

Topic	Agenda Consultation 2015		
Paper topic	Break-out discussion of strategic questions in the RFV		
CONTACT(S)	Hugh Shields April Pitman	<a href="mailto:hshields@ifrs.org">hshields@ifrs.org</a> <a href="mailto:apitman@ifrs.org">apitman@ifrs.org</a>	+44 (0)20 7246 2733 +44 (0)20 7246 6492

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.

**Please note that in this paper we ask you to provide feedback on a survey in advance of the meeting**

## Introduction

1. We spoke to you in June about the 2015 Agenda Consultation process. At that meeting you provided comments on the structure and contents of the draft request for views ('RFV'). That RFV was published in August 2015 and is out for public consultation until 31 December 2015. Significant outreach is planned for Quarter 4 of this year. The staff expect to take an analysis of the comment letters received and outreach conducted to the IASB in Quarter 1 of 2016.
2. Today we would like to ask you for input on three strategic questions from the RFV:
  - (a) What factors should the IASB consider in deciding how much of its resources should be allocated to each of its five main areas of technical projects (paragraph 8 of this paper)?
  - (b) Are the IASB and the Interpretations Committee providing the right mix of implementation support and is it sufficient (paragraph 9 of this paper)?
  - (c) Does the IASB's work plan deliver change at the right pace and in the right level of detail (paragraphs 10 and 11 of this paper)?

3. At the meeting, Questions (a)-(c) will be discussed within four break-out groups, and reported back in a plenary feedback session.
4. The full RFV is available on our website: <http://go.ifrs.org/AC-Request-for-Views>.

### ***Pre-meeting survey***

5. The staff would also like to ask each Council member what topics you think the IASB should place at the top of its research agenda. (See paragraph 12 of this paper for an extract of the IASB's current research programme.) From your experience, what three topics, whether currently on the research programme or not, should the IASB designate as areas for improving IFRS?
6. Please send your top three topics to April Pitman ([apitman@ifrs.org](mailto:apitman@ifrs.org)) by 29 October for collation before the meeting. At the meeting we will also be able to provide informal information about priorities received to date from discussions at other groups. This feedback on priorities will be used to stimulate a discussion on what strategic research priorities you would like to recommend to the IASB.

### **Agenda for 3 November**

7. The agenda will be:

Time	Description	Chair/presenter
9:15-9:45	Introduction and background to the questions	Hugh Shields April Pitman
9:45-11:15	Breakout discussions: Four break-out groups	Chairs TBA
14:00-15:00	Report back by break-out groups (15 minutes each)	Group chairs
15:00-15:30	Present reported research priorities and discussion by all	Hugh Shields April Pitman

### Three strategic questions from the RFV for discussion

8. We include some background from the RFV below for each of the three questions from the RFV that we would like you to discuss in the break-out groups.

#### **Question 1: The balance of our projects**

##### **Question 1 in the RFV: The balance of the IASB's projects**

1. The IASB's work plan includes five main areas of technical projects:
  - (a) its research programme;
  - (b) its Standards-level programme;
  - (c) the *Conceptual Framework*;
  - (d) the Disclosure Initiative; and
  - (e) maintenance and implementation projects.

What factors should the IASB consider in deciding how much of its resources should be allocated to each area listed above?

*Extract from the RFV:*

#### **The IASB's approach to standard-setting informed by evidence**

12. The IASB's approach to standard-setting has evolved significantly since the last Agenda Consultation. The IASB received a clear message then that stakeholders wanted its standard-setting to be more clearly based on evidence. Respondents suggested that research should be targeted to provide evidence about the need for change before the IASB starts a Standards-level project.

13. The new approach classifies the projects on the IASB's work plan into three main categories, reflecting the three main phases of standard-setting activity:

- (a) research projects;
- (b) Standards-level projects; and

- (c) maintenance and implementation projects.

***Research projects***

14. In response to the 2011–2012 Agenda Consultation, the IASB introduced a research programme. The purpose of the 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. The main output of the research programme is the publication of Discussion Papers and Research Papers for public comment. The analysis in those papers, together with the comments from interested parties, will help the IASB to decide whether it should start a Standards level project.

15. There is a relatively low hurdle for adding research projects to the research programme. In considering whether to start a research project, the IASB considers whether there is a possibility that the research could identify a subsequent Standards-level project that will meet the criteria for being added to the IASB's Standards-level programme. Not all research will lead to a Standards-level project. The IASB considers the following factors when it considers adding a project to its Standards-level programme:

- (a) whether there is a deficiency in the way that particular types of transactions or activities are reported in financial reports;
- (b) the importance of the matter to those who use financial reports;
- (c) the types of entities likely to be affected by any proposals, including whether the matter is more prevalent in some jurisdictions than others; and
- (d) how pervasive or acute a particular financial reporting issue is likely to be for entities.

16. In some instances, for smaller projects, the IASB will have sufficient evidence to add a project to its standard-setting programme without first conducting a separate research project. For example, the IASB may sometimes obtain sufficient evidence from a Post-implementation Review (PIR) or from work already performed by the IFRS Interpretations Committee ('the Interpretations Committee').

### ***Standards-level projects***

17. A Standards-level project is a project that develops a new Standard or substantially amends an existing Standard. The IASB will start a Standards-level project only when it has sufficient evidence that the problem is defined properly and that the staff have identified possible solutions that are of high quality and are implementable. Thus, the hurdle for adding a project to the IASB's Standards-level programme is higher than the hurdle for adding topics to the research programme.

18. The research programme confines itself to examining whether a problem exists and investigates possible ways to deal with it. In contrast, the IASB adds a project to the Standards-level programme only when the IASB proposes to take action on a problem. Before adding a major project to the Standards-level programme, the IASB normally publishes a Discussion Paper and considers the comments received.

### ***Maintenance and implementation projects***

19. In response to feedback during the 2011–2012 Agenda Consultation and other reviews by the Foundation Trustees, the IASB has been devoting more resources to maintenance and implementation projects. Maintenance and implementation projects are:

(a) projects to make minor amendments to existing Standards (narrow scope amendments and annual

improvements) or to issue formal Interpretations of existing Standards; and

(b) Post-implementation Reviews.

20. Many of the maintenance and implementation projects result from submissions to the Interpretations Committee. The Interpretations Committee carries out an initial assessment and conducts outreach to assess whether the submission meets the criteria required to add the item to the work plan of either the Interpretations Committee itself or the IASB. Those criteria state that the Interpretations Committee should address issues:

(a) that have widespread effect and have, or are expected to have, a material effect on those affected;

(b) in which financial reporting would be improved through the elimination, or reduction, of diverse reporting methods; and

(c) that can be resolved efficiently within the confines of existing Standards and the Conceptual Framework for Financial Reporting.

21. After the Interpretations Committee completes its assessment, it does one of the following:

(a) It adds to its own work plan a project to develop, for approval by the IASB, an Interpretation, a targeted, narrow-scope amendment or an annual improvement. Other tools that the Interpretations Committee may use include providing non-mandatory guidance or explanations, such as proposals for additional illustrative examples.

(b) It refers the matter to the IASB. The IASB will consider whether to add the topic to its research programme or to its Standard-level programme, depending on the amount of evidence gathered by the Interpretations Committee.

(c) It refers the matter to the IFRS Education Initiative.

(d) After seeking public comment, it issues an agenda decision, giving the reason why no further action is proposed. When that reason is that IFRS already provides sufficient guidance, the Interpretations Committee will explain that guidance within the context of the issue submitted.

22. In assessing the issues submitted to it, and selecting the appropriate response, the Interpretations Committee's objective is to be responsive to the needs of those implementing IFRS in a manner that is consistent with principle-based standard-setting.

**Question 2: Implementation support**

**Question 5 in the RFV: Maintenance and implementation projects**

2. Are the IASB and the Interpretations Committee providing the right mix of implementation support to meet stakeholders' needs and is that support sufficient (see paragraphs 19-23 and 50-52)?

*Extract from the RFV*

9. See paragraphs 19-23 in the extract above and this extract from the RFV:

**Maintenance and implementation projects**

50. As at 31 July 2015 the IASB has on its maintenance and implementation agenda 13 projects to develop Interpretations, annual improvements or other narrow-scope amendments. Most of those projects are likely to be completed before the period covered by this Agenda Consultation, but new projects are likely to replace them.

51. Since publishing the 2012 Feedback Statement, the IASB has issued 15 annual improvements, or other narrow-scope amendments, and Interpretations relating to 21 Standards. In addition, the Interpretations Committee has issued 54 agenda decisions (ie decisions not to take an issue onto its work plan), many of which include educational guidance.

Other activities to support consistency of application and implementation

52. In addition to maintenance and implementation projects, the Foundation and the IASB have a number of other activities to support the consistency of application and implementation of IFRS. These activities are not



included on the work plan discussed in this Request for Views, and include:

- (a) education activities that support consistent application;
- (b) endorsement and adoption support;
- (c) the IFRS Taxonomy;
- (d) the Official IFRS Translation Process; and
- (e) transition resource groups formed for some major new Standards, when required.

53. The Trustees' Review of Structure and Effectiveness provides more detail and includes a question on what the Foundation is doing to encourage the consistent application of IFRS (see Appendix B of this Request for Views).

**Question 3 The level of change**

**Question 6 in the RFV: Level of change**

3. Does the IASB's work plan as a whole deliver change at the right pace and at a level of detail that is appropriate to principle-based standard-setting? Why or why not?

*Have we achieved the right balance between stability and improvement?*

10. At the time of the 2011-12 Agenda Consultation we received various messages. Many participants in that consultation requested a period of calm. We also received requests for an increased emphasis on the maintenance of IFRS and a focus on amending IFRS to maintain its relevance. (See also paragraphs 50-51 in the RFV extract above for details about the level of change resulting from our maintenance activities.)

*Is the pace of change right?*

11. We are sometimes criticised for the time it takes us to amend an existing Standard or to issue a new IFRS. Because we are a global stand-setter, outreach and consultation have a particular relevance to us. We have to test our proposals against a variety of ways of doing business and differing legal frameworks in a wide range of regulatory jurisdictions. In addition, a rigorous due process is required to support the transparency of that work. We are also aware of constraints on the ability of stakeholders to deal with change.

## Pre-meeting survey: Prioritising our research programme

12. Many have suggested that including 18 projects on our research programme is too ambitious. Strategically, how would you prioritise the projects currently on our research programme?

<b>Project stage</b>	<b>Project</b>
<b>Assessment stage</b>	Definition of a Business
	Discount Rates
	Goodwill and Impairment
	Income Taxes
	Pollutant Pricing Mechanisms (formerly Emissions Trading Schemes)
	Post-employment Benefits (including Pensions)
	Primary Financial Statements (formerly Performance Reporting)
	Provisions, Contingent Liabilities and Contingent Assets
	Share-based Payment
<b>Development stage</b>	Business Combinations under Common Control
	Disclosure Initiative—Principles of Disclosure
	Dynamic Risk Management
	Equity Method
	Financial Instruments with Characteristics of Equity
<b>Inactive</b>	Extractive Activities/Intangible Assets/Research and Development (R&D)
	Foreign Currency Translation
	High Inflation
<b>Potential project</b>	Discontinued operations

### **Prioritising the research programme**

How would you prioritise the projects above? What factors do you think are relevant in making that determination?

Do you think that any topics are missing from the research programme?

**In advance of the meeting, please send the staff the top three candidate projects, whether on the current research programme or not, that you think the IASB should place at the top of its research agenda. When responding, please consider which factors influence your response.**