
IASB[®] meeting

Date	September 2022
Project	Work plan
Topic	Post-implementation reviews – objective and process
Contacts	Nili Shah (nshah@ifrs.org)

This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (IASB). This paper does not represent the views of the IASB or any individual IASB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS[®] Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB *Update*.

Purpose of the paper

1. Paragraphs 3.78 and 6.48 to 6.59 of the *Due Process Handbook* discuss post-implementation reviews (PIRs). Recent deliberations have highlighted that there are different understandings among stakeholders, most notably about the objective and outcomes of a PIR. These different understandings have arisen because the International Accounting Standards Board (IASB) has only completed four PIRs¹ since the process started and our description has evolved as we have learned.
2. This purpose of this paper is to provide a clarified description, located in Appendix A, of the objective and process for PIRs.
3. This description:
 - (a) draws on our experiences from previous PIRs;
 - (b) addresses comments from some stakeholders;
 - (c) incorporates the IASB's discussions about the prioritisation of matters identified in PIRs from [January 2022](#) and [February 2022](#), which incorporated advice from the IFRS Advisory Council from [January 2022](#); and
 - (d) reflects discussions with the Due Process Oversight Committee of the IFRS Foundation Trustees (DPOC) in [May 2022](#) and [June 2022](#).

¹ Completed PIRs:

- IFRS 8 *Operating Segments*
- IFRS 3 *Business Combinations*
- IFRS 13 *Fair Value Measurement*
- IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*

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4. We plan to use this description in future Requests for Information² to set expectations when asking stakeholders to provide feedback. We will also share this description on our website and at speaking engagements. In addition, we will continue discussing with the DPOC the possibility of formally updating, subject to stakeholder feedback, the *Due Process Handbook* to reflect this clarified description.

Question for the IASB

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1. Do you have any questions or comments on this paper?

² PIRs in progress:

- IFRS 9 *Financial Instruments*—classification and measurement requirements. (The Request for Information on this PIR has already been published and the comment period has concluded. Therefore, language about the objective and process may differ slightly from the description in Appendix A.)
- IFRS 9 *Financial Instruments*—impairment requirements

PIR to start in September 2022 (see Agenda Paper 6): IFRS 15 *Revenue from Contracts with Customers*

PIRs for which the IASB will consider the start date in September 2022 (see Agenda Paper 8B):

- IFRS 9 *Financial Instruments*—hedge accounting requirements
- IFRS 16 *Leases*

Appendix A – PIR objective and process

Context

1. After issuing a new IFRS Accounting Standard (Accounting Standard) or major amendment (new requirement), the International Accounting Standards Board (IASB) stands ready to act if evidence indicates a need for improvement to financial reporting. This evidence may arise from mechanisms such as discussions by Transition Resource Groups, if set up; submissions to the IFRS Interpretations Committee (Interpretations Committee); ongoing stakeholder engagement via both standing bodies (eg, CMAC and GPF) and general discussions (eg, with representatives from the large accounting firms and securities regulators); a post-implementation review (PIR) of each major new requirement; or the IASB's five-yearly agenda consultation.
2. A PIR differs from the other mechanisms to raise matters with the IASB in that it:
 - (a) provides a planned opportunity to assess questions about the new requirements, compared to other mechanisms which may identify questions on an ad hoc basis at any time (both before and after PIRs);
 - (b) provides an opportunity to consider the new requirements in their entirety, compared to other mechanisms which may focus on specific aspects of the new requirements; and
 - (c) focuses on whether the new requirements are working as intended, compared to agenda consultations, which provide stakeholders with an opportunity to recommend further improvements to financial reporting, beyond those originally intended by the new requirements.

Objective

3. When the IASB issues a new requirement, it includes an effects analysis of the likely benefits and costs arising from the new requirement. Costs comprise initial and ongoing financial and other costs.
4. The objective of a PIR is to assess whether the effects of applying the new requirements on users of financial statements, preparers, auditors and regulators are as intended when the IASB developed those new requirements.
5. A PIR includes consideration of how contentious matters that the IASB considered during development of the new requirements and how market developments since those new requirements were issued are being addressed in practice.
6. A PIR concludes with a determination of whether:
 - (a) overall, the new requirements are working as intended. Fundamental questions (ie 'fatal flaws') about the clarity and suitability of the core objectives or principles in the new requirements would indicate that they are not working as intended; and

- (b) there are specific questions about application of the new requirements. If there are specific application questions, the IASB may still conclude that the new requirements are working as intended. However, those specific application questions would be addressed if they meet the criteria for whether the IASB would take further action (see matters identified and their prioritisation).
- 7. A PIR is not a standard-setting project and does not automatically lead to standard-setting. It is also not intended to lead to the resolution of every application question.
 - 8. However, PIRs can identify improvements that can be made to a new requirement, to the standard-setting process or the general structure of Accounting Standards.

The PIR process

Starting a PIR

- 9. The earliest a PIR would start is after the new requirements have been implemented for at least 24 months. However, financial statements that reflect 24 months of implementation are generally available in practice only about 30–36 months after the effective date of the new requirements.
- 10. The start date depends on the availability of information, such as:
 - (a) trend data from financial statements applying the new requirements;
 - (b) academic research; and
 - (c) the level of experience in practice (while balancing the risk that practice may become so embedded that resistance to improvements may develop), which may depend on the level of change arising from the new requirements.

Research

- 11. The PIR process consists of two phases. During both phases, the IASB reviews relevant academic research and other reports.
 - (a) Phase 1 - the IASB identifies matters to be examined, drawing on discussions with the Interpretations Committee, the IASB's advisory groups and other interested parties. The IASB consults publicly on the matters identified in the first phase of the PIR.
 - (b) Phase 2 - the IASB considers the comments from the public consultation along with the information it has gathered from any additional analysis and other consultative activities.

Matters identified and their prioritisation

12. As part of phase 2, the IASB considers ***whether*** to take any action on matters identified in PIRs (paragraph 13) and the ***prioritisation*** of those matters (paragraph 14-15).
13. The IASB takes action, subject to the prioritisation criteria in paragraphs 14 and 15, if there is evidence that:
 - (a) there are fundamental questions (ie 'fatal flaws') about the clarity and suitability of the core objectives or principles in the new requirements; or
 - (b) the benefits to users of financial statements of the information arising from applying the new requirements are significantly lower than expected (for example, there is significant diversity in application); or
 - (c) the costs of applying some or all of the new requirements and auditing and enforcing their application are significantly greater than expected (or there is a significant market development since the new requirements were issued for which it is costly to apply the new requirements consistently).
14. The ***prioritisation*** of matters as high, medium or low would depend on the extent to which evidence gathered during the PIR indicates:
 - (a) the matter has substantial consequences;
 - (b) the matter is pervasive;
 - (c) the matter arises from a financial reporting issue that can be addressed by the IASB or the Interpretations Committee; and
 - (d) the benefits of any action would be expected to outweigh the costs. To determine this, the IASB would consider the extent of disruption and operational costs from change and the importance of the matter to users of financial statements.
15. Depending on the above assessment:
 - (a) high priority matters would be addressed as soon as possible. This category is expected to be used only rarely, for those matters:
 - (i) that relate to the core objective or principles of a new requirement that lead the IASB to conclude in the PIR that the new requirement is not working as intended; or
 - (ii) for which most of the prioritisation characteristics are present to a large extent, the benefits of any action are expected to exceed the costs and solutions are needed urgently.

- (b) medium priority matters would be added to the IASB's research pipeline or the Interpretations Committee's pipeline. This category consists of those matters for which most of the prioritisation characteristics are present to a large extent and for which the benefits of any action are expected to exceed the costs. Pipeline projects are expected to become active before the next agenda consultation.
- (c) low priority matters would be considered in the next agenda consultation and explored if the IASB decides, in its deliberations on the feedback to the agenda consultation, to take action. This category consists of those matters for which:
 - (i) some of the prioritisation characteristics are present to some extent; and
 - (ii) the remainder of the prioritisation characteristics are not met or there is insufficient information to conclude whether the characteristic is present.
- (d) no action matters. This category consists of those matters for which few or none of the prioritisation characteristics are met. Matters in this category will not be explored unless:
 - (i) stakeholders identify the matters as a priority in their feedback on a future agenda consultation; and
 - (ii) the IASB decides, in its deliberations on the agenda consultation feedback, to take action.

Outcomes

- 16. Action may involve continued monitoring of a matter or some level of research by the IASB or the Interpretations Committee that may lead to a standard-setting project, an agenda decision or educational materials. The IASB may also conclude that no further action is needed.

Reporting

- 17. At the end of the PIR, the IASB publishes a Report and Feedback Statement summarising the matters identified and any actions it plans to take as a result of the PIR.