

International Financial Reporting Standards



2014 CP - Discussion meeting

Richard Fraser – Project Assistant

The views expressed in this presentation are those of the presenter, not necessarily those of the IASB or IFRS Foundation.



Agenda

- Common practice analysis
- Owned/Leased
- Accounting policies
- Other comments
- Call for participation

Common practice analysis

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- **2011 Trustees Strategy review**

In addition, the Trustees are committed to providing an IFRS XBRL taxonomy that serves investors and other users of financial information. In this light, the XBRL team should develop an agreed methodology to **develop a relevant number of extensions to the existing base taxonomy in order to reflect common IFRS practice.**

Internal Analysis



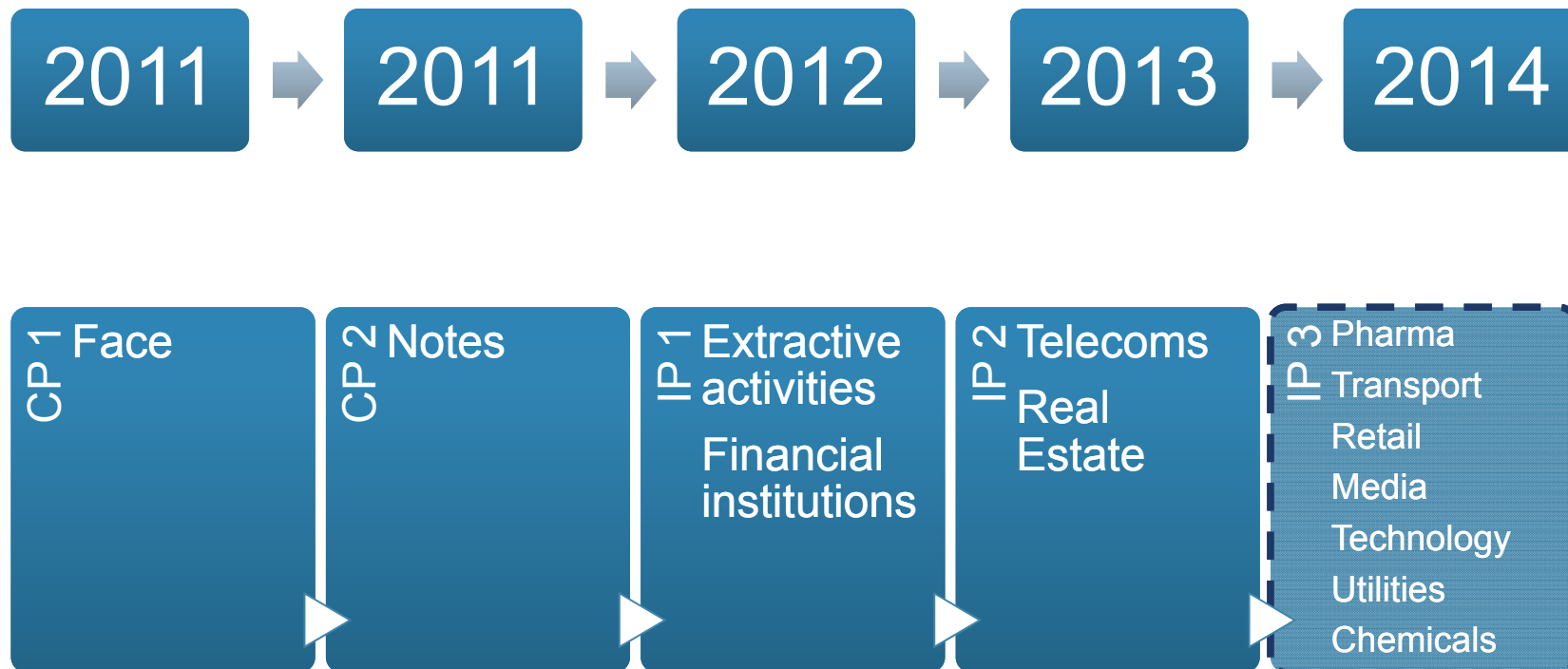
Call for participation

- to assist in the empirical analysis
- to share and review results

Selection criteria

- frequency
- materiality
- does not conflict with IFRSs

Common Practice - Activities reviewed so far



Common practice analysis

- Samples historically selected from data derived from the following sources:
 - MSCI index
 - S&P Europe 350 index
 - SEC IFRS filers
 - Listed companies
- Criteria for selection included:
 - Number of companies
 - Investor interest
 - Nature of activities

Statistics

Industry	MSCI Index	S&P EUROPE 350	SEC IFRS Filers	Listed companies	Grand Total
chemicals	4.79%	3.75%	2.35%	2.52%	2.68%
media	3.19%	0.86%	2.35%	2.65%	2.63%
pharmaceuticals and biotechnology	3.41%	3.46%	5.48%	3.05%	3.16%
retail	7.35%	6.05%	0.39%	2.76%	3.02%
transport	6.18%	0.86%	2.35%	1.31%	1.62%
utilities	8.95%	6.05%	4.11%	2.45%	2.96%
Information Technology	2.77%	2.31%	4.31%	5.56%	5.29%
Other*	63.37%	76.66%	78.67%	79.69%	78.64%
Grand Total	100.00%	100.00%	100.00%	100.00%	100.00%

* Includes industries already analysed and still to be analysed

Owned/Leased

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- During our empirical analysis we identified the following elements as potential common practice items:
 - Aircraft under finance lease [member]
 - Owned aircraft [member]
- These are general features
- We can consider creating an axis:
 - Types of right [axis]
 - Ownership [member]
 - Finance lease [member]

- Advantages
 - Can be used for other classes of PPE
 - Can be used for other notes
- Disadvantages
 - This might be a over complication
 - Potential overlap with other notes

QUESTION:

Should we consider creating a general axis?

Accounting policies

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Accounting policies

- The IFRS Taxonomy lists accounting policies purely on a high level basis.
- We have observed where some preparers, have sub policies of a broader accounting policy.

Accounting policies

- ◆ [800600] Notes - List of accounting policies
 - ① Disclosure of summary of significant accounting policies [text block]
 - ① Description of accounting policy for available-for-sale financial assets [text block]
 - ① Description of accounting policy for biological assets [text block]
 - ① Description of accounting policy for borrowing costs [text block]
 - ① Description of accounting policy for borrowings [text block]
 - ① Description of accounting policy for business combinations [text block]
 - ① Description of accounting policy for business combinations and goodwill [text block]
 - ① Description of accounting policy for cash flows [text block]
 - ① Description of accounting policy for collateral [text block]
 - ① Description of accounting policy for construction in progress [text block]
 - ① Description of accounting policy for customer acquisition costs [text block]
 - ① Description of accounting policy for decommissioning, restoration and rehabilitation provisions [text block]
 - ① Description of accounting policy for deferred acquisition costs arising from insurance contracts [text block]
 - ① Description of accounting policy for depreciation expense [text block]
 - ① Description of accounting policy for derecognition of financial instruments [text block]
 - ① Description of accounting policy for derivative financial instruments [text block]
 - ① Description of accounting policy for derivative financial instruments and hedging [text block]
 - ① Description of accounting policy for determining components of cash and cash equivalents [text block]
 - ① Description of accounting policy for discontinued operations [text block]
 - ① Description of accounting policy for dividends [text block]
 - ① Description of accounting policy for earnings per share [text block]
 - ① Description of accounting policy for employee benefits [text block]
 - ① Description of accounting policy for environment related expense [text block]
 - ① Description of accounting policy for expenses [text block]
 - ① Description of accounting policy for exploration and evaluation expenditures [text block]
 - ① Description of accounting policy for fair value measurement [text block]

Accounting policy – example 1

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Employee benefits

Wages, salaries, annual leave

Liabilities for wages and salaries, including non-monetary benefits, are recognised in other payables in respect of employees' services up to the end of the reporting period. Liabilities for annual leave are recognised in current provisions in respect of employees' services up to the end of the reporting period. They are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Defined contribution plan

Defined superannuation contributions are recognised as an expense in the period they are incurred.

Accounting policy – example 2

Financial instruments

The Company classifies its financial instruments in the following categories: “Financial assets at FVTPL”; “Loans and receivables”; “Financial liabilities at FVTPL”; and “Other financial liabilities”.

Financial assets and liabilities are offset, and the net amount is reported in the consolidated statement of financial position, when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(a) Classification

Financial assets at fair value through profit or loss

Financial assets at FVTPL are financial assets held for trading. Fair value is defined as the amount at which the financial assets could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. A financial asset is classified as at FVTPL if the instrument is acquired or received as consideration principally for the purpose of selling in the short-term. Financial assets at FVTPL are classified as current assets if expected to be settled within 12 months from the end of a given reporting period; otherwise, the assets are classified as non-current.

- Our common practice analysis for pharmaceuticals and biotechnology suggested the possible new line item:
 - Description of accounting policy for warrants [text block]

Accounting policy – example 3

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Financial liabilities

Trade accounts payable

Trade accounts payable are non interest-bearing and recorded at fair market value. They are classified as other financial liabilities and are subsequently measured at amortized cost using the effective interest rate method.

Warrant liability

Warrants with an exercise price denominated in a foreign currency are recorded as a Warrant Liability and classified as fair value through profit and loss. The Warrant Liability is initially measured at estimated fair value with subsequent changes in fair value recorded as a gain or loss in the consolidated statement of loss and comprehensive loss. These warrants have not been listed on an exchange and therefore do not trade on an active market.

(o) Warrants

The issue of warrants will be settled by the exchange of fixed amount of cash for a fixed number of the Company's own equity instruments.

The fair value of warrants on the date of issue is recognised in warrant reserve. The warrant reserve will be transferred to share capital and share premium upon exercise of the warrants, where the warrants remain unexercised at the expiry date, the amount previously recognised in warrant reserve will be released to the retained earnings.

QUESTIONS:

- 1) Should we consider creating elements for sub-policies rather than general high level policies?
- 2) If the answer to the above is yes, to which level of sub-policies shall we go?

Other comments

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Other comments

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- We have attached to this presentation a list of our findings from pharmaceutical & biotechnology and transport common practice analysis
- This list includes both accepted and rejected items from our empirical analysis along with comments

QUESTION:

Do you have any comments on the proposed or rejected items?

Call for participation

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Call for participation

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- Encourages a joint approach of empirical analysis and interaction with industry representatives including:
 - Preparers
 - Users (investors and analysts)
 - Industry groups
 - Regulators and supervisors
- Participants are expected to:
 - Engage with the IFRS Taxonomy team
 - Research and address inquiries concerning common practice
 - Address other items they consider relevant to the IFRS Taxonomy

Call for participation

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- We generally do not get much input from the call for participation

QUESTIONS:

- 1) Do you consider call for participation useful?
- 2) How can we improve participation?
 - Contact companies in our sample?
 - Use the IASB technical staff contacts?
 - Any other ideas?

Thank you

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