

## STAFF PAPER

29 September 2016

## Accounting Standards Advisory Forum

<b>Project</b>	<b>Project update and agenda planning</b>		
<b>Paper topic</b>	<b>Working with National Standard-setters</b>		
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**Working with National Standard-setters**

1. At the World Standard-Setters (WSS) conference on 27 September 2016 the staff presented the IFRS Foundation's strategy for Working with National Standard-Setters. The key points of the strategy are:

**To maintain and develop effective relationships that support the IFRS Foundation's strategic objective of developing in the public interest, a single set of high quality, understandable, enforceable and globally accepted financial reporting standards.**

Goal 1 Maintain effective relationships and communication with NSS and regional bodies.

Goal 2 Encourage NSS and regional bodies to foster consistent application.

Goal 3 Work in collaboration with NSS and regional bodies in the Technical Work Programme.

2. This paper sets out the International Accounting Standards Board's (the Board) proposals on working with National Standard-setters (NSS) in the period 2017-2021 in the Technical Work Programme (Goal 3). The work NSS undertake to support consistent application was outlined in the presentation at the WSS conference.

3. The Board published a Request for Views Agenda Consultation 2015 in August 2015. The Board commenced its deliberations of the feedback to the request for views in March 2016. At its meeting in September 2016 the Board will discuss material for inclusion in the Feedback Statement.
4. The key messages to the request for views were:
  - (a) A request for a stable platform:
    - (i) because change is a burden on all, especially small entities;
    - (ii) to enable preparers to develop and enhance their reporting processes and systems;
    - (iii) to allow stakeholders to implement new Standards.
  - (b) The level of change that will be required to implement IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases* will be considerable.
  - (c) Limitation on stakeholders' capacity for change is a key constraint on the Board's activities, including 'outreach fatigue'.
  - (d) The completion of the projects on leases (now completed) and insurance contracts should be a high priority.
  - (e) The revised *Conceptual Framework* should also be completed as a high priority because it is fundamental to developing Standards that are based on clear principles.
  - (f) It is important that IFRS Standards continue to be a principles-based set of Standards.
5. In developing its plans to work with NSS in the Technical Work Programme, the Board took into consideration stakeholders' ability to cope with changes. The Board is conscious that additional technical resources cannot overcome inherent limitations on stakeholders' ability to respond to change.
6. The Board published its work plan following its July 2016 meeting. Agenda paper 6 of this meeting provides an update on the Board's projects. We have set out in appendices to this paper how the Board plans to work with NSS in the Technical Work Programme:

- (a) Appendix A sets out activities related to;
  - (i) standard-setting projects;
  - (ii) research projects; and
  - (iii) other topics that NSS might consider, not on the work plan.
- (b) Appendix B provides a list of projects in the Board's research pipeline. When those projects are becoming active, the Board will consider how to work with NSS.

**Questions for ASAF members**

Do ASAF members have any comments on the Board's proposals to work with NSS in the Technical Work Programme (Goal 3)?

## IASB Technical Work Programme 2017-2021 Working with National Standard Setters

Project	NSS activities
<b>Standard-setting projects</b>	
Insurance Contracts	<p>A pre-ballot draft of the forthcoming Standard will be posted on the International Forum Accounting Standard-Setters (IFASS) SharePoint site for fatal flaw review.</p> <p>Some NSS may have been asked to co-ordinate the field-testing of the draft Standard.</p>
<i>Conceptual Framework</i>	<p>We are seeking feedback on the element definitions at the World Standard-Setters (WSS) meeting in September 2016.</p> <p>The pre-ballot draft will be posted on the IFASS SharePoint site for fatal flaw review.</p>
Rate-regulated Activities	<p>The staff are currently developing an accounting model which they plan to discuss with the Board in Q1 of 2017.</p> <p>NSS could be asked to assist with field-testing the proposed accounting model.</p>
<b>Research projects</b>	
Dynamic Risk Management:	<p>The staff are observing the European Financial Reporting Advisory Group's (EFRAG) research on how European banks model core-demand deposits.</p>
Principles of Disclosure (POD)	<p>A pre-ballot draft of the Discussion Paper (DP) will be posted on the IFASS SharePoint site.</p> <p>We will be seeking feedback on the DP; to assist NSS we will provide outreach materials.</p> <p>The staff of the New Zealand Accounting Standards Board (NZ ASB) and the Accounting Standards Committee of Germany have contributed to the development of the DP.</p> <p>Depending on the next steps in the project we may ask NSS for advice on the drafting guide.</p>

## IASB Work Programme 2017-2021 National Standard Setters

Project	NSS activities
Materiality	The pre-ballot draft will be posted on the IFASS SharePoint site for fatal flaw review.
Business Combinations under Common Control (BCUCC)	<p>The Hong Kong CPA is undertaking research on BCUCC in its jurisdiction.</p> <p>In view of local laws it is likely that we will reach out to NSS during the development of the DP.</p>
Financial Instruments with Characteristics of Equity	NSS may be asked to field-test the proposed accounting model, specifically we will be looking for input from investors.
Goodwill and Impairment	<p>Staff of the Accounting Standards Board of Japan and EFRAG have helped us to source quantitative data about the amounts and trends of goodwill, other intangibles and impairment.</p> <p>NSS may be asked to field-test any proposed changes.</p>
Primary Financial Statements	<p>We will discuss at the WSS meeting a case study that is intended to provide the Board with information to help it develop a possible definition of operating profit.</p> <p>The UK Financial Reporting Council is undertaking research on the Statement of Cash Flows in support of this project.</p> <p>Once the scope of the project is agreed we will consider how best NSS can support the project.</p>

## IASB Work Programme 2017-2021 National Standard Setters

Project	NSS activities
<b>Other topics that NSS might consider, not on the work plan</b>	
<i>IAS 26 Accounting and Reporting by Retirement Benefit Plans</i>	To be discussed at IFASS September 2016.
Cryptocurrencies	Australian Accounting Standards Board (AASB) and NZ ASB may bring a paper to the December 2016 ASAF meeting identifying (if any) the accounting issues raised by bitcoin and other cryptocurrencies.
Language, style and structure of IFRS Standards	The aim of this work would be to obtain a better understanding of concerns raised regarding understandability and translation of our Standards. The Korea Accounting Standards Board (KASB) / AASB work on terms of likelihood is a good example of this work.

**IASB Work Programme 2017-2021 – Pipeline projects**

<b>Pipeline projects</b>	
Equity Method of Accounting	<p>The next step in this project is to seek input on the equity method as part of the post-implementation review (PIR) of IFRS 10 <i>Consolidated Financial Statements</i>, IFRS 11 <i>Joint Arrangements</i> and IFRS 12 <i>Disclosure of Interests in Other Entities</i>.</p> <p>NSS may wish to help gather feedback as part of the PIR.</p>
Extractive Activities	Awaiting the project to commence.
Pollutant Pricing Mechanisms	Awaiting the project to restart.
Provisions	When the revised <i>Conceptual Framework</i> is closer to finalisation, the staff will complete their assessment of whether the Board should start a project to develop amendments to amend any aspects of IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i> .
Variable and contingent consideration	Awaiting the project to commence.
<b>Feasibility studies</b>	
High Inflation	The feasibility study has not started.
Pensions: benefits that depend on asset returns	The feasibility study has not started.
Small and Medium-sized Entities (SMEs) that are subsidiaries	The feasibility study has not started.