

STAFF PAPER

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Effects Analysis Consultative Group

Effects Analysis - How

CONTACT

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Background

1. The first full effect analysis the IASB presented was for IFRS 3 *Business Combinations*, in 2008. The document was published as a stand-alone document and was integrated with the Project Summary and Feedback Statement. The document was prepared by the staff and was not formally approved by the IASB. It was prepared at the completion of the project, when the Standard was issued.
2. In contrast, the most recent effects analysis we have prepared, for the leases project, is incorporated in the Basis for Conclusions to the Exposure Draft. The IASB formally approved that document as part of its voting process.
3. Two important changes have therefore been implemented, the effects analysis is part of the IASB's formal process and we now incorporate an analysis of the likely effects in the exposure draft as well as the final standard.

Form of the analysis

4. Over the last five years the type of analysis we have presented has changed. As I have emphasised, the type of analysis we undertake will depend on the nature of the project. In all cases we are trying to demonstrate that the IASB understands

the financial reporting implications of its proposals / requirements and the costs and benefits to preparers and users. In the IFRS 3 effect analysis we attempted to provide a qualitative summary of the effects by presenting a matrix of the directional effect of the new Standard on costs, comparability etc. We have not used this type of summary in the leases project.

5. When reading the leases effects analysis you should keep in mind that this is part of the exposure draft. The IASB is seeking feedback as part of its comment process on its assessment of the likely effects. It is therefore more tentative than we would expect to include in a Standard. The analysis that will appear in the Leases Standard will be updated on the basis of the feedback we receive and any additional fieldwork or analysis we undertake.
6. In this session we are seeking advice on what you would expect to see in an effects analysis prepared by the IASB. Are there particular issues or summaries you think should always be included in an effects analysis?
7. A lot of our fieldwork is only possible if we agree to sign confidentiality agreements or keep the detailed analysis and identifies of participants confidential. In the Business Combinations project we undertook an exercise in which participants were asked to apply the proposed new Standard to a business acquisition case and compare that with the accounting outcomes they would have achieved by applying the requirements in place at the time. Several participants spent hundreds of hours on the case. We were only able to report a summary outcome of the exercise. A reader of our effects analysis is unlikely to gain a sense of how detailed and comprehensive that exercise was.
8. In a similar manner, we ran workshops with industry representatives as part of the revenue recognition project. What information would you expect to see presented about such exercises?

Background readings

9. The background readings for this session are three of the effect analyses we have published in the last five years:

Effect Analysis – IFRS 3 *Business Combinations*, 2008

Effect Analysis – IFRS 11 *Joint Arrangements*, 2011

Effect Analysis (exposure draft) – *Leases*, 2013

Session goal

10. The main goal of the session is help the IASB develop effective ways of communicating the results of its fieldwork and analysis.