

International Financial Reporting Standards



IFRS Foundation Education Initiative

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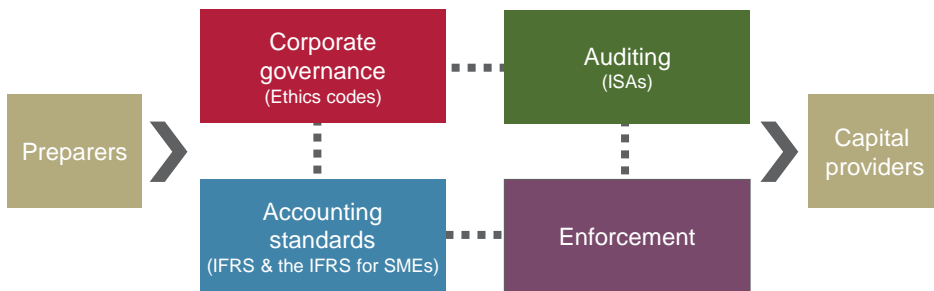
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Information supply chain

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Education underpins competence across the information chain



Education underpins competence across the information chain



Objective of IFRS financial reporting

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Provide financial information about the reporting entity that is useful to **existing and potential investors, lenders and other creditors** in making decisions about providing resources to the entity (buy, sell, hold, provide loan/settle (OB 2))

...who cannot require reporting entities to provide information directly to them (OB 5)

...who have a reasonable knowledge of business and economic activities and who review and analyse the information diligently (QC 32)

IFRS implementation challenges

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- Mindset change: **investor-focused** reporting (not tax, not government statistics, not prudential regulation, not...)
- Skillset change: make **judgements** and estimates to apply IFRS (principle-based standards)
- Capacity issues: underdeveloped accounting profession in many jurisdictions

Implementation problems can affect adoption by others

IFRS Foundation/IASB implementation activities

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- Content Services (eg translation and licencing)
- **Education Initiative** (the subject of this presentation)
 - the Education Initiative’s medium-term plan (Plan 2012–2016) is available at <http://www.ifrs.org/Use-around-the-world/Education/Documents/Plan%202012%e2%80%932016%20%28Updated%20October%202012%29.pdf>
- IFRS Interpretations Committee
- International Activities
- Implementation working groups (eg SME Implementation Group, Revenue Implementation Group)



Getting it done with few resources: leverage—working with others

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- Plan together (internal + external advisory groups)
- Develop + deliver together. For example,
 - Education Initiative writes teaching material
 - experts review (internal + external)
 - development agencies fund translations and regional professional and academic accounting associations organise workshops
- Multiplier effect ‘train the trainers’

Education Initiative delivers +50 events each year



Example multiplier effect ‘train the trainers’

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- 3-day *IFRS for SMEs* ‘train the trainer’ workshops
 - Kuala Lumpur and Hyderabad in January 2010
 - 85 trainers from 15 countries
 - organised by CAPA
 - funded by Asian Development Bank
 - IFRS Foundation material + facilitators
- Multiplier effect: next 6 months 50+ workshops train +4,500 people (source: CAPA 2010 annual report)

Now 30+ workshops; participants from 110+ countries



IFRS teachers ‘flagship’ project: *Framework-based IFRS teaching*

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- Aim: support rigorous and consistent application— support teachers to develop in their students’ ability to make IFRS **judgements and estimates**
- How:
 - develop comprehensive teaching material for CA/CPA (or equivalent) stream IFRS teachers
 - non-financial assets (published 1/13)
 - IAS 8 hierarchy and liabilities (published 2/14)
 - development agencies and others fund translation into widely spoken languages
 - facilitate regional ‘train the teacher’ workshops



IFRS teachers 'flagship' project: IFRS judgements

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Stage 1: first IFRS course	Stage 2: mid-way to qualifying	Stage 3: just before qualifying
Awareness	Understanding	Competence—ability to make the judgements necessary to apply IFRS

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Framework-based approach for applying IFRS

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- What are the **economics** of the phenomenon (eg transaction or event)?
- What information about the phenomenon is **relevant** for informing resource allocation decisions by **existing and potential investors and lenders who cannot require information directly** and that can be **faithfully represented**?
- Which elements (eg asset, liability), if any, exist?
- Then consider IFRS requirements
- Make **judgements** to develop accounting policy
- Make **judgements** and estimates to apply the requirements with rigour and consistency

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Identifying elements

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Asset (see *Conceptual Framework* ¶4.4(a))

- resource controlled by the entity...
- expected inflow of economic benefits

Liability (¶4.4(b))

- present obligation...
- expected outflow of economic benefits

Equity (¶4.4(c))

- *assets – liabilities*

Income (¶4.25(a))

- recognised increase in *asset*/decrease in *liability* in current reporting period
- that result in increased equity except...

Expense (¶4.25(b))

- recognised decrease in *asset*/increase in *liability* in current period
- that result in decreased equity except...



Stage 3 example: identifying assets

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Are the following items Open Safari's assets?

- Sealands—fish, whales etc in the sea
- Freelands—pre-existing wild animals
- WoXy Safaris—bees
- WoXy Safaris—tourist carrying elephants
- WoXy Safaris—quaggas

Stage 3 example: asset classification

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Which IFRS classification of asset?

- Freelands—land
- WoXy—bees
- WoXy—wax sheets
- WoXy Safaris—tourist carrying elephants
- WoXy—quaggas

Stage 3 example: measurement— depreciation judgements and estimates

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Depreciation of commercial spacecraft

- Entity develops commercial spacecraft with the capacity to make 150 voyages to outer-space
- legal restrictions limit the craft to a maximum of only 100 voyages before mandatory decommissioning—all voyages must be made within 5 years from the date of acquisition
- management forecast that the spacecraft will make 5 voyages in year (Y) 1; 15 in Y2; 30 in Y3; and 50 in Y4
- management expect income per passenger to decline significantly each year as the ‘novelty factor’ of recreational space travel fades

Stage 3 example: measurement continued — depreciation judgements and estimates

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continued

- could sell the craft at the end of its useful life but entity intends to destroy to protect its technologies
- craft must pass inspection every 2 years
- plan to replace craft's soft furnishings after 50 flights

Questions:

1. *components for separate depreciation?*
2. *which depreciation method/s?*
3. *is the spacecraft's residual value nil?*
4. *what is the useful life of the spacecraft?*

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Framework-based IFRS teaching material language map and workshops



- Comprehensive teaching material: Languages—Arabic, Chinese, English, French (Stage 3 only), Japanese, Polish (Stage 3 only), Portuguese, Russian and Spanish.
- 'Train the teacher' workshop; number indicates duration in days.
- Half-day video conference

External feedback

Framework-based IFRS teaching

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- “This project is a timely focus on direct training in a manner that should have long-term benefits for the global financial reporting community” (IRZ, Heft 5 May 2013, p195).
- “The message to educators with regard to teaching IFRSs is that resources from the IFRS Education Initiative are available and specifically designed to enable students to become more capable in exercising the judgments needed for IFRS application” (*Issues in Accounting Education* Volume 28, No. 2, 2013, p217).



External feedback continued

Framework-based IFRS teaching

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- “The ability to make reasoned, informed judgments and estimates is crucial to appropriate application of IFRS. Framework-based teaching is the best way to educate students to enable them to make those judgments and estimates. ... This is the approach I use to teach my students and highly recommend it to all teachers of IFRS.” (Professor Mary Barth, Stanford University and President, American Accounting Association).



Regulator-focused activities

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- Aim: enhance regulators IFRS knowledge and skills. Better enforcement = better application.
- How: IFRS workshops jointly with development agencies and regional regulatory authorities, in 2013:
 - with the **World Bank**: Caribbean, Central and Eastern Europe and Latin America
 - with the **Asian Development Bank**: East Asia

98% of participants at the Eastern and Central Europe workshop report that the workshop was helpful or very helpful in improving their skills to make IFRS judgments (World Bank CFRR, Feedback Report, 2013)



Preparer + auditor-focused activities

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- Aim: support informed adoption + rigorous and consistent application of IFRS.
- How:
 - conferences: 2014 in Berlin, Johannesburg, London, Mexico, Moscow, Singapore and Tokyo
 - workshops and implementation sessions on new IFRSs: 2014 in Johannesburg, London, Mexico, and Singapore
 - education material on new IFRSs, for example:
 - *IFRS for SMEs* training modules
 - CPD/CPE ppt files on IFRSs 10–13



IFRS Foundation annual IFRS conferences



- IFRS Foundation IFRS conferences (some held jointly with other organisations)
- IFRS conferences co-branded by the IFRS Foundation

Regional IFRS for SMEs 'train the trainer' workshops



Workshop:

- | | | | |
|--------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|
| ● Kuala Lumpur, Malaysia
25 participants - 15 countries
CAFA (ADB funding) | ● Astana, Kazakhstan
50 participants - 1 country
World Bank and MoF | ● Buenos Aires, Argentina
18 participants - 14 countries
IFC, IFC and World Bank | ● Astana, Kazakhstan
50 participants - 4 countries
World Bank and MoF |
| ● Hyderabad, India
30 participants - 6 countries
CAFA (ADB funding) | ● Singapore, Singapore
120 participants - 7 countries
ASC and IFRS | ● Yangon, Myanmar
130 participants - 1 country
IFC, IFC | ● Douala, Cameroon
100 participants - 12 countries
World Bank |
| ● Dar es Salaam, Tanzania
100 participants - 10 countries
IFC, IFC (World Bank funding) | ● Ankara, Republic of Turkey
100 participants - 1 country
IASC and IFRS | ● Dhaka, DME
140 participants - 9 countries
IFC, IFC and IFC | ● Dhaka, Bangladesh
54 participants - 1 country
IFC and IFC |
| ● Cairo, Egypt
30 participants - 10 countries
World Bank | ● Manjil, The Gambia
30 participants - 6 countries
IFC and World Bank | ● Sarajevo, Bosnia and Herzegovina
50 participants - 8 countries
World Bank | ● Kiev, Ukraine
25 participants - 1 country
IFC |
| ● Rio de Janeiro, Brazil
700 participants - 7 countries
IFC, IFC | ● Minsk, Belarus
20 participants - 1 country
World Bank | ● Nairobi, Kenya
100 participants - 11 countries
IFC (World Bank funding) | ● Ulaanbaatar, Mongolia
130 participants - 2 countries
World Bank and MoF |
| ● Tallinn, Finland
60 participants - 6 countries
Nordic Federation | ● Minsk, Belarus
20 participants - 1 country
World Bank | ● Christ Church, Barbados
23 participants - 10 countries
IFC and IFC | ● Abu Dhabi, UAE
100 participants - 5 countries
Abu Dhabi DED |
| ● Vienna, Austria
40 participants - 8 countries
World Bank | ● Basseterre, The Federation of Saint Kitts and Nevis
20 participants - 3 countries
IFC and IFC (World Bank funding) | ● Santiago, Chile
50 participants - 2 countries
IFC, IFC and IFC | ● Livingstonia, Zambia
45 participants - 7 countries
IFC (World Bank funding) |
| ● Panama City, Panama
14 participants - 10 countries
World Bank | ● Kiev, Ukraine
20 participants - 1 country
World Bank | ● Almaty, Kazakhstan
100 participants - 2 countries
World Bank and MoF | ● Colombo, Sri Lanka
100 participants - 3 countries
CAFA, SAI and CA Sri Lanka
(ADB funding) |

Investor-focused IFRS education project

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- Aim: support rigorous and consistent application. Reduce IFRS adoption barriers.
- How: (experimenting in 2014)
 - material: Investor Briefing and Investors' Guide to Revenue Recognition
 - multimedia material: jointly with investor profession associations (eg CFA Institute)
 - events: half-day Investor Updates in 2014 tentatively in Johannesburg, London and Singapore.



International Financial Reporting Standards

IFRS judgements
Amalgam case study



Amalgam case study

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- Mushroom farmer's living mushrooms
- Gold held as a 'store of wealth'
- Artworks held as a 'store of wealth'
- Business combination under common control

Framework-based approach

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- What are the **economics** of the phenomenon (eg transaction or event)?
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- Which elements (eg asset, liability), if any, exist?
- Then consider IFRS requirements
- Make **judgements** to develop accounting policy
- Make **judgements** and estimates to apply the requirements with rigour and consistency

Thank you

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