

AGENDA PAPER

IFRS Foundation Advisory Council

London

24-25 February 2014

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Memorandum

To: IFRS Advisory Council

From: Hans Hoogervorst

Date: 4 February 2014

Re: Report of the IASB Chairman

Introduction

I am pleased to provide a report on developments since the last Advisory Council meeting in October 2013.

Work plan

First, we have continued to make good progress in the delivery of our technical work plan. Of particular note is encouraging progress towards the completion of the remaining convergence projects.

On financial instruments, at the end of last year we issued hedge accounting requirements that are widely supported, while final Standards on both Impairment as well as Classification and Measurement are due to be published in the next quarter.

Our new, fully-converged Revenue Recognition Standard will be published in March or April. Redeliberations on Leases and Insurance are continuing.

We are also making excellent progress on the new elements of our work plan. The Discussion Paper on the Conceptual Framework has elicited numerous high quality thoughtful responses. Our research agenda is really starting to take shape, featuring a number

of important projects that have the potential to deliver substantial improvements to the quality of financial reporting.

In particular, I am delighted to see rapid progress being made with our Disclosure Initiative. Around this time last year, we held a forum to encourage the various participants in the financial reporting supply chain to discuss what can be done, collectively and individually, to improve the quality and usefulness of financial disclosures. Building on these discussions, in June last year I set out a 10-point plan to encourage material, meaningful improvements in this area and we are making excellent progress in the implementation of this plan. Henry and Alan will provide a more detailed summary of our technical work plan.

Changes in technical staff

Second, also since the last meeting we have realigned our technical resources to better match our future priorities. Hugh Shields has been appointed to a new role of Executive Technical Director, to serve alongside Yael Almog as Executive Director who will continue to oversee non-technical aspects of our work. Hugh brings significant experience of financial reporting globally and of delivering complex projects on a timely basis, so he will be a great addition to our technical leadership team. As the Senior Technical Director, Alan Teixeira will lead a number of areas that are vitally important to the organisation. Alan will be responsible for the research programme, in which the major analysis and development of potential new standards will now take place, shaping our future agenda. This work also involves developing our network of national standard-setters and the broader research community. During 2014, we plan to host the IASB's first ever research forum, supported by accounting academics from around the world. Alan will also oversee the work that the staff do for the IFRS Interpretations Committee, led by Michael Stewart, as well as the important work that we are doing on disclosure and digital reporting.

With Sue Lloyd having made the transition to her new role as a member of the IASB, we have also taken the opportunity to promote Henry Rees and Kumar Dasgupta to the roles of Technical Directors. Henry Rees will assume responsibility for the non-financial instruments projects on the current agenda, as well as taking on responsibility for supporting the work of the ASAF and the IFRS Advisory Council, the Education Initiative (led by Michael Wells), and the Editorial and Due Process functions. Kumar will pick up responsibility at a Director level for our financial instruments work. Peter Clark will continue as a Technical Director,

with responsibility for the Conceptual Framework project. Hugh's role will be to knit all of these important functions together, and ensure that we provide timely delivery of our technical activities.

Use of IFRS globally

Third, to assess our progress towards the goal of globally accepted accounting standards, the IFRS Foundation is developing profiles about the use of IFRSs in individual jurisdictions and has posted those profiles on its website. Currently, profiles are completed for 122 jurisdictions, which cover all of the G20 jurisdiction plus 102 others. The plan is to have a profile for every jurisdiction that has adopted IFRS, or is on a programme towards adoption of IFRS.

We have discussed this work with the Council on several occasions, including during the last meeting in October 2013, but I summarise the key points below for the benefit of new members.

The findings from this work are remarkable. Of the 122 countries researched so far, nearly all have made a public commitment to IFRS as global standards. More than 100 of the 122 countries surveyed have already adopted IFRS for most or all domestic listed companies, while many of the remaining 21 permit IFRS for at least some of those listed companies. More importantly, very few jurisdictions have made modifications to the Standards, and where they did, they were regarded as temporary. There is now firm evidence that the use of IFRS is widespread, and that most jurisdictions are adopting IFRS in the correct manner.

Transition costs

Fourth, the IFRS Foundation is committed to assessing and sharing knowledge regarding the likely costs of implementing proposed new requirement and the likely ongoing costs associated with any new IFRS. As part of this commitment, we and the Canadian Accounting Standards Oversight Council co-funded an independent survey by FEI Canada on transition costs from Canadian GAAP to IFRS. 62 per cent of the companies surveyed reported transition budgets under \$500,000. For larger companies with revenues of more than one billion dollars, the highest recorded transition cost was less than 0.1 per cent of turnover. These numbers are consistent with surveys elsewhere such as in Europe and Korea, so there is now evidence that the costs of transition are manageable.

Consistency in the application of IFRS globally

Fifth, steps have also been taken to help ensure international standards are applied and enforced on a globally consistent basis. In September 2013 the IFRS Foundation entered a joint Statement of Co-operation with IOSCO. As a result of this agreement, the IASB and IOSCO will work together in a proactive manner to encourage greater consistency in the implementation and enforcement of IFRS.

Our goal of consistent application is supported by the Education Initiative, which makes available high quality, understandable, and up-to-date material about IFRS. The team has had a very productive 2013, with all of its publications having sold out and its conferences and new IFRS implementation sessions in Amsterdam and São Paulo being attended by 480 and 280 participants respectively. We will discuss the Education Initiative at a separate session during the meeting.

We have also launched an investor-focused education project, including investor-focused events co-ordinated around our main IFRS conferences. In addition an Investor Briefing text (covering all of IFRS) and an Investor Guide to new Revenue Requirements are being developed. We will also discuss the Investor Outreach Initiative at a separate session at this meeting.

Effect analysis

Sixth, acceptance of our new Standards will only be achieved if the likely implementation costs and the ongoing associated costs and benefits are understood. The IASB gains insight on the likely effects of the proposals for new or revised IFRS through its formal exposure of proposals and through its fieldwork, its analysis and its consultations with relevant parties through outreach activities.

Although the IASB routinely documents the probable effects of its proposals in the Basis for Conclusions that accompanies every Exposure Draft and IFRS, there remain differences internationally on what the appropriate scope and methodology for this type of analysis is. The IASB's working group, which is tasked with agreeing a methodology for field visits/tests and effect analyses, has met three times and is well advanced in developing a draft of its report to the IASB, which is expected to be finalised early in the second quarter of this year.

In doing this work, we are considering the feedback that the Advisory Council provided during the break-out sessions in October 2013.

ASAF

Finally, I am pleased to report that the IASB has now held three meetings of the Accounting Standards Advisory Forum (ASAF). It is clear that ASAF enjoys strong support. The forum enables us to communicate effectively with national standard-setters, while ensuring that we receive a broad range of national and regional advice on major technical issues. The next meeting is to be held early in March 2014.

This is my report to the Advisory Council. In closing, on behalf of the entire Board, I would like to thank members of the Council for their continued valuable input. It really is very much appreciated.