

Update for National Standard-setters

Monday 20 February 2017

The views expressed in this presentation are those of the presenter, not necessarily those of the International Accounting Standards Board (the Board) or IFRS Foundation.

Overview of recently issued documents

Status

- Issued mid-September 2016

Expected effect of amendments

- Introduced to address concerns about the **different effective dates** of IFRS 9 and the new insurance contracts Standard

A temporary exemption from applying IFRS 9

- Option available for reporting entities whose activities are predominantly connected with insurance
- Optional temporary exemption from applying IFRS 9 until 2021 (will continue to apply IAS 39)
- Only for a limited period

An overlay approach

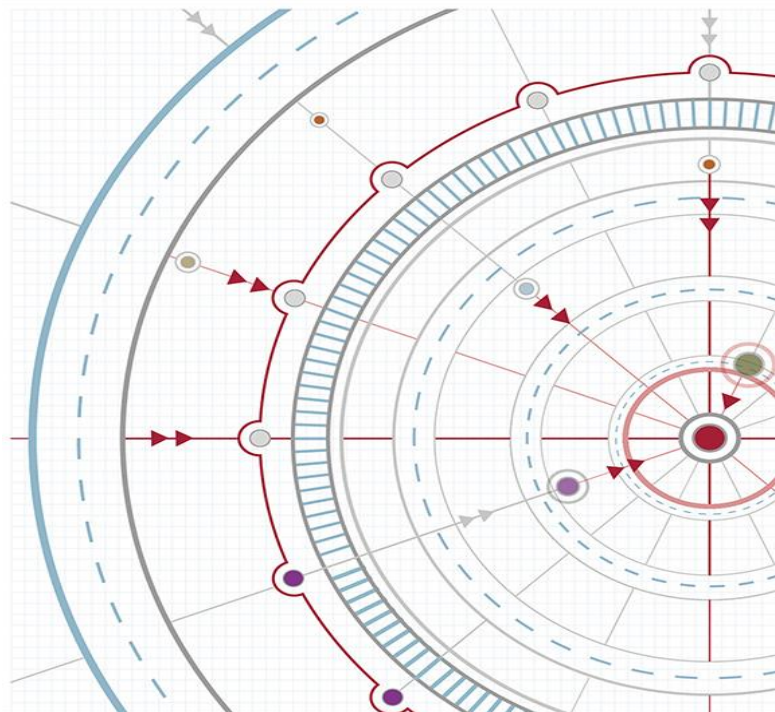
- Option available to all entities issuing IFRS 4 contracts and applying IFRS 9
- Allows reclassification of incremental volatility that arises when IFRS 9 is applied with IFRS 4, between P&L and OCI

Amendment to IAS 40 *Investment Property*— *Transfers of investment property*

- **Clarifies** the requirements on transfers to, or from, investment property. Amends paragraph 57 of IAS 40 to reflect the principle that a change in use involves:
 - an assessment of whether a property meets, or has ceased to meet, the definition of investment property; and
 - supporting evidence that a change in use has occurred.
- Re-characterise the list of circumstances in paragraph 57(a)–(d) as a non-exhaustive list of examples.
- **Effective for periods** beginning on or after 1 January 2018, with early adoption permitted

- Improvements to:
 - IFRS 1 *First-time Adoption of International Financial Reporting Standards*
 - Deletion of short-term exemptions for first-time adopters because these amendments are no longer applicable
 - IFRS 12 *Disclosure of Interests in Other Entities*
 - Clarifies the scope of the Standard
 - IAS 28 *Investments in Associates and Joint Ventures*
 - Measuring an associate or joint venture at fair value on an investment-by-investment basis

- **Clarifies** how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income when advance consideration is paid or received in a foreign currency
- **Effective for periods** beginning on or after 1 January 2018, with early adoption permitted



Major projects update Insurance Contracts

February 2017

Joanna Yeoh, Senior Technical Manager

The general model

Financial position

- All insurance contracts measured as the sum of:
 - **Fulfilment cash flows**
 - Present value of probability-weighted expected cash flows
 - Plus an explicit risk adjustment for insurance risk
 - **Contractual service margin**
 - The unearned profit from the contract

Key effects

- ⇒ New framework replaces a wide range of different accounting treatments
- ⇒ Current measurement of liability

The general model

Financial Performance

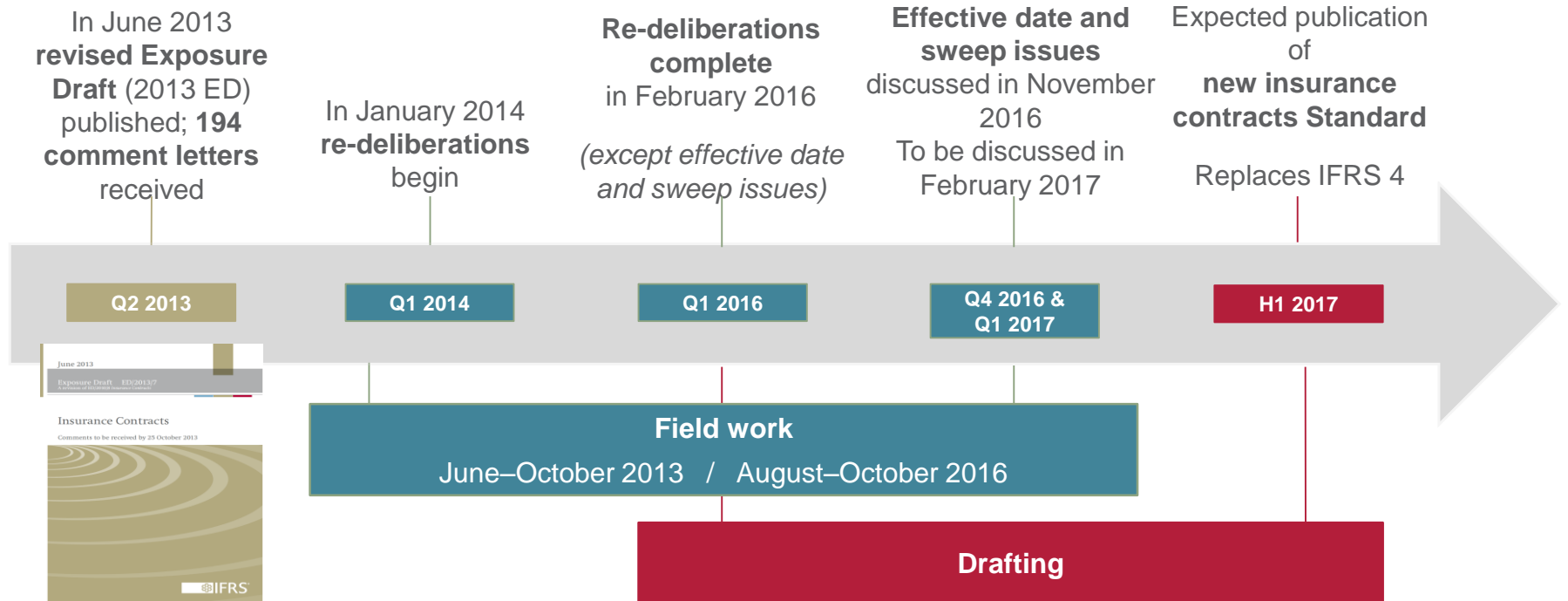
- Changes in estimates of future cash flows
 - If related to past coverage → P/L
 - If related to future coverage → adjust unearned profit
- Changes in financial market assumptions (eg interest rates)
 - Accounting policy choice for presentation of insurance finance expense: (i) in P/L or (ii) in P/L and OCI

Key effects

- ⇒ Changes in estimates and market prices will be reflected on a timely basis (including effects of options and guarantees)
- ⇒ Discount rates reflect characteristics of insurance contracts—risks not matched by assets will be visible

IFRS 17: Where we are

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Oversight

- Life cycle review with DPOC

Quality control

- Topic-based testing
- External editorial review
- Internal review processes

Sweep issues

- June 2016
- November 2016
- February 2017

- **February 2017:** Sweep issues arising from external editorial review:
- **February to May 2017:** Preparation for implementation support:
 - Transition resource group
 - Other materials
- **May 2017:** Publication of the Standard
- **Post May 2017:** Implementation support—To support implementation

Implementation and maintenance

Application Support

- Three agenda decisions include educative guidance on how to apply the relevant principles and requirements:
 - IAS 12 *Income Taxes*—Expected manner of recovery of indefinite life intangible assets when measuring deferred tax (November 2016)
 - IFRIC 12 *Service Concession Arrangements*—Payments made by an operator to a grantor in a service concession arrangement (July 2016)
 - IFRIC 12 *Service Concession Arrangements*—leased infrastructure (September 2016)

- Two tentative agenda decisions, published at the end of 2016, include educative guidance on how to apply the relevant principles and requirements:
 - IAS 12 *Income Taxes*—Recognition of deferred taxes when acquiring a single-asset entity that is not a business (September 2016)
 - IFRS 10 *Consolidated Financial Statements*—Investment entities and subsidiaries (November 2016)
- We expect the Interpretations Committee to discuss comments on these tentative agenda decisions at its March 2017 meeting.

- Annual Improvements to IFRS® Standards 2015–2017 Cycle:
 - IAS 12 *Income Taxes*
 - Income tax consequences of interest payments on financial instruments that are classified as equity
 - IAS 23 *Borrowing Costs*
 - Borrowing costs on completed qualifying assets
 - IAS 28 *Investments in Associates and Joint Ventures*
 - Measurement of long-term interests
- **Comment deadline is 12 April 2017**

- **Final Interpretation**

- IFRIC 23 *Uncertainty over Income Tax Treatments*

- **Exposure Drafts**

- Amendments to IFRS 8

- Proposals to amend IFRS 8 and IAS 34 as a result of feedback received during the post-implementation review of IFRS 8.

- Amendments to IFRS 9

- A proposal to permit financial assets with symmetric prepayment options to be measured at amortised cost or fair value through OCI depending on specific conditions.

- **Exposure Drafts (cont)**

- Amendments to IAS 8
 - Aims to clarify the distinction between accounting policies and accounting estimates.
- Amendments to IAS 16
 - Proceeds from selling items produced while making an item of property, plant and equipment available for use are recognised in profit or loss.

Activities of advisory groups

- **The objective of the ASAF is provide an advisory forum where members can constructively contribute towards the achievement of the IASB's goal of developing globally accepted high-quality accounting standards. More particularly, the ASAF:**
 - supports the IFRS Foundation in its objectives;
 - formalises and streamlines the IASB's collective engagement with the global community of national standard-setters and regional bodies; and
 - facilitates effective technical discussions on standard-setting issues, primarily on the IASB's work plan, but which may include other issues that have major implications for the IASB's work, in sufficient depth, with representatives at a high level of professional capability and with a good knowledge of their jurisdictions/regions.

- **At its last meeting in December 2016 the ASAF discussed:**
 - Cryptocurrencies
 - Country-by-country reporting
 - *Conceptual Framework*
 - IFRS 13 *Fair Value Measurement*-Post Implementation Review (PIR)
 - Rate-regulated Activities
 - Financial Instruments with Characteristics of Equity
 - Insurance Contracts
 - Update by ASAF members on activities

- **At its next meeting in March 2017 the ASAF will discuss:**
 - Dynamic Risk Management
 - *Conceptual Framework*
 - Rate-regulated Activities
 - Insurance Contracts
 - Definition of Business
 - Financial Instruments with Characteristics of Equity
 - Symmetric Prepayment Options
 - Primary Financial Statements
 - Disclosure Initiative

- **The EEG was created in 2011 at the direction of the IFRS Foundation Trustees, with the aim of enhancing the participation of emerging economies in the development of IFRS Standards.**
 - The EEG focuses on issues around the application and implementation of IFRSs in emerging economies. In addition, the group may also consider if, and how, the IASB could provide educational guidance at the right level for interested parties in emerging economies and what the best delivery system for this would be.
 - Topics for discussion are selected by the Chair and Vice-Chair, with the advice of EEG members.

- **Current membership of the EEG comprises the emerging economies member countries of the G20 and Malaysia.**
 - Each country has a permanent representative, typically a delegate from its national standard-setting body. In addition, a topical expert from each country will attend the meetings, when appropriate, to contribute to the discussions.
- **At its last meeting on November 2016 the EEG discussed:**
 - *IAS 37 Provisions, contingent liabilities and contingent assets*
 - *IAS 27 Separate Financial Statements*
 - *Post-implementation Review of IFRS 13 Fair Value Measurement*
- **The next meeting of the EEG is likely to take place in May 2017.**

- **The objective of the GPF meetings is to receive feedback from GPF members on:**

- The extent of issues the Board is researching - concerns related to current accounting practise or implementation of the IFRS Standards.
- Proposals that the Board are developing and their practical implications for preparers of financial statements.

The annual joint discussions with the CMAC provide the Board with a public discussion and feedback from these two important stakeholder groups.

- **About the GPF:**

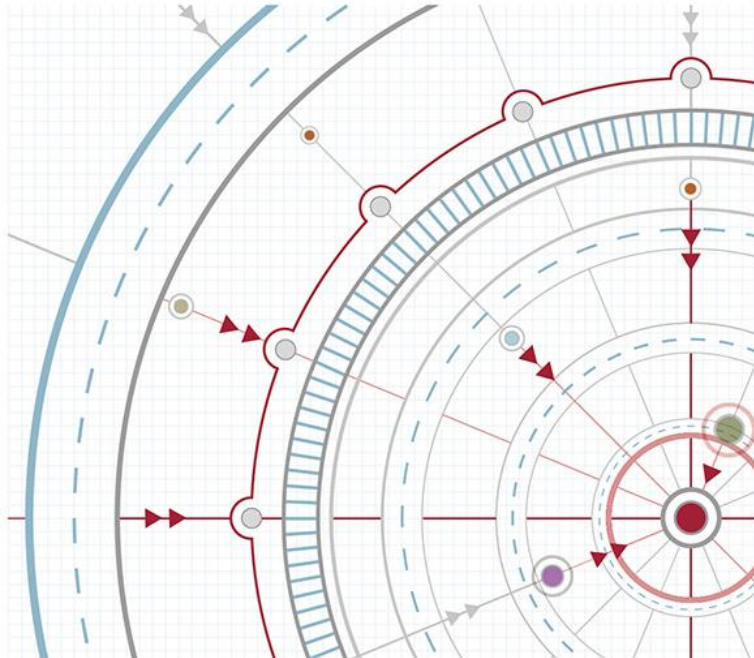
- An independent body that provides the Board with regular input from the international community of preparers of financial statements.
- Members have considerable practical experience in preparation of financial reporting and are established commentators on accounting matters in their own right or through working with representative bodies in which they are involved. They are selected by the GPF on the merits of their professional competence.
- There are currently 17 members based throughout the world with experience in preparing financial statements in different industries.

- **At its last meeting on 29 November 2016 the GPF discussed:**
 - Post-implementation Review of IFRS 13 *Fair Value Measurement*
 - Improvements to commercial publications, such as: *A Guide through IFRS Standards* and *A Briefing for Chief Executives, Audit Committees and Board of Directors*
 - Exposure Draft *Definition of a Business and Accounting for Previously Held Interest*
- **At its next meeting on 8 March 2017 the GPF will discuss:**
 - Various IFRIC related and other maintenance projects
 - Goodwill and impairment testing
 - Electronic reporting: taxonomy and common practice
 - Business combinations under common control

- **The objective of the CMAC meetings is to receive feedback from CMAC members on:**
 - Issues the staff are researching relating to current accounting concerns (implementation / disclosures).
 - Proposals that the Board are developing and their practical implications.
 - The annual joint meeting and discussions with the Global Preparers' Forum (GPF) provide the technical teams and the Board with a means of obtaining considered, public feedback from these two important stakeholder groups.
- **About the CMAC:**
 - An independent body that provides the Board with regular input from the international community of users of financial statements.
 - Members have extensive practical experience in analysing financial information. They are drawn from a variety of industry and geographical backgrounds and are selected by the CMAC on the merits of their professional competence.
 - There are currently 18 members based throughout the world and representing various regions.

- **At its last meeting on 3 November 2016 the CMAC discussed:**
 - Accounting Options
 - IFRS 13 Post-implementation Review
 - Digital Reporting
 - Primary Financial Statements

- **At its next meeting on 16 March 2017 the CMAC will discuss:**
 - Primary Financial Statements
 - Rate-regulated Activities
 - Clarifications to IFRS 8 arising from the Post-implementation Review
 - IFRS 3 *Business Combinations*: Definition of a Business
 - Disclosure Initiative
 - Insurance Contracts: Investor Education



Communications update

Kirstina Reitan
Head of Communications

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- New material
- Recent announcements & activities
- In the pipeline

- Encourage you to use in your own comms
 - Video: *IFRS for SMEs*[®] Standard
 - Video: International collaboration in standard-setting
 - Podcast: January update
 - Implementation article: *Leases*



Recent announcements & activities

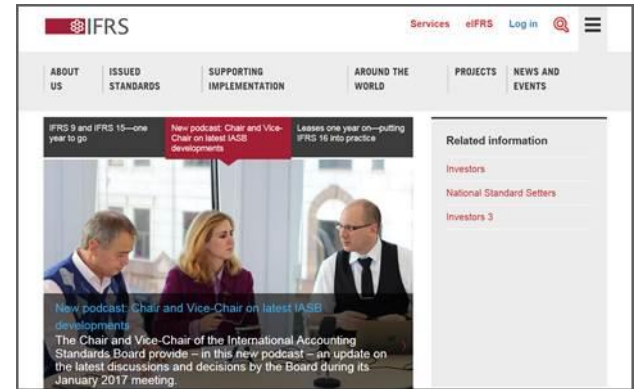
- Trustees meeting and stakeholder event in Paris



- Appointments
 - Board members: Françoise Flores, Tom Scott
 - IFRS Interpretations Committee Chair: Sue Lloyd
 - Trustees: Else Bos, Su-Keun Kwak, Guangyao Zhu



- Chairman's speech: Saudi Arabia
- POD DP
 - Range of materials
- IFRS Standards and the bigger picture
 - Thought leadership
- Standard-setting process
 - Animation video
- New website



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