

AGENDA PAPER

IFRS Foundation Trustees' meeting

Frankfurt

15-17 October 2013

Agenda
paper

2

Memorandum

To: IFRS Foundation Trustees

From: Hans Hoogervorst

Date: 4 October 2013

Re: Report of the IASB Chair

Overview

1. In this report we will provide you with highlights of the IASB's and the IFRS Foundation's activities since the last Trustee meeting, and a preview of the IASB's plans for the next three months. An update on the status of the IASB's current technical projects and a copy of the work plan are provided in Agenda Paper 3B to this meeting.

Activities during the last four months

2. Since the last report to the Trustees, the IASB and/or the IFRS Foundation have:
 - (a) published a Discussion Paper *A Review of the Conceptual Framework for Financial Reporting*
 - (b) published an Exposure Draft on the accounting for Bearer Plants;
 - (c) published an Exposure Draft of proposed amendments to the *IFRS for SMEs*;
 - (d) completed the IASB's first Post Implementation Review (PIR), publishing a feedback statement on the PIR of IFRS 8 *Operating Segments*;
 - (e) launched the PIR of IFRS 3 *Business Combinations*; and
 - (f) published proposed updates to the IFRS Taxonomy, dealing with element definitions, architecture and recent IFRS pronouncements.

The staff and IASB board members have also been heavily engaged in outreach activities.

Technical Projects-Update

3. On the technical front we remain extremely busy. Over the last three months the organisation has commenced the redeliberations of the Classification and Measurement and Impairment phases of the financial instruments projects. In addition, we have been heavily engaged in outreach to explain and obtain feedback on our current proposals. These activities have been particularly intense for the Leases, Insurance Contracts and Conceptual Framework proposals. Staff and board members have also been involved in the drafting of the final Revenue standard including undertaking extensive discussion of the clarity of the draft words with interested parties.
4. The comment periods on Leases and Insurance Contracts close shortly before and shortly after this meeting respectively. The redeliberations on these two projects will thus commence shortly. These are extremely important projects for the IASB neither of which will be completed without significant resistance.
5. On the Leases project there are still some asking us to revert to a disclosure-only project. That is in complete contrast to what we are being told by the vast majority of users of the financial statements that we have consulted. We have undertaken extensive outreach with users of financial statements about our Leases proposals. We have had over 35 meetings involving more than 220 investors and analysts in Europe, North America, Africa, Asia and Australasia. Users always have a range of opinions, however overall during that outreach there has been strong support for the view that leases create assets and liabilities and that the recognition of lease liabilities is an important and long-overdue change to financial reporting.
6. Completing the Insurance Contracts proposals will also be challenging. The current exposure draft reflects many changes that were made in response to comments received on the IASB's original exposure draft yet still many concerns are being raised by preparers. As I have said before, we will of course consider carefully the comments we receive but I think that it is important that we don't lose sight of the big picture. It is critically important that we finalise our Insurance Contracts requirements expeditiously to improve transparency and comparability in this area of financial reporting.
7. We have also taken our initial steps to improve disclosures in financial reports following the Discussion Forum that we held in January 2013. This is an important first step in addressing the issues raised with the perceived disclosure overload. In September the IASB considered proposals to amend IAS 1 *Presentation of Financial Statements*. These are minor amendments to IAS 1 that we anticipate will make that Standard less prescriptive and could significantly assist in making improvements to financial reporting.

8. Agenda paper 3B provides more detail about the current technical activities.

Accounting Standards Advisory Forum (ASAF)

9. At the end of September we held the second meeting of the Accounting Standards Advisory Forum (ASAF). The ASAF is used both to provide timely input to the IASB on active projects and to assist in the development of projects that are at an earlier stage of development. This was reflected at the September meeting. We obtained input from members on a number of our active projects including Leases, Insurance Contracts and Impairment as well as obtaining feedback on Disclosure and Accounting for Macro Hedging which are at an earlier stage of development. The ASAF also continued to discuss issues relating to the Conceptual Framework project.

Post Implementation Review of IFRS 8

10. In July 2013 the IASB published the Feedback Statement on the PIR of IFRS 8 *Operating Segments*. The general conclusion of the report was that IFRS 8 is functioning as was anticipated.
11. In July 2013 the IASB also announced the PIR for IFRS 3 *Business Combinations*. This is currently in its first phase of gathering information about unexpected implementation challenges and costs. This will be followed by the publication of a Request for Information for public comment. The responses to that document will be used in the second phase of the review.

Effects analysis consultative group

12. 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.
13. 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 has been welcomed, there remain differences in thinking internationally about what is the appropriate scope and methodology for this type of analysis.
14. As recommended by the Trustees in their strategic review, an Effects Analysis Consultative Group has been established by the IASB. The group has met twice. The work being undertaken in respect of Effects Analysis will be discussed at this meeting.