

1.17 Representatives comments included the following:

- A representative from EFRAG noted that EFRAG often involves its user panel. EFRAG will consider ways to give the panel a sense of the full package.
- A representative from the Netherlands noted that its Board has three users. In terms of the application of materiality to financial statements, these users discussed some of the common decisions involving debt instruments.
- A representative from the U.K. suggested that participants improve their relationship with investors in order to leverage it.

1.18 Ms. Villmann asked participants to consider ways to encourage interest from stakeholders, especially financial statement users, on projects such as the Disclosure Initiative project. (A representative from the U.S. suggested mocking up financial statements to show proposed changes to make it easier for users to visualize the changes in order to comment.)

1.19 The Chairman suggested that the IASB consider contacting buy-side analysts, who dictate models/approaches for entire organizations, to gather input on this project.

1.20 Ms. Sansom reflected that the IASB has worked together with users in discussing the Disclosure Initiative and Conceptual Framework projects to-date. It conducted user outreach by engaging many users from organizations such as the Corporate Reporting User Forum (CRUF).

1.21 A representative from the FASB noted that users seldom speak about their views or are unable to do so in a group setting given the reluctance to share their methodology. He suggested meeting with users, such as buy-side analysts, on a 1-on-1 basis.

1.22 Ms. Sansom highlighted communication activities undertaken with investors such as meetings held with the Capital Markets Advisory Committee (CMAC). Meeting material included papers with examples. She noted the IASB's articles in this area, including investor perspective articles such as the one published today, March 23, 2015 — 'Helping Investors Better Understand Cash Flow'. It was noted that it is important to get the language right.

1.23 Kris Peach, Chair and CEO, Australian Accounting Standards Board, questioned when the IASB would issue an exposure draft on the Principles of Disclosure sub-topic. She noted that it plans to release on its website helpful hints for stakeholders in terms of this project, such as the use of professional judgment. Ms. Peach agreed to send an email to the IFASS Secretary providing a link to the AASB website following its release.[2]

1.24 The IASB Vice-Chairman noted that the project's purpose was to rationalize disclosures, in other words, to consider the appropriateness of certain disclosures. Its purpose was not to decrease disclosures.

1.25 A representative from Hong Kong noted that an individual investor/analyst tries to beat the market and thus, wants the inside edge. As a result, she found that private 1-on-1 discussions are a more effective way to gather input on the usefulness of disclosures than public group discussions whereby participants "go on record". Thus, she suggested that participants put themselves in these shoes in gathering useful information.

1.26 The Chairman confirmed that financial statement users want the information to be somewhat "murky" to enable them to gain a competitive advantage.

1.27 A representative from the U.K. reflected on gathering input and noted that last year, the Financial Reporting Council in the U.K. repackaged an earlier programme from the Financial Reporting Lab into the current project — Clear and Concise Reporting - Case Studies. Through this series, a number of companies have come forward and agreed to take part in case studies with an objective of achieving clearer and more concise reporting. He noted that through this series, there has been a shift from a negative message to a positive message.

Insurance Contracts

1.28 Ms. Sansom added that a standard on this topic was not expected in 2015.

1.29 The Chairman noted that the IASB's Insurance project crosses over from the accounting profession into the actuarial profession and she explained that in some jurisdictions the actuaries may be under pressure to write country-specific guidance, i.e., actuarial requirements to implement the new accounting standard, which might undermine convergence.

1.30 The Chairman asked participants to encourage actuaries in their jurisdiction to participate in the International Actuarial Association's work on a converged standard on accounting for insurance contracts. (This work is gearing up for the issuance of the IASB's new standard.)

[2] On April 22, 2015, Ms. Peach provided a link to the AASB's website addressing the hot topic of Improving and Rationalising Disclosure. This link includes the March 2015 AASB Staff article, "Reducing Disclosure Burden – Dealing with the Domestic Dimensions of a Global Problem," which was released after the meeting.

Leases

1.31 Ms. Sansom noted that the IASB has now completed re-deliberations of this project and IASB staff could start the balloting process.

1.32 Felipe Pérez Cervantes, Mexican Financial Reporting Standards Board, asked participants to advise him by email whether their jurisdiction may be faced with a similar issue with respect to the forthcoming new leases standard as Mexico, where tax consequences may arise as a result of the forthcoming requirement to recognize a liability arising from many operating leases and the corresponding right of use asset. Mexican tax law requires that the liability be included in the basis for an inflation adjustment that is taxable, but the right of use asset will not generate a corresponding inflation deduction. Consequently, companies applying the forthcoming new leases standard, may end up paying additional taxes as a result of an accounting requirement.

Research projects

Business Combinations under Common Control and Financial Instruments with Characteristics of Equity

1.33 Ms. Sansom noted that ASAF planned to discuss preliminary views on these research projects at the end of this week.

1.34 Ms. Villmann noted that in Canada private enterprises do not have to apply IFRSs. However, the experience of private enterprises involved in a public offering will provide a different viewpoint for an ASAF discussion on this topic later this week by demonstrating a broader project and moving the topic forward.

Equity Method of Accounting

1.35 A representative from Japan pointed out that IAS 28 *Investments in Associates and Joint Ventures* has various shortcomings and thought that issues should be explored on a conceptual level so as to address them in a coherent manner.

1.36 Ms. Sansom noted that ASAF plans to discuss the scope of the project later this week. Consideration will be given to whether the project should be separated into a short-term project that has the objective of addressing application issues by simplifying the current requirements in IAS 28 *Investment in Associates and Joint Ventures,* followed by a longer-term project that has the objective of reconsidering more fundamentally the financial reporting of investments in entities that do not give the investor control of the entity; or whether to consider separately the equity method of accounting in separate financial statements for subsidiary entities. The short-term project could review the following topics: the need for eliminations—including ‘upstream’ and ‘downstream’ transactions; the requirement for consistent accounting policies; impairment of associate and joint venture entities; and reciprocal transactions.

1.37 A representative from Japan suggested that the project also consider at a conceptual level the elimination of unrealized gains and losses. He sees this as a significant issue. He noted that even if one thinks that the equity method is part of a net measurement basis, such thinking does not preclude the elimination of unrealized gains and losses as part of the application of the equity method of accounting.

1.38 Ms. Sansom predicted that this project would likely lead to a discussion paper and likely build to an exposure draft given the amount of discussion around the proposals.

Discount Rates

1.39 Ms. Sansom noted that the IASB plans to issue a discussion paper on this research project.

Post-employment Benefits

1.40 The Chairman suggested that participants start now in developing an inventory of the types of benefit plans that exist in practice in their jurisdictions, especially those plans that don't neatly fit the current definitions of defined contribution and defined benefit plans, including details of the schemes. (This work will then be ready when the IASB requests such information.)

Other comments on Research projects

1.41 Ms. Villmann noted that the IASB's research agenda is very active and welcomed the thought development. She cited an example of the Korean Accounting Standards Board providing input to the IASB on the Equity Method of Accounting research project. She noted that other standard setters have also provided input to other of the IASB's research projects.

1.42 Ms. Villmann encouraged participants to consider ways to further the IASB's agenda, including raising contentious issues with IASB staff and developing preliminary views on proposals.

1.43 A representative from Australia suggested engaging users by considering the most effective question to ask them.

1.44 Ms. Sansom noted that the IASB is currently uploading the research project work to Sharepoint. She suggested that participants monitor these projects and work with IASB staff on those that are of particular interest to them.

Agenda consultation

1.45 A representative from Germany questioned whether the IASB had a process like a post-implementation review for International Accounting Standards (IAS), as opposed to more recent IFRSs. He gave examples of IAS 32 *Financial Instruments: Presentation*, in which amendments had been made on narrow aspects, but not at a broader level.

1.46 The IASB Vice-Chairman responded that the IASB did not have a formal process to review IASs — should they? He thought that this topic was a good one for the agenda consultation and noted that it would be very useful for the IASB to hear participants' and constituents' views on the agenda consultation.

1.47 The Chairman recalled that some stakeholders would like to see a formal review process such as post-implementation reviews on IAS 40 *Investment Property* and IAS 41 *Agriculture* as such reviews were originally promised by the previous IASC Board that issued them. She suggested that the IASB consider these standards too in its agenda consultation.

1.48 The IASB Vice-Chairman questioned how much stakeholders wanted to turn things upside down.

1.49 A representative from the U.K. explained that is important to define a problem and ask investors to confirm whether a problem exists. However, he noted that it is difficult to engage investors because some will not even say whether a problem exists. He cited an example of the Equity Method of Accounting project.

1.50 Ms. Sansom stressed the importance of balancing the needs of different stakeholders in projects such as the Equity Method of Accounting.

1.51 A representative from the International Arab Society of Certified Accountants stressed the importance of not changing everything too quickly. She pointed out that stability is needed especially in the Middle East. She suggested that making changes to standards in smaller increments would be more acceptable than a lot of change all at once. She also noted that some users can be hard to engage and that their opinion may vary depending on their viewpoint, for example, potential equity investor versus actual equity investor.

1.52 A representative from the FASB suggested that participants advise IASB staff of potential research projects not on the IASB's list, including identifying, scoping, and prioritizing the problem. He noted that the FASB has found it difficult to reach out to users to determine whether a problem exists.

Other comments

1.53 A representative from Germany worried about regulators stepping in to interpret accounting principles and cited an example of the minimum principles for the recognition of credit-risk related impairment developed by the Basel Committee on Banking Supervision.

1.54 A representative from the FASB noted the importance of getting financial statement users and preparers together in the same room to discuss feedback on specific projects. He cited an example of how this interaction would allow preparers who complain of the cost of providing certain information to understand its relevance and to suggest more cost-beneficial ways to meet users' needs.

Post-implementation Review (PIR)

1.55 Ms. Sansom noted that the PIR on IFRS 3 Business Combinations is a separate topic on the agenda and thus, a discussion will take place at that time.

Implementation Projects

1.56 Ms. Sansom introduced this topic (see Paper 1 Appendix A pages 9-11).

1.57 She noted that in addition to the list in this Paper, the Exposure Draft, *Disclosure Initiative* (Proposed amendments to IAS 7), is currently out for comment until April 17, 2015.

1.58 She added that the IASB may be performing outreach later this year on the Fair Value Measurement: Unit of Account project.

Other Topics

Transition Resource Groups – Overall Comments

1.59 Ms. Sansom introduced this topic (see Paper 1 Appendix A page 12).

1.60 Ms. Sansom noted that the Revenue Transition Resource Group was addressing implementation issues arising on IFRS 15 *Revenue from Contracts with Customers*. She also noted that the Transition Resource Group for Impairment of Financial Instruments planned to have its first meeting shortly — April 22, 2015. She encouraged participants to monitor these webpages.

1.61 Ms. Villmann noted that one of the roles of National Standard Setters is to assist in developing responses on exposure drafts, and that such development can be a significant effort. She suggested that the IASB bundle issues coming forward, such as through a TRG, in one exposure draft because bundling would be more efficient from a National Standard Setters' perspective.

1.62 The IASB Vice-Chairman explained that there is a delicate balance in the activities of a TRG since its purpose is not to discuss every issue that may arise on the application of a standard. He noted that the IASB needs to consider how long to keep these groups operating as well as whether stakeholders are ready to implement a new standard. He pointed out that significant issues cannot be ignored. He stressed the importance for stakeholders to use professional judgement in developing solutions to issues that arise.

<u>Transition Resource Group for Revenue (TRG for Revenue)</u>

1.63 Ms. Villmann noted the importance of stakeholders considering the issues being debated by the TRG for Revenue. She observed that many entities are looking at IFRS 15. As a result, she noted that Canada has created a group to support the Canadian representative on the TRG for Revenue. This group has preparer representation from different industries and also auditor representation. It meets prior to a meeting of the TRG for Revenue to provide insight on the issues discussed in the papers from a Canadian viewpoint. She noted that activities such as these allow stakeholders to be more active in the process.

1.64 The IASB Vice-Chairman noted that the IASB needs to consider how to move forward after the July 2015 meeting of the TRG for Revenue.

1.65 The Chairman asked participants with representatives on the TRG for Revenue to consider whether issues were being filtered before going forward and also whether there were more issues in the pipeline.

1.66 A representative from India noted that his jurisdiction has issues related to variable consideration as well as some issues on other topics. He asked about the status of the effective date issue. He also suggested the some issues could be addressed quickly as a result of their nature.

1.67 The IASB Vice-Chairman pointed out that most issues arising from this TRG have come from the U.S. He questioned whether other jurisdictions were filtering out issues. He also noted the following:

- The FASB plans to discuss the effective date issue 1 April 2015, and the IASB in late April 2015 / May 2015.
- ASAF plans to discuss implementation issues arising from the TRG for Revenue, including the effective date issue, later this week.
- An ASAF agenda paper discusses the pros and cons of making changes to the standard.
- The IASB would also have to consider the effective date of any changes to IFRS 15.
- Changes to IFRS 15 after June 2015 would have to be fatal flaw changes.
- IFRS 15 allows early adoption and thus, regardless of the effective date for any changes to the standard, an entity can early adopt those changes.
- Expectations have changed in respect of the activities of the TRG for Revenue since it was initially set up.

1.68 A representative from Germany pointed out that from his experience most entities have been trying to resolve implementation issues themselves as well as with their auditors before airing them publicly. He observed that discussions have focused on the meaning of the words, and thus, projected that discussions in jurisdictions where English is not the first language would be even more difficult. He suggested that amendments be made to the standard when a fatal flaw exists. He thought that on balance, a single majority view would emerge, and thus, too frequent discussions on issues may encourage more issues.

1.69 A representative from the FASB noted the following:

- TRG for Revenue is an experiment, and it will not be clear until it has been disbanded whether it was a good or bad idea.
- The TRG for Revenue has identified some significant issues. Of the 51 issues received to-date by the FASB, fewer than ten issues will likely lead to additional guidance and eight issues have interpretation problems. Interestingly, these issues have originated from the U.S.
- The FASB often is hearing that preparers are reading the words correctly, rather than the standard not being written correctly.
- Meetings have been scheduled to the end of 2015, but not beyond that, and thus, should likely remain as such.
- Preparers want to hear that they are reading the words correctly, and thus, at a certain point in time, it will be important to cut off discussions of new issues and leave those to a post-implementation review.
- The effective date concern is more of a challenge in the U.S. given the requirement for two years of comparatives. IFRSs require one year comparatives.
- Given parallel systems, preparers who started on time, are already taking into account proposed changes and thus do not want the effective date extended. Others, who have admitted that they have not yet started implementation, would like to see such an extension.
- If the FASB extends the effective date, he personally believes that such an extension will heighten the need to consider when to disband the TRG for Revenue.

1.70 The Chairman pointed out that the FASB revenue standard prohibits early application so as not to reduce comparability. Also, some stakeholders have suggested extending the effective date, but at the same time, permitting early application.

1.71 A representative from the Netherlands suggested that the IASB make it clear when it completes its review of issues on this topic so as not to delay implementation by preparers.

1.72 A representative from Belgium commented that she found the earlier discussion regarding non-native English speaking stakeholders debating words interesting, especially given that native-English speaking stakeholders can debate the words at length. She explained that Belgium's preparers were concerned with the effective date of any changes that were being proposed because they want clarity. She noted that if the FASB decides to proceed with changes to its revenue standard, but the IASB does not, she would still like to see the IASB provide its views on implementation issues.

1.73 The IASB Vice-Chairman thanked the participants for their useful feedback, noting that it highlighted certain problems with the TRG process. He summarised that it is important for the IASB to be clear, especially given differences in opinion between the FASB's and IASB's direction on an issue.

1.74 A representative from Japan noted that his jurisdiction has not submitted any issues to the TRG for Revenue.

Transition Resource Group for Impairment of Financial Instruments (TRG for Impairment)

1.75 The IASB Vice-Chairman pointed out that the focus of the TRG for Impairment is not on the standard as a whole, but on a particular aspect — impairment.

1.76 A representative from Japan asked the IASB whether any issues had been received to-date.

1.77 The IASB Vice-Chairman and Ms. Sansom commented that if there were any, they would be few in number.

Conclusion on TRGs

1.78 A representative from the FASB reflected on the discussion above. He confirmed the IASB Vice-Chairman's earlier point that most issues arising from the TRG for Revenue had come from the U.S. He noted that this fact is not surprising given that its guidance on revenue prior to Topic 606 was very detailed and the extent of interpretations present in its regulatory environment. He hoped that any clarifications that it proposes would not be inconsistent with those of the IASB, and would be of benefit to other jurisdictions in understanding the standard.

1.79 The Chairman reflected that Canadians have a lot of experience with U.S. guidance and that the number of issues emerging in practice would take some time to settle down. She asked participants for insights on whether we, as standard-setters, should encourage regulators to back off from having one right answer on a particular issue.

2. Reports from Regional Groups

2.1 The Chairman noted that each regional group had prepared Papers and thus, asked participants to provide their comments.

Asian-Oceanian Standard-Setters Group (AOSSG)

2.2 Christina Ng, Head of Financial Reporting, Standard Setting, Hong Kong Institute of Certified Public Accountants, led the discussion (see Paper 2.1).

2.3 A representative from the International Arab Society of Certified Accountants asked what motivated the AOSSG to create the Centre of Excellence (COE) in Nepal.

2.4 Dr. Ng emphasised the following points:

- The COE was created in order to build regional capacity in standard setting and to assist with the adoption/application of IFRSs. There were a lot of new standard setters in the AOSSG.
- The COE was the first ever and it was created as a two-year pilot project with the Accounting Standards Board of Nepal (ASB of Nepal).
- The COE looked at the gaps between the ASB of Nepal and the model standard-setters.
- There was an aim to build technical capacity especially of CAs in Nepal, and to help the ASB of Nepal understand IFRSs.
- The Train-the-Trainer program set out to educate stakeholders on the main principles of IFRSs and comment on future exposure drafts.

- For more information and findings, see the links in Paper 2.1.
- Lessons learned so far include the need for more strategic planning.
- Next steps include how to help stakeholders in Nepal fully adopt IFRSs.

2.5 The Chairman summarised the discussion by noting that the AOSSG continues to run the pilot of the COE and is now determining the next steps to enable participation by working groups in responding to each Exposure Draft currently out for comment.

European Financial Reporting Advisory Group (EFRAG)

2.6 Filippo Poli, Research Director, EFRAG, led the discussion (see Slides marked 2.2).

2.7 In addition to the bullets on slides 3-4, Mr. Poli noted the following points:

- Roger Marshall is currently acting as President of the new Board. Wolf Klinz has been nominated for this position.[3]
- There would be a learning curve associated with the new structure.
- Meetings of the EFRAG Board would be held once per month.
- The EFRAG Board operates on a consensus-decision-making basis
- There is an expectation to expand the mandate of EFRAG.
- EFRAG will consider whether IFRSs is conducive to the European public good.

2.8 The Chairman commented that EFRAG has made a lot of progress quickly since reform had begun in October 2014.

2.9 Mr. Poli noted that some members of the EFRAG Board have technical backgrounds, but some do not, and thus, the discussion focuses on bringing in the additional public policy considerations, including economic concerns, such as financial stability and growth.

2.10 The Chairman noted that some jurisdictions may be faced with similar issues in acting for the public good, and thus, can learn from EFRAG's experience.

2.11 A representative from Pakistan noted the carve-out for IAS 39 *Financial Instruments: Recognition and Measurement*. He asked whether there were any other IFRSs in which there would be negative side effects for economic growth or financial stability.

2.12 Mr. Poli noted that EFRAG has started to look into the endorsement process for the Leasing project to consider if it would affect economic growth in Europe. It is looking at how to do this process and considering such activities as field studies.

2.13 A representative from Sierra Leone noted that his jurisdiction tries to run as far away from politicians as it can, and questioned why EFRAG appears to run closer to them. He pointed out that the new President nominee of EFRAG is both an accountant and a politician. He asked how EFRAG addresses the concept of European public good, which is to serve all.

2.14 Mr. Poli responded that EFRAG has changed its governance to increase representativeness and legitimacy. He noted that the members of the EFRAG Board are not politicians, but representatives of European Stakeholder Organisations and national standard setters, who

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[3] On April 14, 2015, Dr. Wolf Klinz, was appointed to President of the Board of EFRAG, replacing the acting President. However, on May 19, 2015, it was announced that Dr. Klinz has decided not to accept the EFRAG Presidency citing ill health. Mr Roger Marshall will continue to act as President ad interim until a final President is appointed. The European Commission will nominate another candidate for the Presidency as soon as possible.

have a mix of technical, professional and academic backgrounds. He observed that constituents at this point do not know Dr. Klinz in his upcoming role. He has an extensive background as an economist and member of the European Parliament. He noted that EFRAG needs to work out how to develop a process to assess the European public good.

2.15 A representative from the Netherlands noted that the challenge is to determine what politicians have discovered about accounting standards to make them more involved in standard setting. He noted that the concept of "European public good" is not new, as it was one of the characteristics of IFRSs in 2005. There was an expectation that IFRSs would converge to the European public good. He notes that it will be worthwhile to follow how EFRAG plans to take this concept a step further.

2.16 A representative from Germany noted that building the process to support the concept of "European public good" will involve how to deal with politicians and a feedback loop to the IASB so as not to blame the IASB for something not in its mandate. He noted the importance of adapting to a certain environment, while considering technical criteria for a standard — is it understandable; what is comparable?

2.17 A representative from France noted that the Maystadt Report recommends how standard setting should work and thus, represents an important step in the evolution of standard setting. He added that no one knows whether it will work, but recommends a balanced composition of members such as standard setters and preparers. He noted that the President is appointed by the European public authorities and believes that Dr. Klinz is extremely knowledgeable and well connected. He noted that EFRAG should not be underestimated to build commonality and will look for common solutions to problems. He noted that stakeholders should keep in mind that EFRAG is not a standard-setting body, but rather acts in an advisory capacity.

2.18 A representative from Hong Kong noted that EFRAG puts in a lot of effort responding to exposure drafts. EFRAG considers how to balance convergence with comments received from its outreach. Is convergence most important for European standards?

2.19 Mr. Poli noted that EFRAG represents different voices in Europe. It acts in an open manner to inform the IASB what it likes and does not like with proposals. He noted that in responding to proposals, EFRAG is not tied to a particular perspective, and takes into account what it has heard in public consultations. He noted that there is no expectation that governance will change the attitude of EFRAG.

2.20 The IASB Vice-Chairman asked what happens after the EFRAG endorsement process.

2.21 Mr. Poli noted that EFRAG is an advisory body that advises the European Commission on endorsement. Thus, the European Parliament, like the Council, has the possibility to discuss or reject the European Commission's endorsement decision, and has 90 days to act.

2.22 A representative from Australia asked how EFRAG considers the overall benefits of an accounting standard in assessing its public good.

2.23 A representative from the U.K. noted that European processes are complex, and that non-endorsement is an option. He noted that accounting is not completely neutral as it can have an economic input.

Group of Latin-American Accounting Standard Setters (GLASS)

2.24 Felipe Pérez Cervantes, Mexican Financial Reporting Standards Board, introduced this topic (see Slides marked 2.3) by noting that GLASS is a group of standard setters from Latin America that currently has representation from most of the countries in Latin American and the Caribbean.

2.25 The Chairman noted that GLASS has made huge progress in a short amount of time.

Pan-African Federation of Accountants (PAFA)

2.26 Bongeka Nodada, South African Institute of Chartered Accountants, introduced this topic (see Paper 2.4), as Vickson Ncube could not attend. She noted that PAFA was the youngest regional group of standard setters.

2.27 The Chairman noted that IFASS looks forward to hearing about PAFA's May 2015 meeting at its September 2015 meeting in London.

2.28 A representative from Pakistan noted that PAFA had responded to two exposure drafts, and asked whether PAFA believed that its voice would be heard or it would have an effect on standard setting.

2.29 Ms. Nodada responded that PAFA's voice is being heard. She noted that PAFA is represented on ASAF, and it has been active in submitting comment letters to the IASB, which the IASB has taken into account.

2.30 A representative from Mexico shared his experience with GLASS. He noted that before GLASS, very few countries in his region were in a position to respond given their lack of resources. Since 2011, GLASS has been able to respond to each exposure draft. He noted that 10 of 17 countries participate and represent preparers, academics, auditors and financial statement users. He pointed out that they use Skype to communicate with the business community because this medium is cheap and practical.

2.31 The Chairman noted that the regional groups come together to build standard-setting capacity that they could not do on an individual basis. AOSSG, GLASS, and PAFA work together and "leverage scarce resources".

2.32 A representative from Sierra Leone clarified that an asymmetric situation exists with PAFA given that South Africa is its most capable member. He noted that PAFA has been trying to spread participation to countries outside South Africa within its region and wants to find ways to communicate, like holding meetings electronically, so as not to be overshadowed by South Africa.

2.33 A representative from the United Arab Emirates noted that in the past it participated in meetings with the IASB. It has tried to organize into a regional group like AOSSG, but it has not been successful. He noted that there are 22 countries in the Middle East that would like to come together so that it can influence the IASB, for example, under IAS 24 *Related Party Disclosures*, these jurisdictions question the meaning of "close member of family" and whether companies in its jurisdiction have appropriate disclosures. He also pointed out that its experience has shown that it can bring consensus, for example, input on development of IFRS for SMEs.

2.34 A representative of the International Arab Society of Certified Accountants noted that it is either part of PAFA or AOSSG.

2.35 The Chairman suggested that these groups could redefine their geography to accommodate the new members.

2.36 The Chairman summarised the discussion of regional groups by noting the following action items:

- Participants in jurisdictions not currently involved with a regional group of standard-setters should consider participating in such groups as these groups leverage scarce resources and enable activities such as responding to the IASB's invitations to comment.
- Participants in jurisdictions without a regional group should consider forming such a group. India and United Arab Emirates to discuss the process of forming a group with a member of GLASS or AOSSG.

3. International Public Sector Accounting Standards Board (IPSASB)

3.1 Jeanine Poggiolini, South African member on IPSASB and Deputy Chair, provided an update since October 2014 (see Slides for item 3). She noted that participants may wish to download the IPSASB Strategy and Work Plan Webinar Presentation that was presented on March 27, 2015, which was just after the March 2015 IFASS meeting.

3.2 Ms. Poggiolini added the following to the slides presented:

- There has been public consultation on IPSASB's Strategy and Work plan with some projects starting in 2015 and others in 2016 depending on their length and complexity, and a balance between public sector specific and IFRSs convergence projects.
- There is a need to focus specifically on public sector, for example, on non-exchange expenses — goodwill and other items are provided, but nothing received in exchange, thus, when does an obligation to pay exist, or a right to receive? This project links to the Social Benefits project, and resources have been received from the U.S. Governmental Accounting Standards Board (GASB).
- IPSASB is also looking at the implications of IFRS 15 *Revenue from Contracts with Customers*.
- The Cash Basis project is another active project that will aid transparency and accountability of public sector entities as it is a first step towards an accrual basis of accounting. It is a challenging project with implementation issues such as examining the disclosures regarding third party payments because sometimes the government and/or entity does not know about the payment; and disclosures associated with external assistance received.
- Accounting for Infrastructure and Heritage Assets is a project in the scoping phase.
- Measurement of Assets and Liabilities is another active project that stems from the Conceptual Framework project, and thus, timing is important.
- Other projects associated with the IASB's work plan include Post-Employment Benefits, and Leasing.
- As far as governance, terms of reference have now been decided for the Public Interest Committee and this Committee held its first meeting last week.
- A report on the European Public Sector Accounting Standards project (EPSAS) (public sector accounting standards across the European Union) has not yet been finalised.

- The Social Benefits project (see slides 6-7) is a big project that began in 2003 as a discussion paper. It focuses on those benefits that will protect stakeholders from risks. It tests the definition of a liability that is in the Conceptual Framework project, i.e., are the social benefits an on-going expense of the government?
- A Consultation Paper is planned for H2 2015, and thus, it is hoped that a discussion can take place at the September 2015 IFASS meeting.
- The Government Business Enterprises (GBE) project (see slides 8-9) plans to issue an exposure draft on proposed amendments to the GBE definition with consequential amendments because the definition is difficult to apply by jurisdiction.
- The Public Sector Financial Instruments project (see slide 10) relates to instruments with risks, obligations and that settle in cash, but often do not arise from contractual obligations and thus, recognition/measurement issues exist. There are conflicting objectives as to why entities hold these instruments.
- The Reporting Service Performance Information project (see slide 11) has outputs and inputs with a number of key indicators. The Guideline will outline how a government should report on performance.
- The Emission Trading Schemes Project is a new project that has been added that considers three perspectives — issuer, government and participant. The project is currently in the initial research / scoping stage.
- The Public Sector Combinations project considers how to account for public sector entities under common control and those not under common control. It had run into problems, but as a result of analyzing comments, it is now focused on answering the question: do we have control or not?
- Interest in Other Entities project (see slides 12-13) has recently issued a final standard that requires consolidation for all entities that a government controls. Certain disclosures are required when an entity is temporarily held.
- First-Time Adoption of Accrual Basis IPSASs project (slides 14-16) did not initially have a holistic perspective, but now does.

3.3 The Chairman noted that a number of the IPSASB projects test the Conceptual Framework, especially the obligating event notion.

3.4 A representative from India asked about the GBE project, noting that for many social obligations, revenue for non-exchange transactions may still be applicable as there may be problems in not reflecting true economics and with consolidation.

3.5 Ms. Poggiolini noted that the GBE project allows for these social obligations as it describes who should apply IPSASs, and pushes down to the jurisdictional level. When a significant social responsibility exists, the enterprise may not be a GBE. There are implications to consider on consolidation, but these implications can be considered at the jurisdictional level. She noted that GBE is a challenging area, but there is a change in focus to who should apply IPSASs.

3.6 A representative from the International Arab Society of Certified Accountants commented on the GBE project, noting that an issue may exist with respect to dividends. If an entity can distribute dividends, she noted that it may not be a social benefit obligation. Thus, do IPSASs or IFRSs apply? She also commented on the performance statement, noting that it is important to include budget to actual comparisons when material.

3.7 A representative from Sierra Leone asked whether GBEs have a responsibility to quantify the scope of their commitments.

3.8 Ms. Poggiolini responded with the following comments:

- IPSASB has tried to articulate what public sector entities are, and whether a return of capital or a return on capital exists.
- IPSASB has moved away from the distinction associated with capital providers.
- It is important to include a budget to actual comparison in the performance statement, however, some GBEs do not make their budget public, but those that do, must report comparison to the public.
- In terms of the Social Benefits project, there exists a narrowing of scope — which types of social benefits should be considered?
- In terms of the long-term stability of public finances, governments should consider their assets/liabilities on the balance sheet and project them forward so that a user can determine the sustainability of government projects. Although this projection is not captured in the balance sheet, there are separate disclosure requirements associated with sustainability outside the financial statements.

4. Update – EU Expert Group on IAS regulation (Germany)

4.1 Liesel Knorr, former President of the German standard setter, provided some context and an update on this topic, including some personal remarks (see PowerPoint presentation marked Paper 4):

- European Commission (EC) has a review clause for adoption of the IAS Regulation. As part of this review, an expert group has been set up.
- Group members have been appointed and the Group has met three times.
- Report may be issued in June 2015.
- Not likely to convene the Group again.
- Minutes of October and December 2014 meeting not yet published (stay tuned to link on slide 2).
- Survey will be published soon (stay tuned to link on slide 3).
- Objective – common financial reporting framework at least for capital markets.
- Academic studies exist to consider whether IFRS had an impact on the overall cost of capital (Slide 5).
- Considered application and understanding to ascertain usefulness of information (Slide 6).
- Whether IFRS should be more prudent is not yet in the minds of everyone (Slide 6).
- Personally, does not expect criteria to change (Slide 7).

4.2 The Chairman thanked Ms. Knorr for her update and noted that she found the preliminary feedback on the survey conducted by the EC on the experience of the “IAS Regulation” interesting. The Chairman asked Ms. Knorr if she had a sense of whether the European Commission was expecting these results.

4.3 Ms. Knorr responded that she thought that the EC “heard a clear voice” as the EC admitted to hearing a clean mandate and thus, believed that a safe starting point exists. She also thought that the EC was “neutral or relatively happy” with the preliminary feedback.

4.4 A representative from Korea noted that the EC survey provides similar results to the survey to be presented later in the meeting in Paper 11. This representative pointed out that the academic research in Korea found that the cost of capital decreased after IFRSs adoption; however, an interesting outcome is that IFRSs adoption led to disclosure overload. This representative asked for an elaboration of the "expected benefits" in "A strong majority confirmed that IFRS brought expected benefits" (slide 5).

4.5 Ms. Knorr noted that the preliminary feedback cannot be expanded at this time because it is not yet public. Thus, she suggested that participants to be "cautious and patient" with this information, and reiterated that the EC said that it would likely publish the results of the survey in June 2015, which is before the IFASS September 2015 meeting.

4.6 A representative from Germany provided his personal remarks that he would like to see a comparison between IFRS adoption pre 2005 and IFRS adoption post 2005. He explained that some European companies were mandated to adopt IFRSs pre 2005 and thus, he finds the anchor in the survey to be incorrect — should be prior to all European companies making changes to follow IFRSs. He noted that some benefits of IFRS adoption may be related to financial reporting, but some benefits could be related to enforcement — a mixture.

4.7 The Chairman noted that the EC survey was also asking about individual companies.

4.8 A representative from Canada added that Canadian stakeholders are concerned with being the first to adopt new standards as a result of quarterly reporting requirements, for example, some entities that adopted IFRS 10 *Consolidated Financial Statements* had to make changes subsequent to adoption.

4.9 Ms. Knorr noted that apart from the preliminary feedback there is tension between those who want a stable text and those who want to apply the text now. She noted that some countries are more market makers than others — thus, two camps exist, i.e., followers and leaders. She noted that some German companies welcomed the European Union's deferral of the mandatory adoption of IFRS 10 by one year. As far as IFRS 15 *Revenue from Contracts with Customers*, she noted that some German companies started their implementation process as soon as they could and thus, are finding it hard to "stop the big ship" as standard setters debate whether to defer the effective date. These German companies want to continue their implementation process according to the original timetable.

4.10 A representative from Pakistan asked about "Many commented on strengthening the EU voice through the EFRAG reforms" (slide 7) — is there a presumption that the voice is already strong?

4.11 Ms. Knorr noted that the starting point for the survey is that the EC wants a strong voice.

4.12 A representative from Japan queried if it is appropriate that we do not expect significant changes to the IAS Regulation based on the result from the survey on the endorsement process of IFRSs.

4.13 A representative from France noted that the forthcoming report will likely trigger a debate in the European Parliament and the Council.

4.14 Ms. Knorr concluded by suggesting that participants stay tuned for the final report on the European Commission's public consultation from all interested parties on their experience of Regulation 1606/2002 ('the IAS Regulation'). (The Final report is expected in June 2015 and will be discussed at a conference in Riga in June.)

5. Post-implementation Review of IFRS 3 *Business Combinations*

5.1 The Chairman noted that the discussion would commence with Paper 5 on Findings and next steps, followed by Paper 6 on the goodwill impairment and amortisation project.

5.2 Leonardo Piombino from the Italian Standard Setter and IASB Visiting Fellow facilitated the discussion of Paper 5, asking for participants' comments on the questions posed.

How to improve the IAS 36 impairment test (Topic 1)

5.3 Participants discussed Q1 on page 8 – What advice do you have on our preliminary proposals on Topic 1 [How to improve the IAS 36 impairment test]?

5.4 A representative from the U.K. reflected on the U.K.'s experience in this area. U.K. GAAP, before its replacement to converge with IFRS used to contain a powerful test — a five-year cash flow test. Subsequent to an initial impairment test, cash flow would be examined to determine if there is cause for action. A cause for action would be a very strong trigger to recognise an impairment loss, i.e., actual experience showing overly optimistic projections. Thus, the test is an assessment based on past projections versus actual experience of cash flow. He liked the links between Topic 1 and Topic 2, noting that the impairment calculation of goodwill is not clear, including its conceptual argument. He thought that it is clear that the impairment model should be fixed first, before considering Topic 2 (subsequent accounting for goodwill).

5.5 A representative from EFRAG agreed with the U.K. representative's thoughts related to the linkage of Topic 1 and Topic 2. He noted that these topics are not mutually exclusive. He asked whether the discount rate really needed to be reassessed, and if there should be more than one way to determine recoverability. He noted two requests: preparers want a simpler model; users want a more reliable model. He asked if amortisation of goodwill is important, do we test goodwill only when there is a triggering event? Being a former auditor, he was sceptical of a qualitative assessment and wanted a litmus test.

5.6 A representative from the FASB noted the following points:

- Its PIR on Business Combinations was completed earlier than the IASB's, and thus, asked the IASB for the timeline for its research project. (The FASB is waiting for the next step in the IASB's project to enable the standards to remain converged, and has been waiting for almost a year). The FASB has identified the same four topics as high priority that the IASB has labeled either high or medium-high.
- Based on my academic background, I believe the IASB memo likely provides an overstatement about what the research findings tell us. The research evidence neither supports nor refutes impairment versus impairment and amortization approach. It only shows that impairment matters in markets because there isn't the ability to run a positive experiment on what the market reaction would be if a company amortised before an impairment took place. Our outreach indicates that while investors find some confirmatory value in the impairment, the dollar amount does not matter. The existence of an impairment matters. Is there better information if a company amortises and then impairs, i.e., more precise news as you go forward?

- There is evidence that goodwill is priced more in an IFRS regime than a national GAAP regime — do not think that this result can be attributed specifically to the accounting. Pricing of goodwill may be related to better enforcement or better auditing in the IFRSs regime. We found that the market does not pay attention to goodwill expense.
- FASB preliminary discussions found that the impairment model needs fixing. Then, should we move towards an amortisation and impairment model? We have added a stage zero to our impairment model such that if it is more likely than not to be impaired, you can stop the test. Questions arise such as whether to proceed with full quantification of an impairment and pushdown to different cash generating units.

5.7 The IASB Vice-Chairman noted that the impairment test has an effect on market timing. He also noted that the IASB has placed Topics 1 and 2 on the high-priority level to embark on them as quickly as possible with the initial outcome of a discussion paper, including an outline of the issues and potential solutions. He noted the feedback received on its PIR and its priority in keeping together with the FASB on this project.

5.8 The IFASS Chairman questioned whether the impairment test should be fixed as a holistic set of inter-related topics or whether the impairment test should proceed before subsequent accounting for goodwill, i.e., on an individual basis.

5.9 The IASB Vice-Chairman noted that that Topics 1 and 2 will be performed in parallel.

5.10 A representative from Japan stated his view that the IASB should not feel obliged to issue a discussion paper on Topic 1 (How to improve the IAS 36 impairment test); and Topic 2 (Subsequent accounting for goodwill), given that there has already been ample feedback, but questioned if the IASB has the same view.

5.11 The IASB Vice-Chairman noted that the discussion paper may be short, outlining both sides of the argument with the ultimate goal to help decide whether the area should be considered for amendment.

5.12 The Chairman added that perhaps a discussion paper could be developed to summarise all points of view, i.e., FASB, IASB, Research Group, so that everyone is on the same page in terms of the work done to-date.

5.13 Mr. Piombino noted that when the IASB decided to add a research project to its agenda, it could be considered for the active project agenda next year as part of the IASB's agenda consultation. (The IASB Vice-Chairman confirmed this point.)

5.14 A representative from the FASB noted that his Board may not necessarily view the impairment model as the better conceptual approach. There were mixed views on a vote last year because the impairment model has a built-in delay given it compares the book value of goodwill to the fair value of both acquired goodwill and internally generated goodwill. And acquired goodwill clearly declines changing into internally developed goodwill over time, which provides support for amortising acquired goodwill given no accounting for internally generated goodwill. But that leaves open the issue of the amortisation period. If only accounting for the acquired goodwill, it would be easy to argue for an amortization period much less than 20 years, such as three to seven years, but at most 10 years. However, a short amortisation period begs the question of whether there would be continued support for amortisation by stakeholders.

5.15 The IASB Vice-Chairman confirmed that the IASB plans to work on Topics 1 and 2 in parallel. There is a need to examine the impairment test even if it is not for goodwill, but other intangible assets.

5.16 A representative from Hong Kong noted that if the amortisation period is pushed out for acquired goodwill, stakeholders will question what to do with it in 5-10 years' time. She added that perhaps acquired goodwill has a limited life, which amortisation reflects. An impairment model can result in a loss of comparability especially when goodwill was acquired years ago. She thought that financial statement users could receive counter-intuitive information to the market, i.e., the impairment is telling a different story than reality.

5.17 A representative from Japan encouraged both the IASB and the FASB to make their best effort to maintain convergence on the accounting standard for business combinations because it is a very critical standard.

5.18 A representative from the U.K. noted the importance of addressing pragmatic problems, such as the information signalled from knowing about the impairment. He confirmed the need for a discussion paper and suggested a pragmatic approach, for example, what does amortisation mean and why?

Subsequent accounting for goodwill (Topic 2)

5.19 Tomo Sekiguchi, Accounting Standards Board of Japan, introduced the session by highlighting some aspects of the Research Group Paper, "Discussion of Goodwill – Research Design" (see Paper 6.1), the Feedback Statement providing responses to the Discussion Paper, 'Should Goodwill still not be Amortised' (see Agenda Paper 6.2), and the accompanying Slides – Next steps in Goodwill Amortisation and Impairment Project (Slides marked 6.2).

5.20 The Chairman recalled that the driver behind an impairment only approach was the capital asset model, i.e., a capital asset is depreciated, and a new capital asset that is purchased is capitalised and depreciated as well. In terms of goodwill, there has been a concern about double counting in that two expenses go through the income statement, i.e., the amortisation expense of old goodwill, and the expense of creating or maintaining new goodwill. This double counting of expense led to a push to the impairment model for goodwill — away from amortisation.

5.21 Mr. Sekiguchi noted that he was aware of this concern, but he did not view it the same way. He explained that in the period subsequent to acquisition, the value of goodwill decreases. This expense is different from the expense incurred for creating or maintaining goodwill, and thus, he believed that it is important to differentiate these two expenses. He noted that some respondents shared this view.

5.22 Representatives' comments included the following:

- A representative from Germany asked are we demanding too much from the impairment test in terms of what it can accomplish? He viewed setting a useful life as a convention. He thought that perhaps reverting back to an amortisation plus impairment approach may maintain the same degree or same level of information, especially if that information is portrayed outside of the financial statements. He also questioned: is goodwill actually an asset? He noted that goodwill may be part of an asset (the recognised part), but not a complete asset. He added that he did not wish to reopen earlier debates, but was reluctant to conclude that it is an asset.

- A representative from the U.K. noted that on a conceptual basis, goodwill may not be an asset because it is an item that cannot be consumed. Goodwill arises from a transaction in which the basis of measurement changes. He thought that there may be times, such as this one, in which we need to step away from the conceptual framework and recognise elements, which are different purely for pragmatic reasons, for their information content. He also commented on the double counting argument. He noted that in terms of the U.K.'s response to the PIR, they did some research on intangible assets, not specifically on goodwill. Investors noted that many intangible assets are not distinguishable from goodwill, and they did not think that they should be amortised for the same reasons cited earlier.
- A representative from Sierra Leone noted that from a conceptual standpoint, he did not see an issue with goodwill. He noted that a rational investor would not enter into a transaction paying more without something in return. He called this "bounded rationality", i.e., a rational investor is not always right. The "winner's curse" means that more often than not rational decisions are wrong, as an investor pays more as a result of "rational exuberance". He argued that prudent economic evidence informs us that goodwill is often a liability.

5.23 The Chairman recalled old academic evidence on using pooling of interests accounting versus purchase accounting for business combinations whereby business combinations accounted for using purchase accounting tended to be more successful because management had to earn enough in the future to absorb the amortisation of goodwill.

5.24 A representative from Italy asked is an asset recognised in the period consumed at that time? He noted that conceptually in terms of comparability, he would prefer a pragmatic approach to recognise amortisation expense within the financial statements.

5.25 A representative from the FASB noted the usefulness of the comments from this discussion. He noted that he has been led to believe that a more practical, simpler solution is best. Thus, he thought that in terms of paths going forward, it would be best to disregard those solutions that add complexity to issues such as the reassessment period and pattern of amortisation.

5.26 The Chairman noted that if we replace the impairment test with amortisation, we need to be careful not to make amortisation more complicated than the impairment test.

5.27 A representative from Lebanon asked the IASB whether it considered the issue of recognition of negative goodwill.

5.28 Mr. Piombino noted that the IASB did consider the issue of recognition of negative goodwill, but in December 2014 decided that it was a lower priority issue.

Identification and measurement of intangible assets (Topic 3)

5.29 A representative from the U.K. noted that IFRS 3 states that "An intangible asset is identifiable if it meets either the separability criterion or the contractual-legal criterion." Given the need by investors for an intangible asset to be separable, he suggested "or" be changed to "and".

5.30 The Chairman noted that a parallel could be drawn to IAS 16 *Property, Plant and Equipment*, and "betterments", i.e., costs incurred to replace or add to an item to restore its service potential to what it was when first purchased, or to make it better, as opposed to repairs and maintenance. She suggested exploring the service potential of an intangible asset — when an intangible asset is amortised, some of it has been consumed, but some of it has been brought back to its original position. She thought that intangible assets that are separable and could be sold would likely meet the IAS 38 *Intangible Assets* criteria of being recognised as an asset.

5.31 A representative of EFRAG noted that some respondents suggested that some goodwill be amortised and some goodwill be subject to the impairment test. He asked participants to consider the type of evidence that they would like to see to support the research associated with '*Next steps in Goodwill Amortisation and Impairment Project'* (see Paper 6.2). [Participants could email Flippo Poli (EFRAG), Tommaso Fabi (Italy) or Tomo Sekiguchi (Japan).] He wanted to avoid a "circling" discussion.

5.32 The IASB Vice-Chairman noted that a lot of evidence has been gathered to-date and thus, countered with the necessity to make a judgment call and "get on with it".

5.33 A representative from the FASB reiterated this point and noted that any insights into costs related to the impairment model or other methods for impairment would be useful. He welcomed new and fresh ideas, while considering conceptual merits and keeping it simple.

Useful life of goodwill

5.34 A representative from the FASB asked whether using a short useful life for goodwill would be problematic. He noted that reading papers from Japan suggests that an amortisation period of 20 years is necessary.

5.35 A representative from Japan noted that a survey of the application of Japanese accounting standards, which still require amortisation of goodwill, found that many companies use five years as the amortisation period, rather than 10 years or 20 years, even though the standards permit up to 20 years. However, he noted that he would not completely preclude a 10-year or 20-year period because he thought that a company may find a longer amortisation period appropriate depending on the nature of the business combination or acquisition. He noted that the nature of the investment has a bearing on the amortisation period — a longer period would be chosen when the investment is expected to have a significant effect on the future performance for a longer period of time since the effect of synergy is longer, or a higher rate of return is expected. He summarised their findings by noting that many companies choose an amortisation period of five years; and for investments that would be affected by longer periods, the longer period was chosen as the amortisation period.

5.36 A representative from the FASB added that these findings would also be consistent with earnings management.

Bargain purchase and non-controlling interests

5.37 A representative from India had the following comments:

- A bargain purchase gain, which is a measure that does not affect performance management, would be better reflected in OCI rather than profit and loss. If this issue is not discussed in the PIR on IFRS 3, he suggested a discussion in the Conceptual Framework project.

- The choice of measurement basis for non-controlling interests has been assigned a low priority, however, he suggested that the two options be reduced to one treatment.

5.38 The IASB Vice-Chairman noted that the forthcoming Exposure Draft on the Conceptual Framework project has a rebuttable presumption that everything goes into profit and loss, and thus, a rebut of that presumption for an item such as a bargain purchase gain would put it in OCI, but then recycle it to profit and loss — so not a helpful outcome.

Definition of a business (Topic 4)

5.39 Leonardo Piombino from the Italian Standard Setter and IASB Visiting Fellow introduced the topic noting that the IASB proposes to clarify the definition of a business by addressing all the issues, and to consider whether and how the different accounting treatment for business combinations and asset acquisitions could be reduced, thereby relieving some of the pressure on that definition.

5.40 A representative from the U.K. noted that the focus should be on the definition of a business to "get it right". He did not find that narrowing the gap between accounting for business combinations and asset acquisitions to be constructive thinking.

5.41 A representative from the FASB noted that it planned meetings in two weeks to discuss different ways of accounting for these differences such as transaction costs. He noted that U.S. practice often accounts for the acquisition of an entity with a single asset as a business if that asset would continue to generate revenue even if it is ancillary to the purpose for which that asset is being acquired.

5.42 A representative from Germany suggested examining the cross-cutting issues between the definition of a business and IFRS 10 *Consolidated Financial Statements*, for example, the assessment of whether control exists for an acquisition.

5.43 A representative from Italy noted that his jurisdiction finds the differences between accounting for business combinations and asset acquisitions to be a significant issue, including the implication of deferred taxes.

5.44 The Chairman summarised by reiterating the point by the FASB of analysing the accounting for business combinations and asset acquisitions by placing the differences side by side and determining what they represent, and then seeing if some of the problems disappear by eliminating the difference.

5.45 A representative from France asked is there a view about the magnitude of how much we are talking about in the current categories, jurisdiction by jurisdiction? This magnitude would be useful to know before making a decision on whether to use a conceptual or pragmatic approach.

5.46 Mr. Piombino noted that data on goodwill and intangible assets has been published by the European Securities and Markets Authority (ESMA) on European companies in which the majority of assets are intangible assets (see Review on the application of accounting requirements for business combinations in IFRS financial statements (June 2014)).

5.47 The Chairman asked participants to advise Leonardo Piombino of any surveys by regulators other than the European Securities and Markets Authority (ESMA) survey related to impairment of goodwill and other intangible assets in IFRS financial statements.

6. Administrative Matters

WSS/IFASS Meeting – London – September 2015

6.1 The Chairman proposed that the September 2015 meetings be sequenced as WSS, IFASS and then ASAF (order of attendance; and general to specific). The action items on this topic are as follows:

- Participants to include additional comments on the order of these meetings in the evaluation form for this meeting, or failing that, to advise the IFASS Secretary as soon as possible.
- Participants to advise Michelle Sansom, ASAF co-ordinator, IASB, and the Chairman, IFASS, which follow-up topics from the Dubai IFASS meeting should be considered for the WSS meeting vis–à–vis the IFASS meeting.
- A representative from the FASB encouraged co-ordination of the IFASS and ASAF meeting agendas to allow for a broader discussion at IFASS of cross-over topics for the ASAF discussion.

IFASS Meeting Assessment

6.2 The Chairman reflected on the IFASS Meeting Assessment (Paper 7.1) and noted that good participation had continued at this meeting. She also thanked Felipe Pérez Cervantes, Mexican Financial Reporting Standards Board, and Bee Leng Tan, Malaysia Accounting Standards Board, and Didrik Thrane-Nielsen, a representative from Norway, for summarising that assessment and preparing the Paper. She noted that representatives were generally satisfied with that meeting (4 of 5); and that 38 of 73 representatives responded.

Assessment of Dubai Meeting (March 2015)

6.3 The action items on this topic are as follows:

- Participants who have not already handed in an evaluation form should complete one and send it to Felipe Pérez Cervantes, Mexican Financial Reporting Standards Board, as soon as possible and indicate whether they are responding individually or on behalf of a delegation (and if so, number of delegates).
- Participants with suggested improvements, for example, right questions asked, for future meetings should provide feedback to the IFASS Secretary by email.

6.4 At the beginning of Day 2 of the meeting, the Chairman once again thanked representatives from the Association of Accountants & Auditors – United Arab Emirates and the International Arab Society of Certified Accountants as well as others involved for hosting the meeting. She reflected on the great meeting, including great organisation, the super venue and also the lovely dinner. She especially thanked Oussama Tabbara, International Arab Society of Certified Accountants for being persistent and insisting on hosting the meeting in the region.

Agenda – IFASS meeting – London – September 2015

6.5 The action items on this topic are as follows:

- Participants to advise the IFASS Secretary by email of potential agenda items for the above meeting so that they can be included in the first draft of the agenda. (The IFASS Secretary aims to send out a draft agenda, including standing items, at least two months before the meeting, however, he still receives last minute agenda requests. As soon as participants receive this draft agenda, they should consider whether there should be additional agenda items.)

- Participants to include in the meeting evaluation (or failing that advise the IFASS Secretary as soon as possible) whether they would like to see fewer topics and thus, more in-depth discussion on these topics at future meetings.
- Participants to advise the IFASS Secretary by email as soon as possible whether IFASS agenda topics (such as those being considered at ASAF) warrant a break-out session, otherwise, any extra reserved rooms will be released.
- Participants should always keep in mind that their presentations at IFASS meetings should focus on identifying questions for participants and not on reiterating points made in their papers.
- Participants who suggest an agenda topic for a future meeting should keep in mind that they agree to submit a paper on that topic in a timely manner.

6.6 The Chairman reflected on the layout of the meeting room noting that to switch to "U" formation from classroom style takes several hours. Thus, some part of the IFASS meeting in September cannot be in the normal "U" configuration.

<u>Appointment of Next IFASS Chairman</u>

6.7 The Chairman reflected on Paper 7.2 — Appointment of Next IFASS Chairman. She noted that she proposes to step down after the Toronto IFASS meeting in H1 2016. A call for nominations will be made after the September 2015 meeting so that the incoming Chairman can participate at the H1 2016 meeting as incoming Chairman and then take on full responsibility at the September 2016 meeting. She also noted that the incoming Chairman's jurisdiction must agree to provide secretarial support. She also promised to prepare an agenda paper on the nomination and election process for discussion at the September 2015 meeting. She asked participants to consider possible nominees to replace the current Chairman.

<u>Toronto – IFASS meeting – H1 2016</u>

6.8 The Chairman asked participants to advise the IFASS Secretary as soon as possible of any holidays or other conflicts in their jurisdiction that would be a significant conflict with the IFASS meeting proposed to be held on the Monday and Tuesday, April 4-5, 2016.

<u>Proposal – IFASS meeting – Taiwan – H1 2017</u>

6.9 The Chairman received an invitation from a representative of the Accounting Research and Development Foundation (ARDF) (Taiwan) to host the H1 2017 IFASS meeting. The Chairman will be in touch with the IASB and the ARDF to co-ordinate possible dates.

7. Conceptual Framework

<u>Business model and P&L / OCI presentation</u>

7.1 Tomo Sekiguchi, Accounting Standards Board of Japan (ASBJ), presented his slides (marked Paper 8.1) to stimulate debate among participants on this sub-topic. These slides relate to

Papers by ASBJ, *Profit or Loss / OCI and Measurement* (Paper 8-1 Ref 1), *Role of "Nature of an Entity's Business Activities in Accounting Standard-Setting* (Paper 8-1 Ref 2). His points, in addition to those on the slides, included:

- Profit or loss is the primary source of information about an entity's financial performance, and users are most interested in that financial performance. [slide 3]
- The example when the rebuttable presumption related to the above point could be rebutted should be a principle, not just an example. [slide 3]
- The rebuttable presumption that "all items of income and expense included in OCI should be recycled to profit or loss" should not be a rebuttable presumption because it should be a principle that should not be rebutted, and recycling should occur when the outcome is irreversible or deemed such. [slide 4]
- Do not agree with the 2nd and 3rd bullets. [slide 4]

7.2 A representative from the FASB wanted to better understand the notion of "irreversible or deemed irreversible" given that one slide provided the example of asset impairments as deemed irreversible even when they are permitted to reverse under IFRS. He pointed out other typical types of transactions or events involving estimates such as variable consideration in terms of revenue recognition, or accruing estimated expenses, and thought that these items would fall within this notion. He excluded a trading company, or business activities that involve trading, and thought that changes in market prices would not be deemed irreversible.

7.3 Mr. Sekiguchi indicated that the simple answer was "yes". He thought that changes in market price could be deemed irreversible in a trading company situation, but possibly not in other situations — depends on a case-by-case basis.

7.4 A representative from India noted that he appreciated the efforts of the ASBJ in trying to find one definition for profit or loss, OCI and recycling. However, he had the following comments:

- Equating profit or loss to operating income: On-going situations maybe okay, but questioned other situations such as business acquisitions with bargain purchase gains, i.e., do bargain purchase gains align with operating income? and with investments of idle cash, i.e., is interest earned operating income? He thought that it may be useful to establish the linkage of profit or loss with the business activity.
- Rebuttable presumption of all items of income and expense should be included in profit or loss: When does it apply in different situations? For example, does a bargain purchase gain contribute to the primary business performance of an entity that would be included in the period in which the business acquisition takes place?
- Revaluation of surplus and a question of capital maintenance: There is no conclusion as to whether the revaluation of surplus should be recycled or not, or when the value of the assets increases, whether the revaluation of surplus is recorded in profit or loss, or OCI, and if in OCI, it cannot remain there.

7.5 Mr. Sekiguchi agreed with the importance of the notion of operating income as a subset of profit or loss. He noted that negative goodwill or bargain purchase gains could be viewed from various aspects; for example, some might view it as an underpayment for consideration received, while others might view it as the linkage factor between a measurement basis from the viewpoint of reporting an entity's financial performance and its financial condition. He commented on the revaluation of surplus and noted that the

ABSJ's model did not consider a difference in the concept of capital. He thought that perhaps the revaluation gain or loss should be an adjustment of equity rather than the recycling of OCI.

7.6 A representative from Lebanon thought that recycling includes the impairment of assets and changes in assets and liabilities. He questioned whether such recycling is recorded in comprehensive income and thus, mixed with unrealized gains on financial assets.

7.7 Mr. Sekiguchi noted that asset impairment losses on the credit side should be recorded in profit or loss in ABSJ's model (and thus, recycling of OCI is not relevant) because the model differentiates changes in market risk from changes in credit risk. He noted that in this case, the focus is on changes in market risk.

7.8 A representative from Korea had difficulty understanding the logic in the diagram of key considerations in accounting standard setting (slide 18) — if the appropriate measurement basis from the perspective of financial condition is cost measurement, whereas the appropriate measurement basis from from the perspective of profit or loss is fair value measurement, is the difference between the two measurements recorded in OCI?

7.9 Mr. Sekiguchi agreed on a practical basis, and noted that accumulated OCI should be recorded in the balance sheet.

7.10 A representative from Australia questioned the distinction between operating income and profit or loss, and why there is a distinction. In terms of the rationale of irreversible gains, she thought the model indicated that profit or loss should reflect predictive cash flows, but then questioned how a difference arises between profit or loss and operating income.

7.11 Mr. Sekiguchi explained that the important distinction between profit or loss and operating income is that profit or loss is all inclusive whereas operating income is not all inclusive, i.e., it is selective. Operating income excludes intentionally, the income or expense other than operating activities.

7.12 The Chairman thought that the ABSJ model was invoking a notion of one-time gains and losses that have no predictive value, i.e., leaving out unusual items without predictive value.

7.13 Mr. Sekiguchi noted that the ABSJ model was not advocating defining operating income with recurring or non-recurring items — operating income should include any expenses that result from normal operating activities.

7.14 Tom Linsmeier, member of the FASB, presented his slides, *Conceptual Framework Discussion: P&L/OCI* (marked Paper 8.1.1). He noted that he did not see the measurement of assets and liabilities as a conceptual basis for having current value in the statement of financial position and historical cost in profit or loss. He also questioned the primary basis for "primary source of information" (slide 2), and whether the notion of irreversible works in all settings because he thought that unrealized gains or losses would be reversible.

7.15 The Chairman reiterated some points made in Dr. Linsmeier's presentation and also noted that there exists a requirement to remeasure even under a historical cost model, and that any difference between remeasurement and full fair value measurement would be separately identified. She summarised a point in the ASBJ's model that "deemed irreversible" means that anything sufficiently certain in a historical cost model with a historical cost requirement would be a profit or loss item. However, to the extent that measurement is required for the statement of financial position, measurement would be at full fair value and the difference between fair value and an adjusted historical cost value would be an OCI item.

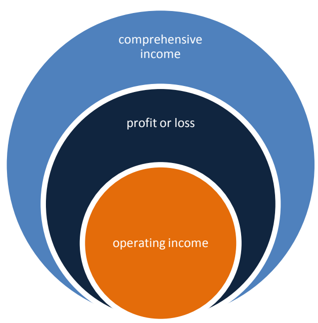
7.16 Dr. Linsmeier confirmed this summary by providing an example of accounting for debt security as an asset. He also noted that in moving to current value measurement, we pick up the incremental unrealized gain or loss to describe the full change in fair value, rather than remeasuring everything.

7.17 The Chairman then asked participants to provide their opinions of the ABSJ model.

7.18 A representative from the International Arab Society of Certified Accountants thanked Mr. Sekiguchi for the incredible intellectual efforts in contributing to the conceptual framework project. She also found Dr. Linsmeier's presentation to be interesting as it pointed out differences between the ABSJ model and the IASB's model. However, she questioned and noted the following:

- how could an auditor's opinion be provided if the ABSJ model was used?
- how could entities implement such a model?
- the concept of materiality has not been addressed.
- the concept of "irreversible" is not clearly defined.

7.19 This representative imagined the three concepts as the following stacked Venn diagram:



7.20 This representative noted that comprehensive income would include the effects of changes in assets and/or liabilities that have not been recognised in profit or loss, and that do not result from specific transactions by owners to manipulate the value of the entity.

7.21 A representative from the U.K. enjoyed the "productive intellectual debate". He highlighted an area of the ASBJ model regarding the profit or loss account representing in cumulative form the totality of all profit and losses over the period and over the life of the entity up to the balance sheet date because he takes a different view. He would not be concerned with the cumulative position, but instead would focus on the events of the period, and the income and expenses of the period. He did not want to be forced into recycling, but instead would be okay with recycling only if the event happened in the period.

7.22 Dr. Linsmeier summarised that in measuring the statement of income for the period, whether profit or loss, or comprehensive income, the integrity of the current period's financial performance is more important than the aggregation outcome over time. The statement of financial performance for a year equates to the performance for that year.

7.23 A representative from Germany commented on a statement made by Dr. Linsmeier, i.e., this representative did not firmly believe that different measurement bases should have different statements. He also commented on the ASBJ's proposal to differentiate according to business activities. He thought that the concept may work better for manufacturing entities whereby assets and liabilities have a single use, as opposed to multiple uses. He also had difficulty believing that in the financial services business and in other businesses that were built on value accretion, one can rely on how an asset contributes to the collection of cash. He questioned why we were not taking into account the fact that circumstances can change and management can change its intent.

7.24 A representative from Hong Kong challenged the presenters with asking whether we need OCI at all, especially given the discussions on the need for clear and concise disclosures, complexity does not help less informed investors. She expressed concern with using extraordinary items to hide performance. She proposed eliminating the concept of OCI and using a single better informed performance statement appropriately categorised with supporting notes. She recalled the concern of realisation in Hong Kong, for example, the company law requires dividends based on realised profits, but that information could be in the notes. She explained that OCI hides items that entities do not wish to discuss, i.e., volatile items.

7.25 A representative of EFRAG used an example of impairment of goodwill triggered by remeasurement of expected cash flows. He questioned whether the ASBJ's model would require a split between the portion attributed to a change in interest rate flowing to OCI and the balance to profit or loss.

7.26 Mr. Sekiguchi noted that how to record the effect of changes in discount rates is a challenge requiring exploration. He promised a discussion later on how to report the effect of changes in discount rates in other circumstances, such as pensions or insurance, from one period to the next period.

7.27 The action items related to the broad topic of the Conceptual Framework project and in particular, this sub-topic, are as follows:

- As noted in the session on the IASB's Workplan, participants to think of the most important issues and most controversial sub-topics in the forthcoming Exposure Draft that they may wish to address in their formal response.
- In formal response to the Exposure Draft, Dr. Linsmeier noted that participants may wish to consider the following questions:
  - Should "other comprehensive income" exist?
  - Should we ever lock down presentation in either statement of financial performance based on what management plans to do today?
  - Consider the recycling proposal — Why should the same item of income or expense be presented twice in comprehensive income in different accounting periods?

Measurement

7.28 Andrew Lennard, Director of Research, Codes & Standards Division, U.K. Financial Reporting Council, presented his slides (marked Paper 8.2) to stimulate debate among participants that relate to his Paper 8.2 on this sub-topic. His points, in addition to those on the slides and in the Paper, included:

- It is important to consider what issues matter especially given that it is an exercise in simplification — too simplistic will not work given that the real world is a complex place.
- Cross-cutting issues will arise in historical cost in the foreseeable future.

- When assets are consumed, is historical cost a measure of cost?
- Entity-specific values are not well-defined in the literature.
- For any entity, exit and entry values will differ.
- Next steps may include more work on historical cost in order to explain the underlying rationale, exploring dimensions of current value, entity-specific values, entry/exit values, and price changes.
- Do not expect the IASB to capture all these issues/steps.
- The IASB's work has achieved a lot — its forthcoming exposure draft on the Conceptual Framework will provide greater clarity in a number of areas.
- It is important to remember that it is a "living document" and will have a ways to go.

7.29 The Chairman summarised the presentation by noting the following action item:

- In your formal response to the Exposure Draft, participants may wish to consider raising issues such as those raised by Mr. Lennard in his Paper 8.2, for a future phase of the project, for example, further work on historical cost, and the merits of using entry and exit values.

Definition and Recognition of Liabilities

7.30 Tom Linsmeier, member of the FASB, presented his slides (marked Paper 8.4) on this sub-topic to stimulate debate among participants. His points, in addition to those on the slides, included:

- The second criterion is consistent with View 2 in the IASB discussion paper (not first criterion as noted on slide 3).
- Constructive obligations are created by an entity receiving economic benefit or activities created to the extent of the obligation.

7.31 Dr. Linsmeier noted that in a formal response to the Exposure Draft, participants may wish to consider raising issues such as those raised in his Paper 8.4.

7.32 The Chairman reflected that the definition of an economic resource helps to decide whether a liability exists or not. She also noted that at a conceptual level it is important to define when an entity's own equity is an asset of the entity.

7.33 The IASB Vice-Chairman pointed out that the Financial Instruments with Characteristics of Equity research project is trying to work through various issues, and thus, the Conceptual Framework project will be left open and adjusted, as necessary, once these issues are resolved.

7.34 A representative of the FASB noted that he does find appropriate the anticipated statement that the IASB does not expect anything coming out of the liability project to have any consequence. He noted that he did not think that conceptually an equity instrument could sometimes be considered a liability of the entity and sometimes not. He added that relatively unsophisticated financial statement users think that liabilities are present obligations and equity is not a present obligation. Are we serving these users when we say that sometimes a present obligation is equity?

7.35 A representative of the U.K. asked for clarification regarding the example of paying unvested pension benefits, and cumulative stock dividends.

7.36 Dr. Linsmeier noted that unvested pension benefits tied to past services by an employee meet the activities in the proposed liability definition to qualify for recognition as a present constructive obligation. Given that is the case, then under the proposed definition a liability also would be recognized for expected stock dividends (cumulative or not) because of the benefits of having the investment, even when the stock dividends are not declared. He noted if we are disturbed by this outcome, does that not suggest further work needs to be done on getting the proposed definition right?

7.37 A representative from Australia explained that for an entity that has discretion to actually pay a dividend, even if it is cumulative, an argument could be made that declaring the dividend is not a liability. However, she added that when a fixed endpoint exists to the instrument, a liability exists.

7.38 A representative from Germany provided the following observations:

- Liability distinction (slide 9): An answer may have been found that no one likes. An attempt has been made to bring constructive obligations into the definition of a liability, however, modifications to the definition of equity will have ripple effects on the definition of a liability. Thus, the definition of equity may have to be very, very narrow.
- We may all agree or not agree on whether an item is a liability, however, we need to consider as part of the reporting entity concept, i.e., whose liability is it?

7.39 Dr. Linsmeier noted that the definition of a liability does help with the distinction between a liability and equity. If the definition defines the economic resources used to pay off the liability in terms of assets of the entity, obligations to be settled in the entity's own stock are equity. However, If the definition of a liability defines the economic resources used to pay off the liability in terms of assets to the claimants, obligations to be settled in the entity own stock are liabilities because equity securities are assets to the claimant. He added that if we do not like either of these outcomes, further work needs to be done on the definition of a liability.

7.40 Mr. Sekiguchi found the presentation to be very good, but noted that he was of the view that answering the question as to whether there should be two categories in the statement of financial position, or three categories, or whether there should be a subcategory in equity in that statement, should require consideration as to how to achievethe objective of financial reporting.

7.41 Dr. Linsmeier noted that his presentation was constrained by the notion that we have to define liabilities. At a minimum, he thought that a line needed to be drawn between liabilities and equity in order to decide how to define comprehensive income and to permit the statements to articulate.

7.42 Dr. Linsmeier noted that he could see the right hand side of the statement comprising primarily of claims, with no attempt to distinguish liabilities from equity. He could not see the full right-hand side of being only claims because of the need to distinguish retained earnings from other claims in order for the two statements to articulate.

7.43 The Chairman noted the importance of understanding who that accumulation belongs to, and added that without at least one category of equity, there is no basis for the statement of performance. She thought that consideration should be made as to whether the obligation is conditional or unconditional, and cited an example of unvested pension benefits being unconditional obligations.

7.44 Dr. Linsmeier summarised the discussion relating to when a liability should be recognised.

7.45 The Chairman stressed the importance of an earlier point made by the IASB Vice-Chairman that the IASB is "leaving the door open" on making the definitions more robust until the results of the pilot project are complete.

7.46 The IASB Vice-Chairman agreed that the IASB is "leaving the door open" and pointed out the definition of a liability looks good for now, but the IASB is willing to revisit it in the future.

7.47 Dr. Linsmeier discovered in thinking about this issue that the primary area where the proposed definition may need more work is in the area of constructive obligations — this cannot be resolved based on whether an obligation is conditional or unconditional, which was the focus of the first DP. He cited the example of a bonus that will be owed based on achieving certain targets, which under the proposed definition would qualify as a constructive obligation before each target is reached, because it relates to future payments to employees for work already done to benefit the entity. While we may be comfortable with recognizing an expense and liability for such payments when the targets are expected to be achieved in the current fiscal period, are we comfortable with accruing expenses and liabilities in current periods for targets that may be achieved many fiscal periods from now?

7.48 The Chairman reflected on the example of bonuses and noted that a contractual obligation to pay a bonus could be an unconditional obligation subject to conditional measurements, but questioned how it could be different from an unconditional obligation on a forward contract that would be paid if the market price changes.

7.49 Dr. Linsmeier thought that in the latter example, an unconditional obligation exists with the measurement providing the current status. In the example of the bonus target, he thought that it was a conditional obligation until the bonus target was met, which is similar to a vested pension obligation. He thought that despite making progress on this topic, an entity can be expected to make many future payments and there needs to be a consistent basis for deciding when those future payments are current obligations or not. If the answer is only in certain circumstances, then more work may need to be done on the definition so that all future payments not yet owed are not required to be recognized as liabilities of the current period, because they can be associated broadly with current period activities or benefits.

7.50 The Chairman thanked the presenters for this thought-provoking discussion.

<u>Reporting Entity</u>

7.51 Kris Peach, Chair and CEO, Australian Accounting Standards Board, presented her slides (marked Paper 8.3) that relate to her Paper 8.3, *Conceptual Framework – Reporting Entity*, on this sub-topic to stimulate debate among participants. Her points, in addition to those on the slides and in the Paper, included:

- The concept of reporting entity flows into the work of the Conceptual Framework project, and the forthcoming exposure draft.
- The IASB focus has been on what a reporting entity should be reporting, instead of whether a reporting entity should be reporting.

7.52 A representative from Germany had comments relating to Question 1 and Question 4 (see slides marked Paper 8.3). He thought that an adjacent topic would be to unite and identify the reporting structure and questioned whether the IASB should include statements that would allow certain entities to apply IFRSs rather than being restricted from using the label IFRSs. He also questioned that for financial statements prepared prior to an initial public offering, whether a requirement for the top parent company to apply IFRSs affects the reporting requirements for the companies below that parent company.

7.53 A representative from Germany also had comments relating to Question 2 (see slides marked Paper 8.3). He thought that it was fundamentally important that the Conceptual Framework identify a perspective, and once identified, "stick with it".

7.54 The Chairman questioned whether the IASB should clarify whether a controlled entity by itself cannot prepare IFRS-compliant financial statements.

7.55 The IASB Vice-Chairman noted that publicly accountable enterprises cannot use IFRS for SMEs. He also noted that suggestions reside in a Green Paper for the European Commission in terms of restrictions on the use of IFRS financial statements. He questioned how the IASB should promote the reporting entity concept as a basis for policymakers to identify entities that should prepare IFRSs financial statements.

7.56 Ms. Peach questioned the meaning of "economic significance" given that in her jurisdiction a criteria for IFRS financial statements is that an entity be economically significant.

7.57 The IASB Vice-Chairman thought that the current requirements for entities with "public accountability" to use IFRS were clear.

7.58 A representative from Sierra Leone did not think that we should be solving this problem because he thinks that the reporting issue resides with the demand side of the market, and not the supply side of the market where we should remain.

7.59 A representative from Germany noted that we appear to stumble over the control notion and thought that some clarification was needed in this area. She also thought that more work should be done in distinguishing between the economic entity perspective and the proprietary perspective.

7.60 A representative from the FASB made the following comments:

- A "reporting entity" chapter would add a lot of value to the Conceptual Framework because it would define the boundaries of the entity that are necessary for a faithful representation of the economics.
- An important omission in the financial statements occurs when the control notion is not taken into account when an entity wants to apply IFRSs; certain risks (e.g., obligations) of the entity are not portrayed in those statements making the statements potentially incomplete. Are we comfortable with an entity not consolidating certain special purpose entities just because those entities want to report separately? That is the potential outcome of the proposed chapter that says any entity that chooses to report under IFRS is IFRS compliant.
- There also is a lost opportunity in Question 1 because it could suggest that at least conceptually that in the presence of control, the only way to be fully IFRS compliant is to reflect the consolidated financial statements when you have control and how you defined control.
- The control principle is not always followed in current IFRS because consolidation based on control loses relevant information, such as what assets can be used to pay

specific liabilities and requires the elimination of sometimes very relevant intercompany transactions.

- This observation suggests that a conceptual framework chapter that considers whether consolidation based on control is always the best way to meet the objective of financial reporting would be a valuable aid to standard setting by providing a cost-benefit framework for determining when to consolidate based on control.
- The conclusion may be that it is not always control that should define the set of financial statements.
- An ambitious and very important contribution would be to go further in this project than just saying that any entity can be considered compliant with IFRS if it is required to provide financial reports by a specific jurisdiction or authority. This conclusion lets entities ignore specific IFRS standards that require consolidation and still represent that they are compliant with IFRS. It would make more sense that these statements be considered specific purpose and that to comply with IFRS such entities would need to indicate where the reader can obtain fully compliant consolidated statements that are general purpose in nature.

7.61 A representative from Japan thought that whether a robust discussion about who should be a reporting entity should be considered from the viewpoints of the role of the Conceptual Framework. If the IASB concludes that the Conceptual Framework should be the guide for the IASB, discussion about who should be a reporting entity would be irrelevant, given that these decisions are usually not made by the IASB, but by regulators.

7.62 A representative from Germany clarified some of his earlier points. He thought that two notions exist — the control notion and the "being controlled" notion. He noted that an intermediate parent company that provides general purpose financial statements will use the control notion for anything that it controls. That intermediate parent may be under the control of another company and thus, a complete picture may not be provided. However, IFRSs would be applied as if that company was at the top of the structure. He also advised the IASB to address an issue regarding the ability to label general purpose financial statements as compliant with IFRSs when they are required by a local jurisdiction to be prepared either on a consolidated, separate or individual, or a combined basis.

7.63 The Chairman concluded by noting that it would be helpful for the IASB to provide a clear statement regarding the financial statements that would not qualify to be labelled "IFRSs". And, such a statement would assist policymakers with their requirements for IFRSs compliant financial statements.

7.64 The Chairman summarised by suggesting the following action item:

- In formal response to the Exposure Draft, participants may wish to consider raising issues such as those raised by Kris Peach in her Paper 8.3, and also the meaning of "economic significance".

8. Topical Issues

<u>Application of IFRS 10 – Concerns arising from paragraph 4(a)(iv)</u>

8.1 Catherine Morley, Chair of Financial Reporting Standards Committee, Hong Kong Institute of Certified Public Accountants, introduced this topic (see slides marked Paper 9.1, including letter to the IASB marked Paper 9.1A). She elaborated on some of the slides with comments, including:

- IFRS 10 loses some important information.
- There is tension between local and IFRS requirements.
- When a final standard is issued, we take the words as given and do not question whether they make sense.

8.2 A representative from the U.K. noted that his jurisdiction had similar issues with a "work around" in legislation whereby an additional exemption exists for subsidiaries. He noted the nonsensical nature of the condition that a top-level parent needs to provide financial statements available to the public. He noted that this condition is a more strenuous test than the top-level parent.

8.3 A representative from Lebanon believed that this issue is a delicate one and noted that application of the equity method was very important for an intermediate holding company. He recalled legal issues in the courts whereby an intermediate parent company did not issue consolidated financial statements.

8.4 A representative from the FASB asked, in terms of general purpose financial statements, would anything be violated in the public realm? Do you understand the claimants of the intermediate entity? What are you trying to achieve through consolidation?

8.5 The Chairman suggested that this issue be considered by the Conceptual Framework project. She questioned why the financial statements are being produced. She noted that the Hong Kong intermediate holding companies (IHCs) are private, wholly-owned companies and thus, if the demand for financial statements is created by law, instead of financial statement users, they are not likely general purpose financial statements. If they are general purpose financial statements, related party disclosure requirements would indicate the top-level control. She noted that in Canada, there would be a workaround solution for special purpose financial statements, with a report being issued on a "non-consolidated basis".

8.6 A representative from the FASB noted that related party disclosures provide useful information for a wide range of financial statement users.

8.7 The IASB Vice-Chairman noted that the IASB's agenda consultation would gather constituent needs, which might include this issue on IHCs.

8.8 Ms. Morley asked participants to advise her whether they have experienced an issue similar to that described in this Paper on the application of IFRS 10 and, if so, what action they took, if any.

<u>Classification of non-Current liabilities in the event of default – IAS 1 and new ED on liability classification</u>

8.9 A representative of the Institute of Chartered Accountants of India asked participants to consider whether they have experienced an issue similar to that described in Paper 9.2, including slides marked 9.2, and, if so, what action they took, if any.

8.10 A representative from Hong Kong recalled a similar situation in which an instrument behaved like a term loan arrangement with a clause in which the borrower could demand repayment. In this situation, management had a letter from a bank noting that it would not call the loan within the first year. However, the arrangement was classified as "current", although management questioned whether the arrangement could be classified as "non-current" on the basis of materiality.

8.11 A representative from EFRAG asked does the bank have the right to call the instrument or not? He also noted that he did not understand the rationale in slide 7 that it "may result in recall of other loans".

8.12 A representative from the U.K. noted that in his jurisdiction stakeholders questioned whether the standard should be changed, but in the end, IFRSs was adopted as issued by the IASB without a significant problem. They found that stakeholders required education to fully understand the requirements. He suggested not adding in the word "material", and consider instead the question: have you breached a provision of a long-term loan arrangement? He suggested not making modifications to paragraph IAS 1.74 as it is sufficient, as is.

8.13 A representative of the FASB noted that the FASB has a simplification project in this area. He noted that the U.S. literature is fairly complex in this area, but the tentative decision to-date is almost identical to IFRSs and an exposure draft will be issued soon.

8.14 A representative from Australia noted that she recalled a situation in which the banks actively took the opportunity to renegotiate a loan arrangement and did not consider the materiality of a breach of a provision.

8.15 A representative from Pakistan recalled similar situations in his jurisdiction, and some auditors qualified their audit reports, while others did not.

8.16 A representative from the FASB noted that the private company community in the U.S. discussed ED/2015/1 and had a similar concern that they voiced. However, he thought that disclosure would be quite effective in rectifying a potential problem and thus, in a rational market, there likely would not be a concern.

8.17 The Chairman noted that there was some reaction in Canada with a vast majority of companies having demand operating loans. These companies asked their banks for letters regarding not calling the loan. In those cases in which a bank would not issue a letter, disclosure was provided about the banking relationship in the notes to the financial statements.

8.18 A representative from India agreed that an entity could receive a letter from a bank stating that the loan would not be called. He also agreed that disclosure in the notes regarding the banking relationship should be sufficient for financial statement users.

9. Effects Analysis Study Report

9.1 Ian Mackintosh, the IASB Vice-Chairman, presented the slides on this topic marked Paper 10. In addition to the comments on these slides, he noted the following points:

- In meeting with financial statement users to gather feedback, we often find that users do not want it to be known that they were interviewed or what they said. Thus, it is important for us to make the best use of any information received, while being sensitive to their confidentiality requests.
- An effects analysis needs to be integrated into all stages of a project, i.e., it cannot be done only at the end of a project.

- We cannot perform all evidence gathering ourselves and thus, we would appreciate the assistance of local standard setters in this regard.

9.2 A representative from Japan noted that he learned a lot from this presentation, including the fact that an effects analysis should be considered during the entire life cycle of a project. However, he questioned whether and how an effects analysis should be considered at the initial assessment of a project or the project proposal stage (Q1); what level of quantification should occur, i.e., quantitative manner or qualitative manner (Q2); and whether or how achieving or not achieving convergence would have an effect on an effects analysis (Q3).

9.3 The IASB Vice-Chairman responded to these questions as follows:

- Q1: At an initial stage of a project, such as a research project, the IASB considers why it is addressing the topic, i.e., what is the problem? What are the suggestions to fix the problem? In developing an effects analysis, the problem would be outlined in full and the alternatives would be outlined. To help prioritize various aspects, the IASB would consider, if we did "x", it would result in effect A; if we did "y", it would result in effect B.
- Q2: In terms of quantitative or qualitative data, we cannot determine this aspect upfront — it may be 80/20 or 50/50, with professional judgement being used.
- Q3: Sometimes we would look to U.S. GAAP, but there is no hard and fast rule for an effects analysis. In fact, we do not always consider convergence.

9.4 The Chairman noted that from her experience, the IASB would consider whether a proposal would improve convergence in the global environment, and also would perform a survey of national standard setters to see whether anyone else had addressed the problem.

9.5 A representative of Germany asked whether given the endorsement process in Europe for IAS regulation, and the macro-economic assessment performed in the past, does the IASB have a wider aspect for effects analyses?

9.6 The IASB Vice-Chairman noted that this issue was discussed at great length by the Effects Analysis Consultative Group (EACG), and that it concluded that it was not in a position to do so because it was beyond the IASB's expertise, and it would need to be done for the whole world. Questions raised included: Where would you start? How would you manage the process? He cited an example of the provisions for expected credit losses of loan commitments of IFRS 9 *Financial Instruments* — We do not know whether an increase in the provision would lead to an increase in stability.

9.7 A representative of the FASB noted that he was impressed with the EACG's report. He added that the U.S. has been struggling with this topic, especially with its capital markets. He noted that standard setters have a different role to play from policy makers in a government setting, i.e., standard setters do not have an objective to change economics. However, he noted that the standards that we set have economic effects, but we can impart no bias. He also noted that often it is noted that benefits exceed costs, but now we say that benefits justify costs to avoid implying that we have precise quantitative data to make such an assessment.

9.8 The IASB Vice-Chairman noted that high-profile projects warrant an effective effects analysis, and in this regard, the IASB plans to announce next month at its IFRS Foundation

Trustees meeting in Toronto its mission statement, which will set out our role in a broader context.

9.9 A representative from Korea asked whether the IASB planned to share methodologies of the toolkit. The IASB Vice-Chairman noted that such methodology would be shared.

9.10 The Chairman concluded by summarising the action item:

- With all projects, participants need to consider the effects of proposals in their jurisdictions and report these effects to the IASB during the lifecycle of the project and not just when asked to do so. In this regard, participants will need to consider the type of fieldwork that they should undertake.

10. New member projects

Costs and Benefits of IFRS Adoption in Korea – Preparers' Perspectives

10.1 A representative of the Korean Accounting Standards Board introduced this topic (see Slides marked 11.1) by noting that there has not been a lot of research on this perspective. This representative responded to two questions from a representative from Australia that the follow-up interviews would be conducted face-to-face; and that there was no plan to conduct a similar survey with financial statement users because it would rely on the cost of capital research.

10.2 A representative from the U.K. noted that he was aware of two surveys in Europe, for example, a survey by the Institute of Chartered Accountants of England and Wales (ICAEW) that concluded some benefits, including a decrease in the cost of capital, plus one survey that was not yet published.

10.3 The Chairman noted a survey conducted in Canada co-sponsored by FEI Canada, Canada's Accounting Standards Oversight Council and the IASB entitled "The Cost of IFRS Transition in Canada – July 2013" (available from registering at Research Studies[4]).

10.4 A representative from the U.K. asked about the meaning of the category "less than $450,000".

10.5 The following action items resulted from this discussion, which included responding to the question above:

- Participants suggested that Korea follow up with preparers to better understand the category "less than $450,000" on slide 28 in respect of how much organisations spent in developing and establishing the accounting system necessary for adopting K-IFRS, prior to the filing of K-IFRS financial statements, i.e., How much lower than $450,000?
- Participants to advise Korea on whether they have conducted cost studies in adopting IFRSs in their jurisdiction. (UK and Canada to provide links to Korea for similar studies conducted in their jurisdiction.) Also, if such a study is planned, participants advised to include questions similar to those in Paper 11.1 to allow for a comparison to the Korean study.

[4] Click to open the study and in the pop-up box, register to view the study — CFERF Research Papers are available to members and registered non-members.

- Korea to advise the IFASS Secretary whether they would like to include an update on this topic at the September 2015 IFASS meeting in London.

Disclosures related to the Application of IAS 8 (project within the Disclosure Initiative of the IASB)

10.6 Leonardo Piombino from the Italian Standard Setter and IASB Visiting Fellow introduced the topic (see slides marked 11.2 and entitled "Review of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Results of two surveys").

10.7 A representative from Germany noted that some seemed to claim difficulties in distinguishing between "changes in accounting policy" and "changes in accounting estimate". However, he could not understand this difficulty given that IFRSs defaults to "changes in accounting estimates" when an entity cannot make the distinction. He also questioned whether the difficulty may be outcome driven, instead of a real issue.

10.8 A representative from Italy wondered whether the broadness of the definition of "accounting policies" may be causing difficulties.

10.9 A representative from India noted that preparers in his jurisdiction also have difficulty distinguishing between these changes, and thus, he suggested an alternative approach that would consider the conceptual basis for these changes.

10.10 A representative from EFRAG noted that in terms of the problem, the larger issue is distinguishing between "changes in accounting estimate" and "errors".

10.11 A representative from Japan noted that his jurisdiction encouraged preparers and auditors to submit comments on this survey. He noted that generally preparers and auditors did not find the distinction between "changes in accounting estimate" and "changes in accounting policy" to be broken, and thus, were not asking for comprehensive and radical changes. Instead he thought that improvements could be made regarding the judgment as to whether the effect of a change in accounting estimate should be recognized during the period of change, or over the period of the change and future periods.

10.12 A representative from the U.K. questioned the difference between "changes in accounting estimates" and the "method of deriving that estimate". He noted that it was important to clearly distinguish these from "changes in accounting policy". He suggested that the income or expense effect of "changes in accounting estimates" should not be made in the same line item as that where the income or expense was reported in the prior period, but should be reported separately. Only by doing so would the line item fairly represent the income or expense for the period.

10.13 The Chairman noted that the effect of "changes in accounting estimates" should always be displayed separately and not buried; and a "change in the method" should be separated in the period of change.

10.14 A representative from Italy highlighted the fact that the majority of preparers believe that changes in the measurement basis should be represented retrospectively (see slide 24), instead of not being accounted for retrospectively as per the proposal (see slide 14). He also noted that they are working with the IASB to develop a feedback statement.

10.15 A representative from Australia suggested that the IASB consider more guidance to understand the meaning of a "change in measurement basis" because she did not think that users understood it.

10.16 Mr. Piombino noted that in discussions with a user panel, users indicated that they did not like “changes in measurement basis”.

11. Conclusion

11.1 The Chairman concluded the meeting by thanking the International Accounting Standards Board and all the individuals involved for their efforts in making this a very successful meeting.

11.2 She reminded members that the next IFASS meeting will take place in London on 29 and 30 September 2015, in conjunction with meetings of the World Standard Setters and the Accounting Standards Advisory Forum. She asked members to advise the IFASS Secretary of potential agenda items so that they can be included in the first draft of the agenda for that meeting. She also noted other action items related to preparations for the next meeting – see Administrative Matters.

Appendix A

IFASS – 24–25 March 2015, Dubai – LIST OF PARTICIPANTS

	Name	Organization
1	Kris Peach	Australian Accounting Standards Board
2	Gerhard Prachner	Austrian Financial Reporting and Auditing Committee
3	Sadi Podevijn	Belgian Accounting Standards Board
4	Ahmed Sameer El Khatib	Brazilian Accounting Pronouncement Committee
5	Rebecca Villmann	Accounting Standards Board Canada
6	Peter Sampers	Dutch Accounting Standards Board
7	Filippo Poli	EFRAG
8	Patrick de Cambourg	French Accounting Standard Authority
9	Valérie Viard	French Accounting Standard Authority
10	Andreas Barckow	Accounting Standards Committee of Germany
11	Liesel Knorr	Accounting Standards Committee of Germany
12	Peter Missler	Accounting Standards Committee of Germany
13	Catherine Morley	Hong Kong Institute of Certified Public Accountants
14	Christina Ng	Hong Kong Institute of Certified Public Accountants
15	Ian Mackintosh	IASB
16	Michelle Sansom	IASB
17	Nancy Estey	IFASS
18	Tricia O'Malley	IFASS
19	Avinash Chander	The Institute of Chartered Accountants of India
20	Sanjeev Maheshwari	The Institute of Chartered Accountants of India
21	Nilesh Shivji Vikamsey	The Institute of Chartered Accountants of India
22	Djohan Pinnarwan Jusuf	Indonesian Financial Accounting Standards Board
23	Aucky Pratama Setya Dharma	Institute of Indonesia Chartered Accountants
24	Oussama Tabbara	International Arab Society of Certified Accountants
25	Gina Chammas	International Arab Society of Certified Accountants
26	Jeanine Poggiolini	IPSASB
27	Rafid Al Nawas	Union of Accountants and Auditors – Republic of Iraq
28	Adel Al Hasoon	Iraqi Association of Certified Accountants
29	Ahmed Al-Juboori	Iraqi Association of Certified Accountants
30	Tommaso Fabi	Italian Standard Setter
31	Leonardo Piombino	Italian Standard Setter and IASB Visiting Fellow
32	Atsushi Kogasaka	Accounting Standards Board of Japan
33	Yukio Ono	Accounting Standards Board of Japan
34	Misa Ota	Accounting Standards Board of Japan
35	Tomo Sekiguchi	Accounting Standards Board of Japan
36	Edwin Makori	Institute of Certified Public Accountants of Kenya
37	Jee In Jang	Korea Accounting Standards Board
38	Won-Hee Han	Korea Accounting Standards Board
39	Elie Abboud	Lebanese Association of Certified Public Accountants
40	Georges Chartouni	Lebanese Association of Certified Public Accountants
41	Antoine Hobeika	Lebanese Association of Certified Public Accountants

42	Felipe Pérez Cervantes	Mexican Financial Reporting Standards Board
43	Rajesh Poudel	Accounting Standards Board of Nepal
44	Parakram Nath Sharma	Accounting Standards Board of Nepal
45	Prem K Shrestha	Accounting Standards Board of Nepal
46	Muhammad Maqbool	Institute of Chartered Accountants of Pakistan
47	Hafiz M Yousaf	Institute of Chartered Accountants of Pakistan
48	Omodele R. N. Jones	Council for Standards of Accounting, Auditing, Corporate & Institutional Governance (Sierra Leone)
49	Suat Cheng Goh	Singapore Accounting Standards Council
50	Siok Mun Leong	Singapore Accounting Standards Council
51	Carlos Moreno Saiz	Accounting and Auditing Institute (Spain)
52	Bongeka Nodada	The South African Institute of Chartered Accountants
53	Zein El Abdin El Borai Ahmed	Sudanese Association of Professional Accountants
54	Claes Janzon	The Swedish Financial Reporting Board
55	Abdulkader Husrieh	Syrian Association of Chartered Accountants
56	Yi-ying Huang	Accounting Research and Development Foundation (Taiwan)
57	Louise J.Y. Wu	Accounting Research and Development Foundation (Taiwan)
58	Anthony Appleton	Financial Reporting Council (U.K.)
59	Andrew Lennard	Financial Reporting Council (U.K.)
60	Ibrahim Abu Saif	The Association of Accountants & Auditors – UAE
61	Ibrahim Al Falasi	The Association of Accountants & Auditors – UAE
62	Saif Bin Abed Al Muhairi	The Association of Accountants & Auditors – UAE
63	Ahmad Darwish	The Association of Accountants & Auditors – UAE
64	Yusuf Hassan	The Association of Accountants & Auditors – UAE
65	Omar Khari	The Association of Accountants & Auditors – UAE
66	Abbas Mirza	The Association of Accountants & Auditors – UAE
67	Alaa Yousef	The Association of Accountants & Auditors – UAE
68	Daryl Buck	Financial Accounting Standards Board (U.S.)
69	Tom Linsmeier	Financial Accounting Standards Board (U.S.)

Appendix B

INTERNATIONAL FORUM OF ACCOUNTING STANDARD-SETTERS

ACTION LIST – Ex 23-24 March 2015 (Dubai) MEETING

Action
IASB Workplan and IFRS Foundation Developments
• Participants to advise the IASB staff of any unintended consequences or concerns relating to specific projects before the final re-deliberations phase. • Participants to consider ways to further the IASB's agenda, including raising contentious issues with IASB staff and developing preliminary views on proposals. • Participants to advise IASB staff of views (theirs and constituents') on the IASB's agenda consultation. • Participants to advise IASB staff of potential research projects not on the IASB's list, including identifying, scoping out, and prioritizing the problem. • Participants to monitor these projects and work with IASB staff on those that are of particular interest to them. ***Conceptual Framework project*** • Participants to consider how to raise interest from stakeholders in their jurisdictions in order to gather input on the forthcoming Exposure Draft. (A suggestion was made to approach stakeholders who were interested in the rate-regulated activities project as Canada has experienced some cross-over effects.) • Recommend participation from all jurisdictions in this project given its importance. • Participants to think of the most important issues and most controversial sub-topics in the forthcoming Exposure Draft that they may wish to address in their formal response letter. (To aid thinking about issues – see separate section below on the Conceptual Framework.) ***Disclosure Initiative project*** • Participants to consider ways to encourage interest from stakeholders, especially financial statement users, on projects such as the Disclosure Initiative project. (A suggestion was made to mock up financial statements to show proposed changes.) • Kris Peach, Chair and CEO, Australian Accounting Standards Board, to send an email to Harry Klompas, the Secretary, IFASS, with a link to this Board's website after release of helpful hints for stakeholders in terms of this project, such as the use of professional judgment.[5] ***Insurance Contracts project*** • Participants should encourage actuaries in their jurisdiction to participate in the International Actuarial Association's work on a converged standard on insurance. (This work is gearing up for the issuance of the IASB's new standard.) ***Leases project*** • Participants to advise Felipe Pérez Cervantes, Mexican Financial Reporting Standards Board, by email whether your jurisdiction may be faced with a similar issue with respect to the forthcoming new leases standard as Mexico, i.e., In Mexico, tax

[5] On April 22, 2015, Ms. Peach provided a link to the AASB's website addressing the hot topic of Improving and Rationalising Disclosure. This link includes the March 2015 AASB Staff article, "Reducing Disclosure Burden – Dealing with the Domestic Dimensions of a Global Problem," which was released after the meeting.

consequences may arise as a result of the forthcoming requirement to recognize a liability arising from many operating leases and the corresponding right of use asset. Mexican tax law requires that the liability be included in the basis for an inflation adjustment that is taxable, but the right of use asset will not generate a corresponding inflation deduction. Consequently, companies applying the forthcoming new leases standard, may end up paying additional taxes as a result of an accounting requirement.

Post-employment benefits research project

- Participants to start now in developing an inventory of the types of benefit plans that exist in practice in their jurisdictions, especially those plans that don't neatly fit the current definitions of defined contribution and defined benefit plans, including details of the schemes. (This work will then be ready when the IASB requests such information.)

Transition Resource Groups – Overall comments

- Participants encouraged to monitor the webpages of the Revenue Transition Resource Group that is addressing implementation issues arising on IFRS 15 *Revenue from Contracts with Customers*, and the Transition Resource Group for Impairment of Financial Instruments, which plans to have its first meeting on April 22, 2015.
- Participants were asked for insights on whether we, as standard-setters, should encourage regulators to back off from having one right answer on a particular issue.

***Clarifications to IFRS 15* Revenue from Contracts with Customers (narrow scope amendment project)**

- Participants with representatives on the revenue TRG were asked to consider whether issues were being filtered before going forward and also whether there were more issues in the pipeline.

Reports from Regional Groups

- Participants in jurisdictions not currently involved with a regional group of standard-setters should consider participating in such groups as these groups leverage scarce resources and enable activities such as responding to the IASB's invitations to comment.
- Participants in jurisdictions without a regional group should consider forming such a group. India and United Arab Emirates to discuss the process of forming a group with a member of GLASS or AOSSG.

IPSASB Update

- Participants may wish to download the IPSASB Strategy and Work Plan Webinar Presentation that was presented on March 27, 2015, which was just after the IFASS meeting.

EU Expert Group on IAS Regulation

- Participants to stay tuned for the final report on the European Commission's public consultation from all interested parties on their experience of Regulation 1606/2002 ('the IAS Regulation'). (The Final report is expected in June 2015 and will be discussed at a conference in Riga in June.)

Post-implementation Review IFRS 3 *Business Combinations*
• Participants to consider the type of evidence that they would like to see to support the research associated with '*Next steps in Goodwill Amortisation and Impairment Project*' (see Paper 6.2). • Participants to advise Leonardo Piombino, Italian Standard Setter and IASB Visiting Fellow, of any surveys by regulators other than the European Securities and Markets Authority (ESMA) related to impairment of goodwill and other intangible assets in IFRS financial statements.
WSS/IFASS Meeting – London – September 2015
• The Chairman proposed that the September 2015 meetings be sequenced as WSS, IFASS and then ASAF (order of attendance; and general to specific). Participants to include additional comments on the order of these meetings in the evaluation form for this meeting, or failing that, to advise the Secretary as soon as possible. • Participants to advise Michelle Sansom, ASAF co-ordinator, IASB, and the Chairman, IFASS, which follow-up topics from the Dubai IFASS meeting should be considered for the WSS meeting vis–à–vis the IFASS meeting. • A representative from the United States encouraged co-ordination of the IFASS and ASAF meeting agendas to allow for a broader discussion at IFASS of cross-over topics for the ASAF discussion.
Assessment of Dubai Meeting (March 2015)
• Participants who have not already handed in an evaluation form should complete one and send it to Felipe Pérez Cervantes, Mexican Financial Reporting Standards Board, as soon as possible and indicate whether they are responding individually or on behalf of a delegation (and if so, number of delegates). • Participants with suggested improvements, for example, right questions asked, for future meetings should provide feedback to the Secretary by email.
Agenda – IFASS meeting – London – September 2015
• Participants to advise the Secretary by email of potential agenda items for the above meeting so that they can be included in the first draft of the agenda. (The Secretary aims to send out a draft agenda, including standing items, at least two months before the meeting, however, he still receives last minute agenda requests. As soon as participants receive this draft agenda, they should consider whether there should be additional agenda items.) • Participants to include in the meeting evaluation (or failing that advise the Secretary as soon as possible) whether they would like to see fewer topics and thus, more in-depth discussion on these topics at future meetings. • Participants to advise the Secretary by email as soon as possible whether IFASS agenda topics (such as those being considered at ASAF) warrant a break-out session, otherwise, any extra reserved rooms will be released. • Participants should always keep in mind that their presentations at IFASS meetings should focus on identifying questions for participants and not on reiterating points made in their papers. • Participants who suggest an agenda topic for a future meeting should keep in mind that they agree to submit a paper on that topic in a timely manner.

• Participants to consider possible nominees to replace Chairman (Current Chairman proposes to step down after the Toronto IFASS meeting in H1 2016. Call for nominations will be made after the September 2015 meeting so that the incoming Chairman can participate at the H1 2016 meeting as incoming Chairman and then take on full responsibility at Fall 2016 meeting. The incoming Chairman's jurisdiction to provide secretarial support. Current Chairman to prepare an agenda paper on the nomination and election process for discussion at the September 2015 meeting.)
Toronto – IFASS meeting – H1 2016
• Participants to advise the Secretary as soon as possible of any holidays or other conflicts in their jurisdiction that would be a significant conflict with the IFASS meeting proposed to be held on the Monday and Tuesday, April 4-5, 2016.
Proposal – IFASS meeting – Taiwan – Spring 2017
• The Chairman received an invitation from a representative of the Accounting Research and Development Foundation (ARDF) (Taiwan) to host the H1 2017 IFASS meeting. The Chairman will be in touch with the IASB and the ARDF to co-ordinate possible dates.
Conceptual Framework
• As noted in the session on the IASB's Workplan, Participants to think of the most important issues and most controversial sub-topics in the forthcoming Exposure Draft that they may wish to address in their formal response. ***Business model and P&L/OCI presentation*** • In formal response to the Exposure Draft, participants may wish to consider the following questions: o Should "other comprehensive income" exist? o Should we ever lock down presentation in either statement of financial performance based on what management plans to do today? o Consider the recycling proposal — Why should the same item of income or expense be presented twice in comprehensive income in different accounting periods? ***Measurement*** • In formal response to the Exposure Draft, participants may wish to consider raising issues such as those raised by Andrew Lennard, Director of Research at the U.K. Financial Reporting Council, in his Paper 8.2 for a future phase of the project, for example, further work on historical cost, and the merits of using entry and exit values. ***Reporting entity*** • In formal response to the Exposure Draft, participants may wish to consider raising issues such as those raised by Kris Peach, Chair and CEO, Australian Accounting Standards Board, in her Paper 8.3, and also the meaning of "economic significance". ***Definition and recognition of liabilities*** • In formal response to the Exposure Draft, participants may wish to consider raising issues such as those raised by Thomas J. Linsmeier, FASB member, in his Paper 8.4.

Topical Issues –
• **Application of IFRS 10** Participants to advise Catherine Morley, Chair of Financial Reporting Standards Committee, Hong Kong Institute of Certified Public Accountants, whether they have experienced an issue similar to that described in Paper 9.1 on the application of IFRS 10 and, if so, what action they took, if any.
Effects Study Report
• With all projects, participants need to consider the effects of proposals in their jurisdictions and report these effects to the IASB during the lifecycle of the project and not just when asked to do so. In this regard, participants will need to consider the type of fieldwork that they should undertake.
New member projects – Costs and benefits of IFRS Adoption in Korea
• Participants suggested that Korea follow up with preparers to better understand the category "less than $450,000" on slide 28 in respect of how much organisations' spent in developing and establishing the accounting system necessary for adopting K-IFRS, prior to the filing of K-IFRS financial statements, i.e., How much lower than $450,000? • Participants to advise Korea on whether they have conducted cost studies in adopting IFRSs in their jurisdiction. (UK and Canada to provide links to Korea for similar studies conducted in their jurisdiction.) Also, if such a study is planned, participants advised to include questions similar to those in Paper 11.1 to allow for a comparison to the Korean study. • Korea to advise the Secretary whether they would like to include an update on this topic at the September 2015 IFASS meeting in London.