



IFRS® Foundation

Agenda Paper 3

Third Agenda Consultation: Strategic direction and balance of activities

IFRS Advisory Council
May 2021

Purpose of this session



(See Agenda Paper 2)

- Provide an overview of the Request for Information on the Third Agenda Consultation
- Seek your experience and advice on three key aspects of the Request for Information



This agenda paper focuses on the one of the key aspects of the Request for Information—the **strategic direction and balance of the Board's activities**

Overview

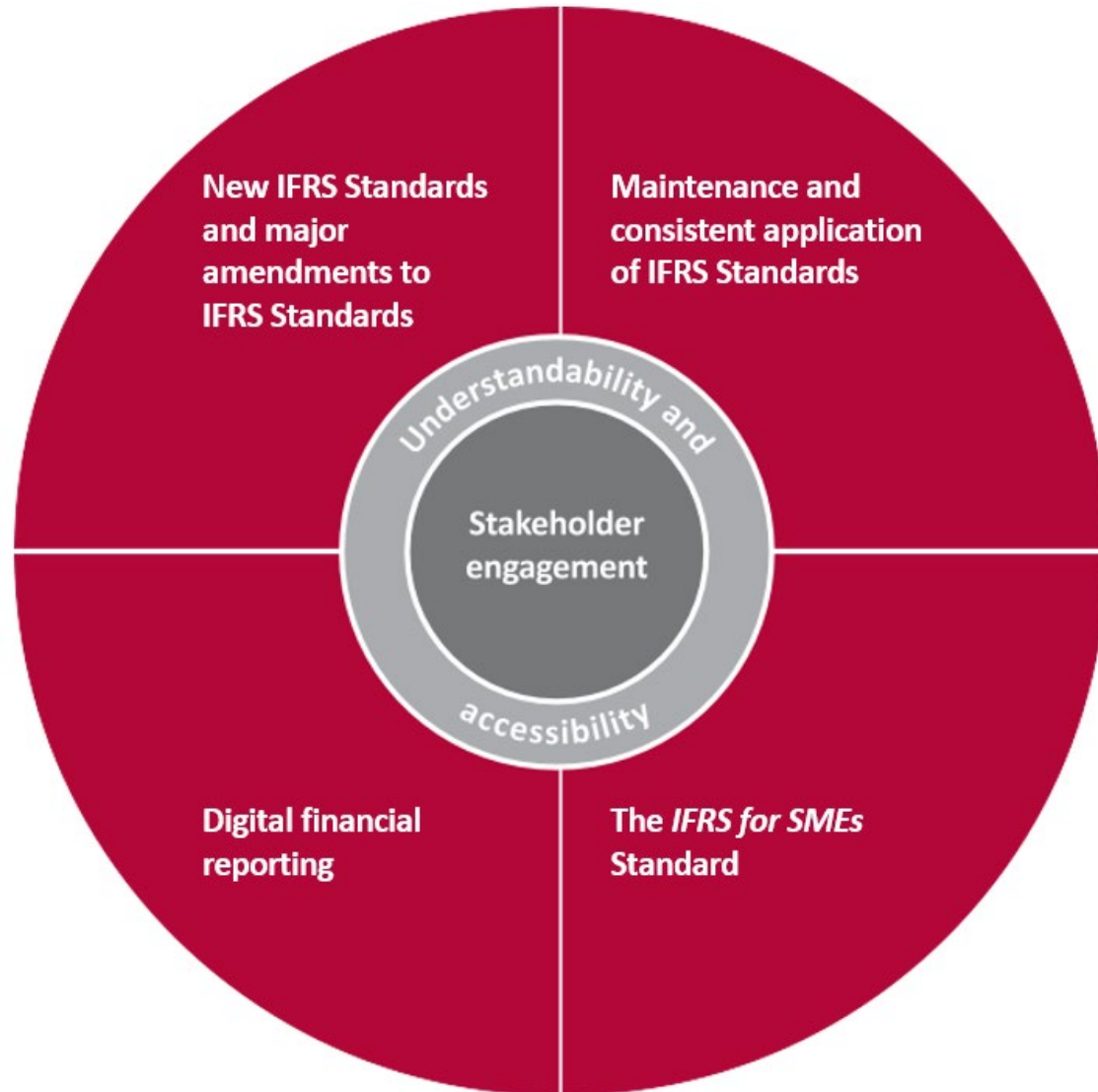


Chart is not drawn to scale



We are seeking stakeholder feedback on whether the Board should:

- A increase, leave unchanged or decrease its current level of focus for each main activity?
- B undertake any other activities within the current scope of its work?

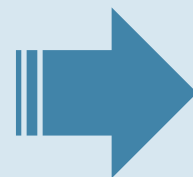
Helping stakeholders respond on the balance of activities

Current level of focus on each activity

New IFRS Standards and major amendments to IFRS Standards	40%–45%
Maintenance and consistent application of IFRS Standards	15%–20%
The <i>IFRS for SMEs</i> Standard	5%
Digital financial reporting	5%
Understandability and accessibility	5%
Stakeholder engagement	20%–25%

Resources


The overall level of resources available **to the Board** will remain substantially unchanged



Increasing the resource allocation to one activity will mean fewer resources are available for other activities

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A grayscale world map is the background for the slide. Overlaid on the map are several thick, curved, light-gray lines that sweep across the continents. Additionally, there are dotted lines forming a grid-like pattern across the map, suggesting latitude and longitude.

New IFRS Standards and major amendments to IFRS Standards

New IFRS Standards & major amendments to IFRS Standards

Objective: Research financial reporting issues and, if appropriate, develop major new financial reporting requirements

What the Board currently does

Research and standard-setting projects

Required post-implementation reviews

IFRS 10, 11 and 12, and the classification and measurement requirements in IFRS 9 (on current work plan)

IFRS 15 and 16, and the impairment and hedge accounting requirements in IFRS 9 (planned for 2022 to 2026 work plan)

What more the Board could do

New projects to address financial reporting issues—see agenda paper 5

A grayscale world map is the background for the slide. Overlaid on the map are several curved, overlapping lines that sweep across the globe from the bottom left towards the top right. These lines include solid gray bands and dotted white lines, creating a sense of global connectivity and movement.

Maintenance and consistent application of IFRS Standards

Maintenance and consistent application

Objective: Help stakeholders obtain a common understanding of financial reporting requirements

What the Board currently does*

Monitor consistent application

Narrow-scope amendments and interpretations

Committee agenda decisions

Educational materials

Support regulators and national standard-setters in their role to support consistent application of IFRS Standards

* Together with the Interpretations Committee (Committee)

Maintenance and consistent application (cont.)

What more the Board could do (examples)

Identify challenges

Work more with investors, companies, auditors, regulators and others to identify challenges in applying the Standards

Address any application challenges through:

Existing channels

Includes:

- agenda decisions, narrow-scope amendments or interpretations
- educational materials

New channels

Includes capacity building-efforts for emerging economies and new adopters:

- regional IFRS training workshops to support cohesive understanding of requirements
- case studies to develop capacity to make judgements to apply the requirements



The *IFRS for SMEs*
Standard

The *IFRS for SMEs* Standard

Objective: Provide financial reporting requirements tailored for companies that do not have public accountability (SMEs)

Publicly accountable company

Company's debt or equity instruments are traded on a public market (or it is in the process of issuing such instruments for trading in a public market)

or

Company holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses

The Board develops the *IFRS for SMEs* Standard because:

- its mission is to provide a single set of globally accepted Standards, taking into account the needs of a range of sizes and types of companies.
- SME financial statements are directed to the needs of a **broad range of users**, including lenders, investors, employees, governments and others.
- full IFRS Standards are beyond the needs and capabilities of SMEs.

The *IFRS for SMEs* Standard (cont.)

What the Board currently does*

Periodic reviews of the Standard, and if necessary, amendments to the Standard

Educational materials:

SMEIG Q&As that respond to application questions on the Standard

Modules on each section of the Standard, including case studies and self-assessments

What more the Board could do (examples)

Work more with stakeholders to support consistent application

Provide more educational materials and programmes, including for micro-sized companies that are not publicly accountable

Work with national standard-setters and others to increase global adoption

* Together with the SME Implementation Group (SMEIG)

A grayscale world map is the background, overlaid with a network of white dotted lines representing digital connections. On the left side, there are three overlapping, semi-transparent circular arcs that suggest a globe or a digital interface. The overall aesthetic is modern and technological.

Digital financial reporting

Digital financial reporting

Objective: Facilitate the digital consumption of financial information

What the Board currently does

1 Develop the IFRS Taxonomy*

- Updates for new or amended Standards
- Updates for common reporting practice
- Educational materials to support use

2 IFRS Standards for a digital world

Presentation and disclosure requirements are 'digital neutral'. That is, they are drafted for both paper-based and digital consumption of financial reports.

3 Digital ecosystem

- Commentary in speeches and other discussions
- Meetings as requested by regulators

* See slide 33 for what the IFRS Taxonomy is

What more could the Board do?

A vision for digital financial markets

Without joint efforts towards the vision, will we lose all the benefits of a high-quality global financial reporting in a digital world?

② IFRS Standards for a digital world

Transparency, accountability and efficiency
through democratisation of financial reports

All investors have digital access to all aspects of
financial reporting for all companies

① Develop the IFRS Taxonomy

③ Digital ecosystem

What more could the Board do?

The vision—benefits



Capital market
transparency



Reduced cost of
capital



Level playing field
for investors



Increased analyst
coverage and
access to capital*



Increased efficiency



Reduced language
barrier

* See slide 32 for examples

What more could the Board do?

The vision—challenges and conditions for success



Single global digital reporting standard



Accessible data



Trustworthy digital data



Relevant,
comparable data

Digital financial reporting (cont.)

What more the Board could do (examples)

1 Develop the IFRS Taxonomy

- More activities to improve quality of electronic data
- Redesign to better meet investor needs

2 IFRS Standards for a digital world

Explore ways to enhance presentation and disclosure requirements through more 'digital focused' means*

3 Digital ecosystem

- More of current activities
- Identify partners and work jointly towards the vision.** Partners could include regulators, auditors, software platform providers, data aggregators, investors and preparers.

* See slide 34 for an example of being 'digital focused'

** See slide 35 for examples of jointly working towards the vision

1 Develop the IFRS Taxonomy



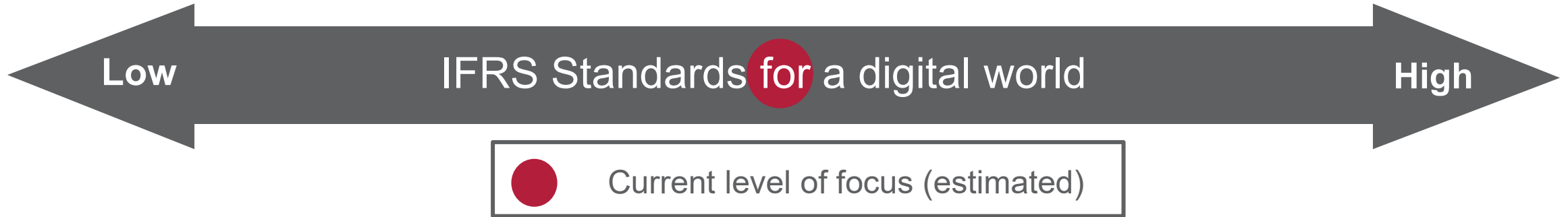
Why leave unchanged or decrease the level of focus?

- Less capacity for other activities
- Technological advances—such as, artificial intelligence—may make the IFRS Taxonomy obsolete. However, there is currently no indication of this.

Why increase the level of focus?

- Progress aspects of the vision within our control
- Why the Board?
 - ✓ Accounting expertise to support design of the taxonomy
 - ✓ Public interest objective in support of digital financial reporting

2 IFRS Standards for a digital world



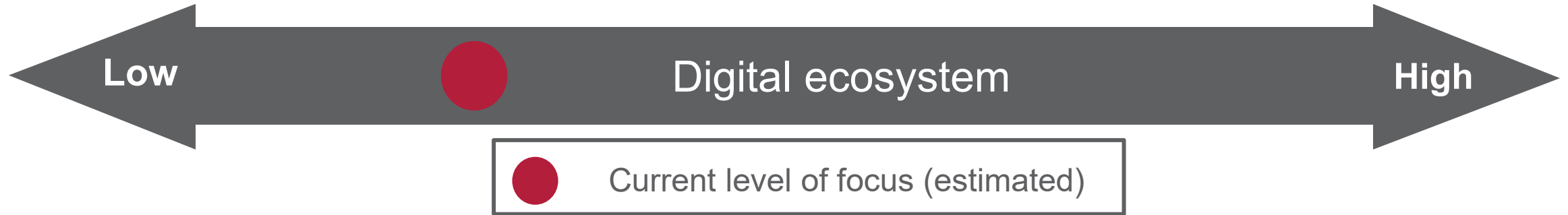
Why leave unchanged or decrease the level of focus?

- Less capacity for other activities
- Some have concerns that a digital focus may result in a more prescriptive approach to standard setting

Why increase the level of focus?

- Progress aspects of the vision within our control

3 Digital ecosystem



Why leave unchanged or decrease the level of focus?

- Less capacity for other activities
- Not within our control

Why increase the level of focus?

- Progress the vision
- Why the Board?
 - ✓ Public interest objective in support of digital financial reporting
 - ✓ International network to influence change
- Synergies with digital reporting implications if the Trustees establish a new sustainability board

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Understandability and accessibility

Understandability and accessibility

Objective: Improve the understandability and accessibility of our financial reporting requirements

Understandability

Slides 25–26

Accessibility

Slide 27

Understandability

Causes of unnecessary complexity

Complex accounting models (e.g. pre-tax discount rate used in the impairment test of cash generating units)

Inconsistent drafting and structure across IFRS Standards

Inconsistent terminology in IFRS Standards (e.g. several different terms of likelihood)

Consequences of unnecessary complexity

Inefficient use of resources by all participants in the financial reporting system

Inconsistent application of IFRS Standards, which reduces comparability between companies

Misapplication of IFRS Standards

The [2017 IFRS Reputation Survey](#) identified stakeholders' need for simple, practical and workable Standards

Understandability (cont.)

What the Board currently does

Reduce complexity

Includes reducing unnecessary complexity so **users of the Standards**—companies, auditors, regulators and NSS—can improve financial reporting for **investors**.

Clear Standards

Drafting clear Standards through:

- editorial and translation teams
- external reviewers

Supporting materials

Includes snapshots, project summaries, feedback statements and board member articles

What more the Board could do (examples)

Identify complexity

A **holistic review** of IFRS Standards to identify possible areas of unnecessary complexity and assess whether improvements can be made to those areas

Address complexity

Based on the results of the review, **undertake projects** to:

- amend existing requirements to reduce unnecessary complexity
- develop process changes (e.g. how to develop more clearly articulated Standards and use consistent terminology and structure)
- implement process changes for new and existing Standards

Accessibility

What the Board currently does

Accessible materials

Includes:

- IFRS Standards with annotations and cross-references to other materials (Annotated IFRS Standards)
- semi-annual compilations of Committee agenda decisions

Technological tools

Includes tools to make the electronic version of IFRS Standards and other materials easier to navigate. For example, the Standards navigator on the new iteration of the IFRS website.

What more the Board could do (example)

Use technology to further develop tools that **help stakeholders tailor** the Standards and other materials to their needs. For example, using flow charts or decision trees to quickly find applicable requirements.



Stakeholder engagement

Stakeholder engagement

Objective: Obtain views to support the development of high-quality financial reporting requirements and promote acceptance of the Standards

What the Board currently does

General and project specific meetings with stakeholders

Tailored materials to support various meetings with stakeholders

Engagement through comments letters received in response to consultations

What more the Board could do (examples)

Increase engagement with a broader range of stakeholders

Increase engagement on consultations, using digital means such as surveys

Provide more investor-focused educational materials and initiatives

Questions to the Advisory Council

We would like each breakout group to discuss the following questions:



Strategic direction and balance of the Board's activities

We are seeking feedback on the overall balance of the Board's six main activities:

- Should the Board increase, leave unchanged or decrease its current level of focus for each main activity? Why or why not? You can also specify the types of work within each activity that the Board should increase or decrease.
- Should the Board undertake any other activities within the current scope of its work?

Main activities	Slides
New IFRS Standards and major amendments to IFRS Standards	7
Maintenance and consistent application of IFRS Standards	9–10
The <i>IFRS for SMEs</i> Standard	12–13
Digital financial reporting	15–22
Understandability and accessibility	24–27
Stakeholder engagement	29

A grayscale world map is the background, overlaid with a grid of dotted lines. In the bottom-left corner, there are several overlapping, semi-transparent curved lines that create a sense of depth and digital connectivity.

Appendix: Digital financial reporting

The vision—benefits

Access and analysis 'at your fingertips'

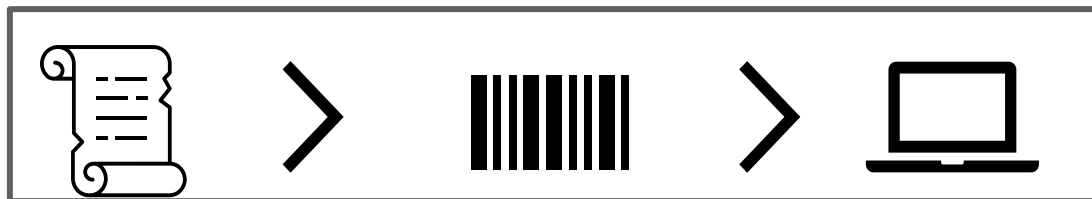


1 What is the IFRS Taxonomy?

Transforms paper statements into computer readable statements enabling the benefits of digital financial reporting



The IFRS Taxonomy lists and defines the specific **codes (elements)** that preparers can use to **identify (tag)** financial information



Consolidated statement of comprehensive income (extract)

Sales	30,650
Cost of sales	(26,000)
Gross Profit	4,650



ifrs-full:CostOfSales

Computer code

IFRS Standards for a digital world

2 Examples of being ‘Digital focused’

- Paper and manual consumption of data no longer constrained by how much detail can practically be presented on a page.
- The Standards do not have requirements to disclose the total amount of depreciation. Therefore, it is not possible to tag total depreciation if the total is not separately disclosed (see the example on the right).

	Note	2020
Operating activities		
Net income/(loss) for the period		(61,921)
Adjustments to reconcile net income/(loss) for the period to net cash flows:		
Depreciation of property, plant and equipment	4	1,535
Depreciation of right-of-use assets	5	432
Finance result, net	13	376
Share-based compensation expense	17	4,088
Changes in net employee defined benefit liability	16	705
Change in fair value of conversion feature	9	—
Interest expense	5/11/13	175
(Gain)/loss on sale of fixed assets		(64)
Changes in working capital:		
(Increase) in prepaid expenses	7	(1,304)
(Increase)/decrease in accrued income	7	(507)
(Increase)/decrease in other current receivables	8	(25)
(Decrease)/increase in accrued expenses	10	(757)
(Decrease)/increase in deferred income	12	(4,157)
Decrease in financing obligation	11	—
Increase/(decrease) in trade and other payables	10	2,177
Cash (used in)/provided by operating activities		(59,247)
Interest income	13	78
Interest paid	5/11/13	(339)
Finance costs	13	(9)
Net cash flows (used in)/provided by operating activities		(59,517)

Digital ecosystem

3 Examples of goals of joint work towards the vision

The Standards sometimes permit amounts to be presented in the primary financial statements or disclosed in the notes. Unless regulators require tagging of the primary financial statements and the notes, information may not be digitally accessible for all companies.

Consolidated Statements of Earnings

For the years ended September 30
(in thousands of Canadian dollars, except per share data)

	Notes	2019
		\$
Revenue	27	12,111,236
Operating expenses		
Costs of services, selling and administrative	22	10,284,007
Acquisition-related and integration costs	25c	77,417
Restructuring costs		—
Net finance costs	24	70,630
Foreign exchange loss		2,234
		10,434,288
Earnings before income taxes		1,676,948
Income tax expense	15	413,741
Net earnings		1,263,207
Earnings per share		
Basic earnings per share	20	4.63
Diluted earnings per share	20	4.55

22. Costs of services, selling and administrative

	Year ended September 30	
	2019	2018
	\$	\$
Salaries and other member costs ¹	7,158,588	6,846,585
Professional fees and other contracted labour	1,439,915	1,369,420
Hardware, software and data center related costs	873,158	829,655
Property costs	363,812	307,496
Amortization and depreciation (Note 23)	388,087	383,834
Other operating expenses	60,447	64,801
	10,284,007	9,801,791

¹ Net of R&D and other tax credits of \$171,389,000 in 2019 (\$182,493,000 in 2018).

Accessibility

- Global requirement to tag financial reports (management commentary, primary financial statements and details in notes) using IFRS Taxonomy
- Global access through central repositories for financial reports
- Software platforms to analyse digital financial reports

Quality data

- Audit of tagged data
- Regulator review of tagged data
- Consistent, seamless digitised internal and external financial information

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