

# AGENDA PAPER

IFRS Foundation Advisory Council

London 25-26 February 2013

Agenda  
paper 1

## Memorandum

**To:** IFRS Foundation Advisory Council

**From:** Hans Hoogervorst

**Date:** 11 February 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 since the last meeting, and a preview of the IASB's upcoming activities. An update on the status of the IASB's current technical projects and a copy of the work plan as 4 February 2013 will be provided in Agenda Paper 1A to this meeting.

## Activities since the last meeting

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

- (a) published a feedback statement following a public consultation on the creation of a new advisory group to the IASB (the Accounting Standards Advisory Forum or ASAF) and invited nominations for membership of the ASAF;
- (b) hosted a discussion forum on Disclosures in Financial Reporting;
- (c) opened our first international office outside of London in Tokyo;
- (d) published a Feedback Statement on the 2011 Agenda Consultation;
- (e) signed a memorandum of understanding with the International Integrated Reporting Council;
- (f) issued *Investment Entities* (Amendments to IFRS 10, IFRS 11 and IAS 27);
- (g) published an Exposure Draft *Classification and Measurement: Limited Amendments to IFRS 9* (Proposed amendments to IFRS 9 (2010));
- (h) published an Exposure Draft *Annual Improvements to IFRSs* (2011-2013 Cycle);

- (i) published proposed Narrow-scope Amendments to various Standards;
- (j) published the first chapter of the IFRS 13 *Fair Value Measurement* education material; and
- (k) updated the 32 modules of the comprehensive training material on *IFRS for SMEs*.

### ***The Accounting Standards Advisory Forum***

On 1 November 2012 the Foundation published for public comment proposals to create a new advisory group to the IASB, consisting of national accounting standard-setters and regional bodies with an interest in financial reporting. The creation of such an advisory group was one of the main recommendations of the Trustees' strategy review.

The principal purpose of the new advisory group, to be known as the Accounting Standards Advisory Forum (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.

At the beginning of February 2013 the Foundation published a feedback statement analysing comments received in response to its public consultation paper entitled *Invitation to Comment: Proposal to Establish an Accounting Standards Advisory Forum*. The Foundation also issued a Call for Candidates, inviting nominations for membership of the ASAF. The Call for Candidates sets out the membership criteria and other factors that the Foundation will take into account in selecting the members of the forum, together with proposed Terms of Reference and a Memorandum of Understanding.

The role and mechanics of the ASAF will be discussed in more detail later in this Advisory Council meeting.

### ***Disclosure forum: Disclosures in Financial Reporting***

The IASB is undertaking a short-term initiative to explore opportunities to see how those applying IFRSs can improve and simplify disclosures within the existing disclosure requirements.

The IASB staff launched a survey on disclosures in December 2012 that was directed at preparers, users, and others interested in, or affected by, disclosure requirements. The survey assisted the IASB in gaining a clearer picture of the perceived 'disclosure problem' in advance of the January 2013 disclosure forum.

At the end of January 2013 we hosted a public discussion forum on disclosures in financial reporting, to foster dialogue between preparers, auditors, regulators, users of financial statements and standard-setters. The objective of this forum was to get a clearer picture of the 'disclosure problem' and its causes.

The forum included individual presentations, a panel discussion and an open discussion. The panel consisted of representatives of the main groups who can contribute towards making financial reporting disclosures more effective and included a preparer, a regulator, a user, an auditor and a member of the IASB. The forum was a public meeting.

We will:

- prepare a Feedback Statement summarising the main messages received from the forum;
- publish on our website an audio recording and links to related material on financial reporting disclosures; and
- consider relevant messages in our Conceptual Framework project or, where appropriate, in individual Standards.

Implementing improvements to disclosures in financial reporting is the responsibility of many parties. We also hope that the forum produces the momentum that will enable other interested parties to look at ways to make disclosure improvements within existing disclosure requirements.

### ***Tokyo regional office***

On 15 November 2012 the Foundation opened its first international office. The office, based in Tokyo, will provide us with a local presence in the Asia-Oceania region, supporting greater regional outreach and participation in our standard-setting activities. The office will provide support to the entire Asia-Oceania region with matters related to the development, adoption and consistent application of IFRSs. The office is also expected to develop into an important regional research hub.

### ***Agenda Consultation***

In December 2012 we concluded the public consultation on our future agenda by releasing a Feedback Statement-*Agenda Consultation 2011* (the Feedback Statement).

Five broad themes emerged from responses to the public consultation. First, respondents asked that a decade of almost continuous change in financial reporting should be followed by a period of relative calm. Second, there was almost unanimous support for the IASB to prioritise work on the *Conceptual Framework*, which would provide a consistent and practical basis for standard-setting. Third, the IASB was asked to make some targeted improvements that respond to the needs of new adopters of IFRSs. Fourth, the IASB was asked to pay greater attention to the implementation and maintenance of its Standards. Finally, the IASB was asked to improve the way in which the IASB develops new Standards, by conducting more rigorous cost-benefit analysis and problem definition earlier on in the standard-setting process.

The Feedback Statement summarises the feedback we received, how we have responded to that feedback, and maps out our future priorities. It has been posted to the Advisory Council website to be discussed at this meeting.

### ***Memorandum of Understanding with the International Integrated Reporting Council***

In early February we signed an agreement with the International Integrated Reporting Council (IIRC) that will result in increased cooperation to develop an integrated corporate reporting framework. The IIRC is a global coalition of market participants and other relevant stakeholders who are working towards the publication of the International Integrated Reporting Framework (the Framework). The Consultation Draft of the Framework will be released on 16 April 2013. The Framework itself will be published in December 2013.

This agreement formalises the already strong relationship that exists at multiple levels between our respective organisations.

### ***Technical Projects-Update***

It is an important year for us on the technical front. We plan to make significant progress on our four major active projects. Within this plan, we aim to complete the major overhaul of accounting for financial instruments this year. This includes the new proposals for impairment accounting, which are extremely important in the on-going troubled economic environment and are of particular importance to the Financial Stability Board and the G20. In addition, which is also of great importance, we are planning to publish a discussion paper on the new *Conceptual Framework*. We will discuss the status of these and other technical projects in detail in Agenda Paper 1A to this meeting.

### **Preview of upcoming activities**

Before the next Advisory Council meeting the IASB plans to:

- (a) hold the first ASAF meeting;
- (b) start investor and regulator-focused education projects as well as developing Framework-based teaching material;
- (c) increase work with various regulatory bodies; and
- (d) develop a strategy for a research capability.

### ***ASAF meetings***

We have tentatively scheduled the first ASAF meeting for the second week of April 2013. In this meeting we will further discuss the proposed content and structure of the ASAF meetings.

### ***Education Initiative***

#### **Investors**

In 2013 the Education Initiative plans to start an investor-focused project. This project aims to serve the investor community by developing investor-focused IFRS material and arranging investor-focused IFRS events. We aim to launch these activities in the first half of 2013.

#### **Regulators**

In 2013 the Education Initiative is to expand its services in co-operation with the world development agencies and others, to include facilitating IFRS workshops for regulators. Regional workshops are currently planned for Latin America and the Caribbean; and Europe and Central Asia. Others are under discussion.

#### **IFRS teachers**

The Education Initiative's new 'flagship' project is developing comprehensive Framework-based IFRS teaching material designed to assist IFRS teachers to educate IFRS learners more effectively. The material is set out in stages designed to support those teaching IFRS, so that they can progressively develop in their students the ability to make the estimates and judgements that are necessary to apply IFRS and the *IFRS for SMEs*. The Framework-based teaching approach should also better prepare students to update their IFRS knowledge and competencies continuously in the context of life-long learning.

In January the Education Initiative published the first part this material focused on non-financial assets. The education staff are now developing similar material on liabilities. To train teachers in the use of this material the staff of the Education Initiative is arranging a series of Framework-based teaching workshops jointly with international and regional academic accounting associations.

#### ***Other activities***

Work is under way to strengthen our engagement and relationship with securities regulators including the International Organization of Securities Commissions (IOSCO). The IASB also now has an enhanced technical dialogue with prudential regulators and has

already established an Emerging Economies Group, with the aim of enhancing the participation of emerging economies in the development of IFRSs. We expect to use these groups increasingly more as we build our network.

We will also present to the Advisory Council a strategy for developing a research capability that is consistent with more evidence-based standard-setting and that will provide leadership in thinking in the field of financial reporting.