

IASB Technical Update

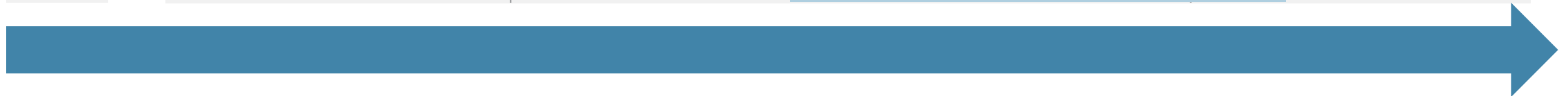
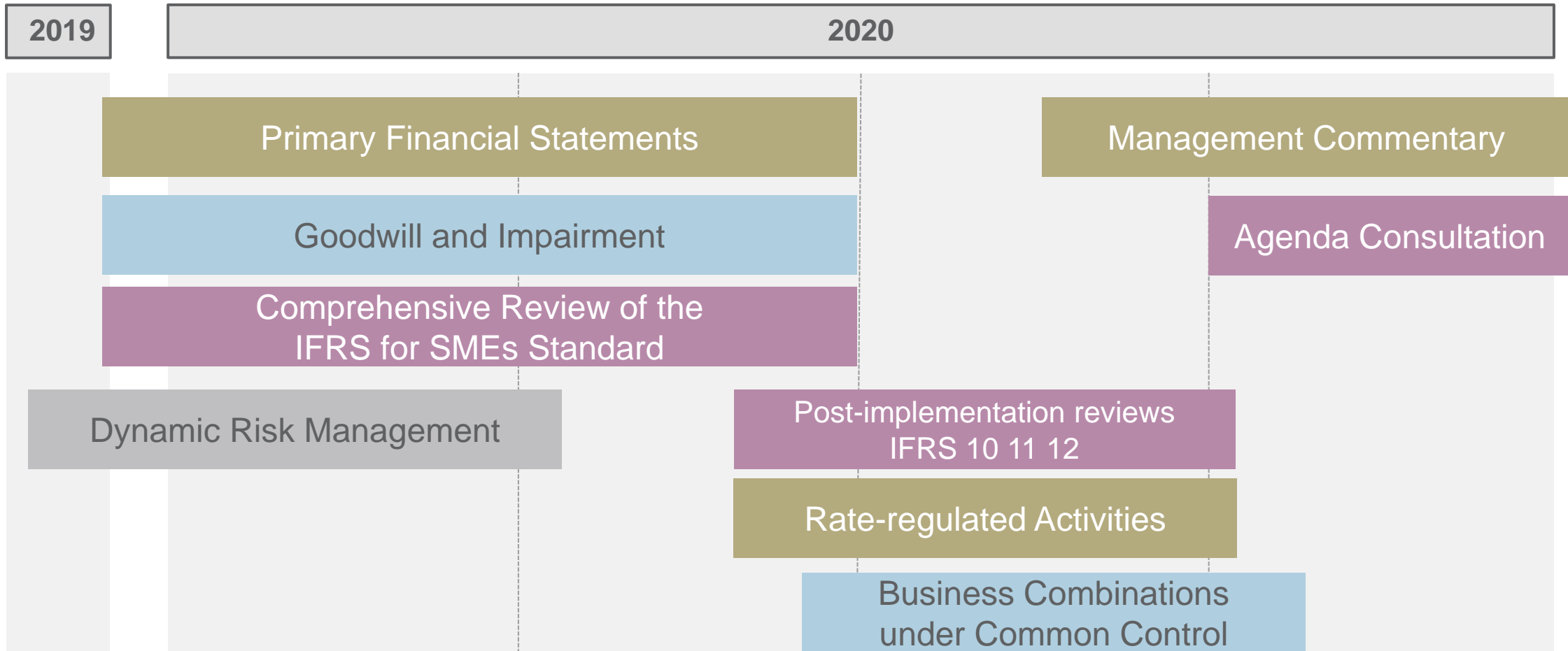
Capital Markets Advisory Committee

October 2019

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

Current work plan

2020 major consultations



IFRS Amendments expected 2019

The Board expects to issue the following IFRS amendment in 2019:

IBOR Reform and its Effects on Financial Reporting

Classification of Liabilities as Current or Non-current

Exposure Drafts out for comment

Comments due by

Amendments to IFRS 17 *Insurance Contracts*

25 September

Updating IFRS 3 reference to the
Conceptual Framework

27 September

Deferred tax related to assets and liabilities
from a single transaction

14 November

Disclosure Initiative—Accounting Policy
Disclosures

29 November

Board considering feedback on Exposure Drafts

Next steps

Property, Plant and Equipment: Proceeds before Intended Use

Issue amendment
Q1 2020

Onerous Contracts—Cost of Fulfilling a Contract

Decide project direction
September 2019

Accounting Policies and Accounting Estimates

Decide project direction
Q4 2019

Accounting Policy Changes

Decide project direction

Annual Improvements to IFRS Standards
2018 – 2020

Exposure Draft
feedback

Other technical projects

Next steps

Disclosure Initiative—Targeted Standards-level Review of Disclosures

Exposure Draft

IBOR Phase 2

Exposure Draft

Financial Instruments with Characteristics of Equity

Decide project direction
September 2019

Research projects—Early stage

Provisions

Assess whether to make targeted improvements to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*

Subsidiaries that are SMEs

Research whether subsidiaries that are SMEs could apply recognition & measurement requirements of IFRS Standards with disclosure requirements of the *IFRS for SMEs* Standard

Extractive Activities

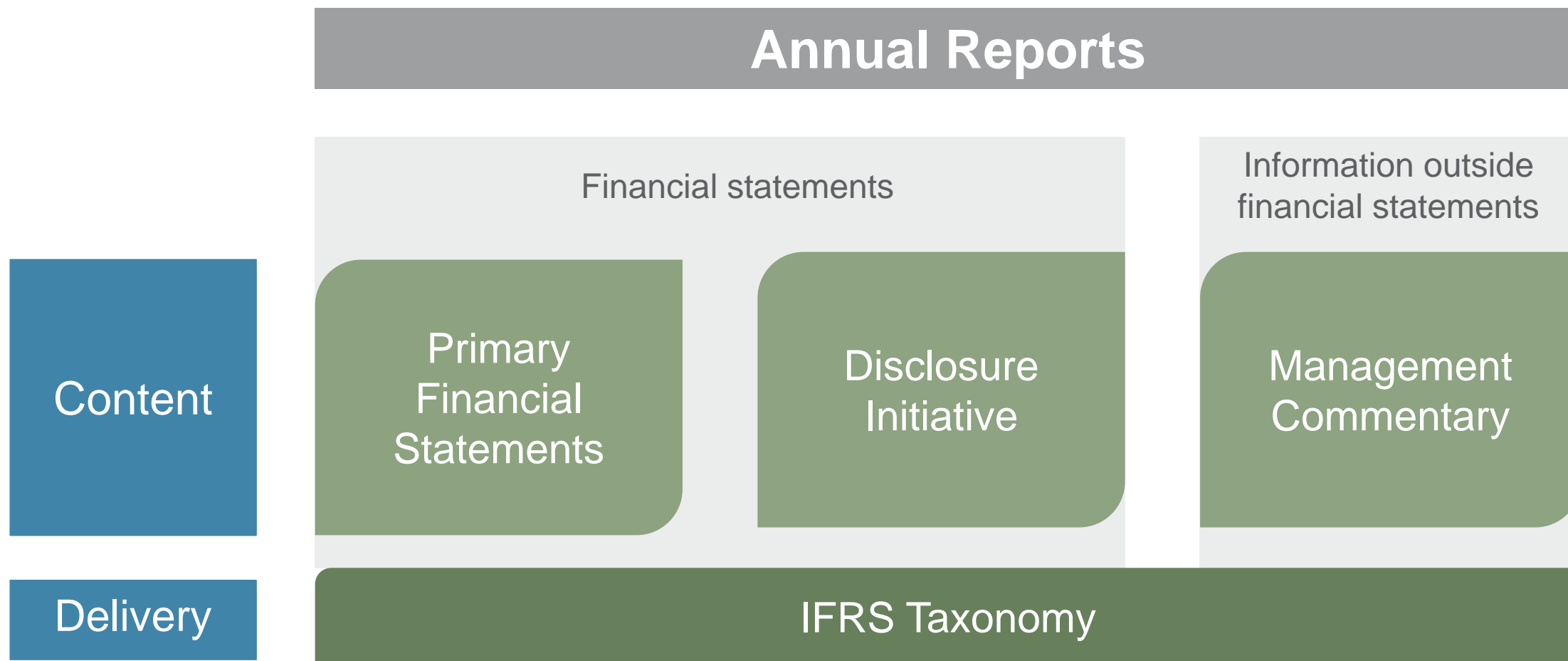
Gather evidence to decide whether to start a project to replace IFRS 6 *Exploration for and Evaluation of Mineral Resources*

Pension Benefits that Depend on Asset Returns

Address inconsistency arising when amount of pension benefits depends on the return of a specified pool of assets, but pension liability is measured using a discount rate determined by reference to high quality corporate bond rates



Better Communication in Financial Reporting



Primary Financial Statements

Project history

Upcoming consultation

After consultation



2015 Agenda
Consultation identified
project as a priority



Publish Exposure
Draft at end of
2019



Board
redeliberations
from H2 2020
onwards



Board discussions
to develop
Exposure Draft
(H2 2016–2019)



comment period
until 30 June
2020 (expected)



Issue final
Standard

Key proposals & expected benefits

Key proposals	Key benefits expected
1 Introduce defined subtotals and categories in the statement of profit or loss	Provide additional relevant information and a structure that is more comparable between entities
2 Introduce principles and guidance for aggregation and disaggregation	Provide additional relevant information Avoid obscuring material information
3 Amend requirements for analysis of operating expenses	Provide additional relevant information
4 Introduce disclosures on unusual items	Provide additional relevant information, in a single location
5 Introduce disclosures on Management Performance Measures (MPMs)	Provide transparency & discipline in use of such measures, in a single location
6 Introduce targeted improvements to the statement of cash flows	Improve comparability between entities

New IFRS Standard



Proposed **new requirements** on the structure and content of financial statements



Related requirements brought forward from **IAS 1** with limited wording changes

Amendments to other Standards

- IAS 7—statement of cash flows
- IAS 33—EPS
- IAS 34—interim reporting
- IFRS 12—associates and JVs

Other requirements of **IAS 1**—moved to IAS 8 and IFRS 7



Withdraw IAS 1





Disclosure Initiative

Disclosure Initiative—overview of projects

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Active projects

Targeted
Standards-level
Review of
Disclosures

Accounting
Policy
Disclosures

Exposure Draft
issued on 1 August
2019

Completed projects

Amendments to
IAS 1 and IAS 8 —
Definition of
Material

Materiality Practice
Statement

Better
Communication
Case Studies

Amendments to
IAS 1 to remove
barriers to
application of
judgment

Amendments to
IAS 7 to improve
disclosure of
changes in
financing liabilities

Principles of
Disclosure
research project

Users of financial statements

Employee benefit disclosures provided today often *do not* meet their primary objectives

Better information about expected cash flow effects would be more useful

Ineffective communication about the effect of these plans on the primary financial statements is a problem

Users focus *primarily* on defined benefit plans

Preparers and other stakeholders

Many of the disclosures required by IAS 19 are difficult and onerous to prepare

Tentative Board decisions

Defined benefit plans

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Include specific disclosure objectives for entities to disclose information about ...

amounts and the components of those amounts in the primary financial statements

expected future cash flows resulting from the defined benefit obligation and the nature of those cash flows

nature of the benefits provided by the plans, investment risks the plans expose the entity to and strategies for managing the plans and the associated risks

time period over which payments will continue to be made to members of plans that are closed to new members and for which the entity still has an obligation

significant actuarial assumptions

drivers of changes in the net defined benefit liability or asset during a period

Include a high-level catch-all objective that...

captures the key information needs of users

addresses aggregation and disaggregation of information provided

Users of financial statements

Fair value disclosures provided today often *do* meet their primary objectives

Potential changes to IFRS 13 are not critical

Expressed concerns about the application of materiality to IFRS 13 disclosures

Suggested additional disclosures for Level 2 fair value measurements

Preparers and other stakeholders

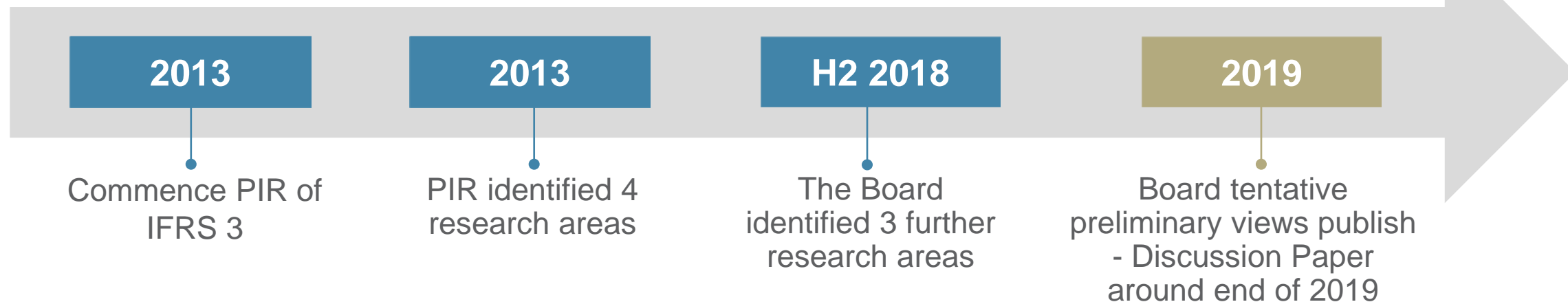
Many of the disclosures required by IFRS 13 are difficult and onerous to prepare

Users rarely ask any questions about those disclosures

Goodwill and Impairment

Overview

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What is the project objective?

Explore whether companies can provide **more useful information** about business combinations, enabling users to **hold management to account** for their acquisition decisions at a reasonable cost

Next steps

- Discussion Paper expected around end of 2019

Main issues the Board is addressing

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Information on subsequent performance of an acquisition inadequate



Goodwill impairment losses 'too late'
– reintroduced amortisation



Impairment test costly and complex

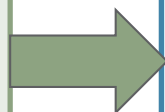


Challenges identifying and measuring some intangible assets

- **Improve disclosures** about the acquisition and subsequent performance
- Not feasible to make impairment test significantly more effective
- Do **NOT** reintroduce amortisation of goodwill
- Present total equity before goodwill
- **Simplify** the impairment test
- Identifiable intangible assets **NOT** to be included in goodwill

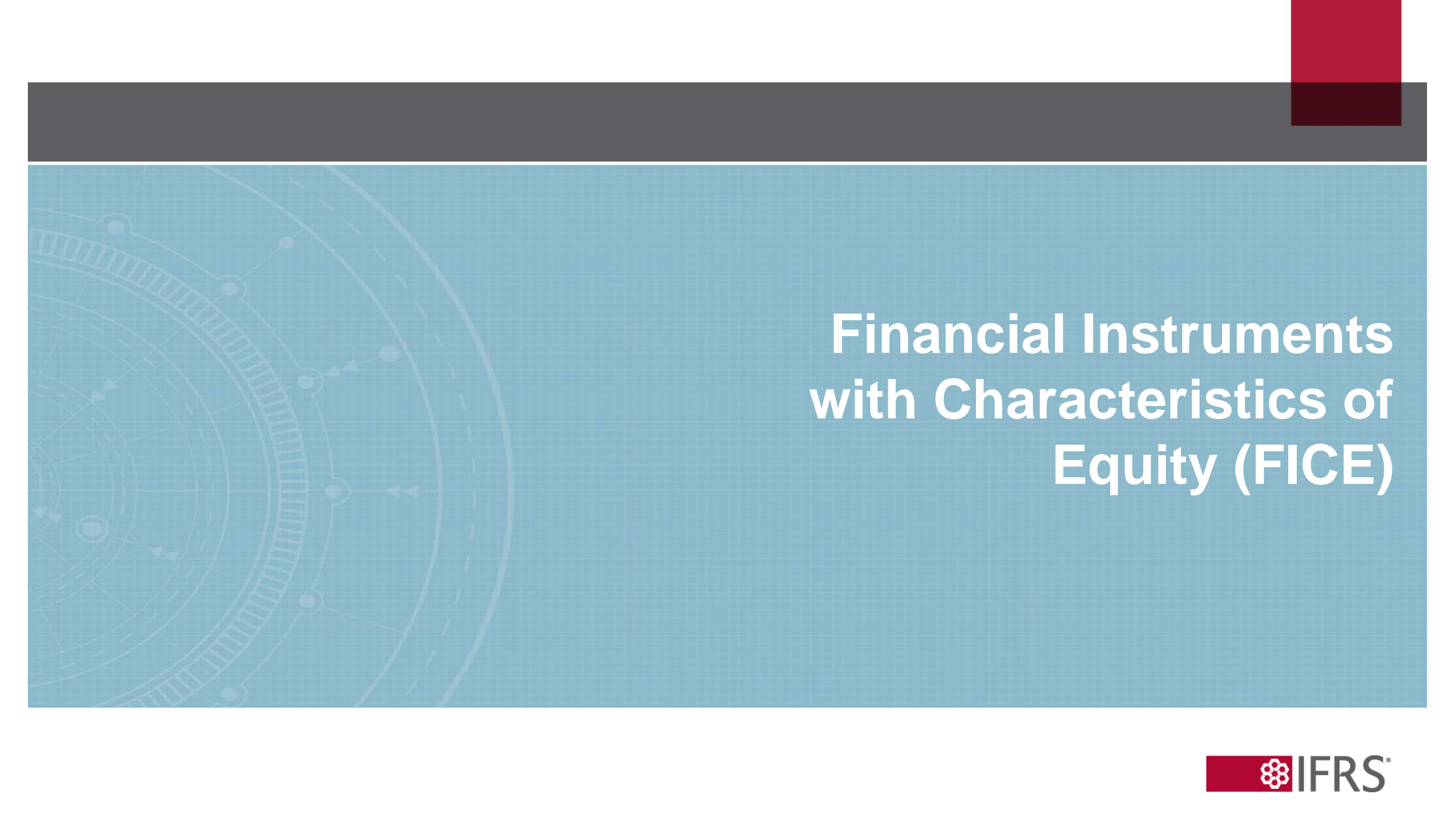
Feedback

- **Users** want to understand:
 - key drivers of the acquisition price
 - subsequent performance of the acquisition
- **Preparers**—IFRS 3 disclosures excessive



Preliminary views

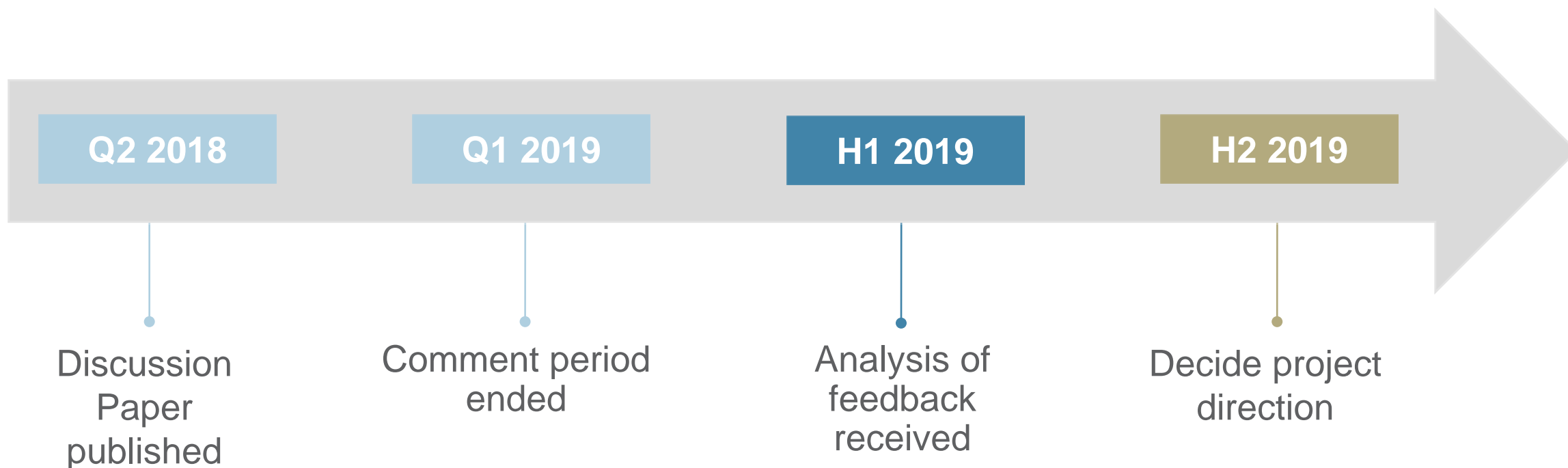
- **Improve the disclosure objectives**
 - evaluate strategic rationale for business combination
 - understand key drivers of acquisition price
 - evaluate subsequent performance of acquisition
- Add **subsequent performance** disclosure requirements
- **Targeted disclosure improvements**



Financial Instruments with Characteristics of Equity (FICE)

Timeline and problem to address

25



Problem

IAS 32 Financial Instruments: Presentation works well for most financial instruments, but presents challenges for some complex financial instruments

Limited information available on equity instruments



Feedback on Discussion Paper

Classification	Presentation	Disclosure
<ul style="list-style-type: none"> Green: Timing feature 	<ul style="list-style-type: none"> Amber: Separate presentation of financial liabilities 	<ul style="list-style-type: none"> Green: Priority on liquidation
<ul style="list-style-type: none"> Red: Amount feature 	<ul style="list-style-type: none"> Red: Attribution within equity 	<ul style="list-style-type: none"> Green: Maximum dilution of ordinary shares
<ul style="list-style-type: none"> Green: Contractual terms 		<ul style="list-style-type: none"> Green: Terms and conditions

Key

- Green: broadly agree with no or limited qualifications
- Amber: partially agree with some issues that need addressing or mixed views
- Red: broadly disagree and/or concerns raised

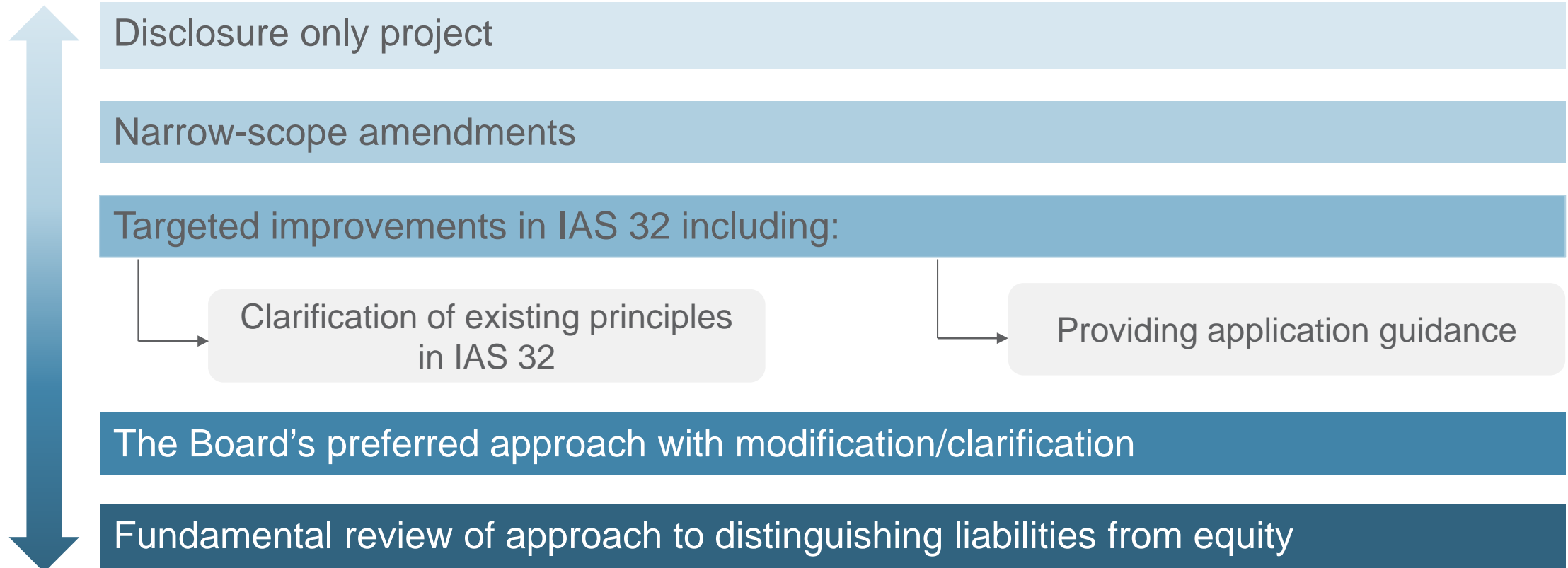
128 comment letters



Next steps The Board will discuss the project's direction at a future meeting

FICE—do stakeholders think standard-setting is required?

General support for standard-setting to address known practice issues but mixed views on how:





Exposure Drafts out for comment

Deferred tax related to assets and liabilities arising from a single transaction (IAS 12)

Board proposes to amend IAS 12 *Income Taxes*

Board considered the purpose of the recognition exemption

Leases may give rise to **equal** and **offsetting** temporary differences

Exemption is not needed



Narrowing the scope of the recognition exemption

An entity recognises deferred tax **to the extent** that the transaction gives rise to **equal amounts** of **deferred tax assets** and **liabilities**



Reasons for the amendment

- Faithful representation
- Reduce diversity
- Narrow in scope



Share your views

- Exposure draft issued in July
- Open for comment for 120 days



Comment letter deadline: 14 November 2019



Users say that accounting policy disclosures today are often not useful

Stakeholders' views differ about 'significant' accounting policies required by IAS 1

Board's proposals

Clarify that not all accounting policies that relate to material transactions, other events or conditions are themselves material to the financial statements.

Amend IAS 1 *Presentation of Financial Statements* to require entities to disclose their **material accounting policies** rather than their significant accounting policies.

Add guidance and examples to the Materiality Practice Statement. These will explain how to apply the four-step materiality process to accounting policies.



Comment letter deadline: 29 November 2019



Helpful material



Website
www.ifrs.org



Video



Leaflet
Supporting IFRS
Standards

Supporting materials sorted by Standard

IFRS Standards

IFRIC
Interpretations

News and events



For example, for IFRS 9 *Financial Instruments*



Webinars



Articles



Transition
Resource
Group



Agenda
decisions

Resources available on our website

1

Tom Scott, discusses the Board's preliminary views and how stakeholders can help the Board by commenting on its forthcoming discussion paper



2

Developed materials to help companies provide better information about financing liabilities



3

Provided real examples of how companies have improved communication in financial statements



4

Insights into the new disclosures the Board is proposing as part of the amendments to IFRS 17 *Insurance Contracts*



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