



IFRS® Foundation

# The Impact of the Adoption of *IFRS 11* on the Comparability of Accounting Information

Darrel Scott  
*Former IASB Board Member*

The views expressed in this presentation are those of the presenter, not necessarily those of the International Accounting Standards Board or the IFRS Foundation.  
Copyright © 2020 IFRS Foundation. All rights reserved.



# Agenda example

---

Introduction

Findings

Main Findings

Incidental findings

Immediate relevance of findings

Conclusion

# Introduction

---

- Thank you for the paper
- Provides an analysis of
  - the IASB’s decision to eliminate proportionate consolidation as an alternative accounting treatment for associates, and
  - the consequential impact on comparability
- Also analyses:
  - regional differences in decision making before the change
  - drivers of decision making before the change
  - quality of subsequent disclosure

# Findings

---

- Interesting paper, as much for incidental findings as for primary finding
- Primary findings
  - the paper finds comparability decreased with the elimination of the accounting policy choice
- Incidental findings
  - loss of quality Information in disclosures (vs PFS)
  - effect of cultural and regional factors on accounting policy choice
  - insight into decision criteria for entities choosing accounting policy
- Incidental findings flagged a question for me on causality

## Main findings

---

- The paper analyses the effect of the board's decision to:
  - eliminate the accounting policy choice allowing entities to proportionally consolidate associates
  - in the context of the board's rationale that this would increase comparability
- Includes a useful reminder of uniformity versus comparability
- The paper finds that:
  - eliminating the proportional method of accounting reduced information
  - additional disclosure intended to compensate for loss of information was poorly complied with
- Consequently, comparability is reduced at an overall level (although outcomes different at a sub level)

# Incidental findings

## *Disclosure*

---

- The paper notes that the Board introduced new disclosures as part of the IFRS 10, 11 and 12 package
- These disclosures were designed to:
  - compensate for the information lost due to the switch from proportional consolidation
  - even the playing field to ensure that disclosures were the same irrespective of historical method used
- Paper findings provide insight that disclosure requirements may not have met this objective

# Incidental findings

## *Exercise of accounting policy choice*

---

- Free accounting policy choice places onus on preparers to consider user needs (directly or indirectly)
- Critical to understand how and why preparers make their choices
- Paper finds that preparer decision affected by (at least):
  - source of finance
  - size
  - profitability
  - choice of auditor
  - leverage
  - industry
- Also finds significant differences in regional decision making

# Immediate relevance of findings

## *PIR of IFRS 10, 11 and 12*

---

- In undertaking a PIR the Board:
  - considers important or contentious issues in the development of the IFRS;
  - considers issues that have come to the Board's attention since publication;  
and
  - identifies areas where unexpected costs or implementation problems were encountered.
- In the first phase of the PIR the Board will identify the issues to examine in greater detail
- 1<sup>st</sup> step due to be published in December



# Immediate relevance of findings

## *Other topics*

---

- Disclosure initiative
  - disclosure requirements are only useful if they are effective
- Projects where IASB is considering limited or defining choice
  - Business Combinations under Common Control
    - entities currently have relatively unconstrained choice
    - a question as to the drivers of decision making on that choice
    - objective is both limit and guide that choice (loss of information?)
  - PFS integral vs non-integral associates
    - entities currently have relatively unconstrained choice
    - proposed requirements to define how that choice is made

# Conclusion

---

- I found the discussion in the paper useful and thought provoking
- Uniformity versus comparability
- The incidental findings were also important
- Direct causality

A grayscale world map is centered in the background. Overlaid on the map are several concentric, semi-transparent curved bands that sweep across the globe from the bottom left towards the top right. A network of dotted lines, representing latitude and longitude, is also visible across the map.

Questions?

## Find us online

---



[www.ifrs.org](http://www.ifrs.org)



IFRS Foundation | International Accounting Standards Board



@IFRSFoundation



IFRS Foundation



IFRS Foundation

Join our team: [go.ifrs.org/careers](http://go.ifrs.org/careers)