IFRS

STAFF PAPER

October 2020

IASB® meeting

Project	**Work plan**
Paper topic	Timing of post-implementation reviews of IFRS 9 and IFRS 15

CONTACT(S)	Laura Kennedy	lkennedy@ifrs.org	+44 (0)20 7246 6437
	Riana Wiesner	rwiesner@ifrs.org	+44 (0)20 7246 6412
	Nili Shah	nshah@ifrs.org	+44 (0)20 7332 2733

Purpose of the paper

1. The *Due Process Handbook* explains that a post-implementation review (PIR) normally begins after a new IFRS Standard has been applied internationally for two years, which is generally about 30–36 months after the effective date. IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* have been effective for 33 months (ie since 1 January 2018).

2. This paper sets out factors for the International Accounting Standards Board (Board) to consider in determining the timing of the PIRs of IFRS 9 and IFRS 15.

Summary of questions for Board members

3. This paper asks Board members:

   (a) for IFRS 15, should the Board consider when to begin the PIR as part of its 2020 Agenda Consultation (agenda consultation)?[1]

   (b) for IFRS 9, should the Board:

[1] The Board is required to undertake a public consultation on its work plan every five years. The agenda consultation helps the Board identify issues to be added to the Board's work plan, and to determine which issues should be given priority. See more information on the agenda consultation at https://www.ifrs.org/projects/work-plan/2020-agenda-consultation/

(i) consider when to begin the PIR for the Standard in its entirety as part of its agenda consultation; or

(ii) begin the PIR of the classification and measurement requirements now, and consider when to begin the PIR of the other IFRS 9 requirements (ie impairment and hedge accounting) as part of its agenda consultation?

(c) if the Board decides to begin the PIR of the classification and measurement requirements now, should the Board delay reviewing the requirements for fair value through other comprehensive income (FVOCI) equity instruments until insurers' temporary exemption from applying IFRS 9 has expired (ie after 2023)?

Structure of the paper

4. This paper provides:

(a) an overview of the due process for a PIR (paragraphs 6−8);

(b) considerations relevant to the timing of both the PIR of IFRS 9 and the PIR of IFRS 15 (paragraphs 9−15);

(c) staff analysis and questions for Board members relating to the PIR of IFRS 15 (paragraphs 16−19); and

(d) staff analysis and questions for Board members relating to the PIR of IFRS 9 (paragraphs 20−49).

5. The appendix to this paper provides an extract of the post-implementation review section of the *Due Process Handbook*.

Due process for a PIR

6. A PIR is an opportunity to assess the effect of a new Standard or major amendment to a Standard on investors, preparers and auditors following its issuance and application.

7. Each PIR has two phases. The first involves an initial identification and assessment of the matters to be examined, which are then the subject of a public consultation by the Board in the form of a request for information (RFI). In the second phase, the Board

considers the comments received along with information gathered through other consultative activities. On the basis of that information, the Board presents its findings and sets out the steps it plans to take, if any, as a result of the review. Examples of steps the Board could decide to take after completing a PIR include commencing a separate research project or a standard-setting project (subject to the relevant due process requirements).

8. Paragraph 6.48 of the *Due Process Handbook* specifies that the Board is required to conduct a PIR of each new IFRS Standard or major amendment. That paragraph also explains that a PIR normally begins after the new requirements have been applied internationally for two years, which is generally about 30–36 months after the effective date.

Considerations relevant to the timing of the PIR of IFRS 9 and PIR of IFRS 15

9. IFRS 9 (issued in July 2014)[2] and IFRS 15 (issued in May 2014) were both effective for annual reporting periods beginning on or after 1 January 2018. Applying the principles in the *Due Process Handbook*, the earliest the PIRs of these Standards would normally begin is around July 2020–January 2021.

10. Some stakeholders have in the past expressed the view that the timeframe indicated by the *Due Process Handbook* may be too short in some circumstances. In 2016, the Trustees of the IFRS Foundation, in their review of the structure and effectiveness of the IFRS Foundation, received feedback on the appropriate amount of time to wait before carrying out a PIR.[3] The majority of stakeholders that provided such feedback argued that the two years of application indicated by the *Handbook* was not long enough and suggested three or four years instead. Most of those stakeholders

[2] The first version of the IFRS 9 classification and measurement requirements was issued in November 2009 with an effective date of annual reporting periods beginning on or after 1 January 2013. These requirements were subsequently amended for the classification and measurement of financial liabilities. When the version of IFRS 9 incorporating all parts was issued in July 2014, the effective date was ultimately set as annual reporting periods beginning on or after 1 January 2018. Despite the effective date, some insurers continue to apply IAS 39 *Financial Instruments: Recognition and Measurement* (see paragraph 36 of this paper) and entities can elect to continue to apply the hedge accounting requirements of IAS 39 (see paragraph 29 of this paper).

[3] Paragraph F81 of *Trustees' Review of Structure and Effectiveness: Feedback Statement on the July 2015 Request for Views* (June 2016) available at https://cdn.ifrs.org/-/media/project/2015-trustees-review/request-for-views/educational-materials/feedback-statement-request-for-views.pdf

suggested there be a level of flexibility in timing to take into account the specific circumstances of the Standard. The staff agree that while a PIR should not be unduly delayed, its timing needs to take into account considerations specific to the Standard (for example, the objective of the Standard, the significance of changes introduced by the Standard, the availability of relevant information (such as academic research) and the activities the Board has already undertaken to monitor the application of the Standard).

11. To date, the Board has completed three PIRs and has one active PIR on its work plan.[4] Those PIRs began between 3 to 6 years after the effective date of the relevant Standard(s).

12. One source of information used in a PIR is academic research on the application and effects of a new Standard. When the Board began previous PIRs, a number of academic studies were available on the relevant Standard(s). In previous PIRs the Board considered academic research in both phases of the PIR. At present, limited academic research is available on IFRS 9 and IFRS 15. The staff are planning activities to further encourage academic research on IFRS 9 and IFRS 15. We expect that if the Board were to begin either of the PIRs now, some academic research would become available in time to be considered in phase 2 of the PIR (when the Board considers feedback), but would not be available in phase 1 of the PIR (when the Board identifies matters to be examined).

13. IFRS 9 and IFRS 15 are major new Standards and after they were issued the Board carried out significant implementation support activities. This included, for the first time, the use of Transition Resource Groups (TRGs) for IFRS 15 and for the impairment requirements in IFRS 9. These activities allowed the Board to actively monitor and support the implementation of the new Standards more closely than it had done for new Standards in the past. As such, the Board has greater awareness of the areas in which application questions have arisen and therefore which matters the PIR may focus on. The staff view, therefore, is that the limited academic research

[4] The PIRs of IFRS 3 *Business Combinations*, IFRS 8 *Operating Segments* and IFRS 13 *Fair Value Measurement* were completed between 2012–2018. The PIR of IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities* began in 2019 and is active.

currently available should not be an impediment to beginning phase 1 of the PIR of IFRS 9 or the PIR of IFRS 15.

14. IFRS 15 was developed as part of a joint project with the US national standard-setter, the Financial Accounting Standards Board (FASB). In addition, the Board worked closely with the FASB during the development of the impairment requirements and the classification and measurement requirements of IFRS 9 (although efforts to reach a converged solution were unsuccessful). The FASB began its PIR process for its Accounting Standards Updates (ASUs) on Credit Losses and Revenue Recognition immediately after the issuance of the Standards. Although, the first stage of the FASB PIR process includes activities that the Board does not categorise as being part of a PIR and those activities are similar to the activities the Board performed after the issuance of IFRS 9 and IFRS 15. Furthermore, some of those activities were carried out jointly with the FASB, for example the establishment of the TRG for Revenue Recognition. Therefore, in the staff view, the fact that the FASB has begun activities it classifies as part of the PIRs of its ASUs on Credit Losses and Revenue Recognition does not necessarily indicate that the Board should begin its PIRs of IFRS 9 and IFRS 15.

15. The IFRS Interpretations Committee has discussed a number of questions about the application of IFRS 9 and IFRS 15. These discussions enabled the Committee and the Board to provide stakeholders with application support, for example through Agenda Decisions and explanatory materials, that might otherwise have been provided as an outcome of a PIR. In other words, the Board is not reliant on the PIR process to identify application issues and help stakeholders with those issues.

PIR of IFRS 15

16. IFRS 15 has a pervasive effect on many entities. Due to the extent of change the Standard introduced, the effective date did not mark the end of implementation efforts. Since the effective date (1 January 2018) entities have continued to refine their systems and their approaches to applying the requirements—in particular, efforts are ongoing relating to the new disclosure requirements. An EY survey of 2018 revenue disclosures found significant variation in entities' IFRS 15 disclosures, even within

sectors.[5] That survey said entities may need to further refine and/or tailor their IFRS 15 disclosures. The staff think that entities, their auditors and their regulators will be able to provide the most beneficial input to the Board's PIR process once entities' approaches to applying IFRS 15 are further developed. Furthermore, we think that reviewing the requirements while entities continue to develop their approaches could be seen as disruptive to practice.

17. The staff think that for the Board to assess fully the effects of IFRS 15 more time is needed for:

    (a) trend information to become available. Trend information about revenue is particularly important to investors and analysts and thus will be important to the Board in assessing the effects of IFRS 15. Many entities applied the relief from restating comparative periods presented when they first applied IFRS 15 (ie in their 2018 financial statements). Therefore, at present, many entities have published IFRS 15 financial statement information for only two annual reporting periods.

    (b) more revenue contracts to have been accounted for applying IFRS 15 throughout the full lifecycle of those contracts. Many revenue contracts are multi-year contracts and many such contracts will not yet have been accounted for applying IFRS 15 for their full life (either because they were recognised before IFRS 15 was effective or because they have not reached the end of their life, or both).

18. Considering the analysis in paragraphs 16 and 17 of this paper, the staff think it is too early to begin the PIR of IFRS 15. The Board expects to publish a RFI for its agenda consultation in March 2021. The objective of the RFI is to obtain feedback on priorities for the Board's work plan for the next five-year cycle (2022–2026). In the staff view, it would be appropriate for the Board to consider the timing of the PIR of IFRS 15 as part of the agenda consultation.

19. If the Board agrees with the staff view in paragraph 18 of this paper, the PIR will begin later than the timeframe indicated by the *Due Process Handbook* (ie when the

[5] EY Surveying IFRS *Survey of 2018 revenue disclosures* (December 2019) available at https://www.ey.com/en_gl/ifrs-technical-resources/survey-of-2018-revenue-disclosures

Standard has been applied internationally for two years). However, as explained in paragraph 10 of this paper, the staff think that while a PIR should not be unduly delayed, its timing needs to take into account considerations specific to the Standard.

Question 1 for Board members
Should the Board consider when to begin the PIR of IFRS 15 as part of its agenda consultation?

PIR of IFRS 9

20. IFRS 9 was developed in discrete stages reflecting key areas of the requirements: classification and measurement, impairment and hedge accounting. The staff think it is too early to begin the PIR of the impairment and hedge accounting requirements, for the reasons set out in paragraphs 21–30 of this paper. In contrast, we think the Board could begin the PIR of the classification and measurement requirements. Beginning the review of those requirements now would have both advantages and disadvantages. The staff analysis on beginning the PIR of the classification and measurement requirements is set out in paragraphs 31–49 of this paper.

Impairment

21. The expected credit loss (ECL) model in IFRS 9 is arguably the most significant change introduced by IFRS 9. The ECL model is forward-looking and broadens the information that an entity is required to consider when accounting for impairment compared to the incurred loss model in IAS 39.

22. Measuring expected credit losses and performing credit risk analysis requires the use of significant assumptions, estimates and judgements. It also requires an entity to identify the key factors that drive changes in credit risk. Those factors could differ among products, geographic locations, types of customers and economic conditions. In some instances, this could require the use of market data which will become more readily available only over time.

23. A forward-looking impairment model is also dynamic in nature—as expectations and assumptions about credit risk and economic conditions change, the ECL model needs to incorporate those changes. The model was designed to reflect changes in credit risk on a timely basis and IFRS 9 requires entities to adjust their approach to determining ECLs in different circumstances.

24. The importance of this was confirmed by the covid-19 pandemic. The pandemic has shown that a number of the assumptions and linkages underlying approaches implemented by entities to applying ECL model (such as creating indicators for a significant increase in credit risk based on days past due) had to be amended in reaction to broader market events. The questions arising at the start of the pandemic led to the Board publishing educational material in March 2020 on the application of the ECL model.[6]

25. In the staff view, for the Board to determine whether the ECL model is as responsive to changes in credit risk as intended, it will need data on how the model responded to varying economic conditions. The data from, and experiences of, entities applying the ECL requirements during the covid-19 pandemic will be very relevant to the PIR of the IFRS 9 impairment requirements. While a review of the impairment requirements should not be delayed unduly, beginning the review too early would risk missing useful data that could arise as the pandemic continues to affect economic conditions.

26. Following the initial application of the ECL requirements, several regulators commented that implementation of the ECL requirements is an ongoing journey. Those regulators expect entities' ECL models and methodologies to evolve for several years after initial application. Similar to the staff analysis in paragraph 16 of this paper, the staff think that entities, their auditors and their regulators will be able to provide the most beneficial input to the Board's PIR process once entities' approaches to applying the ECL requirements are further developed.

27. The ECL model also introduced extensive new disclosure requirements in IFRS 7 *Financial Instruments: Disclosures*. Those requirements are fundamental to the application of the ECL model. The European Securities and Markets Authority (ESMA), as part of its 2019 common enforcement priorities, highlighted the need to

[6] https://www.ifrs.org/news-and-events/2020/03/application-of-ifrs-9-in-the-light-of-the-coronavirus-uncertainty/

further improve the quality, consistency and coherence of information provided about the application of the ECL requirements.[7]

28. The disclosure requirements will likely be an important area of focus in the Board's PIR. Therefore, it is important that entities' approaches to applying the disclosure requirements are well developed, and that a sufficient amount of information is available for the Board to perform its review. For this to be the case, the staff expect that the requirements will need to have been applied for at least four annual reporting periods. At present, entities have prepared two sets of annual financial statements applying IFRS 9 and the related new disclosure requirements in IFRS 7.

Hedge accounting

29. When the Board issued IFRS 9, it acknowledged that some entities may prefer to move directly from using the IAS 39 hedge accounting requirements to the potential new model for accounting for macro hedging. Hence, entities are permitted an accounting policy choice to apply the hedge accounting requirements in either IFRS 9 or IAS 39. When the Board decided to allow this election, it signalled that it intended the election to stay in place until the Board's separate project on dynamic risk management has been completed.

30. Although some entities have applied the IFRS 9 hedge accounting requirements, many entities have chosen to continue to apply the IAS 39 hedge accounting model. Therefore, the staff think that at this time insufficient information to support a PIR is available on the application and effects of the hedge accounting model in IFRS 9.

Classification and measurement

31. IFRS 9 changed many aspects of the classification and measurement requirements for financial assets compared to IAS 39 and affected a variety of preparers. However, the extent to which preparers were affected depended largely on the financial assets they held and the choices they previously made applying IAS 39.

32. The IFRS 9 classification and measurement approach for financial assets is based on an entity's business model for managing the financial assets and the contractual cash

[7] ESMA Public Statement *European common enforcement priorities for 2019 annual financial reports* (October 2019) available at https://www.esma.europa.eu/sites/default/files/library/esma32-63-791_esma_european_common_enforcement_priorities_2019.pdf

flow characteristics of the financial assets. Therefore, the approach focuses on matters of fact instead of management's intention or free choice as to how financial assets are classified (as was often the case in IAS 39). Although judgement is required to determine the measurement category within which financial assets are classified, the business model and contractual cash flow characteristics are assessed only at initial recognition (unless there is a change in business model—which is established to have a relatively high hurdle).

33. The requirements for the classification of financial liabilities are largely unchanged from IAS 39, except for the treatment of own credit. This reflected feedback that accounting for financial liabilities applying IAS 39 worked well in practice.

34. The European Banking Authority (EBA) noted in December 2018 that the impact of the classification and measurement requirements on entities' financial statements was, on average, quite limited.[8] This view was shared in various other publicly available publications on the impact of the classification and measurement requirements on transition to IFRS 9.

35. Unlike the IFRS 15 requirements and the ECL requirements in IFRS 9, the staff think the Board could review the effects of the classification and measurement requirements in IFRS 9 without waiting for these requirements to have been applied for more reporting periods. The main change introduced by this part of IFRS 9 is the approach to classifying financial assets at initial recognition (and on transition to IFRS 9). Trend analysis is not required to review this part of IFRS 9, the disclosure changes were much less fundamental, and entities' approaches to applying the requirements are well developed.

36. However, the staff note that many insurers do not yet apply IFRS 9. This is because IFRS 4 *Insurance Contracts* provides a temporary exemption that permits some insurers to apply IAS 39 rather than IFRS 9 for annual reporting periods beginning before 1 January 2023. Insurers are significant holders of financial assets, including equity investments. If the Board begins the PIR now, insurers applying the temporary

[8] EBA report *First observations on the impact and implementation of IFRS 9 by EU institutions* (December 2018) available at https://eba.europa.eu/sites/default/documents/files/documents/10180/2087449/bb4d7ed3-58de-4f66-861e-45024201b8e6/Report%20on%20IFRS%209%20impact%20and%20implementation.pdf?retry=1

exemption will not be able to provide feedback on their experience applying the classification and measurement requirements of IFRS 9.

37. Insurers are one of the main stakeholder groups that expressed strong views (both during the development of IFRS 9 and since its issuance) on the option in IFRS 9 to present fair value changes on some equity instruments in other comprehensive income (FVOCI equity instruments).[9] Many insurers that provided feedback during the development of IFRS 9 disagreed with the prohibition from reclassifying gains and losses from OCI to profit or loss on disposal of FVOCI equity instruments (ie recycling). Some insurers even said that the requirements could discourage them from investing in some assets. The staff note that an entity's investment decisions are dependent on a number of internal and external economic factors. As such, regardless of whether the Board performs the PIR before or after insurers' temporary exemption from applying IFRS 9 expires, it would be difficult for the Board to assess whether IFRS 9 has affected entities' investment decisions.

38. The staff anticipate that the PIR process for the IFRS 9 classification and measurement requirements will take approximately 18–24 months to complete, including a RFI with a consultation period of four months. Therefore, if the Board decides to consider possible amendments to the Standard as a consequence of the PIR (ie to commence a standard-setting project), the earliest such a standard-setting project could begin is April 2022–October 2022. Furthermore, any standard-setting project would be subject to the relevant due process requirements, including public consultation. Accordingly, it is unlikely that any possible amendments would be finalised before 1 January 2023 (when insurers' temporary exemption from applying IFRS 9 expires).

39. The remaining analysis in this paper considers the following options for the Board:

    (a) consider when to begin the PIR of IFRS 9 in its entirety as part of the agenda consultation (see paragraphs 40–42);

[9] This election applies only to equity instruments within in the scope of IFRS 9 that are neither held for trading nor contingent consideration in a business combination. Furthermore, this election does not apply to puttable instruments classified as equity under IAS 32 *Financial Instruments: Presentation* (see paragraph BC5.21 of the Basis for Conclusions on IFRS 9).

(b) begin the PIR of the classification and measurement requirements now (see paragraphs 43–45); and

(c) begin the PIR of the classification and measurement requirements now, but delay reviewing the requirements for FVOCI equity instruments until insurers' temporary exemption from applying IFRS 9 has expired (ie after 2023) (see paragraphs 46–49).

Consider when to begin the PIR of IFRS 9 in its entirety as part of the agenda consultation

40. The Board could consider when to begin the PIR of IFRS 9 in its entirety as part of the agenda consultation. If the Board does this, it could review the classification and measurement and the impairment requirements at the same time. From a practical perspective, carrying out the PIR of the classification and measurement and the impairment requirements at the same time (rather than in stages) would likely be less burdensome for stakeholders as it would avoid duplication of efforts in providing feedback.

41. In addition, not staggering the PIR would have the advantage of avoiding complexity. In particular, staggering the PIR would create risk that the Board considers possible amendments to IFRS 9 more than once, and consequently a risk that the same requirements in IFRS 9 are revised more than once. This is because there could be an interaction between possible amendments to the requirements.

42. However, delaying the review of the classification and measurement requirements would risk delaying the identification of potential application issues and thus could delay any necessary improvements to the requirements. Delays may also make it difficult to introduce changes to the requirements as practice becomes more embedded in entities' processes and systems over time.

Begin the PIR of classification and measurement now

43. Beginning the PIR of the classification and measurement requirements (including the requirements for FVOCI equity instruments) would mean that many insurers would not be able to provide feedback on the outcome of applying the requirements. Information that would be lacking would be:

(a) information about the actual effect of the application of the new requirements for those insurers (such as the classification outcomes of applying IFRS 9 rather than IAS 39); and

(b) feedback from users of the financial statements of those insurers about using the information that results from the insurers applying IFRS 9.

44. However, most entities with large holdings of financial assets, including banks, insurers that did not choose, or qualify for, the temporary exemption from IFRS 9, and entities in other industry sectors such as utilities, apply IFRS 9. Many of these entities hold investments in equity instruments. The staff expect that any application issues that insurers that do not yet apply IFRS 9 may encounter in applying IFRS 9 have already been encountered by other entities. The staff expect the Board could gather sufficient information from these entities on the application of the classification and measurement requirements, including the requirements for FVOCI equity instruments.

45. Furthermore, past feedback on the classification and measurement requirements was largely focused on opinions about the concepts of fair value and recycling, rather than on possible application issues. The staff expect that, irrespective of the timing of the PIR, feedback from stakeholders including insurers on FVOCI equity instruments will also largely focus on such opinions rather than on evidence of the effects of applying the requirements. The staff also note that the European Financial Reporting Advisory Group (EFRAG) has performed research on this matter on request of the European Commission, which could be drawn upon in the absence of other relevant academic research.[10]

Begin the PIR of classification and measurement, but delay reviewing requirements for FVOCI equity instruments

46. The Board may have concerns about performing a PIR of the requirements for FVOCI equity instruments before insurers' temporary exemption from applying IFRS 9 expires, for the reasons set out in paragraphs 36 and 37 of this paper. If so, the Board could decide to begin the PIR on the other classification and measurement

[10] EFRAG's advice to the European Commission on the measurement of long-term investments in equity instruments (January 2020) available at https://www.efrag.org/News/Project-401/EFRAGs-advice-to-the-European-Commission-on-the-measurement-of-long-term-investments-in-equity-instruments-

requirements while delaying the review of the requirements for FVOCI equity instruments until the temporary exemption has expired (ie after 2023).

47. The benefit of delaying this isolated part of the requirements is that the Board could review the rest of the classification and measurement requirements in a timely manner for entities that applied IFRS 9 from its effective date. As explained in paragraph 44 of this paper, most entities, across all industries (including some insurers) have been applying the classification and measurement requirements of IFRS 9 for over two years.

48. The disadvantage of delaying the review of the requirements for FVOCI equity instruments until the temporary exemption from applying IFRS 9 expires (ie 1 January 2023) is that this part of the review would likely take place five to seven years after most entities first applied IFRS 9. This could be seen as penalising those entities that already apply IFRS 9 and that may have relevant insights to share with the Board in this regard.

49. Another disadvantage of this approach is that it could result in duplication of efforts for stakeholders. It could also result in a delay to any amendments the Board may decide to propose as a result of the PIR until the review of the FVOCI equity instruments has been completed. As explained in paragraph 41 of this paper, this is because there could be an interaction between possible amendments to the requirements.

Question 2 for Board members

a. For IFRS 9, should the Board:
   i. consider when to begin the PIR of the Standard in its entirety as part of its agenda consultation; or
   ii. begin the PIR of the classification and measurement requirements now, and consider when to begin the PIR of the other IFRS 9 requirements (ie impairment and hedge accounting) as part of its agenda consultation?

b. If the Board decides to begin the PIR of the IFRS 9 classification and measurement requirements now, should the Board delay reviewing the requirements for FVOCI equity instruments until insurers' temporary exemption from applying IFRS 9 has expired (ie after 2023)?

Appendix A—extract of the post-implementation review section of the *Due Process Handbook*

A1. The *Due Process Handbook* sets out the due process principles that apply to the Board and the IFRS Interpretations Committee. This appendix provides an extract of paragraphs 6.48−6.59 of the handbook. The handbook was revised in August 2020. No substantive amendments were made to paragraphs 6.48–6.59.

Post-implementation review

6.48. The Board is required to conduct a post-implementation review of each new IFRS Standard or major amendment. A post-implementation review normally begins after the new requirements have been applied internationally for two years, which is generally about 30–36 months after the effective date.

6.49. In addition to post-implementation reviews that respond to a new IFRS Standard or major amendment to a Standard, the Board may decide to conduct a post-implementation review in response to changes in the financial reporting environment and regulatory requirements, or in response to concerns about the quality of a Standard that have been expressed by the Advisory Council, the Interpretations Committee, standard-setters or interested parties.

6.50. Each review has two phases. The first involves an initial identification and assessment of the matters to be examined, which are then the subject of a public consultation by the Board in the form of a request for information. In the second phase, the Board considers the comments it has received from the request for information along with the information it has gathered through other consultative activities. On the basis of that information, the Board presents its findings and sets out the steps it plans to take, if any, as a result of the review.

Initial assessment and public consultation

6.51. The goal of improving financial reporting underlies any new IFRS Standard. A post-implementation review is an opportunity to assess the effect of the new requirements on investors, preparers and auditors following the issuance and application of a Standard. The review considers the issues that were important or contentious during the development of the publication (which should be identifiable from the basis for conclusions, project summary, feedback statement and effect analysis of the relevant Standard), as well as issues that have come to the attention of the Board after the document was published. The Board and the technical staff also consult stakeholders to help the Board identify areas where possible unexpected costs or implementation problems were encountered.

6.52. This initial assessment should draw on the broad network of IFRS Standards-related bodies and interested parties, such as the Interpretations Committee, the Board's consultative groups, securities regulators, national accounting standard-setting bodies, regional bodies involved with accounting standard-setting, preparers, auditors and investors. The purpose of these consultations is to inform the Board so that it can establish an appropriate scope for the review. How extensive the consultations need to be in this phase will depend on the Standard being reviewed and on what the Board already knows about the implementation of that Standard. The Board needs to be satisfied that it has sufficient information to establish the scope of the review.

6.53. The Board publishes a request for information, setting out the matters for which it is seeking feedback by means of a formal public consultation. In the request for information, the Board explains why it is seeking feedback on the matters specified and includes any initial assessment by the Board of the IFRS Standard or major amendment that is being reviewed. The request for information will also set out the process that the Board followed in establishing the scope of the review.

6.54. The Board normally allows a minimum of 120 days for comment on a request for information that is part of a post-implementation review. The Board will only set a period of less than 120 days after consulting and obtaining approval from the DPOC.

6.55. The Board may decide, on the basis of its initial assessment, that it would be premature to undertake a post-implementation review at that time. The Board informs the DPOC of its intention to defer a post-implementation review, explaining why it has reached this conclusion and indicating when it expects to resume the review.

Consideration of evidence and presentation of findings

6.56. The Board considers whether it is necessary to supplement the responses to the request for information with other information or evidence, such as by undertaking:

(a) an analysis of financial statements or of other financial information;

(b) a review of academic and other research related to the implementation of the IFRS Standard being reviewed; and

(c) surveys, interviews and other consultations.

6.57. The extent to which further information is gathered will depend on the IFRS Standard being reviewed and the feedback from the request for information.

6.58. The Board considers the comments that it has received from the request for information along with the evidence and information that it has obtained from any additional analysis. When the Board has completed its deliberations, it presents its findings in a public report. The Board may consider making minor amendments to the IFRS Standard or preparing an agenda proposal for a broader revision of the Standard. There is no presumption that a post-implementation review will lead to any changes to a Standard. The Board may recommend to the DPOC that the Board should make changes to its procedures, such as how effects of a Standard are assessed or additional steps that should be taken during the development of a Standard.

6.59. The Board reports regularly to the DPOC during the period of a post-implementation review and informs the DPOC when it has completed its review and provides the DPOC with a draft of the report. When the DPOC is satisfied that the Board has completed the review satisfactorily, the report can be finalised.