

# Report

## IFRS Advisory Council Meeting

LONDON 9–10 June 2015

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This paper has been prepared by the Chairman 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.

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### **Report of the IFRS Advisory Council Chairman to the Trustees and the IASB on the June 2015 Advisory Council meeting**

1. The Council met on 9th and 10th June 2015.
  - The main non-standing topics for discussion were the consideration of the consultation documents for each of the 2015 Agenda Consultation and the review of the structure and effectiveness of the IFRS Foundation, as well as an overview of the IFRS Foundation Strategy for 2015 - 2017. The latter two agenda items were held in closed sessions. The Council also considered a presentation on the IFRS adoption experience in Japan, and profiles of IFRS filing requirements by jurisdiction. In relation to the IASB's technical agenda, the Council discussed the research programme as well as the proposed approach to ensuring that all stakeholders are familiar with the requirements of the leases standard after it is released.
  - The Council was pleased to continue to have full support from trustees and IASB members as well as both technical and operational IFRS Foundation staff.
  - Overall the Council were able to provide valuable strategic advice both to the IASB and to the Trustees.
2. In the introductory session the Council noted a number of "hot buttons" over the last four months since the previous meeting. These included the disclosure initiative,

streamlining of financial statements, corporate governance and the role of the audit committee, and both viability and strategic reporting.

3. Members received an update on the research programme and provided advice. Members were supportive of the programme and felt that the explanation of the programme was clear. In so doing the Council recommended some key matters for consideration:

- Clarity of communication about the programmes is important.
- Whether the portfolio of research should include some disruptive research, particularly around the positioning of IFRS.
- How the research programme is prioritised both within the portfolio itself and across the IASB's activities as a whole. It was acknowledged that this comment should be a feature of the Agenda Consultation.

The Council supported the move of rate regulation from a research project to a standards level project.

4. The Council received an update on IFRS adoption in Japan. In particular the Council noted that there has been a significant increase in the number of companies adopting IFRS in Japan. The Council also noted that Japanese companies adopted IFRS because they perceived benefits of adopting IFRS. In addition, the Council noted that other progress has been made in the financial reporting regime in Japan, for example, a Japanese corporate governance code was recently implemented.
5. The Council members had a significant discussion on the draft Request for Views on the IASB 2015 Agenda Consultation. Members provided feedback and a number of suggestions both around the method of presentation of the Request for Views, and the specific comments and questions included therein. Key messages from the Council included:
  - Acknowledge that the consultation context is different from the previous consultation in that previously the research programme was not a significant part of the IASB's work plan.

- Ensure that communication is clear.
- Be explicit about both the freedom and the constraints around the existing agenda; the ability or otherwise to add considerably more items to the agenda; and that a large part of the consultation is to assist in determining priorities within the existing agenda.
- Consider the agenda to be the whole portfolio of work including research.
- Support for the inclusion of the IASB strategy questions; perhaps with an expansion of the background and context to the matters.

The Council noted that it would have further involvement in the 2015 Agenda Consultation both in providing responses to the questions in the Request for Views and in considering the feedback statement

6. The Council provided advice on proposed steps after issuing the forthcoming Leases Standard, which included the following:

- There is no need to form a transition resource group (TRG). The Council had previously advised that a TRG should be considered only in special cases. Council members concurred with the view that the Leases Standard is not such a special case-although applying some aspects of the Standard will require judgement, the Standard is not expected to introduce many new concepts. The Council suggested that, if a TRG is not formed, the rationale should be explained.
- Education meetings should be held with national standard setters, as well as investors and regulators.
- The effects analysis is an important document, and should include explanation of the differences between IFRS and US GAAP.
- The IASB should monitor implementation questions that arise.

Council members also noted the importance of clarity in drafting the final Standard.

7. The Council members had a significant discussion on the draft consultation document on the Review of structure and effectiveness of the IFRS Foundation. This discussion took place in closed session. Members provided feedback and a number of suggestions for consideration in finalising the document.
8. Members received an update from the IASB Vice Chairman and staff members on recent IASB activities. Members also received an update from the Chairman of Trustees and Foundation staff on recent Trustee activities.
9. The Council received a presentation on the results of an ongoing survey on the filing requirements in relation to IFRS financial statements in different jurisdictions. Members encouraged staff to consider whether there was a wider strategic use within the IFRS Foundation for the profiles being generated by the surveys.
10. In a closed session the Council received a presentation and engaged with IFRS Foundation staff on an overview of the 2015 - 2017 IFRS Foundation strategy.
11. In conjunction with the Council meeting breakfast meetings were held with specific focus on, respectively, investors and emerging markets. In addition an education session on the Conceptual Framework Exposure Draft was provided for members who chose to attend.
12. I would like once again to thank all those that were part of the meeting - members, IASB members, Trustees, Foundation staff for their lively and passionate contribution. There is no doubt in my mind that the advice provided by the Council is of high quality and adds to the quality of the IFRS Foundation outcomes.