

# AGENDA PAPER

IFRS® Advisory Council meeting

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Agenda paper 1A

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## Introduction

1. We are pleased to provide a report on developments since our last meeting.

## Technical work overview

2. The International Accounting Standards Board ('The Board') continues to work intensively on finalising the Insurance Contracts and Conceptual Framework projects. Both these projects remain top priority for 2016. We have also been working hard to finalise our Agenda Consultation. We look forward to receiving Council's advice with plans for implementation support for the new Insurance Standard
3. Since May 2016, the Board has discussed some narrow scope issues that have arisen from the drafting process of the forthcoming insurance contracts Standard and is currently reviewing a pre-ballot draft of the forthcoming Standard.
4. At the same time, the staff are conducting field work with selected preparers and seeking input from selected external parties, including the larger audit firms, on a working draft of the forthcoming Standard. The staff expects to complete these procedures by the end of September 2016, allowing the Board to discuss any sweep issues that arise from the drafting process in Q4 of 2016, and to set the mandatory effective date for the Standard.
5. Although the Board had anticipated issuing the insurance contracts Standard in late 2016 it now anticipates that it will issue the Standard in 2017. The date for issuing the

Standard will depend on the feedback the Board receives from the field work and the drafting process.

6. In addition, at its meeting in May 2016, the Board concluded its redeliberations on the proposals in the Exposure Draft (ED) Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts* (Amendments to IFRS 4). These amendments result from the Board's consideration of issues that may arise from applying IFRS 9 prior to the forthcoming insurance contracts Standard. The amendments to IFRS 4 were issued on 12 September 2016.
7. The Board published the *Conceptual Framework* ED in May 2015. 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. It is also used by preparers to develop and select accounting policies, and by all parties to understand and interpret the Standards.
8. In the period May to September 2016 the Board continued its redeliberations of the ED. It also sought advice from Accounting Standards Advisory Forum (ASAF) at its meetings in July 2016 and September and also sought advice from World Standard-Setters (WSS) in September 2016. The Board plan to complete redeliberations in January 2017 and issue a revised *Conceptual Framework* in 2017.
9. The Disclosure Initiative is a portfolio of projects being undertaken with the aim of improving the effectiveness of disclosures in financial reporting. The Principles of Disclosure project is the cornerstone of the Disclosure Initiative and we expect that the Discussion Paper on this subject will be published in Q4 of 2016. We have also been progressing the Materiality Practice Statement and expect to issue this in 2017.
10. Finally, our Research programme is progressing satisfactorily. The Research programme has taken a renewed shape as a result of the Agenda Consultation. In order to reduce the burden on stakeholders, we have decided to limit how many topics we work on at any one time. This will also enable us to deliver our conclusions in a more timely manner.

## **Agenda Consultation**

11. A key focus area for the Board this quarter has been its consideration of the feedback received to its Request for Views 2015 *Agenda Consultation*. The four key conclusions from this process are:
- completion of the remaining major standard-setting projects;
  - better communication in financial reporting
  - continued focus on implementation support
  - a more focused research programme.
12. In September 2016, the Board concluded its deliberations on the 2015 Agenda Consultation. Following the Trustees' meeting in October, it is anticipated that the Board will approve the publication of the Feedback Statement around the end of October 2016.

## **IFRS 9 Endorsement**

13. In September 2015, the European Financial Reporting Advisory Group ('EFRAG') issued its endorsement advice relating to the endorsement of IFRS 9 *Financial Instruments* for use in the EU. EFRAG's overall assessment is that IFRS 9 satisfies the criteria for endorsement and concludes that IFRS 9 meets the qualitative characteristics of relevance, reliability, comparability and understandability required to support the economic decision and the assessment of stewardship, leads to prudent accounting and is therefore not contrary to the true and fair view principle. It concluded that IFRS 9 is conducive to the European public good, except for its impact on the insurance industry, because of concerns about the different effective dates of IFRS 9 and the forthcoming Insurance Contracts Standard. In June 2016, subject to resolution of these concerns, the Accounting Regulatory Committee ('ARC') voted in favour of endorsing IFRS 9 for use in the EU. On October 6 the European Parliament voted not to object to IFRS 9 endorsement.
14. As noted above, the Board issued the amendments to IFRS 4 on 12 September 2016 following its consideration of issues that may arise from applying IFRS 9 prior to the forthcoming insurance contracts Standard.

## Engagement strategy

15. 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).
16. 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. 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.
17. We have continued to receive positive reactions to this initiative, with support from the investment community and other stakeholders. Three new investors have come on to the programme this year, bringing the total number of investment organisations involved to 18.

## Implementation activities

18. The Board has continued to support the implementation of its recently-issued new Standards.
19. IFRS 16 *Leases* was issued in January 2016 and has a mandatory effective date of 1 January 2019. The Board is currently undertaking a number of activities to support implementation of the Standard. The Board has now published 5 educational webcasts and has also held a number of conferences. IFRS stakeholders can also inform us about implementation questions through the website.
20. A joint webcast was held by the Board and the Financial Accounting Standards Board (FASB) that discusses implementation of the requirements in IFRS 15 *Revenue from Contracts with Customers*. The Board also undertook a webcast on how to incorporate forward-looking information in the application of the Expected Credit Loss impairment requirements of IFRS 9 *Financial Instruments*.
21. The staff have recently started work on Post-implementation Review of IFRS 13 Fair Value Measurement to assess the impact of the Standard on key stakeholders. In

December, the Board will consider the findings from the initial work on the identification of matters to be examined and decide on next steps.

22. The Board has also continued to work with the IFRS Interpretations Committee in maintaining existing Standards.

In the period May 2016 to September 2016 the Interpretations Committee met twice and also held a video conference meeting. The Interpretations Committee worked on a number of interpretations and also finalised various agenda decisions.

### **Education Initiative**

23. Over the last 4 months the Education Initiative has been involved in a number of activities. The Guide Through IFRS Standards (also known as the Green Book) was published in late September. The guide supports users' understanding of the standards by adding cross-referencing and additional commentary outlining IFRIC Agenda decisions. The staff are exploring ways to enhance this text and grow its use around the world. In June the IFRS European Conference was held in Zurich. It had over 300 participants from around the world and generated some interesting discussion. The conference included well attended sessions on implementing the newly-issued Standards IFRSs 9, 15 and 16. In August the IASB held a conference in Kenya and staff also presented a framework based teaching workshop in Namibia.
24. We are currently preparing for our American Conference to be held in Peru in early November. New framework based teaching material on IAS 8 and leases is expected to be released soon.
25. The education initiative is focussing on finding ways to support IFRS implementation activities as well as continuing with academic engagement. There are a number of new initiatives that are being considered and the education team look forward to being able to discuss some of its plans with the Advisory Council next year.