

AGENDA PAPER

IFRS Advisory Council

LONDON	16 October 2015	Agenda ref 3
TOPIC	IASB Activities – Report of the IASB Chairman	
PRESENTERS	Hans Hoogervorst	
CONTACT	hhoogervorst@ifrs.org	

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 June 2015.

Technical work plan overview

- 2) We discuss the technical agenda in detail in Agenda Paper 3A: Technical Update.
- 3) The IASB continues to work intensively on finalising two major projects: Insurance Contracts and Leases.
- 4) With respect to Insurance Contracts, 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 has given consideration to the need for further transition relief on initial application of the new Insurance Contracts Standard.
- 5) The IASB has, in particular, discussed the so-called “overlay approach”. The overlay approach would permit an entity to adjust profit or loss and other comprehensive income (OCI) to remove from profit or loss the effect of newly measuring financial assets at fair value through profit or loss (FVPL) in accordance with IFRS 9.

- 6) Furthermore, the IASB has also discussed the deferral of the effective date of IFRS 9 for any entity that issues contracts within the scope of IFRS 4, if that activity is predominant for the reporting entity, and would apply to all financial assets held by the reporting entity (i.e. at the ‘reporting entity level’).
- 7) Following intensive discussions in the September Board meeting, the IASB tentatively decided to proceed with an Exposure Draft (ED) to amend IFRS 4 to provide transition reliefs. The IASB plans to publish the ED in late 2015.
- 8) With respect to Leases, The IASB’s redeliberations were completed in March 2015 (subject to discussion about effective date and any sweep issues arising during drafting which will take place in October). The Standard is currently expected to be issued in Q4 of 2015.
- 9) In May 2015 the IASB published an Exposure Draft (ED) proposing a revised *Conceptual Framework for Financial Reporting*. In October 2014, the IASB decided to set a 150-day comment period for the ED. The IASB set a comment period in excess of the normal minimum period for an ED (120 days), because of the length and complexity of the *Conceptual Framework* ED and the fundamental nature of the *Conceptual Framework*. The IASB decided not to set a longer comment period than 150 days, noting that the *Conceptual Framework* ED had been preceded by a Discussion Paper. Hence, stakeholders should be familiar with the issues addressed.
- 10) However, since publishing the *Conceptual Framework* ED, the IASB has been encouraged by stakeholders from a number of jurisdictions to extend the comment period by up to two months. Stakeholders note the fundamental the importance of the *Conceptual Framework* for the IASB and its future decisions on Standard and the need for time to develop considered responses to the ED.
- 11) In response to these requests, the IASB decided, at its September 2015 meeting, to extend the comment period for the ED by 30 days. The comment period for the ED now ends on 25 November 2015.
- 12) 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 aims to publish a Discussion Paper (DP) in quarter 1 of 2016.

- 13) As a part of Disclosure Initiative, the IASB has tentatively decided to provide guidance on the application of materiality, which will take the form of a Practice Statement. In April 2015 the IASB tentatively decided that the Principles of Disclosure Discussion Paper should include a discussion on whether the definition of materiality should be changed and whether IAS 1 Presentation of Financial Statements should include additional guidance that clarifies the key characteristics of materiality. The IASB plans to publish a Practice Statement on the application of materiality in Quarter 4 of 2015.

Research programme

- 14) The purpose of our Research programme is to analyse possible financial reporting problems by collecting evidence on the nature and extent of the perceived shortcoming and assessing potential ways to improve financial reporting or to remedy a deficiency.
- 15) Research projects are classified according to their stage of progress:
- Assessment-stage projects are undertaken to identify and assess practical application issues in order to understand whether there is a financial reporting problem and to determine what further action, if any, is needed. Once the assessment stage is complete, the project will typically either move into the development stage, be suspended or be removed from the research programme. We currently have nine projects in the assessment stage;
 - Two of the projects, dealing with the definition of a business, and goodwill and impairment, were added to the research programme after our Post-Implementation Review of IFRS 3 Business Combinations was completed in June 2015. Because IFRS 3 was developed jointly with the FASB, which is also carrying out projects on these topics, we are considering how best to maintain convergence.
 - In our research on primary financial statements (formerly known as financial statements presentation), we will examine the purpose, structure and content of the primary financial statements. Among other things, we will gather some information on how entities using IFRS report on their financial performance. We will also assess which concepts explored in the old Financial Statement Presentation project merit further investigation. This research is at an early stage.

- The other six research projects that are in the assessment stage are at varying degrees of completion.
- For development stage projects, the IASB has completed the assessment stage and decided that the project warrants further investigation. The main focus of development-stage projects will be assessing whether the IASB can identify a solution to the financial reporting problem and describing what form that solution is likely to take. The output from a development-stage project is likely to be the publication of a Discussion Paper. After considering feedback received on a Discussion Paper, the IASB would then consider whether it should add to its agenda a project to develop (or revise) a Standard. In addition to the major project on Principles of Disclosure (part of our Disclosure Initiative), we are working on development stage projects on Business Combinations under Common Control, Dynamic Risk Management, the Equity method of accounting, and Financial Instruments with Characteristics of Equity

Post-implementation reviews

- 16) We have started planning next Post-implementation Review, which will cover IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, and IFRS 12 *Disclosure of interests in Other Entities*. We plan to consult the Council on the strategy for this at future meeting.

Agenda Consultation

- 17) Work on the second IASB Agenda Consultation is progressing well. We published Request for Views in July 2015 and will consult the Council on the questions in the document in a separate session at this meeting.

Engagement strategy

- 18) 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).
- 19) Our work with the *Investors in Financial Reporting* programme has continued on various fronts:
- a) Four organisations joined in October 2015: Aberdeen Asset Management, Caisse de depot et placement du Quebec, Insight Investment and Ontario Teachers' Pension

Plan. We now have 14 high profile global organisations in the programme, with others from Japan, the UK and China showing interest. The programme has also resulted in better access to other organisations that currently aren't able to join but that are happy to do outreach with us.

- b) We will be hosting an anniversary event in January 2016 in conjunction with our Trustee event in London.
 - c) We continue work with the current members on various project outreach, education events, and senior meetings between senior management and Board members.
- 20) We continue with investor outreach activities with the broader investment community (both buy and sell-side) on several projects. This includes an investor-focused survey on the 2015 Agenda Consultation and Trustee Structure and Effectiveness Review, discussions of proposed changes to the *Conceptual Framework for Financial Reporting*, potential deferral of the effective date of IFRS 9 *Financial Instruments* for insurers, and parts of the Disclosure Initiative. We have organised or been involved in various investor events during the year. With the help of Advisory Council member [Surya Subramanian](#) we hosted a lunch education session at the EFG Hermes 5th London MENA Conference 2015 in September. We have participated in joint events with EFRAG and various CFA chapters in different jurisdictions (eg 'Investor Dialogues' in Canada and Hong Kong). Our investor education activities include working with several CFA societies by contributing to their events in Europe (CFA Netherlands) and helping societies develop new content for their members (CFA France). There has been a significant amount of education activities on the new IFRS 9 impairment requirements.
- 21) Topics of sensitivity for the investor community remain push back from various preparers and standard-setters regarding the proposed amendments to IAS 7 for a reconciliation of financing activities (a long-standing investor requested project).
- 22) We continue to publish investor materials including our investor newsletter the *Investor Update*, *Investor Perspectives* on project proposals, and investor education documents *The Essentials*.
- 23) 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.

- 24) Since June, two ASAF meetings have been held (6-17 July and 1-2 October). The meeting in July was the first to be held with the revised membership of ASAF, following the two-year review of the group. The view from the IASB and technical staff (as well as ASAF members) is that the meeting went well, with the new members making constructive contributions. The ASAF meetings are developing and at the October meeting there was a constructive dialogue amongst the members.
- 25) We have continued to work on engagement with the academic community. In September we co-hosted an international research symposium at EY in London with a number of academic institutions and in October we held our annual research forum, this year in Hong Kong in conjunction with Accounting & Finance, the Journal of the Accounting and Finance Association of Australia and New Zealand (AFAANZ). Both events were well attended and the papers presented provoked thoughtful comments from academics and standard-setters.

Research resources

- 26) The internal research resources function has continued to expand, driven by growing demand from technical teams for methodologically rigorous evidence to inform their activities. In-depth research activities have been performed to support the development of various projects, in both the active work stream and the research programme. Empirical research has also been utilised to inform the work of the adoption committee. Academic reports and primary financial analyses are now being used ever more thoroughly and extensively and we will look to build on this further over the coming months.

Use of IFRS globally

- 27) 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.
- 28) 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.
- 29) We have recently published a summary of the progress of adoption on our website.
- 30) In particular, there has been significant progress with IFRS adoption in Japan, where entities can choose to adopt IFRS. In September, the Tokyo Stock Exchange has released

data showing that a quarter of the Japanese market capitalisation have adopted or plan to adopt IFRS and that nearly 200 further companies are actively considering adoption.

- 31) To complement the IFRS jurisdictions profiles, work has also continued on gathering data on the use of the IFRS Taxonomy, as discussed with you the last time.

Consistency in the application of IFRS globally

- 32) We have continued to take steps to ensure IFRS is applied and enforced on a globally consistent basis.
- 33) Since our last meeting, there has been another meeting of the Joint Transition Resource Group for Revenue Recognition. The TRG met in July 2015 for the fifth time. Only one of the issues discussed at that meeting was identified as needing further consideration by the IASB. The issue relates to the transition requirements in the revenue Standard. The IASB considered this issue at its September 2015 meeting and concluded that standard-setting is not required. The next meeting of the TRG is scheduled for 9 November 2015. There are no TRG meetings scheduled for 2016. The IASB and the FASB will arrange further meetings on an as-needed basis.
- 34) The IASB published the ED Clarifications to IFRS 15 in July 2015. As reported previously, this ED stems from the IASB's considerations of issues emerging from TRG meetings. The FASB has to date decided to make more extensive amendments to the Standard. The Basis for Conclusions on the IASB's ED explains the reasons why the IASB reached different decisions to the FASB, when that is the case.
- 35) In September 2015, having considered the feedback received, the IASB issued the amendment to IFRS 15 confirming the deferral of the effective date by one year (early application continues to be permitted). The FASB also decided in July 2015 to defer the effective date of its revenue Standard by one year to 2018 for public companies, with application in 2017 permitted.
- 36) We have also held second meeting with the Transition Resource Group for Impairment of Financial Instruments in September 2015, and discussed six 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*.

- 37) The ITG's discussions highlighted that constituents generally agreed with the accounting analysis presented by the staff for each of the issues raised by submitters. As with the previous meeting the discussion focused on the various implementation challenges and how constituents were addressing these in practice. One of the submissions discussed at the meeting will also be discussed with the IASB.
- 38) The next meeting of the ITG is scheduled for 11 December 2015

Education Initiative

- 39) Since our meeting in June, the Education Initiative (EI):
- a) worked on the following IFRS events:
 - i) facilitated regional IFRS teaching capacity building workshops in Chicago (half-day, at American Accounting Association annual meeting), Dar es Salaam (three days, jointly with PAFA and NBAA), Harare (three days, jointly with PAFA and PAAB), Port Louis (half-day jointly with AAFA and IAAER), Seoul (two days, jointly with the KASB), Tokyo (one day, jointly with JICPA), Xi'an (two days, jointly with the Xiamen National Accounting Institute);
 - ii) facilitated IFRS capacity building workshops for regulators in Dar es Salaam (three days, jointly with PAFA and NBAA) and Vienna (two days, jointly with the World Bank for its REPARIS and STAREP programmes);
 - iii) facilitated IFRS capacity building workshops for preparers and auditors in Paris (half-day) and Tokyo (one day, jointly with JICPA);
 - iv) facilitated a IFRS for SMEs capacity building workshop in Hong Kong (half-day, jointly with HKICPA), Kuala Lumpur (two days, with MASB) and Pristina (three days, jointly with SCAAK);
 - v) facilitated 90 minute sessions on understanding IFRS in London—to 9 visiting IFRS teacher and student groups from Germany, Japan, Luxembourg, UK and US;
 - vi) co-branded EY's IFRS Kongress in Berlin; and
 - vii) organised major IFRS conferences in Hong Kong (jointly with HKICPA), London (jointly with ICAEW) and Paris.
 - b) Published:
 - i) 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; and
- ii) A Guide through IFRS (2015). This publication includes the full text of IFRS with extensive cross reference and other annotations.
 - c) issued Module 12 Other Financial Instruments Issues, the final module in the comprehensive free-to-download training material supporting the implementation of the IFRS for SMEs.
 - d) 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.