

ADMIN PAPER

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Due Process Oversight Committee			
Paper topic	Education Material - Policy		
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Introduction

1. The purpose of this paper is to set out some initial thoughts on the policy in relation to the preparation and issue of education material, together with my views on the implications for due process.

Background

2. When we overhauled the due process requirements in 2012 we codified the review procedures associated with the education initiative as due process steps for ‘education material’.
3. At the time I noted that the development of education material was a high risk area for the IASB, because support material developed after a Standard is issued could, if not developed carefully, be interpretative and change IFRS requirements. These concerns are not limited to material produced by the Education Initiative, such as summaries of Standards, presentations, teaching cases etc. Any material that we produce that supports our Standards but is not an integral part of the Standard (ie part of the material that we provide to Governments) carries this risk.
4. We have been taking a cautious approach with post-issuance support material. As reported to the Committee at its meeting in April 2013 (Agenda Paper, AP, 3A for that meeting refers), our experience with the development of illustrative examples for IFRS 11 *Joint Arrangements* gave us the comfort that our due process procedures were effective but it also

demonstrated that we need clearer procedures for developing support material.

Summary of the main issues

5. Paper 3C(i) sets out what we think is at the root of the problem and some suggestions for changes we should make to our procedures. It includes some comments about post-issuance support and the Implementation Group being formed for the revenue recognition project.

6. In summary:

- (a) The purpose and nature of the material that is issued as part of a Standard (the application guidance) and the purpose and nature of material that accompanies but is not part of an IFRS are not clear.

A review of examples and explanations in the application guidance (mandatory material) and illustrative examples (the support material that is not part of the Standard) today highlights differences in focus and the level of detail *within* each set are significant. In some cases material that seems mechanical in nature is included in application guidance and there are cases where the illustrative examples seem to be interpretative, particularly in the older Standards.

We need a clear purpose for material that is part of a Standard and a separate purpose for material that supports, but is not part of a Standard.

- (b) The descriptions and ‘packaging’ of support material do not provide sufficient delineation between mandatory and support material.
- (c) There is a lack of clarity in the minds of some about how the IASB responds, or should respond, to post-issuance requests for help. The IFRS 11 experience has brought this into particular focus, particularly in the light of the announced implementation guidance group for revenue recognition.

7. Paper 3C(i) sets out a plan to create clearer processes for new Standards. It will take us some time to address legacy issues.
8. My assessment is that we have sound procedures in place. What we need to do is fine-tune them and improve how we package material. The most important step, in my view, is getting better clarity around the purpose of illustrative examples and other support material. Paper 3C(i) proposes that main purpose of this non-mandatory support is to help people ‘step up’ to a new Standard. Once they have had this ‘helping hand’ they should not need this support material.
9. Paper 3C(i) is being discussed by the IFRS Advisory Council on 14 and 15 October. I will provide the DPOC with a verbal update on their feedback.

Due Process implications

10. My assessment is that we should consider whether to amend the Due Process Handbook by adding a purpose for each of *Application Guidance* and the material that accompanies but is not part of an IFRS.
11. We should also consider whether to add a new section on post-issuance support. I envisage it would be general in nature. Paper 3C(i) emphasises that we need to be flexible and proportionate—the revenue recognition approach should not be our default. However, we also need to give some more clarity about how we deal with concerns raised with us.
12. I think these two potential changes, and the practical matter of how we package material, will be positive steps. I see no need to change the due process steps around supporting material. Clarifying the objective of that material is the key.

Timing

13. We do not need to rush these potential changes. I recommend that we develop revised wording over the next few months, incorporating feedback from the IFRS Advisory Council, staff and IASB members. As well as establishing a clear purpose, some additional guidance for staff should help ensure that we develop material more consistently.

14. It is also possible that the Effects Analysis Consultative Group will recommend refinements to our due process requirements. We are also planning to replace the IFRS Taxonomy due process requirements, and incorporate them in the Handbook.
15. I think it would be more efficient to develop all of these changes as a package, in the first half of 2014.