

IFRS EDUCATION INITIATIVE PLAN 2012–2016

A strategy for co-ordinated education activities to meet the Foundation’s objectives through the period 2012 to 2016

Executive summary

The education initiative reinforces the IFRS Foundation’s goal of promoting the adoption and consistent application of IFRSs by arranging IFRS events (eg major IFRS conferences and ‘train the trainer’ workshops) and by developing material (eg *A Guide through IFRSs* and comprehensive training material for the *IFRS for SMEs*). Its activities are designed to support the Trustees’ duty to foster and review the development of educational programmes and materials that are consistent with the Foundation’s objectives [IFRS Foundation Constitution section 15(j)].

The education initiative is self-funding. It is staffed by a Director (Michael Wells), a Project Manager (with effect from 1 January 2012), an Executive Assistant (Gloria Lindfield) and two IFRS academics on sabbatical leave from their universities.

The initiative builds upon the work of others to maximise its contribution to the adoption, implementation and rigorous and consistent application of IFRSs and the *IFRS for SMEs* worldwide. For example, the world’s development agencies and regional professional associations are funding the translation into the Arabic, Russian, Spanish and Turkish languages of the education initiative’s $\pm 2,000$ pages of *IFRS for SMEs* training material and Microsoft PowerPoint presentations that support 24 teaching hours of training. They are also arranging and funding a series of three-day regional *IFRS for SMEs* ‘train the trainer’ workshops. To encourage the adoption of IFRSs the education initiative also hosts regional IFRS conferences with select professional bodies (eg AICPA and CICA). The Foundation also co-brands leading IFRS conferences organised by the bigger accountancy firms. Their technical staffs also provide peer reviews of the material developed by the education initiative. These significant voluntary contributions and strategic co-operative arrangements greatly enhance the education initiative’s contribution to the adoption, implementation and rigorous and consistent application of IFRSs and the *IFRS for SMEs* worldwide.

The work of the education initiative is guided by its medium-term plan. Its medium-term plan for the next five years (Plan 2012–2016) was developed in consultation with the IFRS Foundation Education Advisory Group (EAG), IFRS Foundation and IASB senior staff and executive management, the IASB Education Committee (BEC), appropriate others (eg select World Bank staff) and the Trustees’ Education and Content Services Committee (TECSC). In March 2011 the plan was approved by the IFRS Foundation Trustees in London.

Because most countries have now adopted IFRSs, and to respond to concerns about the consistency and rigour with which IFRSs is being applied (eg a topic repeatedly highlighted in the World Bank Accounting and Auditing Reports on the Observance of Standards and Codes (ROSC reports)), Plan 2012–2016 focuses increasingly on supporting the rigorous and consistent application of IFRSs (whereas previously the

predominant focus was on adoption). For example, conferences will increasingly focus on updating attendees about new and amended IFRSs and, through the sharing of the experience of those that have adopted early or who have tested the effects of adopting a new IFRS, on supporting others to implement new IFRS requirements.

The ‘flagship’ project in Plan 2007–2011 supported the adoption and implementation of the *IFRS for SMEs* (including developing comprehensive training modules and PowerPoint presentations covering all the requirements and, in collaboration with others, making that training material available in multiple widely spoken languages and running regional ‘train the trainer’ Workshops).

The ‘flagship’ project in Plan 2012–2016 is to promote and support the use of Framework-based teaching of principle-based accounting standards (ie IFRSs and *IFRS for SMEs*). The project is designed to improve the application of IFRS by contributing to the development of the skills and knowledge needed to interpret IFRSs (and the *IFRS for SMEs*) and to make the judgements that are necessary to apply it. This should reduce the perceived need for industry-specific IFRS Application Guidance and for IFRS Interpretations. It should also reduce resistance to improvements in IFRSs and better prepare constituents to deal with the changes in new and improved standards. This project is also a timely focus on direct training in a manner that will have long-term benefits for the global financial reporting community and that will directly assist and facilitate the broad use of IFRSs for global financial reporting.

Plan 2012–2016 is a ‘living’ document designed to set objectives, guiding principles and *aspirational* medium-term goals for the education initiative. Although it provides a framework from which the initiative’s more concrete short-term plans are developed, it is envisaged that the initiative may deviate from that plan in response to previously unforeseen opportunities and education needs. Consequently, each year the education initiative consults with the EAG, BEC and TECSC in considering whether there is a need to update its medium-term plan. That consultation process provides much flexibility for the education initiative to respond to changing circumstances. Consistently with the Trustees’ strategic review, this paper will require revision after the implementation decisions are taken by the US and Japan.

Background

In the last few years most countries have either adopted IFRSs for financial reporting by domestic listed entities or are converging with it. Since it was issued in July 2009, over 70 countries have adopted the *IFRS for SMEs* for reporting by entities that are not publicly accountable (or are considering adopting it in the next few years). As jurisdictions implement IFRSs and the *IFRS for SMEs*, many find that the application of principle-based accounting standards a challenge. Their previous accounting was often governed by tax or central planning principles, rather than by financial reporting principles. They wonder how much their previous practices must change to conform to the requirements of IFRSs.

Moreover, the lack of skills and knowledge to interpret IFRSs and to make the judgements that are necessary to apply it consistently and rigorously could impede the IFRS Foundation from achieving its objectives. For example, the US Securities Exchange Commission, in its 2010 Statement in Support of Convergence and Global Accounting Standards, identified assessing ‘Auditability and Enforceability’ and also ‘Consistent and High Quality Application’ as specific aspects of its assessment of the suitability of using IFRSs for the US domestic reporting

system. The SEC has also identified the need to assess the effect of incorporation of IFRS into the US financial reporting system on the education of professionals involved in the financial reporting process, including investors, preparers, auditors, regulators and academics.

Appropriate IFRS education is an essential component of addressing the above issues. Good IFRS education improves the skills and knowledge necessary to interpret IFRSs and to make the judgements that are necessary to apply it. Consequently, it reduces the perceived need for industry-specific IFRS Application Guidance and for IFRS Interpretations.

This paper considers the initiatives that are reasonably within the self-funding objective of the IFRS Foundation education initiative.

Consistently with the Trustees' strategic review, this paper will require revision after the implementation decisions are taken by the US and Japan.