

# AGENDA PAPER

IFRS® Advisory Council meeting

London

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Agenda paper 1

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## Introduction

1. I am 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. We expect to finalise both these projects in 2017. We have also finalised our Agenda Consultation since the last meeting.
3. As described in my last report, the Board has conducted topic-based field-testing of the draft IFRS 17 *Insurance Contracts*, with the objective of obtaining evidence about whether preparers can apply its requirements consistently. In addition, the staff provided a draft of IFRS 17 to selected individuals, including representatives from the larger audit firms and national standard setter bodies. As a result of input received, the Board revised some of its tentative decisions
4. At the end of November 2016 a draft of IFRS 17 incorporating the November 2016 tentative decisions was circulated for external review to selected parties. Those parties were primarily national standard-setters and regulators that had not previously participated in the external review of draft IFRS 17. The purpose of this review was to seek confirmation that the draft Standard is clear and reflects the technical decisions made by the Board. The Board considered the issues that arose as a result of this review at its meeting in February 2017. The Board is expecting to issue IFRS 17 in May 2017.

5. At its November 2016 meeting the Board set the mandatory effective date for IFRS 17 of 1 January 2021, with early application permitted. In finalising IFRS 17, the Board acknowledges that it will be important that it supports the implementation of the new Standard. This effective date will enable insurance companies to align the timing of implementation of IFRS 9 *Financial Instruments* and IFRS 17.
6. 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 IFRS Standards. It is also used by preparers to develop and select accounting policies when there is no applicable IFRS Standard, and by all parties to understand and interpret IFRS Standards.
7. In the period September 2016 to March 2017 the Board continued and completed its redeliberations of the ED. Significant topics redeliberated included; stewardship, asymmetry in treating gains and losses (prudence), the definitions of assets, liabilities and equity, recognition, measurement, business activities and long-term investment and measurement.
8. The Board plans issue a revised Conceptual Framework in second half of 2017.
9. The Disclosure Initiative is a portfolio of standard-setting, research and implementation 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 the Discussion Paper on this topic will be published shortly.
10. We have been progressing the Materiality Practice Statement and also expect to issue this in 2017. This is an important document. It will set out guidance on the application of the concept of materiality that is expected to assist in addressing concerns that financial statements are cluttered with immaterial information. The Board has also decided to publish an ED of proposed clarifications to the definition of material rather than include those clarifications in the Principles of Disclosure discussion paper, thereby allowing the Board to accelerate these clarifications.
11. Our Research programme is also 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.

12. One of the active projects in the Research programme is the Primary Financial Statements project. This project supports the theme of better communication in financial reporting and will address important topical issues such as the use of ‘non-GAAP’ information. At its December 2016 meeting the Board tentatively decided on the scope of the project. The Board has commenced its technical discussions in March 2017.

## **Agenda Consultation**

13. Since the last meeting, we have also finalised our Agenda Consultation and we published the Feedback Statement *IASB Work Plan 2017-2021* in November 2016. As discussed previously, the four key conclusions from this process were:
- completion of the remaining major standard-setting projects;
  - better communication in financial reporting;
  - continued focus on implementation support; and
  - a more focused research programme.

## **Engagement strategy**

14. 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).
15. 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.
16. 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 during 2016, bringing the total number of investment organisations involved to 18.

## Implementation activities

17. The Board has continued to support the implementation of its recently-issued IFRS Standards. Activities in the period September to March 2017 included:
  - (a) *A Joint IFRS Foundation and ICAEW Conference: IFRS 16 Leases—implementing the new Standard* (October 2016).
  - (b) A joint webcast by the Board and the Financial Accounting Standards Board (FASB) that discusses implementation of the requirements in IFRS 15 *Revenue from Contracts with Customers* (September 2016).
  - (c) IFRS Conferences (including the WSS Conference) including education sessions on IFRS 9 *Financial Instruments*, IFRS 15, IFRS 16, and the forthcoming IFRS 17.
  - (d) Education sessions on IFRS 9 and IFRS 15 for European regulators.
  - (e) Discussion of IFRS 9 implementation questions by the IFRS Interpretations Committee (and in turn by the Board).
18. The Board has continued the work on the Post-implementation Review of IFRS 13 Fair Value Measurement and will issue a Request for Information in May 2017.
19. The Board has also continued to work with the IFRS Interpretations Committee in maintaining existing Standards.
20. The Interpretations Committee met in November 2016 and March 2017. The Interpretations Committee worked on a number of interpretations and also finalised various agenda decisions.

## Use of IFRS globally

21. We continue to assess progress towards the goal of globally accepted accounting standards by developing profiles about the use of IFRS Standards in individual jurisdictions. Currently, profiles are completed for 150 jurisdictions. Those jurisdictions represent nearly 99 per cent of the world's GDP, so we have a good picture of IFRS adoption around the world.

22. Of the 150 profiled jurisdictions, 126 require IFRS Standards for all or most domestic listed companies and financial institutions. This includes recent IFRS adoption in Saudi Arabia, Iran and Kazakhstan.
23. In addition, 85 of the 150 jurisdictions require or permit the IFRS for SMEs Standard, and it is currently under consideration in an additional 11 jurisdictions.
24. 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.