

Meeting Notes—GPF Meeting

The Global Preparers Forum (GPF) held a virtual meeting on 12 March 2021 broadcast by the International Accounting Standards Board (Board).

Members discussed:

- Update on IFRS Foundation Trustees' Consultation Paper on Sustainability Reporting
- Post-implementation Review of IFRS 9 *Financial Instruments—Classification and Measurement* (paragraphs [–])
- Post-implementation Review of IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities* (paragraphs [–])
- Rate-regulated Activities: Exposure Draft *Regulatory Assets and Regulatory Liabilities* (paragraphs [–])
- IFRS Interpretations Committee Update (paragraphs [–])

Update on IFRS Foundation Trustees' Consultation Paper on Sustainability Reporting

1. The Executive Director of the IFRS Foundation Lee White provided GPF members with an update on the IFRS Foundation Trustees project on sustainability reporting. Following the Trustees March 2021 meeting it was announced that the Trustees would publish a feedback statement and targeted proposed changes to the IFRS Foundation *Constitution* to accommodate a sustainability standards board (SSB). Mr White fielded a question from GPF members relating to the involvement of the International Accounting Standards Board (IASB) in this work. Mr White noted one of the key requirements of success as established by the Trustees for an SSB of achieving interconnectedness with the IASB and explained the importance of the work being undertaken on the Management Commentary by the IASB which could form an important bridge between the two boards.

Next steps

2. The IFRS Foundation Trustees intend to publish a feedback statement that summarises the responses received to their 2020 Consultation. Together with the feedback statement, the Trustees will publish for public comment the proposed changes to the Foundation's Constitution necessary to formalise establishment of a new board, including its composition. Any changes to the Constitution are subject to a public consultation with a 90-day comment period.
3. Updates on the Trustees work on sustainability reporting will continue to be provided to GPF members at appropriate junctures.

Post-implementation Review of IFRS 9 *Financial Instruments—Classification and Measurement*

1. In October 2020 the Board decided to begin the post-implementation review of the classification and measurement requirements in IFRS 9 *Financial Instruments*. The

Board will consider the timing of the post-implementation reviews of the impairment and hedge accounting requirements in IFRS 9 at a later date.

2. The purpose of this session was to ask GPF members to share their views on the overall experience of applying IFRS 9, and on matters that members think the Board should consider as part of the post-implementation review of the classification and measurement requirements in IFRS 9.
3. Some GPF members commented that the classification and measurement requirements generally worked well and did not introduce significant change compared to the requirements in IAS 39 *Financial Instruments: Recognition and Measurement*.
4. One member commented on the scope of equity instruments for which the election to present changes in fair value in other comprehensive income could be made.
5. Some members expressed views on matters other than the post-implementation review, including that the disclosure requirements of IFRS 7 *Financial Instruments: Disclosures* can be overly burdensome for non-financial institutions.

Next steps

6. The Board will continue its outreach over the coming months to identify matters on which to consult publicly in the request for information the Board expects to publish in the second half of 2021.

Post-implementation Review of IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*

7. The purpose of this session was to ask GPF members to share their initial views on some of the matters being examined in the Request for Information *Post-implementation Review of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities*. The Request for Information was published in December 2020 with a 150-day comment period that ends on 10 May 2021.
8. Overall, GPF members said the Standards are working well. One GPF member said the Standards require the application of judgement but that this is inevitable given the topics addressed in the Standards. This GPF member also supported the objective and disclosure requirements of IFRS 12.

IFRS 10

9. The staff provided an overview of some of the matters included in the Request for Information that relate to IFRS 10 and asked for GPF members' views on:
 - a. question 2(b) of the Request for Information. This question reports that some stakeholders have found that in some circumstances, assessing whether rights are protective requires significant judgement. A GPF member said that when a government restricts a board member's participation it can be difficult to assess control. That member agreed with the principle of control as set out

in IFRS 10 but pointed out that judgement may be required to assess control in complicated arrangements. Another GPF member added that detailed analysis is necessary to assess control in complicated arrangements but agreed that this is not necessarily a bad feature of the Standard. That GPF member acknowledged the need for procedures that prevent entities from avoiding consolidation. Another GPF member commented that the Standard is working as intended.

- b. question 2(a) of the Request for Information. This question reports that some stakeholders find it challenging, on occasion, to identify relevant activities. Some GPF members agreed and said it can be difficult to identify relevant activities when the relevant activities change over the life-cycle of an investee. The members said it would be useful to receive clarification on how and when to identify relevant activities, for example, on whether relevant activities should be assessed at acquisition and on what happens if relevant activities change over time (that is, when there are several phases in the life-cycle of an entity). One GPF member added that when assessing control, the emphasis should be on the ability to appoint management and not on veto rights.
 - c. question 2(c) of the Request for Information. This question states that the challenges involved with assessing whether an investor with less than a majority of the voting rights has control of an investee can lead to inconsistent outcomes. A GPF member said that, typically, an investor is aware of events and therefore knows when to reassess if there has been a change in control.
 - d. question 3(a) of the Request for Information. This question reports that some stakeholders find it challenging, at times, to determine whether a decision maker is acting as a principal or an agent. A GPF member said it can be difficult to make this determination, for example, when parties to an investee are related to each other.
10. A GPF member raised another matter related to IFRS 10. The member said it is unclear how to account for a premium paid above the carrying amount of the non-controlling interest when purchasing a non-controlling interest if a subsidiary does not constitute a business. The member asked whether to account for the premium paid in equity or as part of the carrying amount of the assets of the subsidiary.
11. A GPF member said that in some situations, an entity has limited access to the financial information of the investee, for example, when the fiscal years of the entity and the investee end at different times.

IFRS 11

12. The staff provided an overview of some of the matters included in the Request for Information that relate to IFRS 11 and asked for GPF members' views on:
- a. question 6 of the Request for Information. This question asks about collaborative arrangements, that is, arrangements in which two or more entities collaborate but do not have joint control. Two GPF members said collaborative arrangements occur in their sectors (oil and gas and pharmaceuticals) and one GPF member said they apply joint operation accounting for such arrangements. These three members said guidance on how to account for these arrangements would be helpful.

- b. question 7 of the Request for Information. This question asks about situations when a party to a joint arrangement has to consider 'other facts and circumstances' to classify a joint arrangement. One GPF member said requirements that involve considering 'other facts and circumstances' can be difficult to apply. Another GPF member commented that it is especially difficult to apply such requirements when the 'other facts and circumstances' are based on expectations.

IFRS 12

13. The staff noted that in the first phase of the review, mixed views were expressed on IFRS 12 disclosure requirements. One GPF member said he agreed with the disclosure objective and requirements in IFRS 12. One GPF member suggested changing the wording in paragraphs B12 and B13 of IFRS 12, because in that member's view, the current disclosure requirements resemble a checklist.

Next steps

14. The staff will consider members' comments together with the feedback on the Request for Information and present a summary to the Board.

Rate-regulated Activities: Exposure Draft Regulatory Assets and Regulatory Liabilities

15. The staff provided an overview of the proposals included in the Exposure Draft Regulatory Assets and Regulatory Liabilities. This information was provided, in part, to help GPF members identify stakeholders in their jurisdictions that might have an interest in the proposals and to put such stakeholders in contact with the staff.
16. A member commented that in some jurisdictions the regulatory environment is unstable and companies might not collect regulatory balances. The staff acknowledged that in some jurisdictions the regulatory environment may not be stable or foreseeable, which could affect whether regulatory assets or regulatory liabilities are enforceable. The staff explained that the proposals in the Exposure Draft were developed on the basis that regulatory agreements would be enforceable and that assessing enforceability would require in some cases that companies exercise judgement.
17. Another member said she could help the staff to contact preparers in the oil and gas industry.

Next steps

18. The staff will contact preparers identified by GPF members as being interested in the proposals.

IFRS Interpretations Committee Update

19. The GPF received an update on the December 2020 and February 2021 meetings of the IFRS Interpretations Committee (Committee). Details of these meetings were published in IFRIC Update December 2020 and IFRIC Update February 2021.
20. One member asked clarifying questions regarding some of the matters discussed by the Committee at those meetings.

21. A few members expressed concern over the measurement of the lease liability that results from applying the proposed amendments to IFRS 16 *Leases* included in the Exposure Draft *Lease Liability in a Sale and Leaseback*.

Next meetings

22. The next GPF meeting will be held joint with CMAC on 10th & 11th June 2021.