

EEG, November 2016  
Agenda Paper 3

# IASB<sup>®</sup> Update *Progress and plans*

At 5 October

The views expressed in this presentation are those of the presenter,  
not necessarily those of the International Accounting Standards Board or IFRS Foundation.

Copyright © IFRS Foundation. All rights reserved

# Use of IFRS

# Adoption of IFRS

## *Profiles project*

- IFRS profiles project
- Completed profiles for 147 countries
- 122 (83%) require IFRS for all or most publically accountable entities
- 15 permit IFRS, or require only for some publically accountable entities (eg banks)
- 2 Jurisdictions are in the process of adopting or substantially converging with IFRS
- 139 (95%) require or allow IFRS for some or all publically accountable entities, or are in the process of converging/adopting IFRS

# Since we are in Africa

---

- .....

# The Map

## *Profile participants using IFRS*

5



# The Map

*Using IFRS (both profiled and not)*

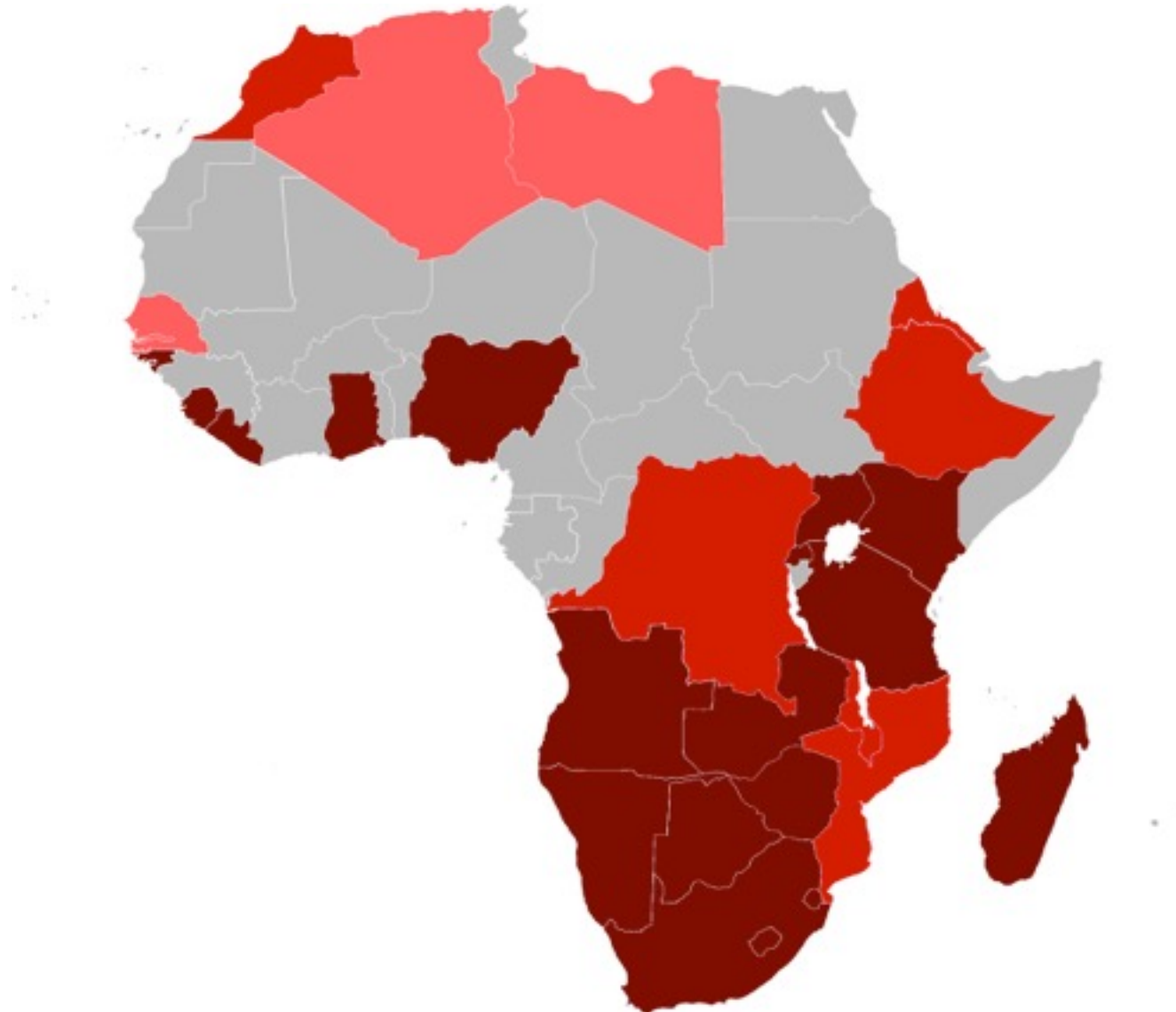




# The Map

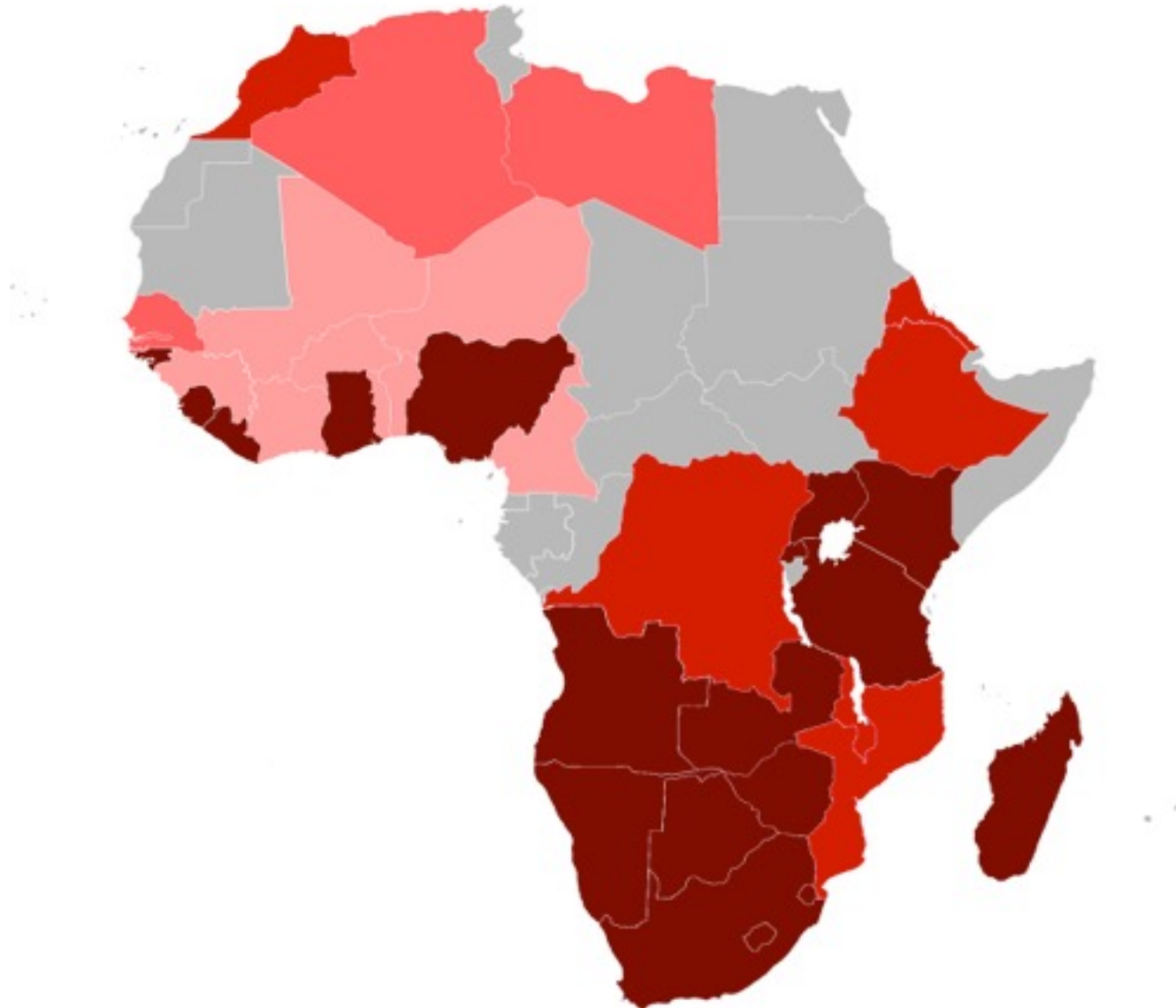
## *Using IFRS and active plans to adopt IFRS*

7



# The Map

*Using, active plans to adopt and discussions*

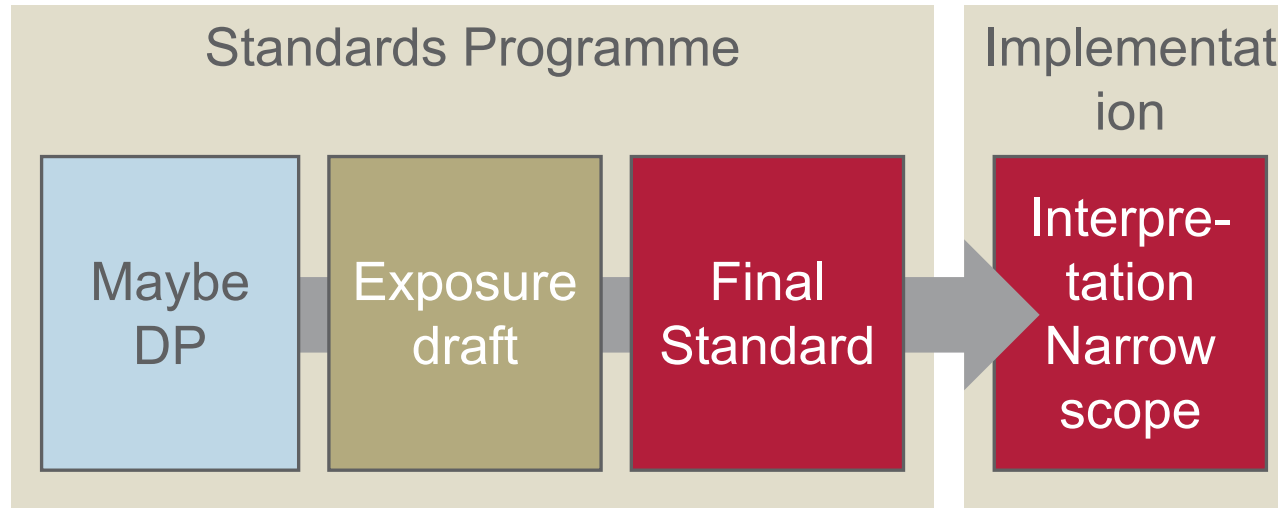




# Standard Setting process

# The Standard Setting Process

## *The Good old Days*



# The Standard Setting Process

## *The new process*

11

Agenda  
Consultation

Request for  
Information

Every 3  
to 5 years

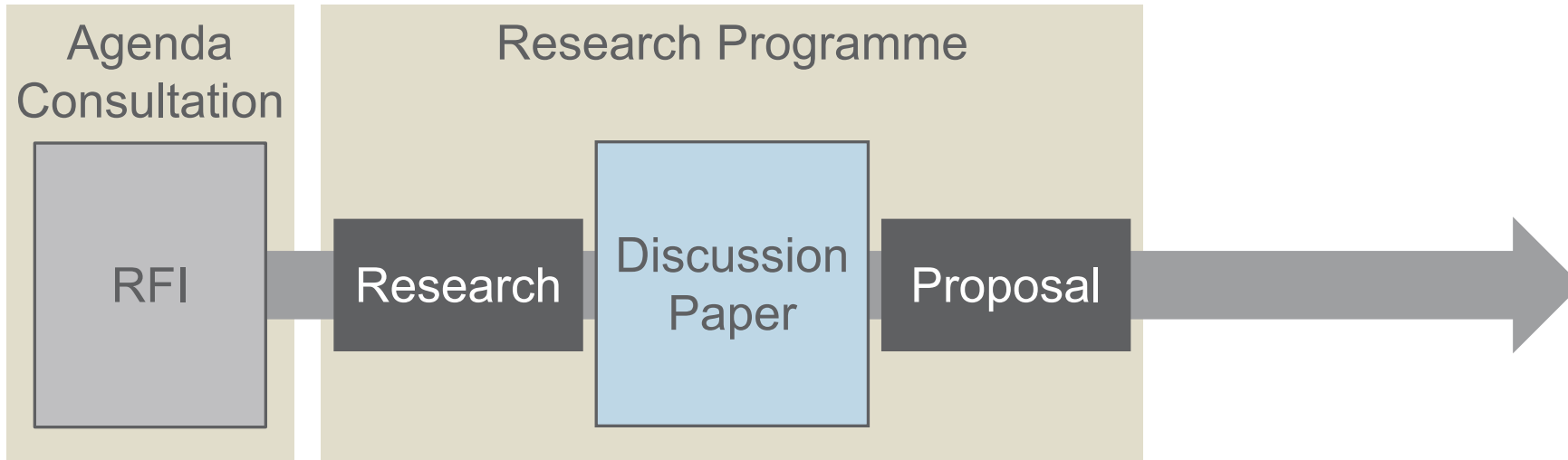


- 2011: Trustees introduced **triennial Agenda Consultation**

# The Standard Setting Process

## *The new process*

12

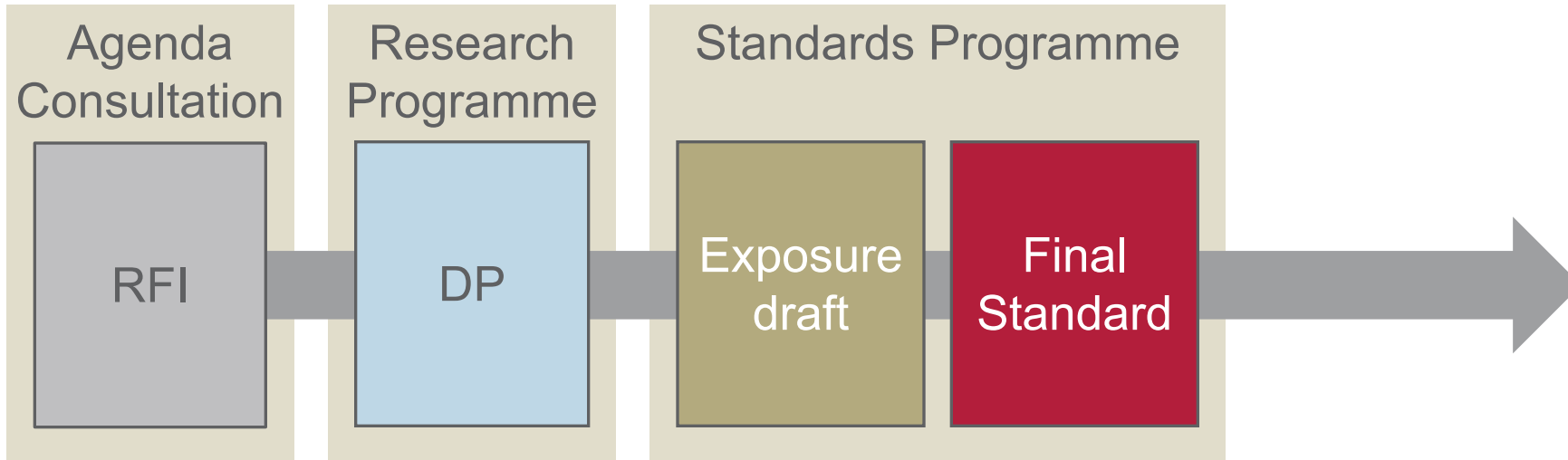


- 2011: Trustees introduced triennial Agenda Consultation
- 2012: Trustees support move to **evidence-based decision making**, with a research phase

# The Standard Setting Process

## *The new process*

13

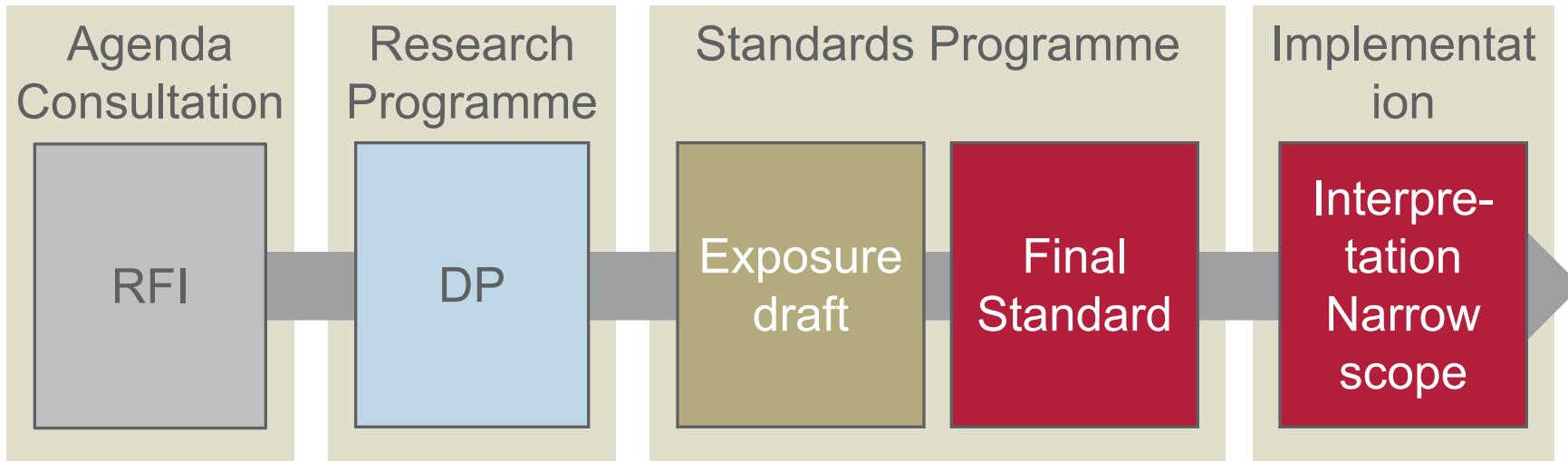


- 2011: Trustees introduced triennial Agenda Consultation
- 2012: Trustees support move to evidence-based decision making, with a research phase

# The Standard Setting Process

## *The new process*

14

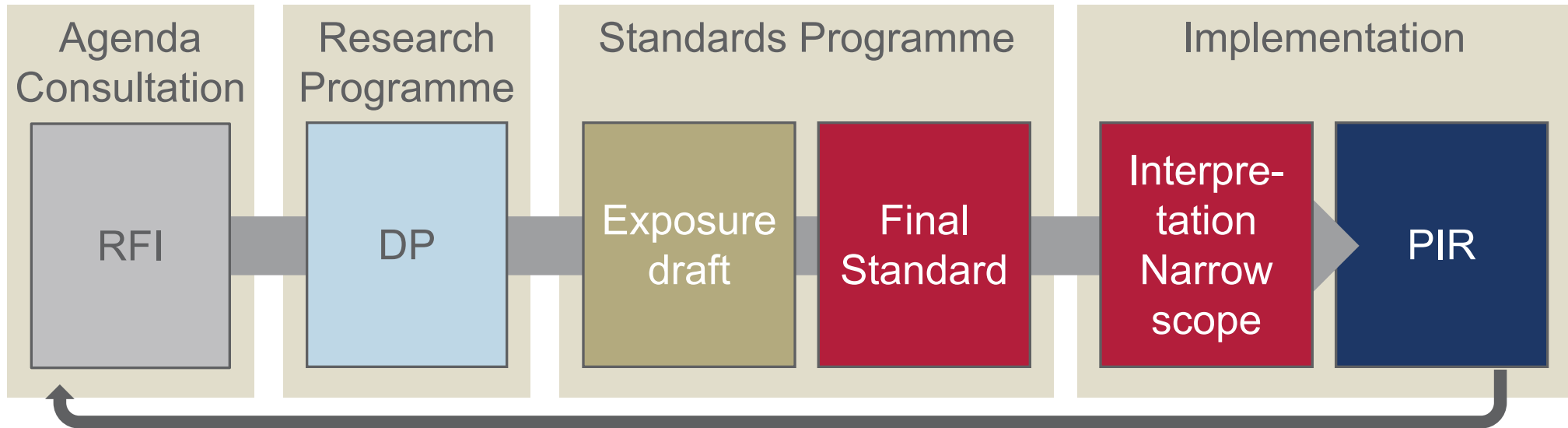


- 2011: Trustees introduced triennial Agenda Consultation
- 2012: Trustees support move to evidence-based decision making, with a research phase

# The Standard Setting Process

## *The new process*

15

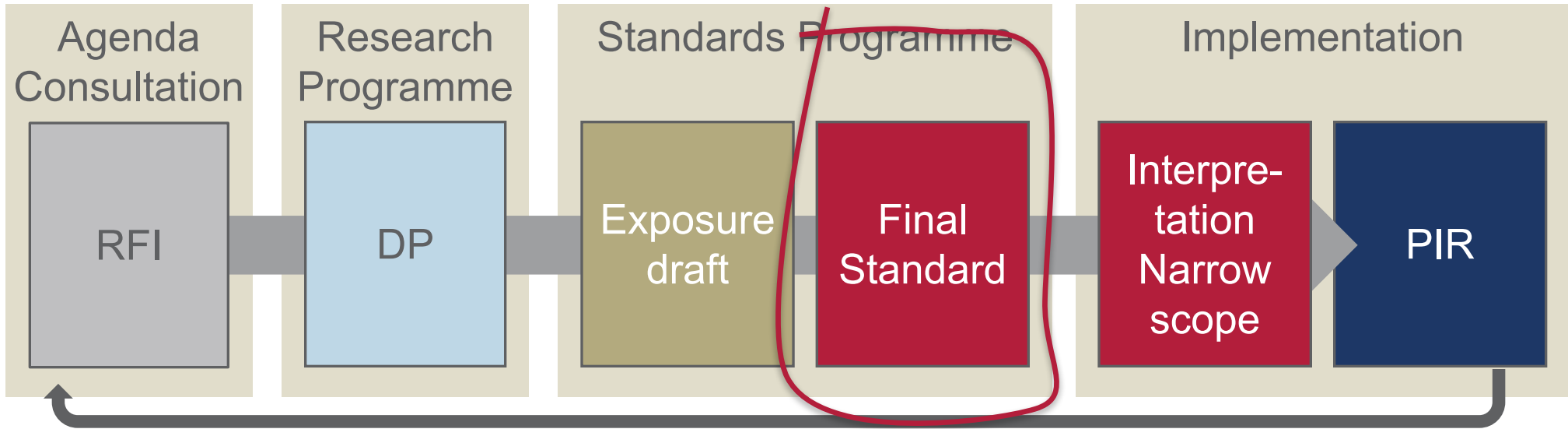


- 2011: Trustees introduced triennial Agenda Consultation
- 2012: Trustees support move to evidence-based decision making, with a research phase
- 2007: Trustees introduced **Post Implementation reviews**



# Recently issued IFRS Standards

# Recently issued IFRSs



# Recent IFRSs

18

Major Projects	Effective date
IFRS 9 <i>Financial Instruments</i>	1 January 2018
IFRS 14 <i>Regulatory deferral Accounts</i>	1 January 2016
IFRS 15 <i>Revenue from Contracts with Customers</i>	1 January <b><u>2018</u></b>
IFRS 16 <i>Leases</i>	1 January 2019
2015 Amendments to the <i>IFRS for SMEs</i>	1 January 2017

Narrow-scope amendments	Effective date <sup>1</sup>
<b><i>Recognition of Deferred Tax Assets for Unrealised Losses</i></b> (Amendments to IAS 12)	1 January 2017
<b><i>Disclosure initiative</i></b> (Amendments to IAS 7)	1 January 2017
<b><i>Clarifications to Revenue from contracts with customers</i></b> (Amendments to IFRS 15)	1 January 2018

<sup>1</sup> This list only includes amendments with effective dates after 1 January 2016, a list of amendments with effective dates on 1 January 2016 is included on the next slide

Narrow Scope Amendments	Effective date
<b>Accounting for Acquisitions of Interests in Joint Operations</b> <i>(Amendments to IFRS 11)</i>	1 January 2016
<b>Clarification of Acceptable Methods of Depreciation and Amortisation</b> <i>(Amendments to IAS 16 and IAS 38)</i>	1 January 2016
<b>Agriculture: Bearer Plants</b> <i>(Amendments to IAS 16 and IAS 41)</i>	1 January 2016
<b>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</b> <i>(Amendments to IFRS 10 and IAS 28)</i>	1 January 2016
<b>Equity Method in Separate Financial Statements</b> <i>(Amendments to IAS 27)</i>	1 January 2016
<b>Annual Improvements 2012-2014</b> <i>(IFRS 5, 7 and IAS 19, 34)</i>	1 January 2016
<b>Investment Entities: Applying the Consolidation Exception</b> <i>(Amendments to IFRS10, 12 and IAS 28)</i>	1 January 2016
<b>Disclosure Initiative</b> <i>(Amendments to IAS 1)</i>	1 January 2016

- **Final version** of IFRS 9 *Financial Instruments* issued July '14
  - **Replaces previous versions** of IFRS 9
  - **Brings together** classification & measurement, impairment and hedge accounting **phases** of IASB's project to replace IAS 39
- Mandatory effective date - **1 January 2018** with early application permitted
- **EU Endorsement**
  - EFRAG has issued a **draft endorsement advice letter**
  - Overall preliminary assessment is that IFRS 9 satisfies the criteria for endorsement for use in the EU and therefore **EFRAG recommends its endorsement.**

- **Classification** and measurement
  - A **logical, single classification approach** for financial assets driven by cash flow characteristics and business model
  - Improvements **to own credit**
- **Hedge** accounting
  - An improved and widely welcomed model that better **aligns accounting with risk management**
- **Impairment**
  - Strongly supported **forward-looking ‘expected loss’ model**
  - Represents a **significant change** in accounting
  - Transition Resource Group (ITG) has provided support on implementation of new requirements



# IFRS 15

## *Revenue Recognition*

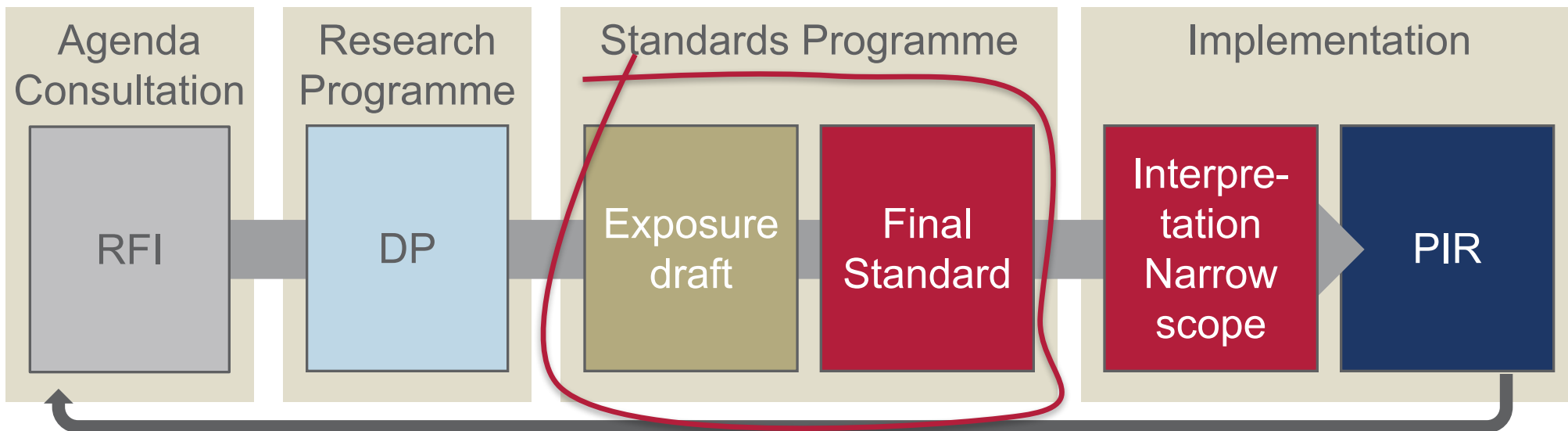
- IFRS 15 *Revenue from Contracts with Customers* issued concurrently with the FASB in May 2014
- IASB deferred effective date to 1 January **2018** in Sept 2015
- Revenue Transition Resource Group supporting implementation
  - 37 submissions discussed at 4 meetings; 5 topics subsequently considered by IASB and FASB
- IASB published targeted clarifications to 3 topics in IFRS 15 plus additional practical expedients for transition in April 2016

- **IFRS 16 Leases** issued in January 2016
- Effective date of **1 January 2019**
- Main features:
  - Lessee: **All leases on-balance sheet** (except for short-term leases and leases of small assets), **interest and amortisation presented separately** in income statement
  - Lessor: little change to existing accounting
- Decisions **substantially converged** with FASB
  - Recognition of **leases on-balance sheet**; lease **definition**; **liability** measurement; little change to lessor accounting
  - Main difference: recognition of lease expenses and cash flows

- IFRS for SMEs published **July 2009**
- Amendments **issued in May 2015** from initial comprehensive review, effective date **1 January 2017**
  - **Limited changes** made after considering feedback and importance of stability during the early years of implementation
  - **Few significant new issues** identified
  - Limited areas where **targeted improvements** made
- Next step: **Future reviews** expected to take place no more frequently than approximately once **every three years**

# Major standards-level projects

# Major Standard Level projects



- **Status**: IASB completed its discussions on the model for insurance contracts in February 2016
- Existing IFRS allows a variety of approaches to be applied
- Main decisions:
  - A current measurement model for insurance contracts
  - Based on expected future cash flows
  - Single model for all contracts with a practical expedient for short term insurance
- The IASB is targeting publication in early 2017

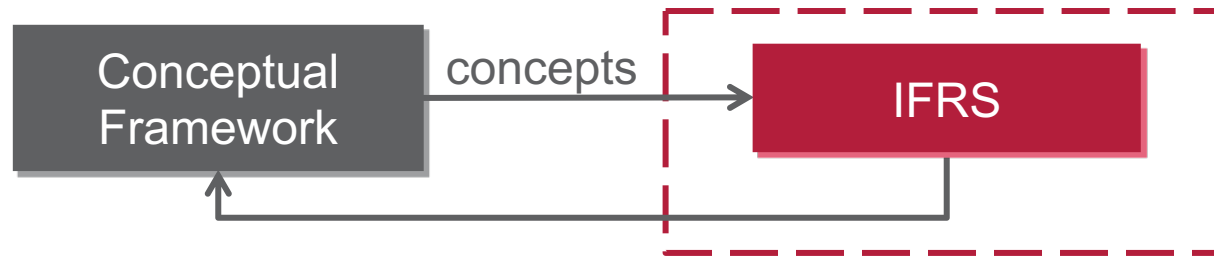
- **Status**: Ongoing deliberations toward either another discussion paper, or exposure draft,
  - first consider the **information needs of constituents** through disclosures and subsequently recognition and measurement
- **Separated from IFRS 9** project in 2012
- DP published in 2014
  - Outlined the Portfolio Revaluation Approach, which aims to better reflect the risk management of open portfolios in entities
- Comment letter analysis highlighted **significant diversity in views** on project objectives among stakeholders



- **Status**: Developing an accounting model to propose within a further Discussion Paper
- IFRS today has **no standard for rate-regulated** activities
- **Interim relief** for first-time adopters of IFRS
  - Issued IFRS 14 **Regulatory Deferral Accounts** in Jan 2014
  - Permits **grandfathering** of previous GAAP accounting practices
  - **Enhanced presentation and disclosure** matters
- Current project
  - **Discussion Paper published** September 2014
  - **Support** for recognising some regulatory deferral account balances, focusing on a revenue-based approach

# Conceptual Framework

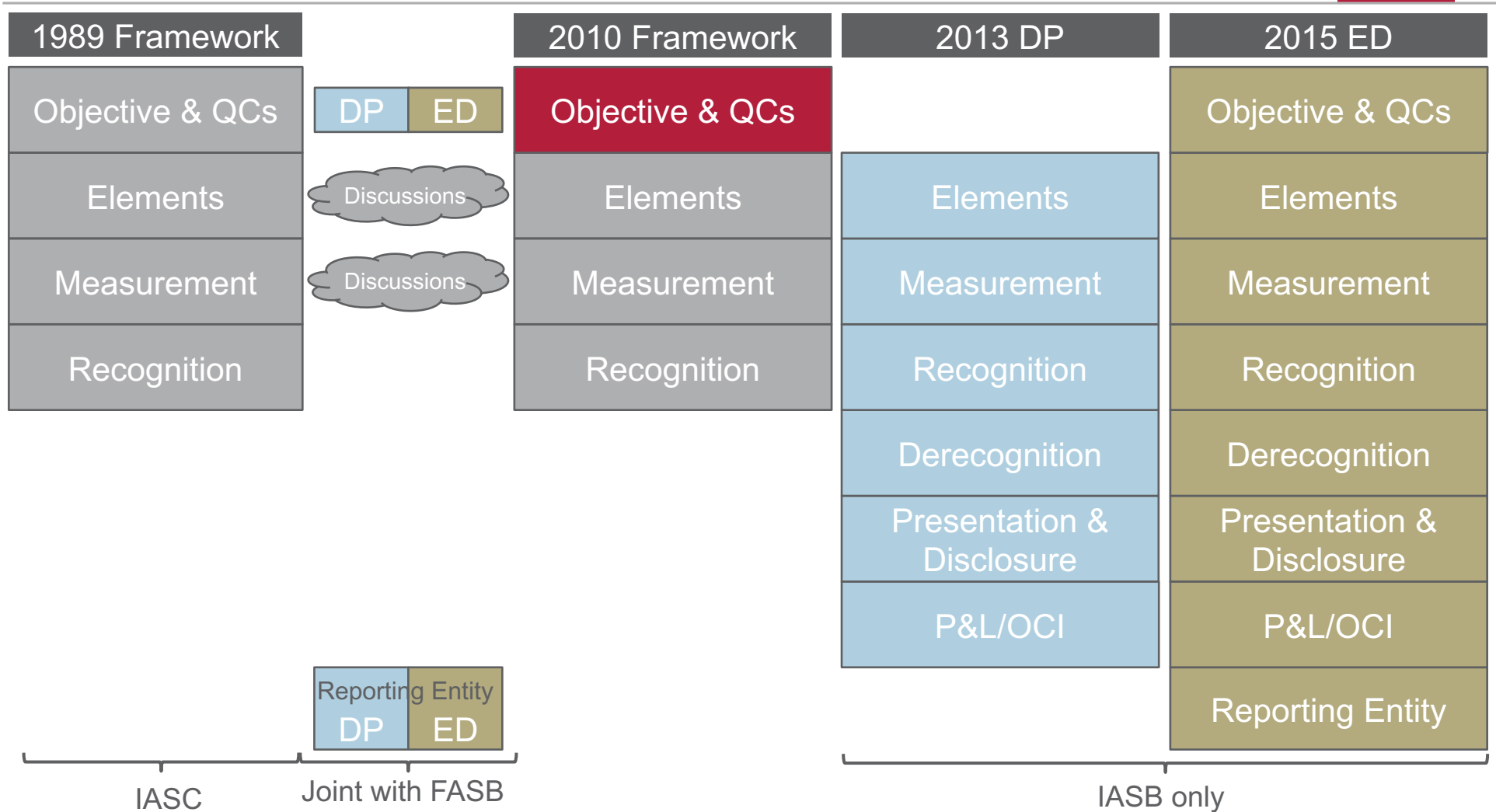
## *What is it?*



- The *Conceptual Framework* is a set of concepts that can assist:
  - the **IASB** when developing or revising Standards
  - **preparers** to develop accounting policies
  - **others** to understand and apply IFRSs
- Not a Standard – does not override any Standard

- **Status**: Redeliberations commenced post 2015 Conceptual framework
- Existing *Conceptual Framework* has areas missing, unclear or out of date
- Agenda Consultation identified this as a **Priority project**
- Scope of the *Conceptual Framework* project
  - Focus on problems in the real world
  - Update, improve and fill in gaps
  - No fundamental rethink but resuming previous work
- The IASB is targeting publication in **early 2017**

# Conceptual Framework Timeline



# What did the ED propose?

## Fill Gaps

- **Measurement** guidance
- Role of profit or loss and use of **OCI**
- Presentation and **disclosure** guidance
- **Derecognition**
- The reporting entity

## Update

- **Recognition** criteria
- Definitions of **income and expenses**

## Clarify

- Definitions of **assets and liabilities**
- Role of **prudence, stewardship** and **measurement**
- **Uncertainty** in financial reporting



# Disclosure Initiative Overview

## Completed projects

Amendments  
to IAS 1

Amendments  
to IAS 7 'debt  
reconciliation'

## Ongoing activities

Digital  
reporting

## Implementation projects

Distinction  
between  
change in  
policy and  
estimate

Materiality  
Practice  
statement

## Research Projects

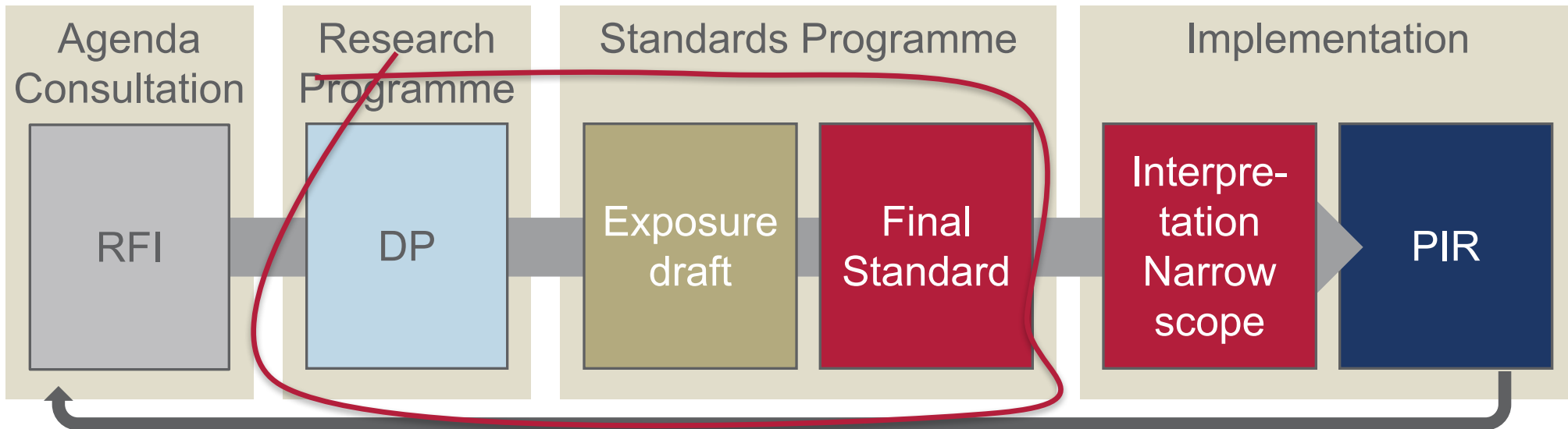
Principles of  
disclosure

Standards  
level  
disclosure  
review/  
drafting guide

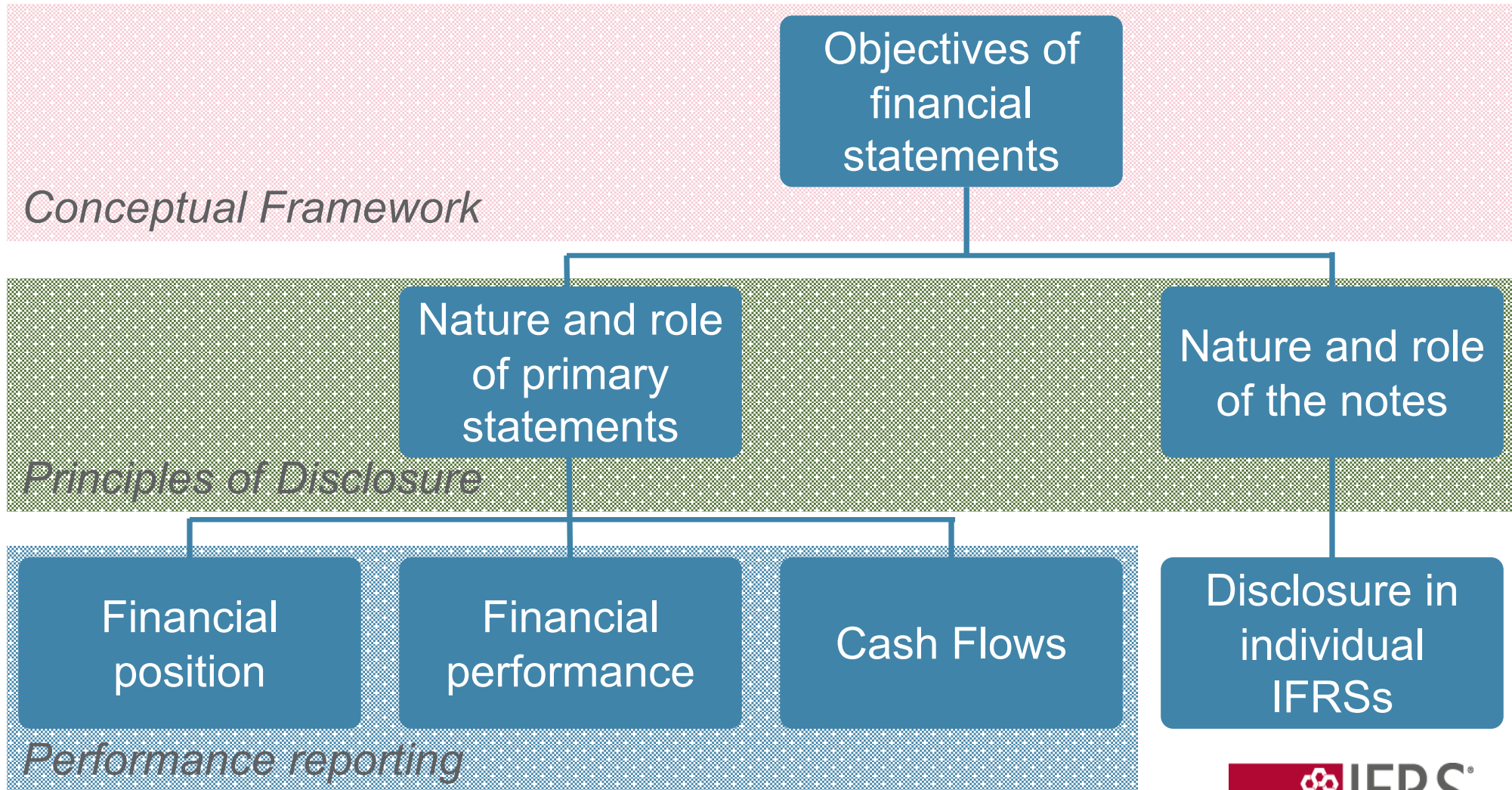
# Disclosure Initiative



# The Disclosure Initiative



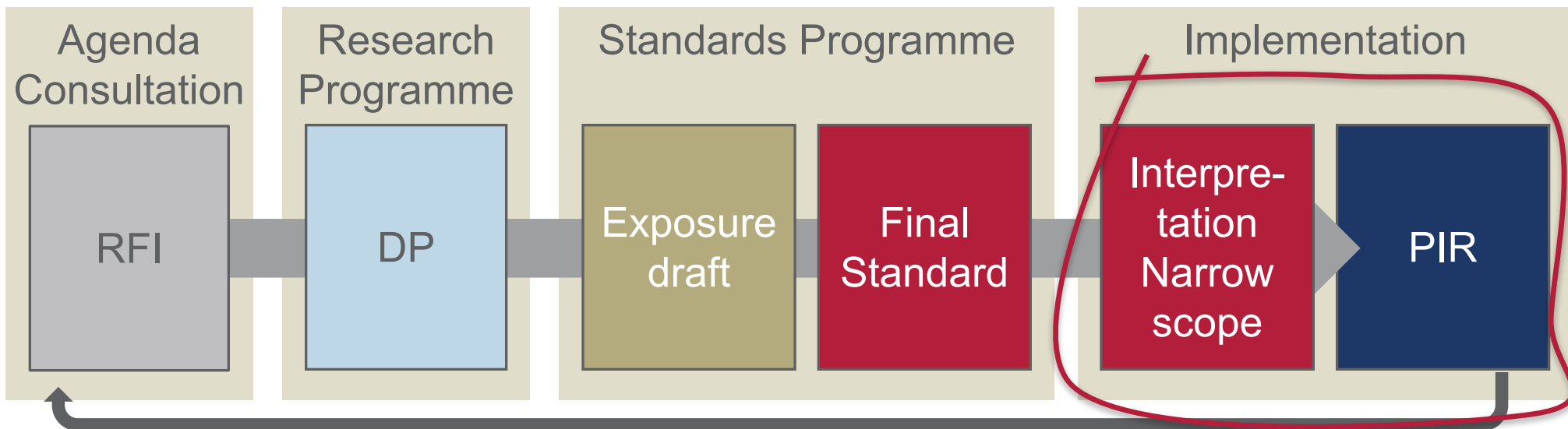
- Why?
  - Requests to develop **presentation and disclosure principles**
  - ‘Disclosure framework’ will result in **improved disclosures** (IASB develop better disclosures and entities make better judgements)
- Output
  - **Discussion Paper**
    - Overall **principles and specific issues**
    - Produce a disclosure standard dealing with **basic structure and content of financial statements**
    - **Update parts of IAS 1 *Presentation of financial statements***
  - **Education guidance** – communication/formatting



# Implementation

# Implementation

42



- Implementation activities reflect **the ‘repairs and maintenance’** that the IASB and the IFRS Interpretations Committee carry out on the Standards.
- Implementation activities include:
  - IFRIC **Interpretations**
  - **Narrow-scope** amendments
  - **Annual** Improvements

# Implementation

## *Post-implementation reviews (PIR)*

44

- The IASB reviews **each new Standard** or major amendment.
- Assess the **effect of new requirements** on investors, preparers and auditors, considering:
  - important or contentious issues in development of the Standard;
  - issues that arise after the publication; and
  - unexpected costs or implementation problems encountered.
- **Seek input** from preparers, auditors, securities regulators and investors
- Conduct review of **academic studies** on the Standard
- Timing of the review — after new requirements have been applied for **2 years**

# Implementation

## *Post-implementation reviews (PIR)*

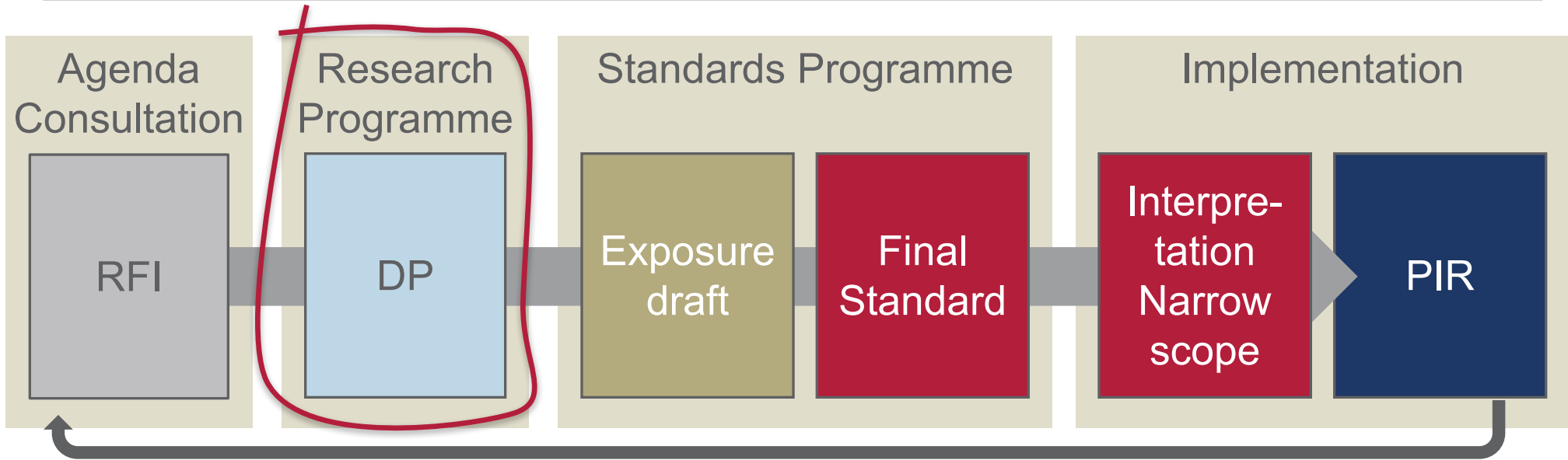
45

Reviews	Status
IFRS 8 <i>Operating segments</i>	Feedback (2013), narrow scope amendments proposed
IFRS 3 <i>Business combinations</i>	Feedback (2015), deliberations ongoing
IFRS 10 to 12 <i>Control</i>	Due to commence 2016-
IFRS 13 <i>Fair Value</i>	Due to commence 2016-



# Research

# Research



- A **broad research** and development **programme**
- Emphasis on **defining the problem**
  - Identify whether there is a financial reporting matter that justifies an effort by the IASB
  - **Evidence-based**
- The programme is designed to **shorten the time needed to develop improvements** to financial reporting, by:
  - Clarifying the problem up front, before a solution is developed
  - Feeding manageable projects into the Standards-level programme on a timely basis

# Research programme

## *Adding work to the programme*

---

- **Sources** of requests for IASB to assess a possible problem:
  - Issues considered by the IFRS **Interpretations** Committee
    - The Equity Method
    - Share-based Payments
  - **Post-implementation Reviews**
    - Goodwill amortisation and impairment
  - **Agenda Consultation**
    - Discount rates
  - Ad hoc
    - National Standard-setters
    - Disclosure Initiative

- **Assessment-stage projects** :
  - identify **practical application issues**
  - understand **whether there is a financial reporting problem** and
  - determine **what further action**, if any, is needed
- **Development-stage projects**
  - assess whether the **IASB can identify a solution** and
  - the **form** that solution is likely to take
- **Communication** of project progress and findings
  - **Papers** posted for IASB discussion
  - Project **output** documents (general **consultation document**, project **conclusions**)

# Research Development stage

Projects	Status
Common control ✓	<i>Begun discussions</i>
Disclosure initiative ✓	<i>Begun discussions, DP to be published in 2016</i>
<b>Extractive</b>	
Dynamic risk management ✓	<i>Begun discussions, DP to be published in 2016</i>
Equity method	<i>Not yet begun discussions</i>
Financial instruments with characteristics of equity ✓	<i>Begun discussions</i>

Subject to agenda consult

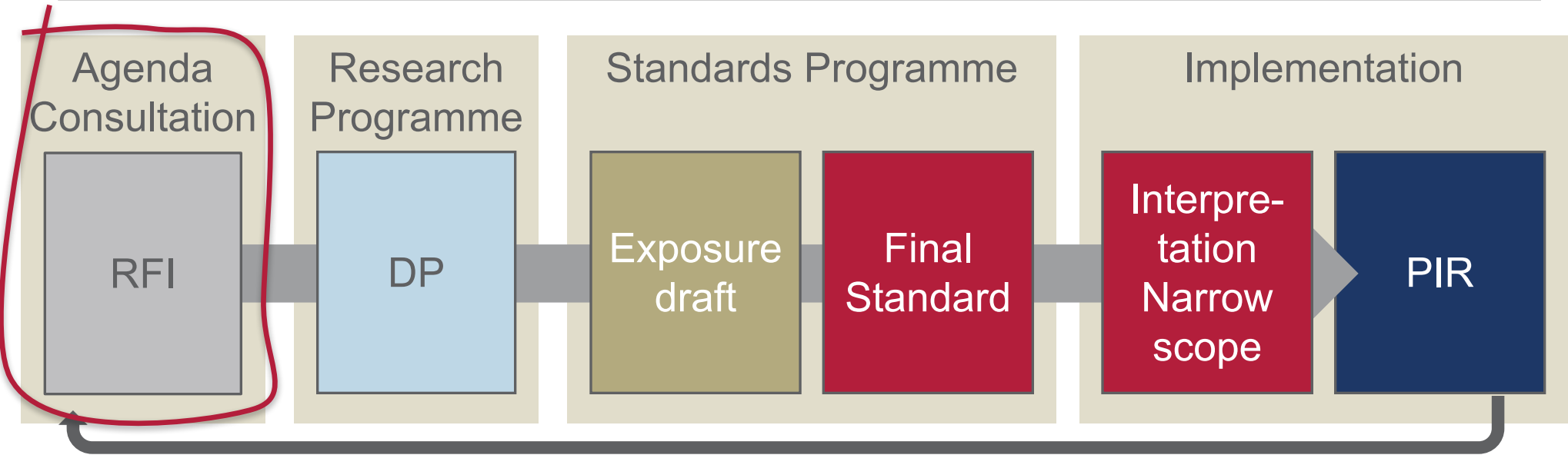
# Research Assessment stage

Projects	Status	Subject to agenda consult
Discount rates	<i>Reviewing staff findings</i>	
Goodwill and impairment ✓	<i>Begun discussions</i>	
Income taxes	<i>Begin discussions May 2016</i>	
Pollutant pricing	<i>Begun discussions</i>	
Post employment benefits ✓	<i>Reviewed staff research</i>	
Primary Financial statements ✓	<i>Reviewed staff research</i>	
Provisions, contingents	<i>Reviewed staff research</i>	
Share Based payments	<i>Reviewed staff research</i>	

# Agenda Consultation







# Agenda Consultation




- A **regular public** agenda consultation
  - seeks formal input on **strategy and balance** of work program
  - **first consultation completed** in December 2012
  - board **currently reviewing** 2015 consultation
- 2015 Consultation
  - Board **considered feedback and priorities** at April and May board meetings
  - Trustees **considered priorities** at May meeting
  - Both **ASAF and IFRS Advisory Committee** have considered feedback
  - Board will conclude priorities in October

# Contact us


## Keep up to date

-  @IFRSFoundation
-  IFRS-Foundation, IASB
-  [go.ifrs.org/email-alerts](https://go.ifrs.org/email-alerts)
-  IFRS Foundation

## Comment on our work

-  [go.ifrs.org/comment](https://go.ifrs.org/comment)

## Join the organisation, and help shape the future of financial reporting

-  [go.ifrs.org/careers](https://go.ifrs.org/careers)

# Thank You

individual comments  
questions or  
individual  
comments  
expressions of  
individual views

**VIEW**  
expressions  
feedback a

**question**  
expressions of individual vie  
questions or  
individual  
comments  
questions or  
expressions of individual views  
individual comments

**questions**  
expressions of  
individual views  
comments

**question**  
expressions of individual vie  
feedback  
questions  
feedback

**comment**  
feedback  
questions  
feedback

questions or comments  
expressions of individual views

**comments**  
questions or individual comments

**questions**  
pressions of individual views  
ssions and viewpoints  
edback and comments