

# AGENDA PAPER

Toronto

16 April 2015

Agenda paper 2

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## Report of the IASB Chairman

### Introduction

1. I am pleased to provide a report on developments since our last meeting in February 2015.

### Technical Work Plan Overview

2. The IASB has continued to work intensively on our final round of redeliberations on two major projects: *Leases* and *Insurance Contracts*.
3. With respect to *Leases*, which is a joint project with the FASB, the two boards have focused on finalising the redeliberations. In quarter 1 of 2015, the IASB made tentative decisions on the disclosure requirements that accompany the lessee accounting model and on transition requirements. The IASB has tentatively decided to provide substantive cost relief on transition to the new *Leases* Standard. In March 2015, the IASB also considered the due process steps and concluded that it had completed all of the mandatory and optional due process steps required. The IASB instructed the staff to proceed to drafting and balloting. The IASB will decide upon the effective date at a future meeting when the drafting of the new *Leases* Standard is close to being ready for balloting.
4. In March 2015, we published on the IASB website a document outlining the likely practical effects of the new *Leases* Standard, as well as details on the similarities and differences between the IASB's requirements and those of the US Financial Accounting Standards Board (FASB).
5. With respect to *Insurance Contracts*, the IASB has continued to engage extensively with interested parties. The IASB has largely concluded its tentative decisions relating to non-participating contracts. However, the IASB continues to consider the accounting model for contracts with participating features. As a consequence of the complexity of the issues relating to such contracts, the IASB has decided to extend its original timetable to allow it to consider the issues in detail, and to engage further with interested parties. The

IASB now expects to make decisions about contracts with participating features during quarter 2 2015. The IASB does not expect to issue the Standard on Insurance Contracts before the end of 2015.

6. The IASB noted that entities that issue insurance contracts will be significantly affected by both the new insurance contracts standard and IFRS 9 *Financial Instruments*. Furthermore, the IASB noted that its decision to extend its original timetable for the *Insurance Contracts* standard means that the mandatory effective date of the new *Insurance Contracts* Standard will be after 1 January 2018, the mandatory effective date of IFRS 9. The IASB is considering ways to alleviate the costs that would arise for entities that would be required to implement two significant changes in accounting within a short period of time.
7. In March 2015 the IASB published on its website an overview of the IASB's tentative decisions on the general model that would apply to insurance contracts without participation features, and the IASB's reasons for reaching those decisions.
8. The IASB has now finalised redeliberations on the Exposure Draft (ED) of the *Conceptual Framework*. In quarter 1 of 2015 we have been finalizing the ED and addressing comments from a fatal flaw review. At its meeting in March 2015 the IASB considered sweep issues arising from this review. It has taken longer than anticipated to address matters arising from the fatal flaw review and it is now expected that the ED will be published during quarter 2 of 2015.
9. We are making good progress with our *Disclosure Initiative*. The Disclosure Initiative is a portfolio of projects being undertaken with the aim of improving the effectiveness of disclosures in financial reporting. The *Principles of Disclosure* project is the cornerstone of the Disclosure Initiative. The IASB aims to publish a Discussion Paper (DP) in quarter 4 of 2015, with the anticipation of completing the main discussions for the DP in quarter 2 of 2015 .
10. Finally, our Research programme is going well. The IASB has eight high-priority projects, three medium-priority projects and five longer-term projects. Although this may seem like a large pool of projects, we envisage that some of these projects will be completed quickly and will not lead to standard-setting activity. They also vary in size and complexity, which means that they will reach major milestones at different times.

## Engagement strategy

11. As part of our strategy to develop a single set of high quality, understandable, enforceable and globally accepted accounting standards, it is important that we have an effective engagement strategy with all stakeholders, especially the primary users of financial statements (i.e. investors and analysts).
12. As you may recall, we have been revitalising our engagement strategy with investors, especially the buy-side, and in December 2014 we launched the *Investors in Financial*

*Reporting* programme. Created with the support of some of the world's leading asset managers and owners, the programme is designed to foster greater investor participation in the development of International Financial Reporting Standards (IFRS). We have continued to receive positive reactions to this initiative, with support from the investment community and other stakeholders. We shall review the programme at the end of the first year.

13. In addition, the Accounting Standards Advisory Forum (ASAF) 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. In March we had productive meetings with the ASAF on a broad range of key issues. This included a discussion of the review of ASAF, which we launched in November 2014 to assess how the forum has performed in relation to its Terms of Reference and Memorandum of Understanding. The results of this review will be published in due course.

### **Use of IFRS globally**

14. We are continuing to assess our progress towards the goal of globally accepted accounting standards by developing individual jurisdiction profiles about the use of IFRS. In the last quarter we have updated several country profiles.
15. To complement the IFRS Jurisdictions Profiles, work has also continued on gathering data on the use of the IFRS Taxonomy. We expect to publish the first IFRS Taxonomy Jurisdictions Profiles on the IFRS website in quarter 2 2015.
16. As previously reported, in December 2014 SEC Chief Accountant James Schnurr floated the possibility of keeping U.S. GAAP for U.S. public company financial reporting but also allowing companies the option of reporting supplemental information in IFRS. It remains too early to assess how many companies might be interested in taking up this option.

### **Consistency in the application of IFRS globally**

17. We have continued to take steps to ensure IFRS are applied and enforced on a globally consistent basis.
18. Since our last meeting we have held, with the FASB, a further meeting of our Joint Transition Resource Group (TRG) for Revenue Recognition. The group discussed a number of implementation issues relating to the new revenue Standard (IFRS 15). Most were resolved through the discussion.
19. In February 2015 the IASB and FASB Boards held a joint meeting to discuss matters arising from the TRG including licences and identifying performance obligations that the TRG had referred for further consideration. The IASB tentatively decided to add two

clarifications and further examples to the Standard in a single Exposure Draft to be considered at the June 2015 meeting. The FASB decided to add further and more detailed guidance, reflecting the specific implementation and regulatory environment in the US.

20. The IASB, and to a greater extent the FASB, has received requests to defer the effective date of IFRS 15. At its meeting on 1 April, the FASB decided to propose a one-year delay in the effective date for public companies, from 2017 to 2018, with adoption in 2017 permitted<sup>1</sup>. The IASB is scheduled to discuss the topic at its meeting in April 2015.
21. We have also held a preliminary meeting of the Transition Resource Group for Impairment of Financial Instruments. The objective of this group is to provide a forum for stakeholders to discuss emerging implementation issues arising from the new impairment requirements set out in IFRS 9.

## **Education Initiative**

22. In 2015 the Education Initiative (EI) has:
  - (a) facilitated IFRS capacity-building workshops by video conference in India and the US and in-person in Japan and the United Arab Emirates;
  - (b) co-branded an IFRS conference in India (with KPMG); and
  - (c) developed, in the context of the IFRS Foundation's current review of its structure and effectiveness, a comprehensive multimedia proposal, which is to optimise the EI's contributions to supporting the adoption and consistent application of IFRS and to contribute more income to the IFRS Foundation.
23. To support the implementation of IFRS 9 Financial Instruments, the EI has developed a two-volume guide through the official text of the Standards dedicated to financial instruments. Volume 1 is prepared on the basis of no new Standards being applied early (i.e. the Blue Bound Volume); Volume 2 assumes all new Standards are applied early (i.e. the Red Bound Volume). Both volumes are heavily annotated with cross-references between the relevant Standards and the non-mandatory material that accompanies them. They also include the text of the IFRS Interpretation Committee agenda decisions that remain relevant to the requirements; these are shown as footnotes. The text is scheduled for release in mid-April 2015.
24. The EI has published, in collaboration with the CFA Institute, investor-focused multimedia presentations on a range of new Standards and developed, in collaboration with Imperial College Business School, multimedia presentations for use in MBA programmes on making IFRS judgements.

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<sup>1</sup> With a similar proposed deferral of the effective date for privately held companies from 2018 to 2019.

## **Agenda Consultation**

25. In July 2011 the IASB published a Request for Views (the RFV) on its first public agenda consultation process. The Feedback Statement completing that process was published in December 2012. The IASB has recently commenced work on its second agenda consultation, in line with the Due Process Handbook.
26. The staff will present a project plan and scope overview at a public meeting of the IASB later in Quarter 2 of 2015. The project plan is likely to recommend publishing the RFV in Quarter 3 of 2015 with a view to completing the 2015 agenda consultation process in Quarter 1 of 2016.