

Welcome to the January IASB Update

This IASB *Update* highlights preliminary decisions of the International Accounting Standards Board (the Board). The Board's final decisions on Standards, Amendments and Interpretations are formally balloted as set forth in the IFRS[®] Foundation and IFRS Interpretation Committee *Due Process Handbook*.

The Board met in public on Wednesday 18 January 2017 at the IFRS Foundation's offices in London, UK.

The topics for discussion were:

- **Post-implementation Review of IFRS 13 *Fair Value Measurement***
- **Symmetric Prepayment Options**
- **Accounting Policies and Accounting Estimates**
- **Insurance Contracts**
- ***The Conceptual Framework for Financial Reporting***

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Future IASB meetings

The Board meets at least once a month for up to five days.

The next IASB meetings are:

20 to 24 February 2017

20 to 24 March 2017

24 to 28 April 2017

To see upcoming and past IASB meetings, [click here](#).

Archive of IASB Update Newsletter

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Podcast summaries

To listen to a short Board meeting audio summary (Podcast) of previous Board meetings, [click here](#).

Post-implementation Review of IFRS 13 *Fair Value Measurement* (Agenda Paper 7)

The Board met on 18 January 2017 to discuss Phase 1 of the Post-implementation Review (PIR) of IFRS 13 *Fair Value Measurement*.

Agenda Papers 7A–7D: PIR Phase 1

The Board discussed the following matters, for which no decisions were made:

- a. the PIR process, background information on IFRS 13 and work streams related to fair value measurement (Agenda Paper 7A);
- b. whether convergence between IFRS 13 and Topic 820 Fair Value Measurement in US Generally Accepted Accounting Principles (GAAP) has been compromised as a result of subsequent standard-setting work carried out by the Board or the Financial Accounting Standards Board (Agenda Paper 7B);
- c. activities and feedback during Phase 1 of the PIR (Agenda Paper 7C); and
- d. a 'scoping review' to identify relevant issues raised in academic literature on fair value measurement (Agenda Paper 7D).

Agenda Paper 7E: PIR Phase 2

The Board also discussed the next steps in the PIR and tentatively decided to:

- a. proceed with Phase 2 of the PIR.

All 12 Board members agreed with this decision.

- b. focus the scope of the PIR on:
 - i. the effectiveness of disclosures about fair value measurements;
 - ii. the unit of account and fair value measurement of quoted investments;
 - iii. the application of judgement in specific areas; and
 - iv. the application of highest and best use when measuring the fair value of non-financial assets.

In addition, the PIR will explore the need for education on measuring the fair value of biological assets and unquoted equity instruments.

Eleven of 12 Board members agreed and one member disagreed with these decisions.

- c. conduct the following activities during Phase 2 of the PIR:
 - i. issue a request for information (RFI) with questions in the areas included in b above;
 - ii. review academic and non-academic literature;
 - iii. conduct outreach on the questions included in the RFI, with additional consultations with investors and preparers to assess what information is useful and what information is costly to prepare in respect of disclosures about fair value measurement; and
 - iv. gather additional evidence to supplement the information received from the above activities.

Eleven of 12 Board members agreed and one member disagreed with this decision.

Next Steps

At a future meeting, the Board will discuss related due process steps.

Symmetric Prepayment Options (Agenda Paper 3)

The Board met on 18 January 2017 to discuss the classification of financial assets with symmetric prepayment options when applying IFRS 9 *Financial Instruments*.

At this meeting, the Board tentatively decided:

- a. to propose a narrow-scope amendment to IFRS 9 so that a financial asset with a symmetric prepayment option would be eligible to be measured at amortised cost, or at fair value through other comprehensive income (subject to the financial asset meeting the business model condition) if:
 - i. the financial asset would otherwise meet the requirements in paragraph B4.1.11(b) of IFRS 9 (prepayable financial assets whose contractual cash flows are solely payments of principal and interest) but does not do so only as a result of the symmetric nature of the prepayment feature; and
 - ii. when the entity initially recognises the financial asset, the fair value of the symmetric prepayment feature is insignificant.

Eleven of 12 Board members agreed and one member disagreed with this decision.

- b. to propose the effective date for the narrow-scope amendment for annual periods beginning on or after 1 January 2018 (the same as that of IFRS 9) and also to include a question in the Exposure Draft about whether a later effective date, with early application permitted, would be more appropriate. All 12 Board members agreed with these decisions.
- c. to require retrospective application of the proposed amendment. All 12 Board members agreed with this decision.

Next steps

The Board will consider the comment period and due process steps taken on the proposed narrow-scope amendment to IFRS 9 at its February 2017 meeting.

Accounting Policies and Accounting Estimates (Agenda Paper 26)

At the meeting on 18 January 2017, it was reported that, in response to feedback on the wording of a draft of an Exposure Draft proposing amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, the Exposure Draft will now define 'accounting estimates' rather than 'a change in accounting estimate'.

This replacement will make it easier for readers to compare the definitions of accounting policies and accounting estimates and will clarify what the Board is intending to achieve in its proposal to amend IAS 8.

The Board was not asked to make any decisions.

Next steps

The Board expects to publish the Exposure Draft in the second quarter of 2017.

Insurance Contracts (Oral Update)

The Board received an oral update on the progress in the Insurance Contracts project and plans for supporting implementation of IFRS 17 *Insurance Contracts*. The plans included establishing a Transition Resource Group after the Standard has been issued. The membership of the group would reflect its mandate and objectives, which have yet to be decided. We will seek indications of interest in the group at a later date.

The Conceptual Framework for Financial Reporting (Agenda Paper 10)

The Board met on 18 January 2017 to discuss the *Conceptual Framework for Financial Reporting* (the *Conceptual Framework*) project. In particular, the Board discussed the measurement chapter from the May 2015 Exposure Draft *Conceptual Framework for Financial Reporting* (the Exposure Draft). Further, the Board discussed the Exposure Draft *Updating References to the Conceptual Framework* (the *Updating References* Exposure Draft).

Agenda Papers 10B and 10C: Factors specific to initial measurement

The Board considered revisions to the Exposure Draft's discussion of 'Factors specific to initial measurement'. It directed the staff to consider the following when redrafting:

- a. using alternative wording to replace 'exchanges of items of similar value', such as 'market transactions';
- b. whether initial measurement should be discussed only in relation to such transactions; and
- c. whether the discussion of transactions with holders of equity, in their capacity as such, should address the situation where a liability to make distributions is incurred.

The revised *Conceptual Framework* will also exclude the discussion of internally constructed assets that was provided in the Exposure Draft.

Agenda Paper 10D: More than one relevant measurement basis

The Board tentatively decided that the revised *Conceptual Framework* would:

- a. state that more than one measurement basis might sometimes be selected to provide information about an asset, liability, income or expenses as proposed in the Exposure Draft; and
- b. require that both the relevance and faithful representation of information about an asset, liability, income or expenses are considered when more than one measurement basis is selected.

The Board also tentatively decided to clarify that selecting different measurement bases for an asset or a liability in the statement of financial position and for related income or expenses in the statement of profit or loss, is an example of classifying income and expenses in the statement of profit or loss and in the statement of other comprehensive income. The Board's decision to provide such clarification was in response to requests made by some respondents to clarify the interaction between the proposals on more than one measurement basis and other aspects of the revised *Conceptual Framework*, such as the definitions of income and expenses and providing information about financial performance.

Eight of 12 Board members agreed and four members disagreed with these decisions.

Agenda Paper 10E: Updating References Exposure Draft—proposed amendments

The Board tentatively decided to retain:

- a. the reference to the *Framework for the Preparation and Presentation of Financial Statements* (the *Framework*) in paragraph 11 of IFRS 3 *Business Combinations* and start a project to make a narrow-scope amendment to that Standard. Any such narrow-scope amendment would allow the replacement of the reference to the *Framework* in a way that would prevent unintended consequences.
- b. the existing description of the assumed characteristics of users of financial statements and delete the reference to the *Framework* in paragraph 7 of IAS 1 *Presentation of Financial Statements*, paragraph 6 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and paragraph IG16 of IFRS 4 *Insurance Contracts*.

All 12 Board members agreed with these decisions.

Further, the Board tentatively decided to confirm the proposals in the *Updating References Exposure Draft* to:

- a. replace the reference to the *Framework* with the reference to the *Conceptual Framework* in paragraph 11 of IAS 8. All 12 Board members agreed with this decision.
- b. replace the remaining references to the *Framework* with references to the *Conceptual Framework* and update related quotations in IFRS 2 *Share-based Payment*, IFRS 6 *Exploration for and Evaluation of Mineral Resources*, IAS 1, IAS 8, IAS 34 *Interim Financial Reporting* and SIC-32 *Intangible Assets—Web Site Costs*. Eleven of 12 Board members agreed and one Board member disagreed with this decision.
- c. remove clarifying footnotes added after the revisions to the *Conceptual Framework* in 2010. Eleven of 12 Board members agreed and one member disagreed with this decision.

Agenda Paper 10F: Updating References Exposure Draft—transition and effective date

The Board tentatively decided to modify the requirement for retrospective application proposed in the *Updating References Exposure Draft*. Revised accounting policies will have to be applied retrospectively unless retrospective application would involve undue cost and effort. These transition provisions will be included in:

- a. the amendment to paragraph 11 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Seven of 12 Board members agreed and five members disagreed with this decision.
- b. other proposed amendments, ie the amendments to IFRS 2 *Share-based Payment*, IFRS 6 *Exploration for and Evaluation of Mineral Resources*, IAS 1 *Presentation of Financial Statements*, IAS 34 *Interim Financial Reporting* and the remaining amendments to IAS 8. Ten of 12 Board members agreed and two members disagreed with this decision.

Further, the Board tentatively confirmed the proposals in the *Updating References Exposure Draft* that:

- a. the amendment to paragraph 11 of IAS 8 will be applied to both existing and new accounting policies, except for a possible temporary relief for rate-regulated entities that will be discussed at a future Board meeting.
- b. a transition period of approximately 18 months will be set for the proposed amendments.

Eleven of 12 Board members agreed and one member disagreed with these decisions.

Next steps

At the February Board meeting, the Board will discuss:

- a. inconsistencies between the revised *Conceptual Framework* and IFRS Standards;
- b. possible temporary relief from applying the amendment (to replace the reference to the *Framework* with the reference to the *Conceptual Framework*) to paragraph 11 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* for rate-regulated activities;
- c. effects analysis; and
- d. due process.

Work plan—projected targets as at 19 January 2017

The work plan reflecting decisions made at this meeting was updated on the IASB website on 19 January 2017. [View it here.](#)

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