

AGENDA PAPER

IFRS Advisory Council Meeting

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TOPIC *Implementation and maintenance*

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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.

1. The Agenda Paper for the session is attached. The following paragraphs summarise the questions we would like the Advisory Council members to consider during the break-out session. The questions are also included in the paper, providing the full context.

Distinction between Application Guidance and Illustrative Examples

2. An appropriate purpose of Application Guidance can be described as to put into effect the principles set out in the Standard. Application Guidance is normally considered necessary so that the Standard can be applied consistently and the Application Guidance is therefore an integral part of the Standard. Such guidance would normally take the form of examples and explanations that demonstrate how the principles are applied and interpreted. The application guidance provides more details to the principles, making them more complete.
3. An appropriate purpose of Illustrative Examples can be described as helping those applying a Standard for the first time to become more familiar with the requirements of that Standard. Illustrative Examples can also demonstrate the accounting mechanics or outputs, once the judgements have been applied.

Question 1

Do Advisory Council members think that the above describes an appropriate and helpful way to differentiate between Application Guidance and Illustrative Examples? What more could the IASB do to make this distinction clearer?

Risks with Illustrative Examples and education ‘branding’

4. Even a simple example that demonstrates how some information could be disclosed could, in error, be interpreted as specifying how that requirement must be met, or misunderstood as providing a template for that disclosure.
5. The risk that Illustrative Examples will be seen as interpretative probably increases when they are issued after the Standard to which they relate has been released.
6. The IASB could consolidate its ‘branding’ by publishing all Illustrative Examples as education material, notwithstanding when the Illustrative Examples are developed.

Question 2

Do Advisory Council members support the publication of the non-mandatory Illustrative Examples, which have traditionally accompanied most new Standards, as education material? If so why? If not, why not? Do you see any implications of this change?

Post-publication support

7. The paper proposes several ways in which the IASB can, if needed, provide support after a new Standard is issued.
8. This includes the following mechanisms: setting up a full resource group, arranging an ad-hoc public discussion forum or discussing requests in a public IASB or IFRS Interpretations Committee (the ‘Interpretations Committee’) meeting.
9. The support can be delivered by using one of the following tools: additional educational steps by the IASB, referring a matter to the Interpretations Committee or the IASB, doing nothing and letting practice evolve because the matter is one for which the IASB expects the application of judgement, or developing education material.
10. The paper also discusses the importance of maintaining convergence of Standards that were developed jointly with FASB.
11. Whenever the Interpretations Committee or the IASB considers an amendment to a converged Standard, it considers the effect on convergence. When developing our staff

analysis of issues relating to a converged Standard, we liaise with FASB staff to understand their views on the issue from a US GAAP point of view. When we think that the issue should lead to an amendment to a converged Standard, we discuss this with FASB staff to explore the opportunity for an equivalent amendment to be made to US GAAP, thus maintaining convergence.

Questions on post-publication support

Question 3: the paper proposes the idea of the IASB holding public discussions, when necessary, for newly-issued Standards to discuss emerging issues, share experience and, where appropriate, refer matters to the Education Initiative, the Interpretations Committee or the IASB. The paper proposes new mechanisms for these public discussions, when necessary, including a formally-constituted group, such as the plan for the Revenue group, or on an ad-hoc basis according to need. What are the Advisory Council members' views on these ideas and what potential risks do they think might arise from them?

Question 4: are there additional considerations or procedures beyond those described that the IASB should consider in relation to post-publication support for converged Standards?