

AGENDA PAPER

IFRS Advisory Council meeting

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TOPIC	Chair report	
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Introduction

1. I am pleased to provide a report on developments since our last meeting.
2. We have recently issued a 90-seconds video about our mission statement to help bring it to life and serve as an educational tool to the stakeholder. This is the first video of such a nature and if useful we plan to develop more and in different languages. We will show it to you now.

Organisational changes

3. To support implementation of our strategy on implementation and adoption, we have consolidated a number of areas of work in one unit, which includes:
 - a) Implementation and Adoption Support, including relationships with Regulators, Auditors and other constituents;
 - b) Interpretation activities;
 - c) Education.
4. This is managed by Henry Rees working with Patrina Buchanan. The team are considering the output from the Agenda Consultation and Review of Structure and Effectiveness before firming up on detailed plans for future, which include developing education support. Appointment of a new Director of Education is also underway.

5. Additionally, we have created a Financial Reporting Initiative work stream, incorporating existing activities on Disclosure Initiative and IFRS Taxonomy as well as Primary Financial Statements, and a new area of work, Corporate Reporting, which will look at the future of corporate reporting.
6. This area of work will be managed by Rachel Knubley, who is also leading Conceptual Framework project.

Technical work overview

7. The Board issued IFRS 16 *Leases* on 13 January 2016, concluding its decade-long effort to overhaul the accounting for leases. IFRS 16 is a major revision of the way in which companies account for leases and requires all leases to be reported on a lessee's balance sheet as assets and liabilities.
8. The new Standard will provide much-needed transparency about companies' lease assets and liabilities, meaning that off balance sheet lease financing is no longer lurking in the shadows. It will also improve comparability between companies that lease and those that borrow to buy.
9. Accompanying the Standard, the IASB has also published a separate and comprehensive Effects Analysis, which outlines the costs and benefits of the Standard. It clearly demonstrates the need for the Standard and that the benefits outweigh the costs.
10. The IASB continues to work intensively on finalising the Insurance Contracts and Conceptual Framework projects. Both these projects are top priority for 2016. During 2016, we also expect the Research programme to take a renewed shape following our Agenda Consultation which we have recently undertaken. Whilst the Board is yet to debate the feedback on that consultation, the Disclosure Initiative will remain a key element of the programme and is also discussed further below.
11. Regarding the Insurance Contracts project, the Board published an Exposure Draft in December 2015 proposing amendments to the existing insurance contracts Standard, IFRS 4 *Insurance Contracts*. The amendments result from the Board's consideration of issues that may arise from applying IFRS 9 Financial Instruments prior to the new insurance contracts Standard.
12. The deadline for comment letters is 8 February 2016 and the Board intends to complete its redeliberations as soon as possible following this date.

13. The Board is nearing completion of its other deliberations on its project on Insurance Contracts. At its January 2016 meeting, the Board considered the remainder of the planned technical decisions. During redeliberations, the IASB has maintained extensive dialogue with all interested parties and continues to consult its advisory bodies. The direction that the IASB took in all these decisions was largely consistent with the feedback that it had heard on the June 2013 Exposure Draft *Insurance Contracts* and its proposals in its previous due process documents.
14. The staff believe that the proposals for accounting for insurance contracts will be sufficiently developed to begin the balloting process. In addition, the staff believe that the Board will have complied with all of the required steps in the Board's Due Process Handbook.
15. Accordingly, at the February 2016 Board meeting, the staff expect to ask the Board:
 - a) to review the due process steps that it has taken in developing the new insurance contracts Standard and confirm that it is satisfied that the Board has completed the necessary due process steps on the project to date; and
 - b) to grant the staff permission to begin the balloting process for the new Insurance Contracts Standard.
16. 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. The comment period on the IASB's Exposure Draft on the the *Conceptual Framework* ended on 25 November with over 230 comment letters received. The Board will start considering the feedback received at its March meeting. We will discuss a preliminary analysis of the feedback in a separate session at this meeting.
17. 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 2 of 2016.
18. As a part of our work on Disclosure Initiative, in January 2016 the Board has issued amendments to IAS 7 *Statement of Cash Flows*. The amendments will help investors to

evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes (such as foreign exchange gains or losses).

Consistency in the application of IFRS globally

19. We have continued to take steps to ensure IFRS is applied and enforced on a globally consistent basis.
20. The Board published an Exposure Draft in July 2015 proposing clarifications to IFRS 15 *Revenue from Contracts with Customers*. The clarifications result from the Board's consideration of issues discussed by the Revenue Transition Resource Group (TRG).
21. The Board considered the feedback and substantively completed its redeliberations of the proposals in December 2015. The Board largely affirmed its proposals in the Exposure Draft. However, it decided to make the same amendments to the requirements in the Standard on identifying performance obligations as had been made by the FASB in October 2015, thereby preserving convergence on a core part of the Standard. The Board plans to issue the final amendments to IFRS 15 towards the end of Q1 of 2016.
22. In relation to the TRG, the Board has announced that it does not plan to schedule further meetings of the IFRS constituents of the TRG. The Board is now of the view that stakeholders need to know that they can continue their implementation process with the confidence that IFRS 15 will not be subject to further changes. However, the TRG will not be disbanded, and further meetings could be held if necessary. The Board and the staff will continue to monitor and observe any future activities of the FASB's TRG.
23. The IASB's decision not to schedule any further TRG meetings does not mean that it is stepping back from its activities in supporting the implementation of IFRS 15. The IASB and the IFRS Foundation are committed to support faithful, consistent application of the Standard, for example through its education initiative and conferences. The IASB will also keep its TRG website open for stakeholders to submit questions. If a significant and pervasive issue arises, the Board would consider whether a public discussion would be helpful to assist practice.
24. We have also held a further meeting with the Transition Resource Group for Impairment of Financial Instruments in December 2015, and discussed a number of 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*. No amendments to IFRS 9 are planned.

Agenda Consultation

25. In August 2015, the Board published a Request for Views *2015 Agenda Consultation*. This sought views on the strategic direction and balance of the Board's work plan. The comment period closed on 31 December. The staff propose to ask the Advisory Council at its June meeting for advice on how the Board should move ahead in setting its work plan.
26. In parallel to the Agenda Consultation, the Trustees are also undertaking a Review of Structure and Effectiveness. This is also the subject of a separate discussion at this meeting.

Research programme

27. 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.
28. We are currently assessing the feedback received during our Agenda Consultation, to help us decide whether to make any changes to the Research programme. Changes could include adding new projects, adjusting the scope or priority of existing projects or removing projects.

Engagement strategy

29. 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 (i.e. investors and analysts).
30. 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.
31. 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. Recently we held an event to celebrate one-year anniversary of the programme and were glad some of you were able to attend too.

Use of IFRS globally

32. 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.
33. 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
34. To complement the IFRS jurisdictions profiles, work has also continued on gathering data on the use of the IFRS Taxonomy. So far 19 country profiles on the use of the IFRS taxonomy were published on the IFRS website.

Education Initiative

35. Since our meeting in November, the Education Initiative (EI) has:
 - (a) Worked on the following IFRS events:
 - i) organised a major IFRS conference in Cartagena, Colombia (jointly with INCP). At this conference a separate stream was dedicated to the IFRS for SMEs;
 - ii) co-branded PwC's "Meet the Experts" conference in London in November and in Mumbai early in February;
 - iii) facilitated regional IFRS teaching capacity building workshops in Warsaw (one day), Kiev (two days, with the World Bank) and Bogota (three days, jointly with the INCP);
 - iv) facilitated 90 minute sessions on understanding IFRS in London—to 8 visiting IFRS teacher and student groups from Australia, China, Spain and the US;
 - v) facilitated 90 minute session on understanding IFRS in London—to RIPA representing visiting delegations from Iraq and Ghana;
 - (b) Published:
 - i) Continuing Professional Development (CPD) training materials on IFRS 9 *Financial Instruments*;

- ii) Continuing Professional Development (CPD) training materials on IFRS 15 *Revenue from Contracts with Customers*;
 - iii) Framework-based teaching materials on accounting for business combinations and consolidated financial statements; and
 - iv) Framework-based teaching materials on changing accounting policies and accounting estimates, correcting prior period errors and reflecting changes in circumstances.
- (c) Started work on updating all 35 of the *IFRS for SMEs* training modules; these are comprehensive free-to-download training materials supporting the implementation of the *IFRS for SMEs*. The updating of the modules has been necessitated by the Amendments and editorial corrections to the *IFRS for SMEs* published in November 2015.
- (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.