

AGENDA PAPER

IFRS Foundation Trustees meeting

London

11 April 2013

Agenda
paper

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Memorandum

To: IFRS Foundation Trustees

From: Hans Hoogervorst

Date: 25 March 2013

Re: Report of the IASB Chair

Overview

In this report we will provide you with highlights of the IASB's and the IFRS Foundation's activities during the last three months, and a preview of the IASB's plans for the coming three months. An update on the status of the IASB's current technical projects and a copy of the work plan as at 22 March 2013 will be provided in Agenda Paper 2A to this meeting.

Activities during the last three months

Since the last report to the Trustees, the IASB and/or the IFRS Foundation have:

- (a) established a new advisory group to the IASB (the Accounting Standards Advisory Forum or ASAF);
- (b) published a Feedback Statement regarding the establishment of ASAF;
- (c) held a Discussion Forum on Disclosure
- (d) published an Exposure Draft *Financial Instruments: Expected Credit Losses*;
- (e) published an Exposure Draft *Novation of Derivatives and Continuation of Hedge Accounting*;
- (f) published the revised Constitution; and
- (g) published the revised Due Process Handbook.

Creation of ASAF

Following the request for nominations issued in February 2013 the membership of the ASAF was announced on 19 March 2013. The establishment of the ASAF and the appointment of its members was the subject of extensive consultation and a thorough due process. The

creation of such an advisory group was one of the main recommendations of the Trustees' strategy review.

As you are aware, the principal purpose of the ASAF is to provide advice and views to the IASB on major technical issues related to its standard-setting activities, and to provide input on national and regional issues. The proposals will result in a more streamlined and effective dialogue between the IASB and stakeholders from the standard-setting community.

The first meeting of the ASAF is to be held in London on 8 and 9 April 2013. The main topic on the agenda will be the IASB's Conceptual Framework project. In addition, the Impairment project will be discussed. Both projects are extremely important projects on the IASB's agenda and sharing a range of views on these topics is critical to their success.

Disclosure Discussion Forum

In January 2013 the IASB hosted a public discussion forum on disclosures in financial reporting to foster dialogue between preparers, auditors, regulators and users of financial statements and standard-setters. The objective of the forum was for these and other interested parties to get a clearer picture of the 'disclosure problem' and its causes. It was hoped that the discussion could be used to identify:

- (a) ways of making disclosures more effective that could be implemented in both the short-term and long-term; and
- (b) solutions that could be implemented within existing disclosure requirements.

The IASB will publish a feedback statement in April summarising messages from the forum and next steps. It was acknowledged at the forum that preparers, standard-setters, auditors, regulators and the users of financial statements are all important parties that contribute to one or more of the problems perceived about disclosure. However, despite this shared responsibility it was also clear that forum participants thought that the IASB was best placed to lead improvements in disclosures.

The IASB is yet to consider the merits of different courses of action. However, in response to the feedback received the IASB will consider taking steps in the near and medium term in relation to:

- (a) materiality;
- (b) perceived constraints imposed by existing standards; and
- (c) a more general review of disclosure requirements-including reconsideration of the *Financial Statement Presentation* project and a Standard-by-standard review.

Technical Projects-Update

On the technical front we are extremely busy with three main streams of work – the ongoing work to complete the four major projects, new projects including the Conceptual Framework Project and maintenance of existing IFRS through the activities of the Interpretations

Committee. This three-pronged approach reflects the feedback received in response to the Agenda Consultation that reflected the need for a balance between active projects, research and the maintenance of existing IFRS.

The next few months will be particularly busy for the IASB. In relation to the four major projects we are currently undertaking outreach on our recently published impairment proposals, plan to commence joint redeliberations of Classification and Measurement in the near term and expect to publish exposure drafts for Leasing and Insurance Contracts during the second quarter. In addition, we anticipate finalising the new IFRS on Revenue Recognition and the new hedge accounting requirements in the middle of 2013.

The new projects are also well underway. In particular we have made significant progress on our Conceptual Framework project, which is a project of particular interest to me. It forms the foundation for our Standards. We have been working to a very ambitious timetable and I am pleased to say we are progressing well to meet that timetable. Since the January Trustee meeting the vast majority of our Board time has been spent discussing the Conceptual Framework and we are on target to publish a Discussion Paper around the end of June. As noted above, the ASAF will be very much involved in helping us to develop the Conceptual Framework.

In addition to the Conceptual Framework project the IASB plans to publish an exposure draft proposing changes to the accounting for Bearer Biological Plants and also an interim exposure draft regarding Rate Regulated Activities (in addition to our broader project on this topic). Each of these new projects addresses particular issues that were raised for urgent attention in the recent Agenda Consultation.

Agenda paper 2A provides more detail about the current technical activities.

Preview of the coming three months

Before the next Trustees' meeting we plan to:

- (a) complete the Post Implementation Review of IFRS 8 (subject to discussion with the Due Process Oversight Committee (DPOC)); and
- (b) Have the first meeting of our Effects Analysis Consultative Group

Post Implementation Review of IFRS 8

The IASB has now completed its analysis for the Post Implementation Review of IFRS 8 *Operating Segments*. A draft report summarising the feedback received will be discussed by the DPOC at this meeting.

This Post Implementation Review was the first that the IASB has undertaken. It was thus agreed that in addition to receiving feedback on the actual outcome of the review, the DPOC would also be provided with feedback on the process that was undertaken with the objective of confirming that this process is an appropriate basis for undertaking the Post

Implementation Review of IFRS 3 *Business Combinations*. At this meeting the DPOC will be provided with this report on the process undertaken.

Effects analysis

The IASB is committed to assessing and sharing knowledge about the likely costs of implementing proposed new requirements and the likely ongoing associated costs and benefits of each new IFRS—the costs and benefits are collectively referred to as effects. The IASB gains insight on the likely effects of the proposals for new or revised IFRSs through its formal exposure of proposals and through its fieldwork, analysis and consultations with relevant parties through outreach activities.

The IASB now routinely documents the likely effects of its proposals (sometimes referred to as cost-benefit analyses or impact assessments) in the Basis for Conclusions that accompanies every exposure draft and IFRS. Although this move is likely to be welcomed, there remain differences in thinking internationally about what is the appropriate scope and methodology for this type of analysis.

The IASB has established, as recommended by the Trustees in its strategic review, a working group to develop an agreed methodology for field visits/tests and effect analyses. The IASB invited applications from the international community for members of a consultative group, which the IASB will chair. The group has a broad international membership, including representation from members of the Monitoring Board. The first meeting is planned for 20 May 2013.