IFRS Global office
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IFRIC Review.

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This publication summarises the meeting of the IFRS Interpretations Committee on 10-11 March 2011

Key decisions

The Committee tentatively approved the following principle for capitalisation: an entity shall capitalise stripping costs in the production phase of a mine to the extent that the benefit created by the stripping activity is expected to be realised in a future period. In order to apply this principle, the IFRIC tentatively decided that the entity must be able to: (a) identify the ore body (or component of the ore body) in the component of the mine, for which access has been improved by the stripping activity, and (b) measure with reliability the costs of that stripping activity. Costs that would not be capitalised would be accounted for as current period costs in accordance with IAS 2 *Inventories*. The Committee tentatively decided that an entity should adopt a cost allocation approach to measure the benefits created by the stripping activity and considered the ability to use a residual value approach. Under this approach, an entity would calculate the standard cost of removing ore in a section of the mine and account for the cost as inventory when the cost of the ore removed is in line with that standard cost. Excess costs would be considered costs of improving the access to the ore to be mined in future periods and capitalised as a long-term asset. Ultimately, the Committee preferred not specifying a single method of allocation. The Committee tentatively decided that the 'stripping cost asset' would be depreciated or amortised in a rational and systematic manner over the expected useful life of the ore body (or component of the ore body) in the section of the mine that becomes more accessible as a result of the stripping activity. The units of production method would be applied unless another method is more appropriate. The staff will prepare another draft Interpretation for discussion at the May 2011 meeting.

The Committee continued its discussion of put options written over non-controlling interests and tentatively decided to recommend that the IASB amend the scope of IAS 32 *Financial Instruments: Presentation* so that the requirements of paragraph 23 of IAS 32 would no longer apply to NCI put options in the consolidated financial statements of the controlling shareholder. Instead, these instruments would be measured in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* or IFRS 9 *Financial Instruments*, on a 'net' basis at fair value with changes recognised in profit or loss in the consolidated financial statements of the controlling shareholder. The Committee requested the staff prepare the proposed wording for the amendments (including any consequential amendments) and agreed that the matter should be referred to the IASB for their consideration.

The Committee continued its discussion on share-based payment awards that are settled net of tax and decided not to confirm its tentative agenda decision because of the complexities of the issue and the concern about separately classifying components of a single award. The Committee agreed to refer the matter to the IASB for their consideration and to modify the language in the proposed agenda decision to incorporate this decision.

Agenda decisions

Issues not added to the Committee agenda:
IAS 37 – Inclusion of own credit risk in the discount rate
IAS 8 – Application of IAS 8 hierarchy
IFRS 2 – Share-based payment awards settled net of tax withholding

Tentative agenda decisions

Issues tentatively not added to the Committee agenda:
IFRIC 15 – Clarification of meaning of continuous transfer

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Summary of Committee discussions

IAS 16 and IAS 38 – Contingent pricing of PPE and intangible assets

The Committee continued its discussion on developing possible guidance on how to account for contingent payments for the separate purchase of property, plant and equipment or intangible assets. The Committee discussed whether to restrict the scope of any possible guidance. The Committee tentatively decided not to limit the scope of future guidance as the staff recommended but instead requested the staff perform additional research to determine what other pieces of IFRSs could be used to develop a future Interpretation on what forms part of the cost of the items purchased. The Committee discussed possible accounting models for contingent payments including IFRS 3 *Business Combinations* and IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities* but did not reach any tentative decisions.

IFRS 2 – Various Issues

The Committee discussed the following IFRS 2 Share-based Payment issues that have been received by the Committee since 2005:

- Employee share loan plans (May 2005)
- Share plans with cash alternatives at the direction of the entity (May 2006)
- Grant date and vesting periods (May 2006)
- Incremental fair value to employees as a result of unexpected capital restructuring (November 2006)
- Employee benefit trusts in the separate financial statements of the sponsor (November 2006)
- Transactions in which the manner of settlement is contingent on future events (January 2010)
- Vesting and non-vesting conditions (September 2010)

The Committee agreed that the staff should bring the last two issues in the above list to the IASB for their consideration as part of a potential review of IFRS 2. The Committee agreed that no further action is needed on the other IFRS 2 issues because they don’t expect diversity in practice.

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IAS 37 – Inclusion of own credit risk in the discount rate

The Committee confirmed its tentative agenda decision not to add this issue to its agenda and agreed to maintain the wording of the proposed January 2011 agenda decision that 'predominant practice today is to exclude own credit risk which is generally viewed as a risk of the entity rather than a risk specific to the liability'.

IAS 8 – Hierarchy of guidance to select an accounting policy

The Committee confirmed its decision not to add this issue to its agenda and agreed with some editorial amendments to the proposed agenda decision.

IFRIC 15 – Clarification of meaning of continuous transfer

The Committee received a request for clarification on the meaning of the term 'continuous transfer' in paragraph 17 of IFRIC 15, *Agreements for the Construction of Real Estate*, because there may be potential diversity in the interpretation of that term. In accordance with IFRIC 15, a seller would recognise revenue by reference to the stage of completion using the percentage of completion method if the seller transfers to the buyer control and significant risks and rewards of ownership continuously as construction progresses. The Committee recommended that the IASB consider the fact pattern of the submission received in its revenue recognition project. The Committee also requested input from interested parties. The Committee will discuss the results of this input as well as developments on the revenue recognition project at the May meeting.

Targeted consultation on post implementation review framework

The Committee provided feedback to the staff on draft general work plan for a post-implementation review. The staff intends to bring the feedback received on the work plan to the IASB meeting in the second quarter of 2011.

Administrative Session

The Committee was provided a summary of the current status of issues that have yet to be discussed by the Committee, and the progress made by the staff to date on such issues. The Committee noted that several outstanding items are inter-related with recently completed or current projects. The staff will provide the Committee a recommendation of how to best move forward with these issues which will be discussed at a future meeting.

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