

AGENDA PAPER

IFRS Advisory Council

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TOPIC	IASB Activities – Report of the IASB Chairman	
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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.

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 continues to work intensively on finalising two major projects: Leases and Insurance Contracts.
- 3) With respect to Leases, which is a joint project with the US Financial Accounting Standards Board (FASB), the two Boards have now finalised 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 by giving entities a choice of transition methods, one of which does not involve the restatement of comparative financial information. 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. We expect to issue the Standard in Quarter 4 of 2015.

- 4) In March 2015, we published on the IASB website (and shared with the Council) a document outlining the likely practical effects of the new Leases Standard, as well as information about the similarities and differences between the IASB's lessee accounting requirements and those of the 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 insurance contracts. 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 non-participating insurance contracts, and the IASB's reasons for reaching those decisions.
- 6) 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. As a result, the IASB will continue deliberations during 2015. It does not expect to issue the Standard before the end of 2015.
- 7) The IASB's 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 *Financial Instruments*. The IASB is aware that entities that issue insurance contracts will be significantly affected by both the new insurance contracts standard and IFRS 9. Accordingly, the IASB tentatively decided to consider providing further transition relief on initial application of the new Insurance Contracts Standard.
- 8) However, some European stakeholders have indicated that, though welcome, the additional transition relief would not address all of their concerns and have requested that the effective date of IFRS 9 is deferred for insurance businesses. Furthermore, the IASB has noted that the EFRAG's Draft Endorsement Advice both recommends IFRS 9 for endorsement without further delay and indicates EFRAG's preliminary view that the European Commission should ask the IASB to defer the effective date of IFRS 9 for insurance businesses. We are monitoring the developments in Europe and are seeking further evidence and insights from the insurance industry that would enable us to fully evaluate the concerns raised, in particular the overall effect of IFRS 9 on financial reporting by insurers in combination with the existing IFRS 4 *Insurance Contracts*.

- 9) The IASB has finalised redeliberations on the *Conceptual Framework* and will publish an Exposure Draft before the end of Quarter 2 of 2015. The *Conceptual Framework* sets out the concepts that underlie the preparation and presentation of financial statements. It identifies principles for the IASB to use when it develops and revises its Standards. During this meeting, we will hold an education session on the Conceptual Framework in preparation for the Council's discussion of the proposals in the ED in November 2015.
- 10) 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, including both implementation and research projects. The Principles of Disclosure project is the cornerstone of the Disclosure Initiative. The IASB anticipates completing the main discussions for a Discussion Paper for this project in Quarter 2 of 2015 with the aim of publishing the DP in Quarter 4 of 2015.
- 11) Finally, our Research programme is progressing well. Although the programme may seem to contain 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. We are discussing these during a separate session on research.
- 12) We discuss the technical agenda in more detail in Agenda Paper 7A: Technical Update.

Agenda Consultation

- 13) Work on the second IASB Agenda Consultation is progressing well. We will consult the Council on the contents of the Request for Views document in a separate session at this meeting.
- 14) The IASB plans to publish the Request for Views in Quarter 3 of 2015 with a view to completing the 2015 agenda consultation process in Quarter 1 of 2016.

Engagement strategy

- 15) 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 (ie investors and analysts).
- 16) In December 2014, we launched the first phase of 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 IFRS. The Investors in Financial Reporting programme has been developed to further extend investor participation in our outreach activities by specifically encouraging greater involvement from the buy-side community. 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.

- 17) The Accounting Standards Advisory Forum (ASAF) is one of the IASB's advisory bodies and it 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.
- 18) The IFRS Foundation has issued a call for nominations for new candidates for the Accounting Standards Advisory Forum (ASAF) following completion of the review of ASAF. We are very pleased with the positive feedback we received from the review. It is clear that there is strong support for the ASAF and for the IASB's commitment to the ASAF and that the ASAF has established itself as a key advisory group to the IASB. Consequently, we have made only limited changes to the ASAF's terms of reference, the main change being to extend the terms of office from two years to three years.
- 19) The Trustees are grateful to the Advisory Council for its constructive advice received at the Council meeting in February 2015 as part of the review.

Use of IFRS globally

- 20) 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.
- 21) Currently, profiles are completed for 140 jurisdictions, including all of the G20 jurisdictions. Out of these, 116 jurisdictions require IFRS for all or most domestic publicly accountable entities.
- 22) To complement the IFRS jurisdictions profiles, work has also continued on gathering data on the use of the IFRS Taxonomy. We will discuss the progress of this work at a separate session during this meeting.

Consistency in the application of IFRS globally

- 23) We have continued to take steps to ensure IFRS is applied and enforced on a globally consistent basis.
- 24) Since our last meeting, there has been another meeting of the Joint Transition Resource Group for Revenue Recognition. The group discussed some further implementation questions relating to IFRS 15 *Revenue from Contracts with Customers* and, therefore, has continued to be useful in aiding entities to make a smooth transition to the new Standard. We are now encouraging stakeholders to submit any outstanding implementation questions as soon as possible.
- 25) In February and March 2015 the IASB and FASB held joint meetings to discuss the small number of topics arising from the TRG meetings that required consideration by the Boards. As a result of these discussions, the IASB has tentatively decided to propose, in a single Exposure Draft, limited clarifications to the application guidance, additional illustrative examples and an additional practical expedient on transition. The IASB plans to approve this Exposure Draft at its June 2015 meeting. The FASB has decided to propose more extensive clarifications to the guidance, but the outcome should be similar and our respective revenue Standards should remain substantially converged.
- 26) Both Boards are also currently proposing a one-year deferral of the effective date, from 2017 to 2018.
- 27) We have also held a meeting with the Transition Resource Group for Impairment of Financial Instruments in April 2015, and discussed eight implementation issues. 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 *Financial Instruments*.

Education Initiative

- 28) Since our meeting in February, the Education Initiative (EI) has:
- a) worked on the following IFRS events:
 - i) facilitated regional IFRS teaching capacity building workshops in Glasgow (half-day at the European Accounting Association Conference), Jakarta (two days, at the invitation of the Indonesian Institute); Jordan (three days, for the World Bank's Middle East and North Africa region), Lima (three days, with the InterAmerican Accounting Association and the Peruvian profession), London (half-day), Quito (two

- days part of the World Bank's Latin America CReCER conference) and Toronto (half-day, at the Canadian Academic Accounting Association conference);
- ii) facilitated IFRS capacity building workshops for regulators in Jakarta (two days, at the invitation of the Indonesian regulator) and Jordan (three days, for the World Bank's Middle East and North Africa region);
 - iii) facilitated a one-day regional IFRS for SMEs capacity building workshop in Abu Dhabi for the International Arab Society of Certified Accountants;
 - iv) facilitated 90 minute sessions on understanding IFRS in London—to 14 visiting IFRS teacher and student groups from Austria, France, Germany, India (by video conference), Kenya and Nigeria, UK and US—and in Lima and Zurich to Peruvian and Swiss IFRS teachers and their students respectively;
 - v) co-branded KPMG's IFRS conference in Mumbai (Hans Hoogervorst and Kumar Dasgupta represented the IASB at this conference);
 - vi) organising major IFRS conferences to be held in Paris (in June), Hong Kong (in October with the HKICPA) and Cartagena (in November, with the iNCP) that focus mainly on building capacity to implement new Standards (especially IFRS 9 and IFRS 15) as well as the forthcoming Standards on Leases and Insurance Contracts and innovations in disclosure. Separate workshops on fair value and other cross-cutting measurement issues and investor-focussed updates (Paris only) are also being arranged around the conferences. Separate sessions will be dedicated to the IFRS for SMEs in Cartagena and Hong Kong;
 - vii) organising a conference dedicated to the impairment aspect of IFRS 9 in London (in December); and
 - viii) advance the planning and the IFRS Foundation co-branding of EY's IFRS Kongress in Berlin (in September) and PwC's Meet the Experts conference in London (in November).
- b) Published the two-volume publication on the Standards dedicated to financial instruments. Volume 1 is prepared on the basis of no new Standards being applied early (ie IAS 39 and the other financial instrument Standards); Volume 2 assumes all new Standards are applied early (ie IFRS 9 and the other financial instrument Standards). Both volumes have been heavily annotated by the EI with cross references between the relevant Standards and the non-mandatory material that accompanies them. The text of the IFRS interpretation Committee agenda decisions that remain relevant to the

requirements have been added as footnotes by the EI. This publication supports the implementation of IFRS 9.

- c) Put into pre publication review extensive EI-developed material on consolidations and business combinations (including case studies designed to develop a cohesive understanding of those IFRS requirements and the capacity to make the judgements to apply/audit/regulate/analyse them).
- d) Finalising the 2015 Chief Executive's Briefing. This publication summarises, in non-technical language, the Standards that are required for annual reporting periods beginning on 1 January 2015, assuming no early application and, in an Appendix, provides summaries of the Standards (IFRSs 9, 14 and 15) that, although not mandatory for annual reporting periods beginning on 1 January 2015, can be applied early.
- e) Continued to explore how the EI can with limited resources make a greater contribution to both the consistency with which IFRS is applied and to the self-generated income of the IFRS Foundation, taking into account the advice received from the Council.