

AGENDA PAPER

IFRS Advisory Council Meeting

LONDON 9-10 June 2014

Agenda ref 6

TOPIC *IFRS Research activities*

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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.

Purpose of this session

1. The attached presentation describes the IASB's Research Programme, with the following topics:
 - (a) Role of research in the Standard-setting process;
 - (b) Outputs from the Research programme;
 - (c) Prioritising research projects; and
 - (d) Evidence-supported Standard-setting.
2. We would like the Council members to provide advice on the outputs from the research programme and prioritising research projects.

Research Outputs (slides 9–14)

3. The presentation describes the main outputs of the research projects, which are Discussion papers and Research papers. There can also be Requests for Information as well as other, more informal documents.

4. We are seeking advice from the IFRS Advisory Council on establishing how best to use these documents and whether there are other documents that would be helpful to obtain input to the IASB, and to communicate effectively with stakeholders.
5. In this context, some of the specific questions we would like you to consider are:
 - (a) Should a Discussion Paper always provide preliminary views on a developed accounting model or could it be used in a broader way, to explain the IASB's analysis to date and ask for feedback on that analysis?
 - (b) A broader use of Discussion Papers could result in the issue of several Discussion Papers in different stages of development of the research. Do you see problems with such an approach?
 - (c) What implications do you think a greater emphasis on the problem would have on the speed of standard-setting?
 - (d) Do you think that communicating the status of the research project is more difficult in the early stages of a project because of the potential uncertainty of the output or scope?
6. The answers to these questions have implications for resourcing requirements, which is also something we would like to discuss with the Council, as set out in the next section.

Prioritising research projects (slides 15–19)

7. Research projects are added to the programme as issues arise, with the Agenda Consultation process serving as an opportunity for the IASB to reflect on the overall balance of the programme. The IASB currently has 16 research projects on its agenda. Most of these projects have staff allocated to them, but only a few staff are working on a research project on a full-time basis. The research projects have different starting points and therefore first steps in the research might be different.

8. The work on projects demands time from the staff and the Board as well as from stakeholders. The more public papers the project team develops, the more resources are needed. There is a need to manage the projects so that we make effective use of scarce resources.
9. One way of managing scarce resources is to decide, early on in the project, what should be the output of the research. For example, research projects that would result in Research papers might be less resource-intensive in the earlier phases. Consequently, having only a few projects that are in the stage of developing towards a Discussion Paper might be one way of managing resources.
10. Another (complementary) way to manage resources is to give the projects a priority, for example:
 - (a) short-term priority (the Board should be discussing the issue now);
 - (b) medium-term priority (the Board should discuss the issue within the next 9-12 months); and
 - (c) longer-term priority (the Board is unlikely to discuss the issue in detail until the next Agenda Consultation, but work on the project should start when staff resources become available).
11. What advice does the Council have on prioritising research projects and, specifically, what factors do you recommend the IASB to consider when prioritising them?

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The Research Programme

Alan Teixeira

IASB Senior Technical Director

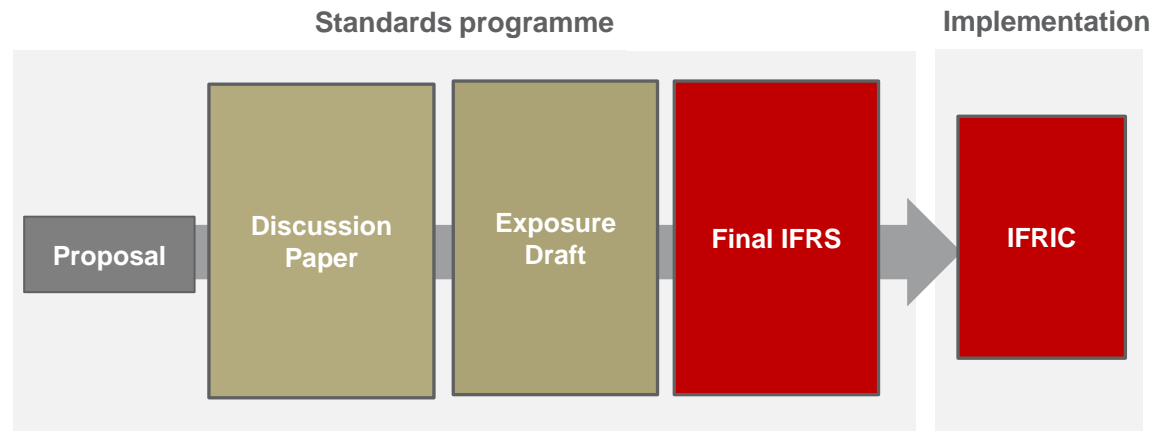
This presentation has been prepared by the staff of the IFRS Foundation for discussion at a public meeting of the IASB and does not represent the views of the IASB or any individual member of the IASB. Comments on the application of IFRSs do not purport to set out acceptable or unacceptable application of IFRSs. Technical decisions are made in public and reported in *IASB Update*.

Agenda

- Role of research in the Standard-setting process
- Outputs from the Research programme
- Prioritising research projects
- Evidence-supported Standard-setting

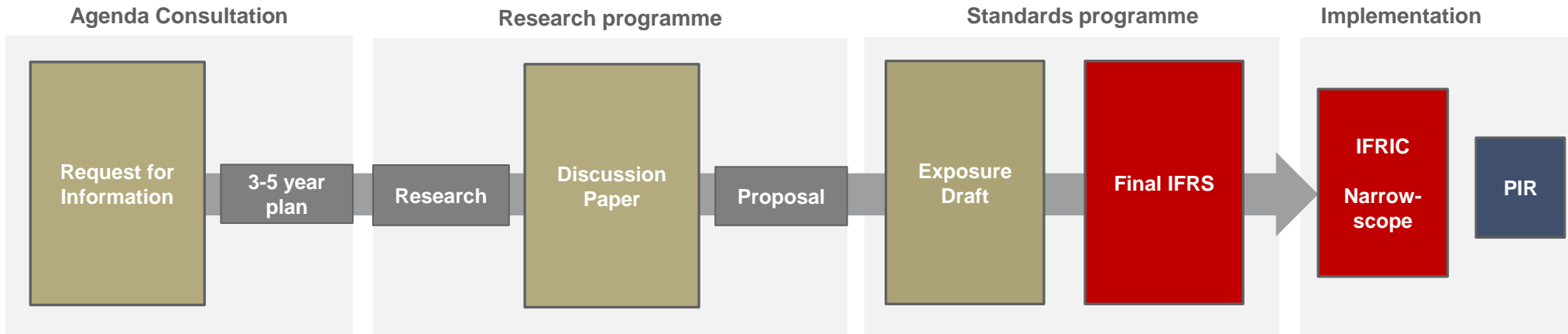
The standard-setting process

2001 to 2006



The standard-setting process

Today



- In 2007, the Trustees introduced Post-implementation reviews
- In 2011, the Trustees introduced the three-yearly public Agenda Consultation
- In 2012, the Trustees supported a move to more **evidence-supported decision-making**, with more emphasis put on the research phase of the process

Evidence-supported decision-making

Problems the changes are designed to address

- Projects not being completed
- Projects not being completed on time
- Re-exposure of documents, with major changes
- Endorsement problems, and increased demands from the IFRS community to justify change
- Fear that once a project is on the IASB's work programme a new Standard is inevitable
- Limited resources (of the IASB and of the wider IFRS community)

The research programme was created to help address these problems

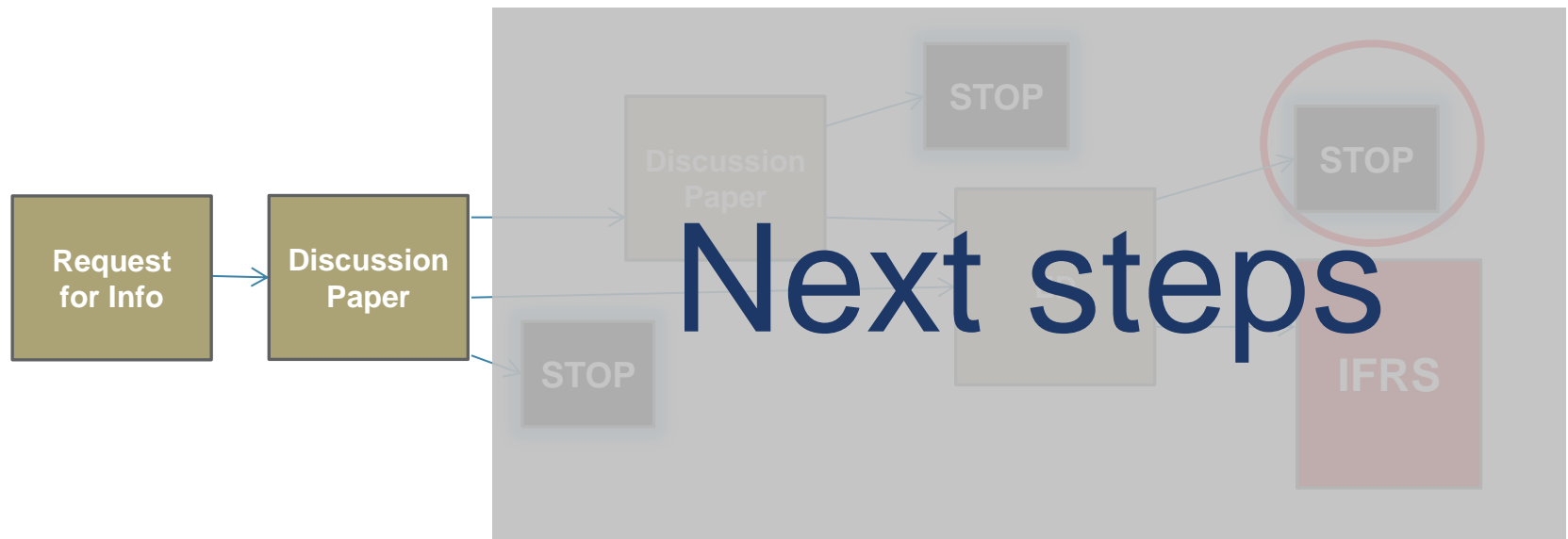
Research programme

- A broad research and development programme
- Emphasis on defining the problem
 - Identify whether there is a financial reporting matter that justifies an effort by the IASB
 - Evidence-based
- Leads to project proposals or immediate standard-setting activity:
 - do more research; or
 - add to the Standards-level programme; or
 - recommendation not to develop an IFRS
- The programme is designed to **shorten** the time needed to develop improvements to financial reporting, by:
 - Clarifying the problem up front, before a solution is developed
 - Feeding manageable projects into the Exposure Draft phase on a timely basis (eg the *Disclosure Initiative*)

Disclosure Initiative



Rate Regulation (main project)



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Outputs

Outputs

- The programme is new, and some of the outputs will be new.
- There is scope for ‘traditional’ *Discussion Papers* as well as smaller and more focused consultative documents:
 - Research papers
 - Requests for Information
- There is also scope for more focused information documents, which do not actively seek formal responses:
 - Feedback statements
- The key is:
 - to get timely and helpful input; and
 - to effectively communicate progress and decisions.

Discussion and Research Papers

“Discussion and research papers typically include a comprehensive overview of the issue, possible approaches to addressing the issue, the preliminary views of its authors or the IASB and an invitation to comment.” (Due Process Handbook (DPH) par. 4.12)

- These are consultation documents
- **Discussion Papers** are discussed by the IASB in public meetings and should convey differences in views of IASB members (if any) (DPH 4.13)
 - Many have some “Preliminary views on . . . [Leases, Insurance Contracts, Revenue Recognition in Contracts with Customers, etc]”, but some set out the problem without specifying a preference.
- **Research Papers** are generally prepared by IASB technical staff or other authors, with less direct IASB involvement. (DPH 4.14)

Other types of documents

- **Requests for Information** are formal requests by the IASB for information or feedback on a matter related to technical projects or broader consultations: eg
 - Three-yearly agenda consultation
 - Post-implementation reviews
 - Help in assessing practical implication of a potential financial reporting requirement (DPH 4.15)

Communication

- Project summaries on the IASB's website;
- Papers posted for Board discussion and summaries of board discussion available on the website;
- Project output paper (eg a Discussion Paper or a Feedback Statement) either published and/or posted on the IASB's website.

Questions for the Advisory Council –outputs

- We are seeking advice from the Council on establishing how best to use these documents and whether there are other documents that would be helpful to obtain input to the IASB, and to communicate effectively with stakeholders.
- In this context, some of the specific questions we would like you to consider are:
 1. Should a Discussion Paper always provide preliminary views on a developed accounting model or could it be used in a broader way, to explain the IASB's analysis to date and ask for feedback on that analysis?
 2. A broader use of Discussion Papers could result in the issue of several Discussion Papers in different stages of development of the research. Do you see problems with such an approach?
 3. What implications do you think a greater emphasis on the problem would have on the speed of standard-setting?
 4. Do you think that communicating the status of the research project is more difficult in the early stages of a project because of the potential uncertainty of the output or scope?

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Research projects

Next milestones (summary)

	2014			
	Q1	Q2	Q3	Q4
Disclosure Initiative				
IAS 1 Amendments	ED		B	IFRS
Reconciliation of liabilities from financing			B / ED	
Materiality			B	
Principles of disclosure		B	B	B
Rate-regulated activities		DP		
Business combinations under common control		B	B	B
Discount rates		B	B	B
Equity method		B	B	B
FI with the Characteristics of Equity		B	B	B
Foreign currency translation / inflation				B

B = Board discussion DP = Discussion Paper ED = Exposure Draft

Other projects

• Liabilities—amendments to IAS 37	Pending the Conceptual Framework project
• Emissions trading schemes	Pending staff allocation
• Extractive activities/Intangible assets/R&D	These projects are longer-term projects that the IASB does not expect to discuss publicly until 2015 or later.
• Post-employment benefits	
• Income taxes	
• Share-based payments	

Setting priorities

- It is important that we prioritise our research projects so that we make effective use of scarce resources.
 - short term priority (ie the Board should be discussing the issue now)
 - medium term (it should come to the Board within the next 9-12 months) and
 - longer term (the Board is unlikely to discuss this in any detail before the next agenda consultation, but work on the project should start when resources are available).
- Not all projects have the same starting point or likely first step, eg:
 - The Discount Rates project is reviewing perceived inconsistent use of discount rates
 - Business Combinations Under Common Control is assessing accounting alternatives for transactions scoped out of IFRS 3 *Business Combinations*

Question for the Advisory Council – priorities

- What advice does the Council have on prioritising research projects and, specifically, what factors do you recommend the IASB to consider when prioritising them?

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Evidence-supported Standard-setting

Why evidence is important

- Provides more objectivity, rather than relying on assertions
- The IASB is increasingly being asked to justify its decisions
 - Leases
 - Revenue
- Effects analysis

Where evidence is helpful

- Identifying financial reporting problems
 - Financial reporting differences
 - Scale
 - Evidence of estimation error
- Assessing solutions
 - Surveys
 - Decision experiments
 - Evidence of how information is incorporated by markets
 - Fieldwork
 - Systems testing
 - Testing draft wording
 - Financial statement simulations
- Implementation
 - Evidence of diversity

Sources

- IASB-initiated work
 - Fieldwork
 - Reviews of financial statements
 - Modelling
- Existing academic and other research
 - Limitations
 - Risks
 - Benefits
 - Examples
- Fostering new research
 - Awareness
 - Research events
- National Standard-setters

The role of National Standard-setters

- We are working with National Standard-setters
 - Each (IASB) project will have an owner (staff) at the IASB
 - Setting out the problem is critical before a project starts, so we know what problem we are trying to address.
 - Not all NSS have the same capacity
 - Even large projects can have smaller components
 - Extractive activities and Intangibles
 - R&D
 - Impairment
- We have a register of interested NSS and contact each one as we start a project

Awareness

- Internal Research Portal
 - Access to high quality data and research
- External Research Website
 - Awareness of work programme and specific issues
 - Helping us
 - Getting started
 - Getting involved
 - Staying informed
 - IFRS Research Roundup

IFRS Research Forum

- Focused event
- 2014 event in conjunction with *Accounting and Business Research*
- Forum being held at SAID Business School, Oxford University
- Focus on Conceptual Framework
- High Integrity and independent
- Communication is important
- 2015 event being held in Asia-Oceania, in conjunction with *Accounting and Finance*

Enhanced networks

- Academic conference participation
 - European Accounting Association
 - British Accounting and Finance Association
 - American Accounting Association
 - Accounting and Finance Association of Australia and New Zealand
- Focused research events
 - Informing the IASB Standard Setting Process IAAER – KPMG Research Opportunities
 - Information for Better Markets
 - FASB Financial Reporting Issues Conference
- Discussion forums
- Academic panel
- Articles

Note: this list is indicative and does not purport to capture all of the events we participate in or support.

The word cloud features the following terms in various sizes and orientations:

- Individual views** (vertical, top left)
- expressions of individual views** (vertical, top left)
- feedback a** (vertical, top left)
- questions** (large, top center)
- expressions of individual views** (vertical, top center)
- individual comments** (horizontal, top center)
- questions or individual views** (horizontal, top center)
- comments** (large, top center)
- question** (vertical, top right)
- expressions of individual views** (horizontal, top right)
- comment** (large, top right)
- feedback** (horizontal, middle right)
- questions** (horizontal, middle right)
- feedback** (horizontal, middle right)
- questions or comments** (horizontal, middle right)
- expressions of individual views** (horizontal, middle right)
- questions** (large, vertical, middle right)
- expressions of individual views** (vertical, middle right)
- questions and viewpoints** (vertical, middle right)
- feedback and comments** (vertical, middle right)
- comments** (large, bottom center)
- questions or individual comments** (horizontal, bottom center)
- questions** (large, vertical, bottom right)
- expressions of individual views** (vertical, bottom right)
- questions and viewpoints** (vertical, bottom right)
- feedback and comments** (vertical, bottom right)