# IASB Projects
# A pocketbook guide

As at 31 March 2014

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## Introduction

EY's pocketbook guide summarises the key features of the active projects of the International Accounting Standards Board (IASB or the Board). It also includes potential implications of the proposed standards, along with our views on certain projects.

This edition of the pocketbook guide focuses on the active projects and tentative decisions made by the IASB up to 31 March 2014. It contains two broad sections – major IFRS projects (excluding the *International Financial Reporting Standard on Small and Medium-sized Entities*) and implementation projects.

Since our last edition, the December 2013 pocketbook guide, the IASB issued IFRS 14 *Regulatory Deferral Accounts*, which is the interim standard on rate-regulated activities. The Board also continued its initiative to improve disclosures in financial statements, which includes proposals to amend IAS 1 *Presentation of Financial Statements*.

In this publication, we summarise each of the Board's active projects with emphasis on the financial instruments, leases, revenue, insurance contracts and rate-regulated activities projects. Highlights of the IASB's work plan, updated on 26 March 2014, also are provided.

For details of IASB projects for which new or amended IFRSs have been issued, we refer you to our publication, *IFRS Update of standards and interpretations in issue at 28 February 2014* (*IFRS Update*) and our *IFRS Developments* series, all of which are available on www.ey.com/ifrs.

We trust that you will find this guide useful.

Yours sincerely,

Leo van der Tas

**Global Leader — IFRS Services**

**Global Professional Practice**

April 2014

# Timeline for major IFRS projects

| | 2014 | | | |
|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 |
| **Financial instruments**[1] | | | | |
| Classification and measurement | Re-deliberations | IFRS | | |
| Impairment | Re-deliberations | IFRS | | |
| Macro hedging | | DP | | |
| **Leases** | Re-deliberations | | | |
| **Revenue** | | IFRS | | |
| **Insurance contracts** | Re-deliberations | | | |
| **Rate-regulated activities - Comprehensive project** | | DP | | |

IFRS Final standard or amendments

DP Discussion paper

[1] The IASB is addressing this project in stages. Standards for classification and measurement of financial assets and financial liabilities were issued in 2009 and 2010, respectively, and hedge accounting in November 2013 IFRS 9 *Financial Instruments – Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39* (IFRS 9 (2013)).

# Major IFRS projects

| Financial instruments – classification and measurement | Target standard Q2 2014 |
|---|---|
| **Key developments to date** | **Implications** |

**Background**

- The first phase of IFRS 9 *Financial Instruments*, which addresses the classification and measurement of financial assets and financial liabilities, was published in November 2009 (financial assets) and October 2010 (financial liabilities). In February 2014, the IASB finalised its deliberations on proposed amendments.

**Scope**

- The IASB proposed limited amendments to IFRS 9 that were originally intended to focus on the interaction of IFRS 9 with the insurance contracts project, as well as reducing key differences with US GAAP proposals.[2] The proposed amendments are also intended to address specific application issues.

**Key features**

- A new classification and measurement category, fair value through other comprehensive income (FVOCI), would be introduced. This category is proposed as mandatory for portfolios of plain vanilla debt instruments held in a FVOCI business model, which manages instruments both to collect contractual cash flows and for sale as an outcome of the objectives of the FVOCI business model.
- Debt instruments (including loans) would be classified into one of three measurement categories: amortised cost; FVOCI; or fair value through profit or loss (FVTPL).

**Implications**

- The amendments would result in certain portfolios of debt instruments being classified at FVOCI (e.g., a portfolio in which the entity intends to maintain a certain level of investment in the financial assets for a period of time, but may seek to maximise its return through opportunistic selling and re-investment in higher yielding assets). In the absence of these amendments, such portfolios would be classified and measured at FVTPL.

[2] The US Financial Accounting Standards Board (FASB) tentatively decided not to use the contractual characteristics for the classification and measurement of financial instruments under US GAAP. This means that convergence between IFRS 9 and US GAAP will not be achieved for the classification and measurement of financial instruments.

## Financial instruments – classification and measurement *cont'd*

| Key developments to date | Implications |
|---|---|
| | |

### Key features *cont'd*

- Classification would be based on the contractual characteristics and the business model within which debt instruments are held. Additional implementation guidance on assessing the business model would be provided. This would include guidance on the types of business activities and the frequency and nature of sales that would (or would not) be consistent with the 'hold to collect' business model in order to qualify for the amortised cost measurement category.
- For financial assets classified at FVOCI, interest revenue and impairment would be computed and recognised in the same manner as for financial assets measured at amortised cost.

### Transition and effective date

- Three versions of IFRS 9 have been issued (2009, 2010 and 2013). All are available for early application until all of the phases of IFRS 9 are published, provided an entity applying these versions chooses a date of initial application that is less than six months after the completed version is issued. A new mandatory effective date will be set when the IASB completes the impairment phase of the project. The effective date is expected to be 1 January 2018, with early application permitted.
- Entities may elect to apply only the accounting for gains and losses from 'own credit risk' without applying the other requirements of IFRS 9 (2013) at the same time. These provisions require an entity to present in other comprehensive income (OCI) the changes in the fair value of non-derivative financial liabilities designated at FVTPL that are attributable to the entity's own credit risk.

### How we see it

*We welcome the decision to allow early adoption of the 'own credit' requirements of IFRS 9. The application of the current requirements means that earnings decrease as the entity's creditworthiness improves, and increase as the creditworthiness deteriorates. Such counter-intuitive earnings volatility can be very significant, particularly for banks.*

*Early adoption of the 'own credit' requirements would allow entities to exclude such volatility from their reported profits for liabilities designated at FVTPL. For financial entities, this will be attractive, especially now that it is available (subject to local endorsement) without having to apply the other requirements of IFRS 9.*

Further information on this project can be found on www.ey.com/ifrs.

| Financial instruments – impairment | Target standard Q2 2014 |
|---|---|

## Key developments to date

### Background

- The IASB issued two exposure drafts (ED) proposing the recognition and measurement of a credit loss allowance or provision based on expected losses rather than incurred losses. The FASB also published separate proposals for an expected credit loss model.
- In February 2014, the IASB completed its re-deliberations on the proposed expected credit loss model.

### Scope

- The standard would apply to: financial assets measured at amortised cost or at FVOCI under IFRS 9 (including retail and commercial loans, debt securities and trade receivables); irrevocable loan commitments and financial guarantee contracts that are not accounted for at FVTPL under IFRS 9; and lease receivables.

### Key features

- At each reporting date, an entity would recognise a credit loss allowance or provision equal to 12-month expected credit losses (i.e., based on the probability of a default occurring in the next 12 months). The 12-month expected credit losses would be replaced by lifetime expected credit losses if the credit risk has increased significantly since initial recognition (the lifetime expected credit losses criterion).
- The credit loss allowance or provision would revert to 12-month expected credit losses if the credit quality subsequently improved and the lifetime expected credit losses criterion was no longer met.

## Implications

- The expected credit losses model would likely result in earlier recognition of credit losses compared with the current incurred loss model of IAS 39. This is because it would require the recognition of either a 12-month or lifetime expected credit losses allowance or provision that includes not only credit losses that have already occurred, but also losses that are expected in the future.
- The proposed impairment approach would likely result in significant changes to systems and processes, particularly with respect to the interaction between credit risk management and financial reporting.

## Financial instruments — impairment *cont'd*

| Key developments to date | Implications |
|---|---|
| **Key features** *cont'd*<br>► As an exception to the above, a simplified approach would be available for trade and lease receivables. Under the simplified approach, an entity would recognise a credit loss allowance based on lifetime expected credit losses on initial recognition and in subsequent reporting periods.<br>► The estimate of expected credit losses would reflect a probability-weighted outcome, using the best available information, and the time value of money.<br>**Transition and effective date**<br>► Please refer to 'Transition and effective date' under the 'Financial instruments – classification and measurement' section above.<br>► Full retrospective application, with some relief, is proposed and early adoption would be permitted only if the financial instruments impairment proposals are adopted together with all other IFRS 9 requirements (including the limited amendments to classification and measurement and hedge accounting requirements). | How we see it<br>*We support the Board's efforts to introduce a new impairment model based on expected credit losses that would help address the generally perceived weaknesses of the current incurred loss model, by ensuring timely recognition of credit losses and providing more useful forward-looking information. Nevertheless, additional guidance and clarification would be necessary to ease the application of the proposed model and to address some of the operational challenges.* |

Further information on this project can be found on www.ey.com/ifrs.

| Financial instruments – macro hedging | Target DP Q2 2014 |
|---|---|
| **Key developments to date** | **Implications** |

## Key developments to date

### Background

- The IASB decoupled the project on accounting for macro hedging from the IFRS 9 project so that it would not impact the effective date or timing of the completion of the IFRS 9 hedge accounting project.

### Scope

- This project will address specific accounting for risk management strategies relating to open portfolios (i.e., macro hedging) for which the hedge accounting proposals do not provide specific solutions.

### Key features

- IASB discussions on accounting for macro hedging to date have focused on strategies to hedge the net interest margin of financial institutions. The potential new accounting approach would be a fundamentally new concept that would reflect typical strategies for managing risks in open portfolios.
- The IASB is developing an approach based on a revaluation of exposures by risk, which could also include exposures such as ‘core deposits’ and items with prepayment features when the cash flow estimates are based on the behaviour of customers.

## Implications

### How we see it

*The potential new accounting approach for macro hedging could be substantially different from what is colloquially referred to as macro hedging under IAS 39. In our view, fundamental changes to accounting concepts require a broad discussion with all constituents. Therefore, we support the IASB’s decision to issue a discussion paper.*

*We encourage entities that have macro hedging strategies to follow the IASB’s deliberations closely to understand potential opportunities or risks in applying this accounting to their risk management strategies.*

## Financial instruments — macro hedging *cont'd*

| Key developments to date | Implications |
|---|---|
| **Transition**<br>▸ The IASB carried forward the existing IAS 39 macro fair value hedge accounting requirements when issuing IFRS 9 (2013) and is expected to allow their application until a new approach to accounting for macro hedging is finalised and becomes effective.<br>▸ Entities may make an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 for all of their hedging relationships. Entities may later change that policy and apply the hedge accounting requirements in IFRS 9 before they eventually become mandatory. This choice is intended to be removed when the IASB completes its project on accounting for macro hedging. | |

Further information on this project can be found on www.ey.com/ifrs.

## Leases (joint project) — Re-deliberations Q2 2014

### Key developments to date

**Background**

- Based on feedback from constituents on the second leases ED issued in May 2013, the Boards plan to consider ways to simplify that ED's proposals in the following areas: definition and scope, lessee accounting model, lessor accounting model, lease classification approach, measurement provisions and disclosure requirements.
- In Q1 2014, the Boards began their re-deliberations, focusing on the lessee and lessor accounting models, lease term, and ways to reduce the cost of applying a revised lease accounting standard (e.g., exceptions for 'small ticket' leases and short-term leases).

**Scope**

- Leases of all assets, with certain exceptions. However, because the May 2013 ED would focus on control, certain contracts that are currently accounted for as leases (e.g., capacity contracts) may no longer be considered leases.

**Key features**

- The Boards remain committed to putting most leases on the balance sheets of lessees.
- In re-deliberations, the IASB supported a single on-balance sheet model that would require lessees to account for all leases (except certain leases excluded from the scope of the standard) as Type A leases (i.e., a financing). The FASB supported a dual on-balance sheet model that would classify leases as either Type A or Type B using the classification principles in IAS 17 for finance or operating leases.
- Lessees would recognise a liability to pay rentals with a corresponding asset for both types of leases. Type A leases generally would have an accelerated expense recognition pattern, while Type B leases (FASB only) generally would have a straight-line expense recognition pattern.

### Implications

- The lease expense recognition pattern for lessees of Type A leases would generally be accelerated for today's operating leases.
- As a result of the changes, key balance-sheet metrics such as leverage and finance ratios, debt covenants and income statement metrics, such as EBITDA, could be impacted.
- Both lessor alternatives discussed by the Boards in re-deliberations would result in significantly fewer changes to lessor accounting than the May 2013 proposals.
- The change in the definition of 'short-term lease' would broaden the population of leases that might qualify as short-term leases (e.g., leases with optional renewal periods that are not reasonably certain of exercise at lease inception).
- The Boards have yet to re-deliberate scope and the definition of a lease. However because the Boards remain committed to putting most leases on lessee balance sheets, entities will have to carefully consider all contracts to identify any that are, or contain, leases. For example, entities would need to focus on separating payments for other components (e.g., services) from existing operating leases. Previously, these costs may not have been split out as the accounting treatment for such payments was often the same as that for operating lease payments under existing IFRS.

## **Leases** (joint project) *cont'd*

| Key developments to date | Implications |
|---|---|
| ***Key features** cont'd*<br>▸ Lessees and lessors could elect to apply a method similar to current operating lease accounting for leases with terms of 12 months or less. In re-deliberations, the Boards agreed to align the definition of 'short-term lease' with 'lease term'.<br>▸ The Boards discussed a scope exception for leases of 'small-ticket' assets (e.g., office furniture). The IASB supported this exception, but the FASB did not.<br>▸ Reassessment of the lease term by the lessee would be required throughout the life of the lease. However, in a change from the 2013 ED, lessees would be required to reassess the lease term only upon the occurrence of significant events or changes in circumstances that are within the lessee's control. The Boards decided that lessors would not reassess the lease term.<br>▸ The Boards decided that lessor accounting would be similar to today's lessor accounting, using IAS 17's dual classification approach. The Boards have different views on the recognition of selling profit for certain Type A leases and whether to evaluate the transfer of substantially all the risks and rewards from the lessor's perspective (IASB preference) or the lessee's perspective (FASB preference).<br>**Transition**<br>▸ In the May 2013 ED, the Boards proposed a modified retrospective approach for transition. Certain optional relief would be available. Full retrospective application would also be permitted. | How we see it<br>*The Boards' decisions in Q1 2014 raise the possibility that there could be differences in lease accounting (and lessee accounting, in particular). The Boards appear to recognise the risk of developing separate standards on lease accounting that are not converged and said they will continue to work to resolve their differences.* |

Further information on this project can be found on www.ey.com/ifrs.

| **Revenue** (joint project) | **Target standard Q2 2014** |
|---|---|
| **Key developments to date** | **Implications** |

#### Background

- The IASB and the FASB concluded their re-deliberations on the proposed new revenue recognition standard and are working to finalise the standard.

#### Scope

- The standard would apply to revenue from contracts with customers and the sale of some non-financial assets that are not an output of the entity's ordinary activities (i.e., sale of property, plant and equipment or intangibles).

#### Key features

- The proposed approach is based on the following five steps:
  1. **Identify the contract with a customer** – Contracts may be written, verbal or implied, but they must have commercial substance. This would include the entity having sufficient confidence in the customer's ability to pay amounts due under the contract.
  2. **Identify the separate performance obligations in the contract** – A good or service would be a separate performance obligation if the customer benefits from the good or service on its own or together with other readily available resources and the good or service is separable from other promises in the contract.
  3. **Determine the transaction price** – The transaction price would be the amount of consideration to which an entity expects to be entitled. The estimated transaction price may be constrained, i.e., variable consideration would be included in the transaction price to the extent it is 'highly probable' that it would not result in a significant revenue reversal.

#### Implications

- The standard is expected to provide more detailed requirements than current IFRS, including for arrangements with multiple performance obligations, which may impact both the timing of revenue recognised and the amount.
- The standard is expected to require additional disclosures, including disaggregated revenue amounts, information about changes in contract asset and liability account balances between periods, and disclosure of key estimates. These changes may require significant modifications to existing internal data gathering efforts and processes.

## **Revenue** (joint project) *cont'd*

| Key developments to date | Implications |
|---|---|
| **Key features** *cont'd*<br>4. **Allocate the transaction price to the separate performance obligations** – Estimated transaction prices would be allocated based on the relative stand-alone selling prices, with limited exceptions.<br>5. **Recognise revenue when (or as) the entity satisfies a performance obligation** – An entity would satisfy a performance obligation by transferring control of a promised good or service to the customer, which could occur over time or at a point in time.<br>**Transition**<br>▶ The IASB decided on an effective date for reporting periods beginning on or after 1 January 2017, with early adoption permitted. The FASB decided on different effective dates for US public and non-public entities. The effective date for US public entities would be reporting periods beginning after 15 December 2016 and early adoption would not be permitted.<br>▶ Entities would transition following either a full retrospective approach or a modified retrospective approach (i.e., an approach that would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods). | How we see it<br>*Adopting the new revenue standard will likely be a significant undertaking for many entities. We encourage entities to plan early as, in our view, an early assessment will be key to managing a successful implementation. Evaluating the terms and conditions of revenue contracts under the new standard will pose challenges where no similar requirements exist under IFRS today. Training personnel early on the model's key principles, particularly those that require greater judgement and more use of estimates than under current IFRS, will help entities assess the extent of impact to their business processes, controls and financial statements.*<br>*The Boards are creating a joint implementation resource group to address implementation issues arising from the new standard. We encourage entities to follow this group's discussions as it may assist in their own implementation of the new revenue standard.* |

Further information on this project can be found on www.ey.com/ifrs.

## Key developments to date

### Background

- The IASB exposed its revised proposed comprehensive method of accounting for insurance contracts in June 2013. In addition, the FASB published its proposals in June 2013. The IASB started re-deliberations on its proposal in early 2014.

### Scope

- The standard would apply to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entity that issued them, as well as certain guarantee and financial instrument contracts with discretionary participation features. A few scope exceptions would apply.

### Key features

- The proposed approach for the measurement of the insurance contract liability is based on the following building blocks:
  - Expected present value of future cash flows
  - A risk adjustment to the expected present value of cash flows
  - A contractual service margin (CSM) that would eliminate any gain at inception of the contract; the CSM would be adjusted subsequently for changes in estimates of future cash flows and the risk adjustment to the extent these changes relate to future coverage or other future services
  - A discount rate that would be updated at the end of each reporting period (i.e., the liability discount rate would not be 'locked-in' at inception of the contract)
- Rather than prescribing a rate for discounting insurance contracts, the proposed approach would be based on the principle that the rate should reflect the characteristics of the liability.

## Implications

- The IASB's proposals are far-reaching and may have a significant impact on insurers and some non-insurers (e.g., estimating all future cash flows arising from the fulfilment of an insurance contract on a probability-weighted basis, and reporting revenue under the building block approach). This would have a related impact on key processes and internal controls.
- The IASB's proposals differ from the FASB's proposals in some important areas (e.g., margins, acquisition costs, and when to use the premium allocation approach). As a result of these differences, and also considering the FASB's February 2014 decision to limit the scope of its insurance project, the Boards are not expecting to reach a converged solution on this project. Consequently, no joint re-deliberations are currently planned.

## Insurance contracts *cont'd*

### Key developments to date

**Key features** *cont'd*

- The IASB tentatively decided to permit an accounting policy choice at a portfolio level to recognise the effect of changes in discount rates in either OCI or profit or loss.
- For contracts with participating features that contain a contractual right to share in the return of underlying items, the ED proposed that measurement and presentation of the insurance liability should be consistent with those items. The IASB will revisit the treatment of participating contracts in the next few months.
- The ED proposed that revenue would be reported in the income statement through earned premiums representing the insurer's performance under the contracts in the period. The IASB will revisit the topic of insurance contracts revenue in the next few months.
- A simplified approach based on a premium allocation could be applied to the liability for remaining coverage if contracts meet certain eligibility criteria (e.g., contracts with a coverage period of one year or less).

**Transition**

- The IASB has not yet concluded on the effective date, but it is expected to be approximately three years from the issuance of the standard. The ED proposed a retrospective transition for the new standard, with certain relief if retrospective application is impracticable.

### Implications

**How we see it**

*We support the general direction of the revised ED, but believe that additional changes are necessary to improve the proposals. We are concerned that the IASB may not have struck the right balance in some areas, in terms of enhancing the usefulness of financial reporting versus the costs of applying the proposals.*

*The IASB intends to re-evaluate the key areas of concern raised by constituents, particularly around the topics of contracts with participating features and OCI. Therefore, its re-deliberations will likely continue well into 2014.*

*The Board's tentative decision to make the use of OCI optional is a compromise necessary to complete the insurance contracts project. Having an option allows entities to reflect the differences that exist in how they run their businesses to fulfil their obligations under their insurance contracts. Despite the IASB showing their willingness to provide flexibility by making OCI optional, volatility will continue to exist in the proposed model unless further modification are made.*

Further information on this project can be found on www.ey.com/ifrs.

| Rate-regulated activities — comprehensive project | Target DP Q2 2014 |
|---|---|
| **Key developments to date** | **Implications** |
| **Background**<br>▶ The objective of the rate-regulated activities project is to consider whether rate regulation creates assets or liabilities in addition to those already recognised in accordance with IFRS for non-rate-regulated activities. If so, the project will also consider how such assets and liabilities should be accounted for, and whether IFRS should consequently be amended.<br>▶ The IASB issued an ED on rate-regulated activities in 2009 that focused on the accounting for a cost-of-service regulatory scheme. However, constituents expressed divergent views on how the consequences of rate regulation should be reflected in financial statements, if at all. The project was suspended in September 2010. In light of feedback received from its 2011 *Agenda Consultation*, the Board decided to restart the project.<br>▶ In Q1 2013, the Board issued for public comment a request for information (RFI) *Rate Regulation* seeking high-level overviews of existing rate regulatory schemes.<br>▶ The Board will use the feedback received on the RFI to determine the scope of a DP. The purpose of the DP will be to identify what information on rate-regulated activities would be most useful to the users of IFRS financial statements and whether the Board should develop specific accounting requirements for rate-regulated activities. | ▶ The Board is reviewing and updating the *Conceptual Framework for Financial Reporting*, including the definitions of assets and liabilities. Enhancements to these definitions and an analysis of the rights and obligations created by rate regulation may allow the Board to resolve some of the issues that caused the rate-regulated activities project to stall in 2010. |

# Implementation projects

In addition to the major IFRS projects, the IASB has a number of items on its work plan dealing with implementation issues. These include narrow scope amendments and interpretations. Below is a listing of the current implementation projects based on the IASB's work plan as at 26 March 2014.

| Narrow scope amendments | Status/next steps |
|---|---|
| ***Acquisition of an Interest in a Joint Operation (Proposed amendments to IFRS 11)***<br>▸ The IASB proposed amendments to IFRS 11 *Joint Arrangements* that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business as defined in IFRS 3 *Business Combinations*, must apply the relevant principles for business combinations accounting in IFRS 3 and other standards, and disclose the relevant information specified in those standards for business combinations.<br>▸ The amendments are intended to clarify that a previously held interest in a joint operation is not re-measured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion is expected to be added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.<br>▸ The amendments would apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation.<br>▸ The effective date of the amendments is expected to be 1 January 2016. | ▸ Amendments expected Q2 2014 |

| Narrow scope amendments | Status/next steps |
|---|---|
| *Annual improvements*<br>▸ The annual improvements process deals with non-urgent, but necessary, amendments to IFRS.<br>▸ In December 2013, the IASB issued the ED *Annual Improvements to IFRSs 2012–2014 Cycle*, which proposes changes to four standards: IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*; IFRS *7 Financial Instruments: Disclosures*; IAS 19 *Employee Benefits*; and IAS 34 *Interim Financial Reporting*.<br>▸ The IFRS Interpretations Committee is discussing issues for the 2013-2015 annual improvements cycle. As of the date of publication, an issue related to short-term exemptions in IFRS 1 *First-time Adoption of International Financial Reporting Standards* is expected to be included in this cycle. | ▸ Re-deliberations expected to commence Q2 2014<br>▸ ED on the 2013-2015 annual improvements cycle expected Q3 2014 |
| *Bearer Plants (Proposed amendments to IAS 16 and IAS 41)*<br>▸ The IASB proposed that bearer plants should be included in the scope of IAS 16 *Property, Plant and Equipment*, rather than IAS 41 *Agriculture*. After initial recognition, bearer plants would be measured using either the cost model or the revaluation model in IAS 16.<br>▸ Produce that grows on bearer plants would remain in the scope of IAS 41 measured at fair value less costs to sell.<br>▸ The amendments are not expected to be effective before 2016. | ▸ Amendments expected Q2 2014 |
| *Clarification of Acceptable Methods of Depreciation and Amortisation (Proposed amendments to IAS 16 and IAS 38)*<br>▸ The IASB proposed limited-scope amendments to IAS 16 and IAS 38 *Intangible Assets* to prohibit the use of revenue-based depreciation or amortisation methods.<br>▸ The effective date of the amendments is expected to be 1 July 2015. | ▸ Amendments expected Q2 2014 |

| Narrow scope amendments | Status/next steps |
| --- | --- |
| *Classification of liabilities (Proposed amendments to IAS 1)*<br>▸ The objective of this project is to clarify the distinction between current and non-current liabilities, within the context of loans that are rolled over or loans made when the holder has a right to defer settlement of the loan for at least 12 months after the reporting period. | ▸ ED expected Q3 2014 |
| *Disclosure initiative*<br>▸ The IASB is undertaking a broad-based initiative, comprising a number of short and longer-term projects, to explore how disclosures in IFRS financial reporting can be improved.<br>▸ As a part of the short-term project, the IASB has proposed narrow-scope amendments to IAS 1 that are intended to clarify, rather than significantly change, the existing requirements. The Board is also intending to develop guidance on how to apply the concept of materiality to the notes, and to explore narrow scope amendments to IAS 7 *Statement of Cash Flows*.<br>▸ In the longer term, the Board will explore whether IAS 1, IAS 7 and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* should be replaced with a single standard on presentation and disclosure.<br>▸ The IASB will also begin a research project to review disclosure requirements in existing standards to identify and assess conflicts, duplication and overlaps. | ▸ Comment period on amendments to IAS 1 related to the disclosure initiative ends on 23 July 2014 |
| *Elimination of gains arising from 'downstream' transactions (Proposed amendments to IAS 28)*<br>▸ The objective of this project is to clarify in IAS 28 *Investments in Associates and Joint Ventures* the accounting for a 'downstream' transaction between an entity and its associate or joint venture when the gain from the transaction exceeds the carrying amount of the entity's interest in the associate or joint venture. | ▸ ED expected Q2 2014 |

| Narrow scope amendments | Status/next steps |
| --- | --- |
| *Equity Method: Share of Other Net Asset Changes (Proposed amendments to IAS 28)*<br>▸ The IASB proposed to amend IAS 28 whereby an investor would recognise in equity its share of the net asset changes that are not recognised in profit or loss or OCI, or are not distributions received. When the investor discontinues the use of the equity method, the investor would reclassify to profit or loss the cumulative amount of equity that it had previously recognised.<br>▸ The effective date of the amendments is expected to be 1 January 2016. | ▸ Amendments expected Q2 2014 |
| *Fair Value Measurement: Unit of Account (Proposed amendments to IFRS 13)*<br>▸ The objective of the project on IFRS 13 *Fair Value Measurement* is to clarify:<br>  ▸ The unit of account for investments in subsidiaries, joint ventures and associates, i.e., whether the unit of account is the investment as a whole, or the individual financial instruments that make up the investment as a whole<br>  ▸ Whether the requirement to measure fair value using a quoted price in an active market (without adjustment), if available, would override the unit of account for listed subsidiaries, joint ventures, associates and cash-generating units<br>  ▸ The application of the portfolio exception to portfolios comprised of only Level 1 financial instruments, whose market risks are substantially the same; i.e., whether application of the portfolio exception to such portfolios would result in a fair value measurement equivalent to the net position multiplied by the Level 1 prices | ▸ ED expected Q2 2014 |

| Narrow scope amendments | Status/next steps |
| --- | --- |
| *Investment entities (Proposed amendments to IFRS 10 and IAS 28)*<br>▶ The objective of this project on IFRS 10 *Consolidated Financial Statements* and IAS 28 is to clarify that:<br>▶ An investment entity subsidiary is measured at fair value through profit or loss when the subsidiary provides investment-related services to third parties<br>▶ The exemption from preparing consolidated financial statements is available to an intermediate parent entity (which is not an investment entity) that is a subsidiary of an investment entity<br>▶ When applying the equity method, a non-investment entity that is party to a joint venture cannot retain the fair value accounting applied by the investment entity joint venture, whereas a non-investment entity investor retains the fair value accounting applied by an investment entity associate. | ▶ ED expected Q2 2014 |
| *Put Options Written on Non-controlling Interests (Proposed amendments to IAS 32)*<br>▶ The IFRS Interpretations Committee issued a draft interpretation that proposed that all changes in the measurement of put options written on non-controlling interests should be recognised in profit or loss in accordance with IAS 39 and IFRS 9.<br>▶ As a result of re-deliberating its proposals, the IFRS Interpretations Committee asked the IASB to reconsider the accounting for put options and forward contracts on an entity's own equity instruments. The IASB tentatively decided to re-consider the requirements in paragraph 23 of IAS 32 *Financial Instruments: Presentation*, including whether all or particular put options and forward contracts written on an entity's own equity should be measured on a net basis at fair value. | ▶ The IASB is deciding on the next steps and will continue to discuss this issue at a future meeting in Q2 2014 |

| Narrow scope amendments | Status/next steps |
|---|---|
| *Recognition of Deferred Tax Assets for Unrealised Losses (Proposed amendments to IAS 12)*<br>▸ The objective of this project is to clarify, in IAS 12 *Income Taxes*, the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. | ▸ ED expected Q2 2014 |
| *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Proposed amendments to IFRS 10 and IAS 28)*<br>▸ The IASB proposed amendments to address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture.<br>▸ The proposals are intended to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture.<br>▸ The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary would be recognised only to the extent of unrelated investors' interests in that former subsidiary.<br>▸ The effective date of the amendments is expected to be 1 January 2016. | ▸ Amendments expected Q2 2014 |

| Narrow scope amendments | Status/next steps |
|---|---|
| *Separate Financial Statements (Equity Method) (Proposed amendments to IAS 27)*<br>▶ The IASB proposed amendments to IAS 27 *Separate Financial Statements* to allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.<br>▶ The proposals would require an entity already applying IFRS, and electing to change to the equity method in its separate financial statements, to apply that change retrospectively. A first-time adopter of IFRS electing to use the equity method in its separate financial statements would be required to apply this method from the date of transition to IFRS. | ▶ Re-deliberations expected to commence Q2 2014 |

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