

# Update on the Board's activities

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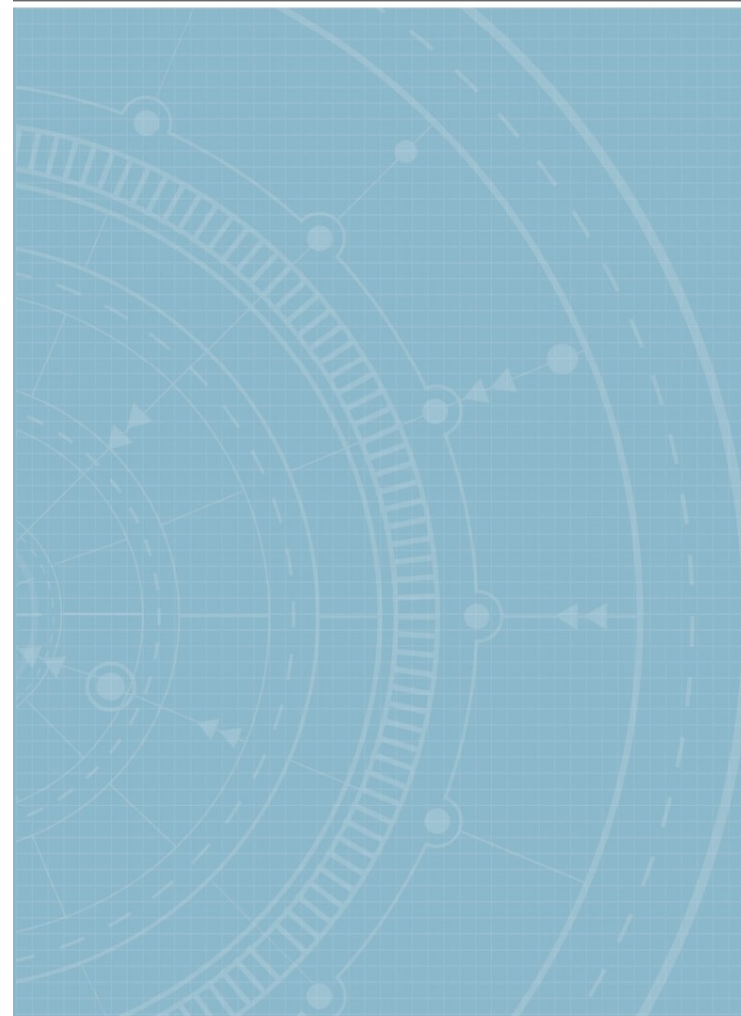
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- 2015 Agenda consultation: our new approach to the work plan
- Better communication: a new theme
- *Conceptual Framework*
- Other major projects
- Implementation strategy
- Recently-issued IFRS Standards



# 2015 Agenda Consultation

Our new approach to the work plan



- The Board issued a Request for Views (RFV) on:
  - the balance of our activities, split between standard-setting, implementation support and research;
  - what research topics should be prioritised and how we should do that prioritisation;
  - whether we provide sufficient implementation support;
  - whether the pace of change to IFRS Standards is too high, too low, or about right.
- Links with the Trustees' RFV

- Received 119 comment letters; discussed in 30+ forums
- Focus on finishing insurance contracts and *Conceptual Framework*
  - we have already finished IFRS 16 *Leases*
- Focus on implementation activities, rather than standards-level projects. Important implementation activities include:
  - support for new and recently-issued Standards;
  - maintenance activities; and
  - post-implementation reviews.
- Most respondents support our evidence-based approach

# Information that is useful to investors

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- Another key message was the importance of providing information that is useful to investors
- Projects that are important to investors were identified as high priority by many respondents:
  - primary financial statements
  - principles of disclosure
- Better communication is a central theme for the coming years

- Many respondents requested a stable platform:
  - because change is a burden on all, especially small entities;
  - to enable preparers to develop and enhance their reporting processes and systems;
  - to allow stakeholders to implement new Standards.
- The level of change that will be required to implement IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contract with Customers* and IFRS 16 *Leases* will be considerable
- Limitations on stakeholders' capacity for change is a key constraint on the Board's activities
  - including 'outreach fatigue'

# Draft work plan strategy 2017-2021

- The Trustees ratified extending the interval to 5 years
  - hence, the forecast period will be 2017-2021
- Switch away from transaction-specific Standards-level projects to place more emphasis on:
  - better communication in financial statements;
  - Implementation, and the support of consistent application;
  - standard-setting that builds on the revised *Conceptual Framework* and enhances consistency between Standards;
  - a realistic, achievable research programme.
- The research programme has become more focussed
- Still a draft work plan at this stage



- Projects that result in better communication in financial statements will be a central theme in the forecast period
- The other active research projects will be carried out in a more timely manner:
  - business combinations under common control
  - dynamic risk management
  - financial instruments with characteristics of equity
  - goodwill and impairment

- The Board has also identified a pipeline of research projects that will be carried out later in the period 2017-2021
  - equity method for associates and joint ventures
  - extractive activities
  - pollutant pricing mechanisms
  - provisions, contingent liabilities and contingent assets
  - variable and contingent consideration
- The pipeline also includes feasibility studies on:
  - high inflation, rather than hyperinflation (scope of IAS 29)
  - pensions: benefits that depend on asset returns
  - SMEs that are subsidiaries

- The aim of the research programme is to gather evidence to establish whether
  - a problem exists
  - it causes problems in practice
  - a feasible solution can be identified
- The research programme is intended to feed manageable projects into the Standards-level work plan on a timely basis

# 2015 Agenda consultation: Completed topics

- The Board completed its assessment of these research topics before the RFV was issued:
  - foreign currency translation
  - high inflation
- The following topics will be completed before the end of 2016:
  - share-based payment
  - discount rates

# 2015 Agenda consultation: Topics removed from the work plan

- The topics removed from the Board's draft work plan as a result of messages received were:
  - income taxes
  - intangible assets and R&D
  - post-employment benefits
- Topics proposed by respondents, but not included in the draft work plan, include collaborative arrangements, general principles for separate financial statements or for combined financial statements, a review of government grants and non-reciprocal transactions

- The draft work plan will be discussed by the IFRS Advisory Council in June 2016 and the Accounting Standards Advisory Forum in July 2016
- The Board will discuss its 2017-2021 work plan, including that feedback, again at its July 2016 meeting
- A preliminary work plan will be posted on the web site following the July 2016 meeting
- A feedback statement summarising the Board's responses to the messages received will be published later this year



# Better communication

A new theme

- Our theme of *Better Communication* in financial reporting will include our work on:
  - primary financial statements
  - the disclosure initiative, including principles of disclosure
  - financial instruments with characteristics of equity
  - the IFRS Taxonomy <sup>TM</sup>
  - materiality
- The scope of some of these projects, such as primary financial statements, is still being developed. Other topics, such as materiality, are more advanced.



# Primary financial statements: Initial scope

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## Likely

- Structure and content of statement of financial performance
  - Additional line items
  - Subtotals
  - Disaggregation
  - Alternative performance measures
- Evaluating whether there are problems with
  - Statement of cash flows
  - Statement of financial position
- Assess the implications of digital reporting

## Unlikely

- Defining a single measure of performance
- Statement of changes in equity (considered in Financial instruments with characteristics of equity project)

## Why

- Requests for the Board to develop presentation and disclosure principles that apply across IFRS Standards.
- Purpose is to:
  - help the Board set better disclosure requirements; and
  - enable preparers to make better judgements about disclosures.

## Output

- Discussion Paper
  - covers overall principles and specific issues.
  - ultimate goal is to produce:
    - the basis for a new or revised general disclosure Standard for preparers (IAS 1, currently);
    - drafting guidance for the Board for its internal use in setting disclosure requirements.

# Financial instruments with characteristics of equity

- Investigating potential improvements to:
  - classification of liabilities and equity in IAS 32
  - definitions of liability and equity in the *Conceptual Framework*
  - presentation and disclosure requirements, for instruments that have characteristics of both liabilities and equity
- Future discussions will include:
  - derivatives and compound instruments
  - conditional alternative settlement outcomes
  - improvements to disclosures
- Next step is likely to be a Discussion Paper

# IFRS Taxonomy: Areas of focus

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## IFRS Taxonomy content

- Publication of *Annual IFRS Taxonomy 2016* and three IFRS Taxonomy Updates

## Governance

- Finalisation of the revised IFRS Taxonomy due process

## Adoption and implementation

- IFRS filing profiles and outreach
- Management of entity-specific disclosures

## Educational and supporting materials

- *Guide to IFRS Taxonomy common practice content*
- Enhancements to the IFRS Taxonomy Illustrated

## Trustees' review

- Strategy relating to the IFRS Taxonomy and wider impact of technology upon the relevance of the IFRS Standards

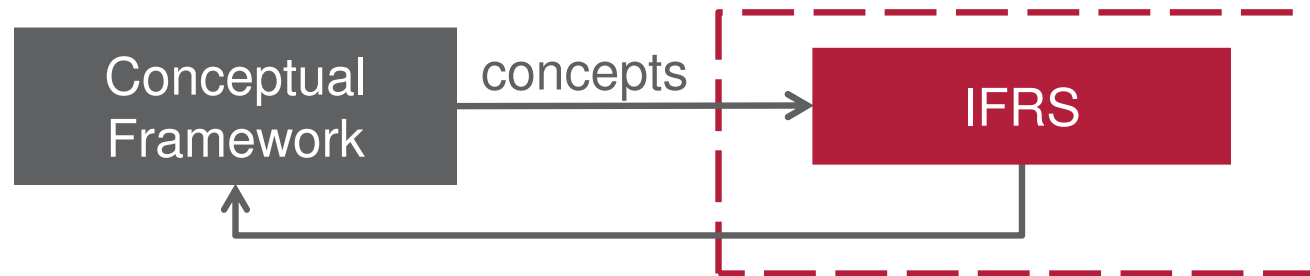
# Other topics on better communication

Other topics:	
Materiality	Part of the disclosure initiative The object of this project is to help preparers, auditors and regulators to use judgment when applying the concept of materiality
Standards-level review of disclosures	Scope of review will be determined once we have received feedback on the Principles of Disclosure Discussion Paper



# *Conceptual Framework*

# What is the *Conceptual Framework*?



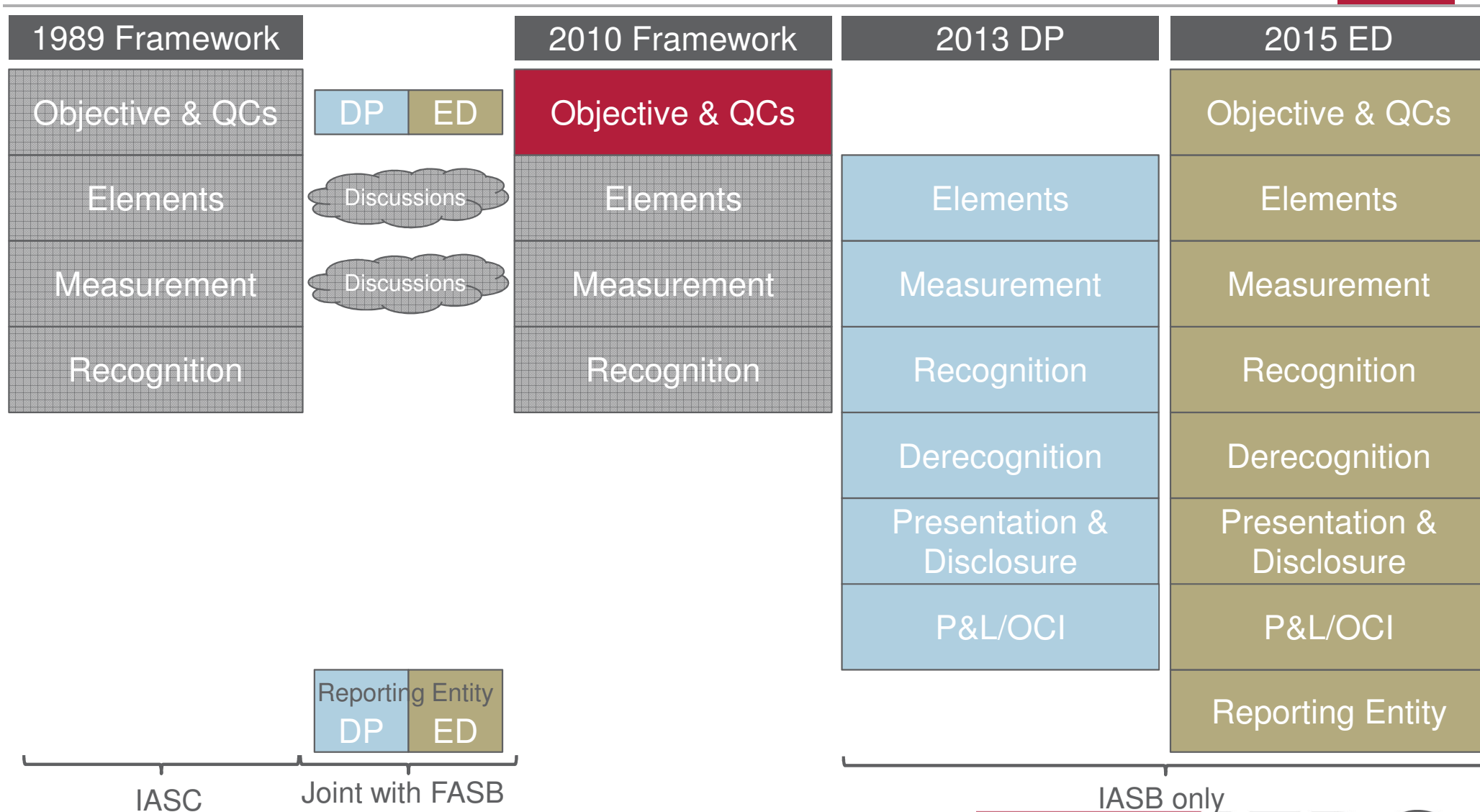
- The *Conceptual Framework* is a set of concepts that can assist:
  - the Board when developing or revising IFRS Standards
  - preparers to develop accounting policies
  - others to understand and interpret IFRS Standards
- Not a Standard – does not override any IFRS Standard

- Why?
  - Existing *Conceptual Framework* has helped in developing, revising and understanding IFRS Standards. However, some areas were missing, unclear or out of date
- Agenda Consultation
  - Priority project
- Scope of the *Conceptual Framework* project
  - Focus on problems in the real world
  - Update, improve and fill in gaps
  - No fundamental rethink but resuming previous work



# Background

## Conceptual Framework timeline



# Timeline





# Other major projects

# The new insurance contracts Standard

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## Status

- Board completed planned technical discussions
- Publication targeted for around the end of 2016

## Expected effect of Standard

### Improved quality

(relevance and transparency)

- Information about:
  - the effect of insurance contracts on financial performance
  - sources of profits or losses through underwriting activity and investing premiums from customers
  - the nature and extent of risks from insurance contracts

### Improved comparability

- Easier to make comparisons between insurance contracts and other types of contracts
- Replaces huge variety of accounting treatments that depend on type of contract and type of company that issues the contracts



## Status

- Planned technical discussions completed in May 2016
- Publication targeted for September

## Expected effect of amendments

- Introduces two approaches to address concerns about the different effective dates of IFRS 9 and the new insurance contracts standard

### A temporary exemption from applying IFRS 9

- An option available for reporting entities considered as insurers
- Results in an entity applying IAS39 to all of its financial instruments
- Only for a limited period (until 2021)

### An overlay approach

- An option available to all entities issuing IFRS 4 contracts and applying IFRS 9
- Reclassifies from P&L to OCI the incremental volatility that arises when IFRS 9 is applied with IFRS 4

- Discussion Paper published in 2014
  - outlined the Portfolio Revaluation Approach, which aims to better reflect risk management of open portfolios in entities
  - comment letter analysis highlighted significant diversity in views on project objectives among stakeholders
- In May 2016, the Board considered the comments received on its 2015 Agenda Consultation
  - approximately half of those who commented considered the project to be important, whilst approximately one third of those who commented considered it unimportant
- European Financial Reporting Advisory Group is currently conducting outreach to better understand the key drivers in banks' Core Demand Deposit modelling. The IASB staff is participating in this process as observers.

- Status: Developing an accounting model to be consulted on
- Except for a limited-scope temporary Standard, rate-regulated activities are not addressed specifically in IFRS Standards
- Interim relief for first-time adopters of IFRS
  - issued IFRS 14 *Regulatory Deferral Accounts* in Jan 2014
  - permits grandfathering of previous GAAP accounting practices
  - enhanced presentation and disclosure matters
- Current project
  - Discussion Paper published September 2014
  - support for recognising some regulatory deferral account balances, focusing on a revenue-based approach



# Implementation





Two areas of activities:



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graph TD; A[Two areas of activities:] --> B[Support implementation]; A --> C[Maintenance of existing Standards];
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Support  
implementation

Maintenance of  
existing Standards

- Support for newly-issued Standards
  - eg leases educational webcasts
- Focus of education activities
  - to support consistent application
  - education materials available on IASB website
    - eg IFRS for SMEs Standard
    - fair value measurement
    - webcasts
- Relationships with others involved in the application of IFRS Standards
  - to foster consistent application
  - eg regulators, NSS, auditors

- Maintenance is the responsibility of the Board and the IFRS Interpretations Committee
- Various forms:
  - IFRS Interpretations
  - narrow-scope amendments
  - annual improvements
  - agenda decisions
- Post-implementation reviews

# Post-implementation reviews (PIRs)

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- The Board reviews each new Standard or major amendment
- Assess the effect of new requirements on investors, preparers and auditors
  - seek input from investors, preparers, auditors, and securities regulators
  - conduct review of academic studies on the Standard
- Timing of the review — after new requirements have been applied globally for 2 years
- The review phase completed for IFRS 8 *Operating Segments* and IFRS 3 *Business Combination*
- PIRs planned for IFRSs 10-12 (consolidation topics), IFRS 13 (fair value) and IFRS 5 (discontinued operations)



# Recently-issued IFRS Standards



# Recent IFRS Standards

Major Projects	Effective date
IFRS 9 <i>Financial Instruments</i>	1 January 2018
IFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
IFRS 16 <i>Leases</i>	1 January 2019
2015 Amendments to the <i>IFRS for SMEs Standard</i>	1 January 2017

# Recent IFRS Standards (2)

Narrow-scope amendments	Effective date
<b><i>Recognition of Deferred Tax Assets for Unrealised Losses</i></b> (Amendments to IAS 12)	1 January 2017
<b><i>Disclosure Initiative</i></b> (Amendments to IAS 7)	1 January 2017
<b><i>Clarifications to IFRS 15 Revenue from Contracts with Customers</i></b>	1 January 2018

# Recently-effective IFRS Standards

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	Effective date
<b>IFRS 14 <i>Regulatory Deferral Accounts</i></b>	1 January 2016
<b>Accounting for Acquisitions of Interests in Joint Operations</b> <i>(Amendments to IFRS 11)</i>	1 January 2016
<b>Clarification of Acceptable Methods of Depreciation and Amortisation</b> <i>(Amendments to IAS 16 and IAS 38)</i>	1 January 2016
<b>Agriculture: Bearer Plants</b> <i>(Amendments to IAS 16 and IAS 41)</i>	1 January 2016
<b>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</b> <i>(Amendments to IFRS 10 and IAS 28)</i>	1 January 2016
<b>Equity Method in Separate Financial Statements</b> <i>(Amendments to IAS 27)</i>	1 January 2016
<b>Annual Improvements 2012-2014</b> <i>(IFRS 5, 7 and IAS 19, 34)</i>	1 January 2016
<b>Investment Entities: Applying the Consolidation Exception</b> <i>(Amendments to IFRS10, 12 and IAS 28)</i>	1 January 2016
<b>Disclosure Initiative</b> <i>(Amendments to IAS 1)</i>	1 January 2016



# Disclosure Initiative: Amendments to IAS 1

- Clarifying that including immaterial information can obscure material information
- Clarifying that the materiality assessment applies to the whole of the financial statements, including the notes
- Clarifying that the concept of materiality applies within each Standard
- Clarifying that specified line items can be disaggregated
- Include guidance about subtotals
- Amend language that has been interpreted as prescribing the order of the notes
- Remove contradictory examples from the significant accounting policy disclosure requirements

- Final version of IFRS 9 *Financial Instruments* issued July 2014
  - replaces previous versions of IFRS 9
  - brings together classification & measurement, impairment and hedge accounting phases of the Board's project to replace IAS 39
- Mandatory effective date - 1 January 2018 with early application permitted

- Classification and measurement
  - a logical, single classification approach for financial assets driven by cash flow characteristics and business model
  - improvements to own credit
- Hedge accounting
  - an improved and widely welcomed model that better aligns accounting with risk management
- Impairment
  - strongly supported forward-looking 'expected loss' model
  - a significant change in accounting
  - Transition Resource Group (ITG) has provided support on implementation of new requirements

- IFRS 15 *Revenue from Contracts with Customers* issued with the FASB in May 2014
- Joint Revenue Transition Resource Group (<http://go.ifrs.org/RTRG>)
- *Clarifications to IFRS 15* issued by the IASB April 2016
- IFRS 15, together with clarifications, effective from 1 January 2018
- No further planned amendments
  - IASB not planning TRG discussions-monitor questions and submissions
- IFRS 15 implementation support (<http://go.ifrs.org/IFRS-implementation>)

- IFRS 16 *Leases* issued in January 2016
- Effective date of 1 January 2019
- Main features:
  - Lessee:
    - All leases on-balance sheet<sup>1</sup>,
    - Depreciation and interest presented separately in income statement
  - Lessor: little change to existing accounting
- IFRS 16 implementation webpage





<sup>1</sup> Except for short-term leases and leases of low-value assets

- *IFRS for SMEs* published July 2009
- Amendments issued in May 2015 from initial comprehensive review
  - limited changes made after considering feedback and importance of stability during the early years of implementation
  - few significant new issues identified
  - limited areas where targeted improvements made
- Next steps:
  - the next comprehensive review is expected to begin in 2019
  - the Board will decide later this year whether to perform an interim review


# Contact us

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