

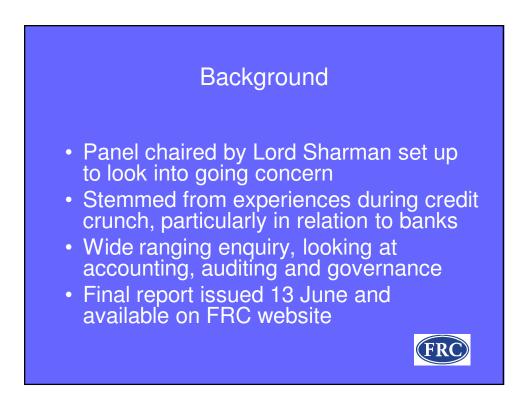
## AGENDA PAPER IFRS Advisory Council Meeting

LONDON	18 – 19 June 2012	Agenda ref	7
TOPIC	Going concern		
PRESENTER	Roger Marshall		
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This paper has been prepared for discussion at a public meeting of the IFRS Advisory Council. The views expressed in this paper are those of the authors. Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS.

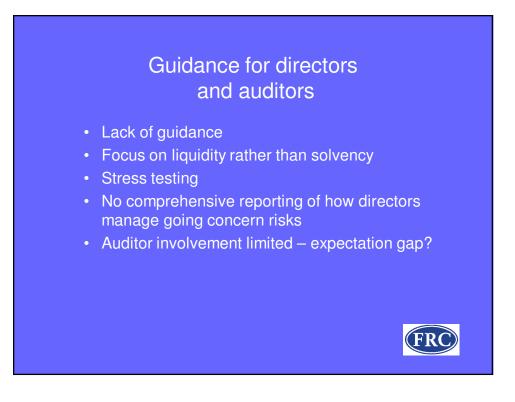
#### Presentation for June 2012 IFRS Advisory Council meeting





# Going concern in financial statements

- Binary decision
- Disclosures where material uncertainties but .....
- Lack of common definitions
- Lack of predictive power
- Are banks special cases?



### **Sharman Recommendations**

Overriding aim to encourage the right behaviours Financial statements – definitions need to be harmonised However reporting of going concern risks more important Directors' assessment should be integrated with their reporting of strategy and risks Solvency and stress testing important Assumptions need to be prudent

## **Recommended process**

Business review – Directors should describe risks to going concern and how they are managed Audit Committee should explain process Auditors should comment on process and on completeness of reported risks



## Banks

- · Business model creates special risks
- Disclosure of central bank support a key issue
- Are banks a special case?
- Sharman recommends no special disclosure where central bank support expected to be repaid
- Sharman rejected arguments that special accounting regime needed for banks
- However certain regulatory reporting should be better integrated with financial reporting

