Summary note of the Accounting Standards Advisory Forum

Held on 6 March and 7 March 2017 at the IASB office, 30 Cannon Street, London.

This note is prepared by staff of the International Accounting Standards Board (the Board), and summarises the discussion that took place with the Accounting Standards Advisory Forum (ASAF).[1] *A full recording of the meeting is available on the IASB® website.*

ASAF members attending

Andreas Barckow	Accounting Standards Committee of Germany (DRSC)
Alexsandro Broedel Lopes	Group of Latin American Standard-Setters (GLASS)
Kim Bromfield	South African Financial Reporting Standards Council (SAFRC)
Patrick de Cambourg	Autorité des normes comptables (ANC)
Alberto Giussani	Organismo Italiano di Contabilità (OIC)
Russ Golden	Financial Accounting Standards Board (FASB)
Jianqiao Lu	China Accounting Standards Committee (CASC)
Eui-Hyung Kim	Asian-Oceanian Standard-Setters Group (AOSSG)
Linda Mezon	Accounting Standards Board of Canada (AcSB)
Yukio Ono	Accounting Standards Board of Japan (ASBJ)
Kris Peach/Kimberley Crook	Australian Accounting Standards Board/New Zealand Accounting Standards Board (AASB)/(NZASB)
Andrew Watchman	European Financial Reporting Advisory Group (EFRAG)

Rate-regulated Activities

1. At this meeting, ASAF members received an update on the International Accounting Standard Board's (the Board) discussions at its February 2017 meeting. ASAF members provided views on a possible new accounting model that would recognise regulatory assets and regulatory liabilities. In particular, ASAF members commented on the model's:

   (a) core principle;

   (b) supplementary approach;

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(c) scope; and

(d) criteria for recognising regulatory assets and regulatory liabilities.

Core principle

2. The proposed core principle is that an entity recognises 'regulatory performance adjustments' to depict the transfer of rate-regulated goods or services to the customer base in an amount that reflects the compensation to which the entity expects to be entitled in exchange for those goods or services. This reflects the principles underlying the 'transfer model' in IFRS 15 *Revenue from Contracts with Customers*.

3. ASAF members generally supported the core principle and considered that focusing on the customer base is an important feature of the type of rate regulation intended to be within the scope of the model. However, some ASAF members expressed a concern that the description of regulatory assets and regulatory liabilities as regulatory performance adjustments (ie the result of an imbalance between the performance of the entity and the performance of the customer base) needs to be more clearly articulated.

4. The FASB representative suggested describing regulatory assets and liabilities as 'consideration adjustments' instead of as performance imbalances. The EFRAG and DRSC representatives stated that a consideration adjustment is an appropriate description in some cases, but in other cases describing it as a performance adjustment is more appropriate. They suggested this distinction is important. The AASB/NZASB representative stated that the rate regulator actually makes sure that an entity is not making too much profit and, at the same time, ensures the continued financial viability of the entity to enable it to carry out the rate-regulated activities. She suggested characterising the regulatory adjustments as profit adjustments.

5. The AASB/NZASB representative stated that some constituents are not convinced that regulatory assets and regulatory liabilities meet the definitions of assets and liabilities in the *Conceptual Framework for Financial Reporting (Conceptual Framework)*. Consequently, the rationale for the basis for the new model should focus on providing investors with more relevant and faithfully represented information.

Supplementary approach

6. All ASAF members supported the supplementary approach, which does not override existing IFRS Standards (Standards). This means that:

   (a) an entity will apply the requirements of other Standards, including IFRS 15, before applying the model; and

   (b) a regulatory asset or regulatory liability will be recognised only to the extent that the entity's rights and obligations arising from its rate-regulated activities are not already recognised by applying other Standards.

Scope

7. The staff suggest that the scope criteria for the model should require:

   (a) the entity to carry out activities that are subject to a formal regulatory pricing (ie rate-setting) framework that is binding on both the entity and the rate regulator; and

   (b) that the regulatory pricing framework includes a rate-setting mechanism linking the calculation of the rate to the entity's satisfaction of its regulatory obligations.

8. ASAF members generally supported the scope of the model. However, they expressed mixed views about the articulation of the criteria, making similar comments to those on the articulation of the adjustments as performance imbalances. Some (including representatives of CASC, GLASS, and SAFRC) also raised questions about how the model would address situations in which:

   (a) the rate regulator needs support from the customers (citizens) before imposing rate/ tariff changes; and

   (b) the government compensates an entity directly instead of through future rate/ tariff increases.

Recognition of regulatory assets and regulatory liabilities

9. The staff suggest that an entity should recognise a regulatory asset or regulatory liability only when it is highly probable that a significant reversal in the amount of cumulative compensation recognised will not occur.

10. ASAF members generally supported having some probability threshold and guidance, particularly for recognising regulatory assets. The AcSB representative commented that she understood a reasonably high threshold is applied in Canada, with little evidence of impairments being recognised. The DRSC representative suggested that there should be symmetric criteria for assets and liabilities because the rate regulation produces both negative and positive adjustments to the future regulated rate chargeable to the customer base. A Board member noted that this had been raised in the Board discussion and the staff had been asked to revisit the criterion.

11. The SAFRC representative asked for more guidance on how the model would address situations in which the regulated-rate has not been approved by the rate regulator before the year-end or before the entity's financial statements have been approved.

Next steps

12. The Board will continue discussions to develop further the details of the model. The staff will seek ASAF members' views on the model at the July ASAF meeting.

Definition of a Business

13. The objective of this session was to obtain ASAF members' advice on the screening test proposed in the Exposure Draft *Definition of a Business and Accounting for Previously Held Interests* (ED/2016/1) published in June 2016.

14. In particular, the staff asked ASAF members' advice on whether the screening test should be: determinative, a rebuttable presumption, or an indicator.

15. ASAF members provided the following comments.

    (a) Some members (AcSB, ASBJ and OIC) supported the determinative screening test proposed by the Board. They observed that the screening test would help preparers in applying the guidance on the definition of a business. They also suggested the Board remain converged with the FASB on their respective amendments.

    (b) the SAFRC representative stated that the proposed screening test is acceptable from an overall materiality perspective.

16. Other ASAF members expressed concerns on the proposed screening test. In particular:

(a) the EFRAG representative questioned whether the proposed screening test would be simple to apply. He suggested changing the screening test to an indicator. A rebuttable presumption would add complexity, because entities would be required to assess whether the presumption is rebutted.

(b) the CASC and GLASS representatives observed that some transactions that are currently accounted for as business combinations would be considered as asset purchases because of the proposed screening test. This may lead to an overstatement of individual identifiable assets acquired, because in an asset purchase the amount of the total cost allocated to one of those assets may exceed its fair value. Consequently, the CASC representative would prefer a rebuttable presumption or an indicative screening test.

(c) the ANC representative commented that the proposed screening test is too stringent. ANC would prefer a rebuttable presumption. The transfer of the workforce should be considered as a criterion that would rebut the presumption.

(d) the AASB/NZASB representative observed that the proposed screening test is rule-based, whereas IFRS Standards are principles-based. If the Board confirms the screening test as proposed, it should clarify how to apply the rule.

17. The FASB representative observed that the FASB had received similar feedback on the screening test. The FASB considered changing the test to an indicator or a rebuttable presumption, but decided to confirm the determinative screening test. In its view, the suggestions received as part of the feedback would increase the cost of applying the screening test.

18. ASAF members generally agree with the proposal to:

(a) clarify that assets that have different risks are not “similar” assets for the purpose of the screening test; and

(b) exclude the effect of deferred taxes from the screening test.

19. The EFRAG and AASB/NZASB representatives observed that excluding the effect of deferred taxes may be difficult in some circumstances, because taxes may affect the transaction price.

Conceptual Framework

20. At this meeting, ASAF members were asked for their views on the proposed concepts for the *Conceptual Framework*, focusing on those concepts that have not been discussed in previous ASAF meetings.

Asymmetry

21. The representative from EFRAG asked whether the Board had discussed the letter from EFRAG requesting additional guidance on asymmetry in the *Conceptual Framework.*

22. A staff member said that the letter had been distributed to the Board advisors for this project. She noted that when the Board discussed the role of asymmetry in financial reporting, it decided that asymmetry in recognition and measurement was not a necessary characteristic of all useful financial information. However, asymmetry in recognition and measurement could in some cases be the outcome of considering what makes information useful. In those cases, this approach to asymmetry is likely to result in similar outcomes to the approach advocated by EFRAG in its letter.

23. The AcSB representative stated that she did not support EFRAG's call for more guidance on asymmetry. She agreed with the Board's position that asymmetry may be appropriate in some situations, for example in situations involving legal claims.

24. The AASB/NZASB and AcSB representatives expressed the view that the Board's proposed approach to asymmetry is a reasonable compromise. However:

    (a) the AASB/NZASB representative expressed a preference for treating asymmetry in the manner proposed in the Exposure Draft; and

    (b) the AcSB representative stated that the drafting on measurement would need to make it clear that reversals of impairment losses are permitted when using a cost-based measure as cost measurement is not necessarily asymmetrical.

25. The DRSC representative suggested that it be made clear in the chapters dealing with recognition and measurement that asymmetry is used as a standard-setting tool by the Board and should not be used by preparers. In response, the staff member commented that prohibiting preparers from developing accounting policies that are asymmetric might be interpreted by some—although not by the Board—as banning preparers from using historical cost measurement bases when developing accounting policies in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

26. The ANC representative stated that the description of asymmetry in the *Conceptual Framework*, and related guidance, are particularly important in the European context because EFRAG, when compiling its endorsement advice for the European Commission includes a reference to prudence.

27. The AASB/NZASB and an IASB member cautioned that reference to the *Conceptual Framework* by preparers would not be rare. This is because the *Conceptual Framework* sets the context in which accounting standards are interpreted.

Reporting entity

28. The EFRAG representative noted that the revised *Conceptual Framework* envisages that a reporting entity could be a portion of an entity and could be formed by entities that do not have a parent-subsidiary relationship. However, the revised *Conceptual Framework* provides little guidance in this regard. The EFRAG representative asked whether, and when, additional guidance would be provided as to how to define the boundaries of such a reporting entity and how to identify its assets and liabilities objectively.

29. The staff explained that there are no plans to provide additional guidance in this area as such guidance would require a level of detail that would be inappropriate in the *Conceptual Framework*. In addition, the staff informed ASAF members that there are currently no plans to provide guidance in a standards-level project.

30. An IASB member noted that there is difficulty in defining the boundary of a reporting entity given jurisdictional differences as to which entities are required to prepare general purpose financial statements.

31. The GLASS representative commented that the lack of guidance in both the *Conceptual Framework* and the Standards creates problems in practice in some jurisdictions. An IASB member commented that the agenda consultation had not highlighted significant demand for guidance on the boundaries of a reporting entity.

Definition of a liability

32. The EFRAG representative asked whether the Board had considered further the suggestion in some of the staff papers that 'simply existing' could be a past event that gives rise to a liability. The staff member explained that the Board was largely supportive of the staff's suggestion. However, it may be necessary to clarify in the revised *Conceptual Framework* the Board's intentions regarding when 'simply existing' can be a past event.

Executory contracts

33. The EFRAG representative relayed the feedback from EFRAG's constituents that in some cases, the right and the obligation that arise in an executory contract are separable and could be presented gross. The staff commented that, in the Board's view, an executory contract does not create a right to receive a gross amount and an obligation to pay a gross amount. Instead, the contract results in both a right to exchange economic resources and an obligation to exchange economic resources. The right and obligation cannot be separated until one of the parties to the contract performs. Moreover, even if the right and obligation could be separated, they are a right to make an exchange and obligation to make an exchange, not a right to receive a gross amount and an obligation to pay a gross amount.

34. The FASB representative suggested that it is necessary to consider the implications of using a term such as 'executory contract' as it has a distinct legal meaning that may differ from the intended meaning in the *Conceptual Framework*.

35. The EFRAG representative also asked whether the Basis for Conclusions on the revised *Conceptual Framework* would discuss recognition and measurement of executory contracts. The staff member confirmed that the staff would consider this in drafting.

Other comments and questions

36. The EFRAG representative argued that the *Conceptual Framework* should include a reference to the statement of cash flows given the importance of information about cash flows to the users of financial statements. The staff agreed that information about cash flows is important and Chapter 2 of the *Conceptual Framework* acknowledges this point. However, unlike the statement(s) of financial performance and the statement of financial position, the statement of cash flows is not a summary of recognised elements.

37. The AASB/NZASB representative asked if there would be opportunities for ASAF members to provide comments on drafting. The staff member confirmed that a draft of the revised *Conceptual Framework* will be made available to ASAF members and that the staff would appreciate any comments that ASAF members have on the drafting.

38. The ASBJ representative asked whether the Board intends to address the inconsistency identified by the Board between the *Conceptual Framework* and IFRIC 21 *Levies*, and if so, whether the project on provisions intends to amend only IFRIC 21 or fundamentally revise IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. A staff member explained that the research on IAS 37 (including discussions about the scope of any project) is in the research pipeline pending finalisation of the revised *Conceptual Framework*. The Board has not yet decided when to start moving projects from the research pipeline to the active research programme, nor has it yet decided which of those projects should become active first.

39. The AOSSG representative expressed the view that more work is needed on the concept of unit of account, as it is an overarching concept that should be discussed in more detail in the *Conceptual Framework.* A staff member noted that respondents to both the Discussion Paper and the Exposure Draft had also made similar requests, but had generally not provided specific suggestions for improvements. At each stage, the Board had added as much as it felt it could usefully say. In the staff's view, it was not possible to make further significant improvements to the guidance already developed. Realistically, further development could take place at the standards level only.

40. The ANC representative suggested improving the definition of profit or loss and elaborating on the distinction between other comprehensive income and profit or loss. The ANC representative argued that the distinction between other comprehensive income and profit or loss is not just a presentation issue.

Insurance Contracts

Implementation of IFRS 17

41. The purpose of this session was to obtain ASAF members' views on how they can support the implementation of the new insurance contracts Standard (IFRS 17 *Insurance Contracts*) and on the inputs they need from the Board.

42. The staff noted that IFRS 17 is expected to be issued in May 2017 and that the Board is planning many activities to support its implementation. Those activities include publishing educational and explanatory material; holding webcasts and conferences introducing the new requirements and focusing on specific areas; and establishing a transition resource group.

43. Many ASAF members stated that the educational materials on IFRS 17—prepared by both the Board and the national-standard setters—will be particularly useful for the implementation of the new Standard. They noted that this material should be used to educate various stakeholders, including investors, although the timing of the education activities for preparers and users of financial statements might differ.

44. Some ASAF members expressed the view that a transition resource group will have an important role in achieving a balanced discussion of the wording in the Standard. Those members stated that they plan to monitor the meetings of the transition resource group to facilitate the submission and the analysis of the issues most relevant for their jurisdictions, as well as to support the work of any member of the transition resource group from their jurisdiction.

45. Some ASAF members suggested that the composition of the transition resource group should reflect the variety of the entities operating in the insurance industry and should ensure an appropriate geographical coverage. Those members noted that entities in different jurisdictions are expected to encounter different implementation issues in the light of the differences that currently exist in insurance accounting practices.

46. Many ASAF members commented on the specific implementation activities that they are planning. The AOSSG, the AcSB, the SAFRC, AASB and the EFRAG representatives mentioned that they have already established, or they plan to establish, an insurance working group or a panel of experts with different skills to support the implementation of IFRS 17 in their jurisdictions.

47. The ANC representative recommended that the Board develop an impact assessment to provide inputs on the possible consequences of IFRS 17 on insurance entities. A number of Board members confirmed that the staff is working on a comprehensive effects analysis on IFRS 17. That analysis will, for a wide range of accounting practices, discuss the directional effects of IFRS 17 on entities that issue insurance contracts. In line with the Board's due process and the recommendations of the effects analysis consultative group, that analysis will not quantify the effects for a specific entity or for a specific jurisdiction.

48. The ANC representative referred to the wording in IFRS 17 on the narrow exemption for the grouping of regulatory-affected pricing of insurance contracts and the release of the contractual service margin. That representative stated that a proper understanding of that wording is necessary to support implementation. A Board member observed that the transition resource group will discuss possible implementation issues, including those concerning the grouping of insurance contracts and the recognition of the contractual service margin in profit or loss, in public meetings to support entities that will be required to implement IFRS 17.

Dynamic Risk Management

49. At this meeting, the EFRAG representative presented the findings of outreach conducted by EFRAG. The objective of the outreach was to:

    (a) Learn in more detail how banks manage interest rate risk; and

    (b) Assist the IASB with the *Dynamic Risk Management* project.

50. The main findings from the EFRAG outreach were:

    (a) Bank's interest rate risk management objective is primarily the stabilisation of net interest margin (NIM). However, some banks attempt to optimise

NIM by positioning the bank to benefit from a defined change in interest rates;

(b) Management of interest rate risk involves modelling of structural balances (ie core demand deposits and equity); and

(c) While some consistency exists in bank's modelling practices, a variety of approaches exist. Some banks do not model particular structural balances as part of their NIM management.

51. Many ASAF and Board members were appreciative of EFRAG's efforts and complimented the paper's depth and simplicity given the subject matter's complexity. ASAF members also discussed some of the historical challenges in developing a model for Dynamic Risk Management (DRM) including:

(a) How structural balances should be incorporated into the accounting model;

(b) What the objective of the accounting model is—to reflect risk management or account for executed hedges; and

(c) Whether the final model should be mandatory or optional.

52. Board members agreed that these are challenges. A Board member explained in scoping the project the Board would need to decide whether financial statements should reflect risk management activities.

Financial Instruments with Characteristics of Equity

53. The ASAF members discussed the practical implications of the approach to distinguishing between liabilities and equity ('the proposed approach'), which is to be included in the forthcoming Discussion Paper on the *Financial Instruments with Characteristics of Equity* (FICE) project. The staff provided some examples to illustrate the application of the proposed approach, and asked the ASAF members whether the examples are useful in demonstrating the proposed approach and whether they have any suggestions to make the examples more useful.

54. The ASAF members provided the following input on the examples to help in developing the forthcoming Discussion Paper:

(a) A few ASAF members emphasized that the purpose of the illustrative examples in the Discussion Paper should be to illustrate the process for applying the proposed approach to some fact patterns, instead of trying to identify representative examples or exhausting all possible scenarios and classification outcomes.

(b) Some ASAF members suggested that the Discussion Paper should illustrate how the proposed approach addresses problems which have caused difficulties in practice, including how unresolved issues from the Interpretations Committee can be resolved, such as the accounting for put options on non-controlling interests (‘NCI puts’), as well as the underlying rationale (eg why account for the redemption liability at gross amount).

(c) The AOSSG and EFRAG representatives suggested providing more guidance on the meaning of the following terms would help people understand how the proposed approach applies to particular examples:

   (i) ‘independent of an entity’s economic resources’ – for example, whether a promised return of one percent of an entity’s profit or loss should be regarded as independent of an entity’s economic resources;

   (ii) ‘solely dependent on an entity’s economic resources’ – for example, whether shares redeemable at a proxy for fair value are solely dependent on an entity’s economic resources.

(d) The SAFRC and GLASS representatives suggested clarifying the rationale for:

   (i) classifying a non-redeemable cumulative preference share as a liability, even though settlement is only mandatory on liquidation;

   (ii) classifying cumulative and non-cumulative preference shares differently.

(e) The AOSSG representative suggested providing more guidance and examples to illustrate separate presentations in profit or loss, or in OCI.

(f) The AASB/NZASB representative suggested that the Discussion Paper should include journal entries for the illustrative examples.

55. ASAF members also provided the following general suggestions on the forthcoming Discussion Paper:

(a) The AOSSG representative suggested that the Discussion Paper should include a discussion of the interactions between the proposed approach and the revised *Conceptual Framework*.

(b) Some ASAF members suggested that the Discussion Paper should include a discussion of the interactions between the proposed approach and IFRS 9 *Financial Instruments*. In particular, they suggested that the discussion should include the interaction with the classification and measurement of financial assets, and the measurement of financial liabilities, under IFRS 9.

(c) The EFRAG representative recommended that the Discussion Paper should explain how the proposed approach will address the issues that had been submitted to the IFRS Interpretations Committee but which remain unresolved, such as clarification of the measurement of the liability (or liability component) of bonds that are contingently convertible into a variable number of shares.

(d) The AcSB and AASB representatives suggested that the Discussion Paper needs to convey the message that the project is not intended to be an overhaul of IAS 32; and to articulate what it aims to achieve, and its scope, as well as the underlying rationale for the proposed approach.

56. The staff mentioned that:

(a) The interactions between FICE and the *Conceptual Framework* and other Standards, including IFRS 9, will be discussed in the March 2017 Board meeting;

(b) The Discussion Paper will focus on classification and presentation but refer to IFRS 9 for measurement, with a view to limiting consequential amendments to IFRS 9; and

(c) The Discussion Paper will walk through the application of the proposed approach to existing problems (such as NCI puts) step-by-step, and articulate the underlying rationale for addressing the problems in the proposed way.

57. In addition, some ASAF members commented on particular aspects of the proposed approach:

(a) The DRSC representative expressed concerns about classifying foreign currency rights issues (as illustrated in Example 1) as liabilities, in particular that:

(i) the underlying rationale may not be clear, considering that the obligation is to deliver shares;

(ii) people may simply not accept that this reflects economic reality. It may also have implications for regulatory capital requirements.

The staff responded that the Discussion Paper will explain why the proposed approach classifies foreign currency rights issues as liabilities and provides useful information. The staff will also inform regulators about the proposed approach.

(b) The AOSSG representative stated that it was not clear why the rationale for retaining the puttables exception in paragraphs 16A-16D of IAS 32, did not also apply to the foreign currency rights issue exception in paragraph 11 of IAS 32.

The staff explained that the rationale for retaining the puttables exception is different from the rationale for removing the foreign currency rights issue exception.

(c) The ASBJ representative mentioned the difficulty of justifying separate presentation in OCI but not recycling to profit or loss afterwards.

The staff explained that the Discussion Paper will discuss both separate presentations in either profit or loss, or in OCI.

Symmetric Prepayment Options

58. The objective of this session was to provide ASAF members with an overview of the Board's tentative decision to propose a narrow-scope amendment to IFRS 9 in relation to financial assets with 'symmetric prepayment options'. Given that the Board intends to publish the Exposure Draft with a short comment period of 30 days, ASAF members were urged to help support

outreach in their own jurisdictions. In view of this, ASAF members were invited to ask questions that will help support their outreach activities.

59. There was general support for the Board's tentative decision to propose an amendment to IFRS 9 in this regard and for the need to finalise the amendment as soon as possible. The ASBJ representative, however, expressed concerns around a relatively short comment period of 30 days.

60. The AOSSG, EFRAG, AcSB and AASB/NZASB representatives commented on the prevalence of symmetric prepayment options in their respective jurisdictions:

    (a) the AOSSG representative noted that such contractual terms are not common in their member countries except for one country.

    (b) the EFRAG representative noted that such contractual terms exist in a number of countries in Europe although it was not yet clear whether they represent a material part of banks' loan portfolios.

    (c) the AcSB representative noted that they are common among credit unions whereas they are not common in large bank portfolios as far as retail products are concerned.

    (d) the AASB/NZASB representative noted that they are common in Australia.

61. The DRSC, AcSB and CASC representatives expressed their concerns about timing:

    (a) the DRSC representative observed that it is unlikely that the amendment, if published in October 2017, will be endorsed in the EU before the effective date of IFRS 9 and he would therefore support a later effective date. Further to this, he said that it would be helpful to clarify the transition requirements that would apply if an entity applies IFRS 9 as it was issued in July 2014 first and then applies the amendment at a later date.

    (b) a similar timing concern was shared by the AcSB representative given the legal requirement to incorporate the accounting standards into the Canadian Handbook before entities apply them. To that end, she requested the Board to finalise the amendment as soon as possible and emphasised the AcSB's commitment to carry out its endorsement process to enable Canadian entities to apply the amendment when they apply IFRS 9 for the first time.

(c) the CASC representative noted that the financial instruments accounting standard, which is fully converged with IFRS 9, is due to be published in China this month. He noted that it would be helpful if this amendment could be incorporated into the Chinese accounting standard.

62. A number of ASAF members raised clarification questions in relation to the meaning of the term ‘reasonable compensation’ in IFRS 9 and the assessment of the fair value of prepayment features.

63. The AASB/NZASB representative noted that it was not clear how the requirements would apply to loans acquired through a business combination but appeared they would not qualify for the exemption. Staff indicated this had not yet been discussed.

Primary Financial Statements

64. The staff updated ASAF members on:

(a) the tentative decisions regarding the project scope that were made at the December 2016 IASB meeting; and

(b) future topics to be discussed by the Board.

65. ASAF members generally supported the direction of the Primary Financial Statements project. The EFRAG and AASB/NZASB representatives particularly welcomed the proposal to describe and require an EBIT (Earnings before interest and tax) subtotal.

66. The AOSSG, DRSC, EFRAG, GLASS and AASB/NZASB representatives advised the Board to issue principles-based guidance and avoid guidance that is too prescriptive in this project. In particular, the ASBJ representative supported developing principles for the presentation of subtotals instead of prescribing them. In addition, the ANC, AOSSG and AASB/NZASB representatives were of the view that the Board should develop principles for the presentation of other comprehensive income.

67. Some ASAF members were of the view that the Board should not eliminate some presentation options. For example, the AOSSG representative supported maintaining the options for classifying interest and dividends in the statement of cash flows. The CASC representative was of the view that a presentation of expenses using a classification based on either their nature or their function should continue to be allowed in the statement(s) of financial performance.

68. The ASBJ, EFRAG and AASB/NZASB representatives suggested the Board should provide illustrative examples of the financial statements for some industries instead of issuing mandatory templates for them.

69. The ANC, EFRAG, OIC and SAFRC representatives suggested that the Board could address the presentation of non-recurring items. The EFRAG and SAFRC representatives expressed the view that labelling items as 'non-recurring' could be misleading and recommended the Board consider using an alternative description. The SAFRC representative added that distinguishing recurring from non-recurring items would be challenging.

Disclosure Initiative

70. The staff provided an update on the forthcoming Discussion Paper *Principles of Disclosure* (the Discussion Paper) including how it fits within the Disclosure Initiative, its main objectives and expected output. The staff also sought feedback from ASAF members on the outreach activities on the Discussion Paper. Many ASAF members stated that they are planning to carry out outreach activities with stakeholders in their jurisdictions for the purposes of gathering input for their comments letters to the Discussion Paper. These ASAF members stated they would be pleased to coordinate some of these outreach activities with the staff.

Project updates and agenda planning

72. The staff updated the ASAF on IASB technical projects and provided a summary of how the Board had used the ASAF advice from the previous meeting. The ASAF members also agreed to the proposed agenda topics for the July 2017 meeting.