IFRS

STAFF PAPER

January 2020

Board Meeting

Project	**Research Programme**
Paper topic	Research Update

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Purpose of the paper

1. This paper gives a brief update on the research programme since the last update, provided in the Board's meeting in September 2019.

2. Appendix A summarises the Board's active research projects and the projects in its research pipeline. More information can be downloaded from the individual project pages, which can be accessed from the research projects tab on http://www.ifrs.org/projects/work-plan/.

3. The staff expect to provide the next Research Update in around three or four months.

Recent developments

4. At this meeting, the staff ask the Board to review the research projects on Provisions (agenda paper 22) and on Subsidiaries that are SMEs (agenda paper 31) and recommend that the Board adds to its work plan standard-setting or maintenance projects in those areas. If the Board accepts that recommendation, the staff will assess when best to begin that standard-setting work, in the light of the Board's discussion of those papers.

5. The main developments in the research programme, including Post-implementation Reviews, since September 2019 are as follows:

(a) The staff are drafting a Discussion Paper on Goodwill and Impairment. Publication is expected in February 2020.

(b) The Board has continued its discussions on:

(i) Business Combinations under Common Control;

(ii) Dynamic Risk Management;

(iii) Financial Instruments with Characteristics of Equity

(iv) Subsidiaries that are SMEs

(c) The Board has discussed the project on Extractive Activities.

(d) The Board has not discussed the project on Provisions, but will do so at this meeting.

(e) The staff have restarted work on the project on Pension Benefits that Depend on Asset Returns.

(f) The staff have started work on the Post-implementation Review (PIR) of IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*.

(g) The staff expect to start work on the pipeline research project on the Equity Method in the next few months because there is some overlap with some of the issues that could be considered in the PIR of IFRS 11.

(h) It is now unlikely that work will start in the next few months on the other pipeline projects, or on the Post-implementation Review of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. This is because of the need to devote resources to high-priority projects, such as the amendments to IFRS 17 and IBOR and to maintain momentum on projects already active.

Question for the Board

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1. Do Board members have any questions or comments on the projects or about the research programme generally?

Appendix A: Summary of the Research programme at 16 January 2020

Active research projects

A1. Eight research projects are on the Board's active work plan.

Active projects	
Project	*Status*
Financial Instruments with Characteristics of Equity	Board has discussed feedback on the Discussion Paper. Board discussions continue, exploring making clarifying amendments to IAS 32.
Goodwill and Impairment	Staff are drafting a Discussion Paper for publication in February 2020.
Dynamic Risk Management	Outreach on core model planned Q2 2020.
Business Combinations Under Common Control	Board discussions continue this month.
Extractive Activities	Board discussions continue.
Subsidiaries that are SMEs	Board discussions expected to end this month.
Provisions	Board discussions expected to end this month.
Pension Benefits that Depend on Asset Returns	Became dormant in early 2019 because of staff changes. Now restarted.

A2. As a reminder, the expected output of a research project is not an Exposure Draft. The expected output is evidence to help the Board decide whether to add to its work plan a standard-setting project or maintenance project.

Research pipeline

A3. The Board set up a pipeline of research projects in late 2016, following the latest Agenda Consultation. Pipeline projects are not yet on the active work plan.

A4. The research pipeline initially included eight projects, of which four have since become active (between September 2018 and March 2019). The Board consciously limited the size of the research pipeline so that it contains only those research projects on which it thought it could realistically expect to do a significant amount of the research before the next agenda consultation, which starts in 2020.

A5. The research pipeline is not fixed through to 2021. The Board is free to add projects to the research pipeline if and when it sees fit. The Board has not added any projects to the pipeline since setting it up in 2016.

A6. The projects in the research pipeline are listed below. Appendix B provides information about them.

Pipeline projects
Equity Method
High Inflation: Scope of IAS 29 *Financial Reporting in Hyperinflationary Economies*
Pollutant Pricing Mechanisms
Variable and Contingent Consideration

Post-implementation review of IFRS 5

A7. The Board decided after the most recent Agenda Consultation to carry out a Post-implementation review (PIR) of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. The Board is not required to carry out a PIR of IFRS 5, but decided that a PIR would be the most effective and efficient way to review issues identified by the IFRS Interpretations Committee. The purpose of the PIR would be to evaluate whether IFRS 5 is working as the Board intended. IFRS 5 came into effect in 2005.

Starting pipeline projects and Post-implementation Reviews

A8. The Board said in the Feedback Statement *IASB Work Plan 2017-2021* that when it assesses whether and when to add a research project from the pipeline to its research programme of active research projects, it will need to consider various factors, including:

(a) the urgency of the problem;

(b) the extent and complexity of the research needed;

(c) the likely time commitment for stakeholders;

(d) the overall balance of the active work plan;

(e) interactions with other current or future projects;

(f) the availability of appropriate staff and sufficient Board time to carry out the research project over an appropriate timescale, without diverting resources from other projects; and

(g) the most efficient time to carry out the work.

A9. Because it is not feasible to forecast those factors in detail, the Board has not set an order of priority for individual projects within its research pipeline.

A10. In appendix B, we give information on each of the pipeline projects.

Appendix B: Summary of pipeline projects

Project	**Equity Method**
Objective	To assess whether practice problems that arise using the equity method (for investments in associates and joint ventures) could be addressed by amending the equity method or whether a more fundamental review is needed.
Comments	The Board last discussed previous work on this topic in May 2016, during the Agenda Consultation. In December 2015, the Board deferred indefinitely the mandatory effective date of *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*, an amendment made in September 2014 to IAS 28 (and to IFRS 10). The purpose of the deferral was to enable the Board to consider further issues in its research on the equity method. The Board decided in May 2016 that the next step is to seek feedback in the Post-implementation Review of IFRS 11 *Joint Arrangements* on investors' information needs regarding investments for which the equity method is used. In the project on Primary Financial Statements, the Board proposes to distinguish integral from non-integral associates and joint ventures. The Board might wish to consider whether such a distinction might usefully identify subpopulations of those investments for which the equity method is used.

Project	**High Inflation: Scope of IAS 29**
Objective	To assess whether it would be feasible to extend the scope of IAS 29 *Financial Reporting in Hyperinflationary Economics* to cover economies subject to only high inflation, without amending other requirements of IAS 29. If the research establishes that this scope extension would not be feasible, the staff expects to recommend no work on IAS 29.
Comments	The main research would be to assess: • whether users who have no experience of using financial statements prepared under IAS 29 would welcome a requirement to apply IAS 29 when the reporting currency is subject to high inflation; • whether extending the scope of IAS 29 would often lead to some countries dipping in and out of the scope of the Standard; and • whether extending the scope of IAS 29 would place extra strain on the approach used by IAS 29.

Project	**Pollutant pricing mechanisms**
Objective	To assess whether the Board should develop a proposal to address any diversity that may exist in accounting for pollutant pricing mechanisms (including emissions trading schemes).
Comments	The Board last discussed previous work on this topic in October 2015 (with a limited update in the Agenda Consultation in April 2016).

Project	**Variable and Contingent Consideration**
Objective	To assess whether the Board should develop a proposal on how to account for variable and contingent payments for asset purchases outside a business combination. Once the Board has considered this topic, there may be a need for some follow up research on risk-sharing and collaborative arrangements.
Comments	This project came out of referrals from the IFRS Interpretations Committee. The first step would be to do some initial scoping work to assess how broad this project is. Issues to be considered are likely to include: • When should a liability be recognised for a future variable or contingent payment, at what amount, and should part or all of that amount be reflected in the measurement of the asset acquired? • Should subsequent remeasurements of the liability lead to revisions to the measurement of the asset purchased (and if so in what circumstances), or are the remeasurements part of the entity's financial performance?