

IFRIC Review.

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This publication summarises the meeting of the IFRS Interpretations Committee on 18-19 September 2012.

Key decisions

IAS 16 Property, Plant and Equipment, IAS 38 Intangible Assets and IFRIC 12 Service Concession Arrangements – Variable payments for the separate acquisition of property, plant and equipment and intangible assets

The Committee previously considered a request to clarify the accounting for variable fees in a service concession arrangement. The request for clarification relates to whether these costs should be recognised at the start of the concession arrangement as an asset with an obligation to make the related payment, or treated as executory in nature and recognised over the term of the concession arrangement.

At previous meetings, the Committee asked that the staff develop a principle associated with the accounting for variable concession fees. The Committee acknowledged that the IASB's (the Board) project on leases considers the accounting for variable payments. However, the Committee preferred not to wait until the completion of the Board's leases project before advancing the issue. Therefore, the Committee directed the staff to recommend the appropriate accounting for such fees in consideration of the principles currently being discussed as part of the leases project.

At its September 2012 meeting, the Committee discussed whether the principles that the Board is developing in the leases project should be used as the basis for the accounting for contingent payments for the separate purchase of property, plant and equipment and intangible assets.

Some Committee members expressed reservations about applying the principles in the Board's project on leases to the accounting for such variable payments because the leases project is not yet complete and the timing of publication of the final standard is uncertain. As a result, the Committee directed the staff to prepare a paper for discussion at a future meeting which analyses a number of models historically considered by the Committee in accounting for variable payments, including:

- the 'financial liability model', based on the principles in IAS 32 *Financial Instruments: Presentation*, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 9 *Financial Instruments* on the accounting for a financial liability;
- the 'IFRS 3 model', based on the accounting for contingent consideration in IFRS 3 *Business Combinations*;

For more information please see the following websites:

www.iasplus.com

www.deloitte.com

- the 'IAS 16/IAS 37 model', based on the principles in IAS 16, IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*; and
- the 'Leases model', based on the tentative decisions taken so far by the Board in the leases project.

The Committee also directed the staff to propose alternatives that focus on the accounting for the debit side of the transaction, rather than on the recognition and measurement of the liability, and that consider whether there are circumstances in which the remeasurement of the liability should be included as an adjustment to the cost of the asset.

IAS 19 Employee Benefits – Accounting for contribution-based promises (Reconsideration of draft Interpretation D9 Employee Benefit Plans with a Promised Return on Contribution or Notional Contributions)

At a previous meeting, in considering a narrow question regarding the impact of the 2011 revisions to IAS 19 on the accounting for contribution-based promises, the Committee acknowledged a broader question about how to account for contribution-based promises. The Committee previously considered this issue and published IFRIC draft Interpretation D9 in 2004 which considered the accounting for contribution-based promises within its scope. However, the Committee suspended this project in 2006 and instead referred the issue to the Board to be included in its project on post-employment benefits. The Board later deferred work on this issue to a future broader project on employee benefits. Therefore, the Committee decided at its May 2012 meeting to reconsider the work it had done when it published D9.

At its September 2012 meeting, the Committee was presented with a summary of outreach performed by the staff regarding possible revisions to the scope of D9. On the basis of outreach performed, the Committee tentatively decided that employee benefits plans should fall within the scope of its draft Interpretation if they have the following characteristics:

- the plans would be classified as defined contribution plans under IAS 19 (or would be defined contribution plans if they were funded by actual rather than notional contributions) if not for the guarantee provided by the employer on the return of the contributions made;
- the contributions made to the plans can be notional contributions;
- there should be a guarantee of return by the employer on the contributions (notional contributions) made;
- the benefit under the plans is not dependent on future events such as salary changes, vesting or demographic risk; and
- the guarantee under the plan may be based on the value of one or more underlying assets.

The Committee also tentatively decided that an employee post-employment benefit plan or other employee long-term benefits would fall within the scope of the draft Interpretation if the employer has a legal or constructive obligation to pay further contributions and the fund does not hold sufficient assets to cover all employee benefits relating to employee service in the current and prior periods in respect of a promised return on actual or notional contributions or any other benefit guarantee based on the value of one or more underlying assets.

The staff intends to bring proposals on measurement and presentation to a future Committee meeting.

Summary of Committee discussions

Agenda decisions

IAS 16 Property, Plant and Equipment, IAS 38 Intangible Assets and IAS 17 Leases – Purchase of right to use land

The Committee previously considered a request to clarify whether the purchase of a right to use land ('land right') should be accounted for as a purchase of property, plant and equipment, purchase of an intangible asset or a lease of land. The request included a specific fact pattern where the laws and regulations in the jurisdiction did not permit entities to own freehold title to land. Instead, entities could purchase the right to exploit or build on land.

The Committee identified characteristics of a lease in the fact pattern provided. The Committee noted that a lease could be indefinite with extensions or renewals and that, therefore, the existence of an indefinite period does not preclude the right to use an asset from qualifying as a lease in accordance with IAS 17. The Committee also noted that the lessee, in the fact pattern provided, has the option to renew the right and that the useful life for depreciation purposes might include renewal periods. The Committee noted that judgement will need to be applied in assessing the appropriate length of the depreciation period.

The Committee decided not to take the issue onto its agenda because the fact pattern is specific to a jurisdiction and thus it is too narrow to undertake the due process associated with an interpretation or an annual improvement.

IAS 19 *Employee Benefits* – Accounting for contribution-based promises

The Committee previously considered a request to clarify whether the revisions to IAS 19 in 2011 affect the accounting for contribution-based promises.

The Committee noted the scope of the revisions to IAS 19 in 2011 was not intended to address elements specific to contribution-based promises. Instead, the revisions to IAS 19 clarified the treatment of risk-sharing features. Risk-sharing features are described in paragraph BC144 of IAS 19 (revised in 2011) as features that share the benefit of a surplus or the cost of a deficit between the employer and the plan participants or benefit plans that provide benefits that are conditional to some extent on whether there are sufficient assets in the plan to fund them. Accordingly, the Committee does not expect the revisions to IAS 19 to result in a change to the accounting for contribution-based promises unless such promises also include elements of risk-sharing arrangements between employees and employers. The Committee's conclusions were supported by paragraph BC148 of IAS 19 (revised in 2011), which notes that the measurement of contribution-based promises and similar promises was beyond the scope of the 2011 revisions.

On the basis of the analysis described above, the Committee decided not to add this issue to its agenda. However, the Committee is considering a more broad issue related to the accounting for contribution-based promises, as outlined above.

IAS 39 *Financial Instruments: Recognition and Measurement* – Accounting for different aspects of restructuring Greek Government Bonds

The Committee previously considered a request for guidance on the circumstances in which the restructuring of Greek government bonds (GGB) should result in derecognition of the whole asset, or only part of it, in accordance with IAS 39. The restructuring of GGBs included a 53.5 percent forgiveness of the principal amount, a 31.5 percent exchange of the principal amount for 20 new Greek bond instruments with maturities of 11 to 30 years (with coupons of 2 percent from 2012 to 2015, then 3 percent from 2015 to 2020 and 4.3 percent from 2020 to 2042) and the remaining 15 percent of principal amount exchanged for short-dated securities issued by the European Financial Stability Facility. In addition, for each new bond, participants were to receive a security with an initial nominal amount of €100 where the holder was not entitled to receive principal or interest but instead the security was linked to the Gross Domestic Product (GDP) of Greece. The Committee acknowledged that in the fact pattern submitted, all of the bondholders received the same restructuring deal irrespective of the terms and conditions of their individual holdings. The different bonds were not modified in contemplation of their respective terms and conditions but instead replaced by a new uniform debt structure. Likewise, the terms and conditions of the new bonds were substantially different from those of the old bonds, including changes in governing law, the introduction of contractual collective action clauses and the introduction of a co-financing agreement that affected the rights of the new bond holders, and modifications to the amount, term and coupons.

The request for clarification specifically questioned:

- whether the portion of the old GGBs that are exchanged for 20 new bonds with different maturities and interest rates should be derecognised, or conversely accounted for as a modification or transfer that would not require derecognition;
- whether IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* would be applicable in analysing the submitted fact pattern;
- whether either paragraphs AG8 or AG62 of IAS 39 would be applicable to the fact pattern submitted *if the GGBs were not derecognised*; and
- the appropriate accounting for the GDP-linked security that was offered as part of the restructuring of GGBs.

Exchange of financial instruments

The Committee noted that the narrow fact pattern considered in the submission highlighted the diversity in views that has arisen in relation to the accounting for the portion of the old GGBs exchanged for 20 new bonds with different maturities and interest rates. In considering whether: the portion of the old GGBs exchanged should be derecognised, IAS 8 should be applied and the exchange should be considered a transfer within the scope of paragraph 17(b) of IAS 39, the Committee observed that the term 'transfer' is not defined in IAS 39. However, paragraph 18 of IAS 39 states that an entity transfers a financial asset if it transfers the contractual rights to receive the cash flows of the financial asset.

Accordingly, the Committee noted that in the fact pattern submitted, the bonds are transferred back to the issuer rather than a third party and therefore, the transaction should be assessed against paragraph 17(a) of IAS 39.

In determining whether the financial asset is extinguished, paragraph 17(a) of IAS 39 requires an entity to assess the changes made as part of the bond exchange against the 'expiry' of the rights to the cash flows. Entities may consider applying IAS 8 because of the absence in IAS 39 of guidance regarding when a modification of a financial asset results in derecognition. However, application of IAS 8 requires judgement to develop and apply an accounting policy. Paragraph 11 of IAS 8 requires that in determining an appropriate accounting policy, consideration must first be given to the requirements in IFRSs dealing with similar and related issues. The Committee noted that in the fact pattern submitted, that requirement would lead to the development of an analogy to the notion of a substantial change of the terms of a financial liability in paragraph 40 of IAS 39.

Paragraph 40 of IAS 39 sets out that such a change can be impacted by both the exchange of debt instruments and the way in which the terms of an existing instrument are modified. Hence, if this analogy to financial liabilities is applied to financial assets, a substantial change of terms would result in derecognition of the financial asset regardless of whether the change was effected by exchange or by modification.

The Committee noted that if the guidance for financial liabilities is applied by analogy to assess whether the exchange of a portion of the old GGBs for 20 new bonds is a substantial change of the terms of the financial asset, the assessment must consider all changes made as part of the bond exchange. In the fact pattern submitted, the relevant facts led the Committee to conclude that treating the transaction as either an extinguishment under paragraph 17(a) of IAS 39 or a substantial change of the terms of the asset would result in derecognition.

The Committee noted that partial derecognition did not apply in the fact pattern submitted. This Committee reached this conclusion assuming the part of the principal amount of the old GGBs that was exchanged for new GGBs could be separately assessed for derecognition. Based on this assessment, the Committee noted that the exchange of the old GGBs was the result of a single agreement that covered all aspects and types of consideration for surrendering the old GGBs.

Notwithstanding the above analysis, the Committee decided not to add this item to its agenda as both approaches mentioned above would lead to derecognition.

The Committee acknowledged, however, that as part of the feedback received on its tentative agenda decision to this topic, it had received a request to recommend to the Board the development of guidance on the meaning of 'expiry' in the context of derecognising financial assets.

Classification of a GDP-linked security

The Committee then considered the request for guidance regarding the appropriate accounting for GDP-linked securities offered as part of the restructuring of GGBs.

The fact pattern outlined in the submission assumed that the indexation to the issuer's GDP was a non-financial variable specific to a party to the contract. However, the submitter acknowledged that IAS 39 refers to a 'non-financial variable that is not specific to a party to the contract' but does not define the meaning of that term. The Committee accepted that this issue has been raised to both the Committee and the Board on previous occasions, yet the Committee has not taken the issue onto its agenda out of concern that it could not resolve the issue efficiently within the confines of existing IFRSs and the conceptual framework and that it was not probable that it would be able to reach a consensus on the issue on a timely basis. The Committee reconfirmed its previous decisions not to take this issue onto its agenda and therefore acknowledged that it would remain an open question whether the assumption in the submission is appropriate.

However, the Committee thought that it could highlight several aspects that should be considered when assessing the accounting for the GDP-linked securities. The Committee highlighted the following:

- The GDP-linked security is a structured option that entitles the holder to cash payments depending on the nominal and the real GDP of the issuer exceeding particular thresholds.
- Mandatory classification as at fair value through profit or loss applies only if the GDP-linked security is a derivative or is otherwise held for trading.
- The definition of loans and receivables excludes those financial assets "for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available for sale".

- The definition of held-to-maturity investments requires that an entity has the positive intention and ability to hold that financial asset to maturity. The application guidance in IAS 39 clarifies that “the criteria for classification as a held-to-maturity investment are met for a financial asset that is callable by the issuer if the holder intends and is able to hold it until it is called or until maturity and the holder would recover substantially all of its carrying amount”.
- Classification as available for sale debt instruments is required unless the GDP-linked securities are classified as at fair value through profit or loss.
- Entities should consider the operational complexities of applying the effective interest method to the GDP-linked securities owing to their complex cash flow profile.

The Committee concluded that no clarification of IAS 39 was required for assessing the accounting for the GDP-linked securities, and likewise, acknowledged that IFRS 9, which supersedes IAS 39, already uses a different classification for financial assets. As a result, the Committee decided not to add the issue to its agenda.

Tentative agenda decisions

IFRS 3 *Business Combinations* – Continuing employment

The Committee previously considered a request for guidance on the accounting for contingent payments to selling shareholders in circumstances in which those selling shareholders become, or continue as, employees. The request for clarification relates to whether IFRS 3 should be conclusive in determining that an arrangement in which payments to an employee are forfeited upon termination is remuneration for post-combination services and not part of the consideration for an acquisition, or whether this is an indicator but not, on its own, determinative that the payment is compensation. The request arose as a result of the submitter’s assertion that paragraph B55 of IFRS 3 introduces subparagraphs (a) to (h) as indicators in determining whether arrangements for contingent payments to employees or selling shareholders are part of the business combination or are separate transactions, but paragraph B55(a) uses conclusive language stating that the arrangement described is remuneration for post-combination services.

The Committee observed that an arrangement in which contingent payments are automatically forfeited if employment terminates should lead to a conclusion that the arrangement is compensation for post-combination services rather than additional consideration for an acquisition, unless the arrangement is not substantive.

The Committee also acknowledged that IFRS 3 is a converged standard with the US Financial Accounting Standards Board (FASB), and thus, both the IASB and FASB should be consulted to determine whether IFRS 3 (IFRSs only) and Topic 805 *Business Combinations* (US GAAP only) should be conclusive in the fact pattern described above. The Committee was advised that the US Financial Accounting Foundation’s (FAF) Post-Implementation Review of FASB Statement No. 141(R) *Business Combinations* (now codified in Topic 805) is in progress, and the opportunity to co-ordinate any work on this issue with the FASB would arise after the conclusion of the Post-Implementation Review of FASB Statement No. 141(R). Thus, the Committee tentatively decided not to add this issue to its agenda at this time to avoid creating divergence with US GAAP on a standard which had previously achieved convergence. The Committee will reconsider this tentative decision at a future meeting.

IAS 27 *Consolidated and Separate Financial Statements* and IFRS 10 *Consolidated Financial Statements* – Non-cash acquisition of non-controlling interest by a controlling shareholder in the consolidated financial statements

The Committee considered a request to clarify a perceived inconsistency between the requirements of IAS 27 and IFRIC 17 *Distributions of Non-cash Assets to Owners* regarding the accounting for the purchase of a non-controlling interest (NCI) by the controlling shareholder when the consideration includes non-cash items. The request for clarification relates to whether the difference between the fair value of the consideration given and carrying amount of the consideration received should be recognised in equity or in profit or loss, as the submitter asserted that paragraph 31 of IAS 27 required recognition of the difference in equity, whereas application of IFRIC 17 by analogy required recognition of the difference in profit or loss.

The Committee noted that the scope of paragraph 31 of IAS 27 is limited to recognition of the difference between the carrying amount of NCI and the fair value of the consideration given. This paragraph does not consider the difference between the fair value of the consideration given and the carrying amount of such consideration. Instead, the difference between the fair value of the assets transferred and their carrying amount arises from the derecognition of those assets, and IFRSs generally require an entity to recognise, in profit or loss, any gain or loss arising from the derecognition of an asset.

On the basis of this analysis, the Committee tentatively decided not to add this issue to its agenda. The Committee will reconsider this tentative decision at a future meeting.

IAS 28 *Investment in Associates* – Impairment of investments in associates in separate financial statements

At its July 2012 meeting, the Committee received a report on issues which have been referred to the Board between January 2008 and May 2012 and not yet addressed. The Committee requested that the staff update the analysis and perform further outreach on certain of these issues so the Committee could discuss, at future meetings, whether or not to add these issues to its agenda. One of those issues related to the impairment of investments in associates in separate financial statements. The submission asked whether, in its separate financial statements, an entity should apply the provisions of IAS 36 *Impairment of Assets* or IAS 39 to test for impairment its investments in subsidiaries, joint ventures and associates carried at cost.

At its September 2012 meeting, the Committee noted that paragraph 38 of IAS 27 requires an entity to account for investments in subsidiaries, joint ventures and associates either at cost or in accordance with IAS 39 in its separate financial statements.

The Committee also observed that according to paragraphs 4 and 5 of IAS 36 and paragraph 2(a) of IAS 39, investments in subsidiaries, joint ventures and associates accounted for at cost are within the scope of IAS 36; whereas investments in subsidiaries, joint ventures and associates accounted for in accordance with IAS 39 are within the scope of IAS 39. As such, the Committee noted that in its separate financial statements, an entity should apply the provisions of IAS 36 to test for impairment its investments in subsidiaries, joint ventures and associates that are carried at cost.

On the basis of this analysis, the Committee tentatively decided not to add this issue to its agenda. The Committee will reconsider this tentative decision at a future meeting.

IAS 39 *Financial Instruments: Recognition and Measurement* – Presentation of income and expenses arising on financial instruments with a negative yield in the statement of comprehensive income

The Committee discussed the ramifications of the economic phenomenon of negative interest rates on the presentation of income and expenses in the statement of comprehensive income.

The Committee observed that interest resulting from a negative effective interest rate on a financial asset does not meet the definition of interest revenue in IAS 18 *Revenue* given that it reflects a gross outflow, as opposed to a gross inflow, of economic benefits. The Committee also noted that this amount is not indicative of an interest expense given that it arises on a financial asset instead of on a financial liability of the entity. As such, the Committee concluded that any expense arising on a financial asset as a result of a negative effective interest rate should not be presented as interest revenue or interest expense. Instead, it should be recognised in some other appropriate expense classification. If the amount is relevant to an understanding of the entity's financial performance or to an understanding of this item, additional information about the amount should be presented in accordance with paragraphs 85 and 112(c) of IAS 1 *Presentation of Financial Statements*.

On the basis of this analysis, the Committee tentatively decided not to add this issue to its agenda. The Committee will reconsider this tentative decision at a future meeting.

Other issues considered

IFRS 3 *Business Combinations* and IFRS 2 *Share-based Payment* – Accounting for reverse acquisitions that do not constitute a business

The Committee considered two separate requests to clarify the accounting for reverse acquisition transactions where the accounting acquiree is not a business. The requests included fact patterns in which a non-operating entity that has a public listing is used to provide an existing non-listed operating entity with a market listing by combining the non-operating entity with the operating entity in such a way that the merged/consolidated entity retains the non-operating entity's listing, the former shareholders of the operating entity become the majority shareholders of the combined entity and there is a difference between the consideration received from the accounting acquiree and the consideration transferred by the accounting acquirer.

The Committee analysed the two fact patterns outlined in the submissions. The Committee tentatively observed that a reverse acquisition transaction in which the accounting acquiree is not a business would be accounted for as a share-based payment transaction in accordance with IFRS 2 in circumstances in which a non-listed operating entity issues shares in return for obtaining a service (i.e., a listing) from the non-operating entity.

By analogy, the Committee also tentatively observed that the legal acquirer would be identified and accounted for as the accounting acquiree in accordance with paragraph B19–B27 of IFRS 3 for reverse acquisitions. In applying the guidance in B19–B27 of IFRS 3, the consideration transferred by the accounting acquirer would be based on the number of equity interests that the non-listed operating entity would have had to issue to give the listed entity the same percentage equity interest in the combined entity that results from a reverse acquisition.

Finally, the Committee tentatively concluded that any difference between the amount of the consideration transferred and identifiable assets acquired would be recognised as an expense as representative of the cost of the service received (i.e., the listing). However, some Committee members observed that certain jurisdictions require entities to identify within this amount incremental transaction costs directly attributable to the issue of equity instruments. Transaction costs of an equity transaction are accounted for as a deduction from equity in accordance with IAS 32.

The Committee directed the staff to draft a tentative agenda decision which considers the Committee discussions for consideration at a future meeting.

IAS 19 *Employee Benefits* (revised in 2011) – Measurement of the net defined benefit obligation (DBO) for post-employment benefit plans with employee contributions

The Committee considered a request to clarify paragraph 93 of IAS 19 (revised in 2011). The submission requested confirmation as to whether paragraph 93 of IAS 19 (revised in 2011) was intended to address measurement of the net DBO only for those plans in which the risk of plan deficits and surpluses is shared with employees through their contributions to the plan, or any plan with employee contributions.

The Committee noted that the Board previously discussed various aspects of risk-sharing features based on the comments received on the Exposure Draft *Defined Benefit Plans* published in March 2010, including discussion of how to account for the effect of employee contributions. During those discussions, the Board concluded that employee contributions, including expected future contributions resulting from employee service in the current and prior periods, should be considered in calculating the DBO.

Notwithstanding the decisions of the Board, the Committee directed the staff to develop specific examples of how to account for employee contributions in accordance with paragraph 93 of IAS 19 (revised in 2011) for discussion at a future meeting. At such time, the Committee will consider how it should address this issue.

IAS 40 *Investment Property* – Accounting for a structure that appears to lack the physical characteristics of a building

The Committee considered a request to clarify whether telecommunication towers in a jurisdiction should be accounted for as property, plant and equipment or as investment property. The request included a specific fact pattern where an entity owns telecommunication towers and receives rent revenue in exchange for leasing spaces in the towers to telecommunication operators to which they attach their own devices. The entity provides certain basic services to the telecommunication operators such as maintenance services.

The Committee considered whether the telecommunication tower should be viewed as a 'building', and thus, 'property', as described in paragraph 5 of IAS 40, and whether ancillary services provided by the entity are significant to the arrangement as a whole.

The Committee observed that the tower in the submission has some of the characteristics of investment property given that spaces in the tower are let to tenants to earn rentals. However, the Committee questioned whether the tower qualified as a 'building' given its lack of features typically associated with a building such as walls, floors and a roof.

On the basis of the discussions above, and acknowledging that similar questions could arise across other structures including gas storage tanks and advertising billboards, the Committee requested the staff to analyse this issue further and to consider whether amendments to the scope of IAS 40 could or should be made. The Committee will consider this analysis at a future meeting.

IAS 41 *Agriculture* and IFRS 13 *Fair Value Measurement* – Valuation of biological assets using a residual method

The Committee considered a request to clarify paragraph 25 of IAS 41 related to the valuation of biological assets that are physically attached to land. Paragraph 25 permits the use of a valuation basis which is consistent with a residual method to determine the fair value of biological assets that are physically attached to land if the biological assets have no separate market but an active market exists for the combined assets. The submitter expressed concern that the use of the fair value of land (when applying its highest and best use as required by IFRS 13) may result in a minimal or nil fair value for biological assets when its highest and best use is different from its current use.

The Committee observed that the valuation premise in IFRS 13 requires that the fair value of other assets within an asset group must also reflect their use on a stand-alone basis. It is on this basis that the asset group as a whole provides maximum value to market participants. The Committee acknowledged that the value of the biological assets might be minimal or nil when a residual method is used, however, it also noted that IAS 41 does not require the use of a residual method.

The Committee noted that the Board will discuss whether to add a limited-scope project on IAS 41 for bearer biological assets to its technical agenda at its September 2012 meeting. The Committee will consider the results of the Board's discussions before finalising its assessment of this issue.

Administrative session

Committee outstanding issues report

The Committee deferred work on four new issues and four outstanding issues which will be discussed at a future meeting.

The new issues include:

- An IAS 32 issue requesting clarification on whether, in order to qualify for balance sheet offsetting, the counterparty (or counterparties) to a netting arrangement is required to have an equivalent right of set-off to that of the reporting entity.
- An IFRS 10 issue requesting clarification of the concept of 'protective rights' in IFRS 10.
- An IFRS 3 issue requesting clarification on the accounting for the mandatory purchase of non-controlling interests in business combinations.
- An IAS 1 issue requesting clarification of disclosure requirements in paragraph 25 of IAS 1 relating to the use of the going concern basis for preparation of financial statements.

The outstanding issues include:

- An IFRS 3 issue requesting clarification on whether an asset with relatively simple associated processes meets the definition of a business in accordance with IFRS 3.
- An IAS 12 *Income Taxes* issue requesting clarification of the calculation of deferred tax in circumstances where the entity holds a subsidiary which has a single asset within it.
- A review of past IAS 7 *Statement of Cash Flows* issues related to the classification of cash flows.
- An IAS 2 *Inventories* issue requesting clarification on the accounting for long-term supply contracts of raw materials when the purchaser of the raw materials agrees to make prepayments to the supplier. The staff are monitoring this issue in the context of developments on the Board's revenue recognition project.

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