

STAFF PAPER

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Accounting Standards Advisory Forum

Project	Post-implementation Reviews		
Paper topic	Discussion of post-implementation review process		
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Introduction

1. This paper describes, in high-level terms, our post-implementation review (PIR) objectives and process and seeks views from the ASAF on how that process has worked, and asks what advice the ASAF has on the objectives of our PIRs.

Background

2. We have completed two PIRs (IFRS 8 *Operating Segments* and IFRS 3 *Business Combinations*). We are scheduled to start PIRs of IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities* and IFRS 13 *Fair Value Measurement* in quarter 1 next year. This is an appropriate time to reflect on what we have learnt from the first two reviews before we start the next four¹.

¹ Although there are four IFRSs due for review in 2016, it is likely that the review of IFRS 12 will be split and undertaken as part of the reviews of IFRS 10 and IFRS 11 respectively.

PIR objective

3. The Due Process Handbook explains that a PIR is an opportunity to assess the effect of the new requirements of an IFRS on investors, preparers and auditors. In undertaking this review we are required to:
 - (a) consider important or contentious issues in the development of the Standard
 - (b) consider issues that have come to the IASB's attention since publication
 - (c) identify areas where unexpected costs or implementation problems were encountered.

4. The Due Process Handbook requires that the PIR includes a formal public consultation, seeking feedback on the matters identified by the IASB in its preliminary assessment. At the end of the PIR, the IASB is required to publish its findings and the steps that it plans to take (if any) in response.

PIR process applied

5. The process applied in our first two reviews can be summarised as follows:
 - (a) Phase 1: Preliminary assessment and information gathering
 - (i) Identification of important or contentious issues from development of the Standard through review of contemporaneous documentation
 - (ii) Identification of principal implementation issues through:
 1. Review of issues submitted to Interpretations Committee
 2. Targeted outreach with the large international audit networks, securities regulators and selected others
 - (iii) Publication of Request for Views (RfV) (highlighting the issues identified in a. and b.)
 - (iv) Identification of relevant, available academic literature
 - (b) Phase 2: Analysis of information received

- (i) Consideration of feedback received from RfV and outreach meetings
- (ii) Review of results of relevant academic literature
- (iii) Comparison of results of feedback and academic studies
- (iv) Determination of steps IASB intends to take in response to review findings
- (v) Publication of Feedback Statement

Experience with PIRs to date

Broad scope

6. Our PIRs on IFRS 8 and IFRS 3 have taken a broad scope. The RfV included questions on specific topics, thereby providing respondents with a framework in which to respond. However, the questions have been open ones and respondents have also been invited to provide any other relevant comments on the Standards.
7. In the case of the IFRS 3 PIR, the obligation on the IASB was to review the 2008 revision of IFRS 3. However, the more significant contentious issues in business combinations accounting relate to matters that were introduced in the first phase in 2004, namely non-amortisation of goodwill and identification of non-contractual intangible assets. Some of the contentious issues arising from the Business Combinations project relate to amendments made to IAS 36, IAS 38 (non-amortisation of goodwill) and IAS 27/IFRS 10 (transactions with non-controlling interests).
8. The IASB decided to expand the scope of these PIRs to take a broader approach, and to include amendments to other Standards. This broader approach was widely welcomed.

Public consultation

9. The use of a public consultation as the main vehicle to engage with stakeholders was introduced in the first PIR before there was a Due Process obligation to do so. The public consultation has helped ensure that all those who want to provide input have an

opportunity to do so. Response letters to the RfV are the main form of input, however outreach meetings with stakeholders have played an important role, especially in obtaining input from investors. We received 93 response letters and took part in 30 outreach meetings for the IFRS 3 PIR. We received 62 response letters and took part in 36 outreach meetings for the IFRS 8 PIR.

Academic literature review

10. Both of our PIRs have included a review of academic literature, undertaken for us by an Academic Fellow. The scope of these reviews has reflected the scope of our RfV. The literature review for the IFRS 8 PIR included 30 papers. The literature review for the IFRS 3 PIR drew on 38 papers.
11. The results of the academic literature reviews have, in some cases, provided conclusions that differed from some of the views and opinions received in response to the RfV.
12. Both of the PIRs benefitted from a longer period than normal for the accumulation of academic studies. This is because IFRS 8 was closely based on US GAAP requirements that had become effective in the US in 1998, and the more contentious aspects of IFRS 3 had been introduced in the first phase of the Business Combinations project in 2004. Most PIRs will have the benefit of only two years of implementation and so a concern arises that this is not long enough for sufficient academic research to be published.

Outcome of the PIRs

13. The IFRS 8 PIR has led to the development of proposals to revise IFRS 8 through a narrow-scope amendment (Exposure Draft due to be published in Q1 2016). The proposed amendments are clarifications and additional application guidance; there was not significant dissatisfaction with application of the Standard.
14. The IFRS 3 PIR has resulted in two projects. One of these, Definition of a Business, is primarily focused on clarifying existing requirements or developing application guidance. The other, Goodwill, Impairment and Intangibles (GII), has a broader scope at present. The GII project is responding to comments received in respect of two of

the principal contentious issues of IFRS 3 (non-amortisation of goodwill, and identification of non-contractual intangible assets), and also application issues related to IAS 36, in general.

Questions for the ASAF

1. What advice do you have for us with respect to the objective of the PIR described in paragraph 3? In terms of the objective, what do you think has been helpful, and what do you think we should change, and why?
2. What advice do you have for us on the PIR process?
 - (a) What do you think has worked well?
 - (b) Have we got the right mix of input for the review?
 - (c) What needs improvement, and why?
3. Do you think that the results of academic studies should continue to feature in our PIRs? If yes, do you agree with the concern that 2 years of implementation is unlikely to be long enough for sufficient academic studies to be available for the PIR?