Agenda

- IASB agenda priorities and evolution of structure
- Update on some major projects:
  - Disclosure initiative
  - Primary financial statements
  - Management commentary practice statement/broader financial reporting
- The *IFRS for SMEs* strategy and update
- (Some) Other active projects
  - Insurance – supporting consistent application
  - IBOR reform: addressing emerging issues
  - Goodwill and impairment
  - Accounting policies and estimates
- Workplan snapshot
IASB agenda, priorities and structure

Strengthening the standard-setting process and product

**Discipline re delivery**
- Realistic but robust timelines
- Avoiding scope creep
- Better problem definition and feasibility assessment during research phase

**Full lifecycle**
- Agenda setting
- Standard setting
- Supporting implementation
- PIR

**From adoption to implementation**
- Initial focus: country adoption of IFRS Standards (see, who uses IFRS Standards)
- Business as usual: more focus on supporting implementation (IC, major new standards) and ongoing stakeholder engagement (eg regional bodies like AOSSG, EEG, WSS)
Technology landscape — Implications for the IFRS Foundation

1. Scoping
   - Accounting and Reporting
   - Consumption of financial reports
   - Standard-setting process
   - Digital experience

2. Strategy development
3. Execution

Different times, different priorities

First-time adoption
- 2001
- Strengthen and converge

‘Big 4’ and CF
- 2006
- 2011
- Support implementation, fill gaps

- 2016
- 2021
- ?
Our structure

How we engage with stakeholders

Some relationships are covered by a Memorandum of Understanding; some are constitutional; others are less formal.
Working with National Standard-Setters

Activity overview
Central theme of the Board’s work

Better Communication in Financial Reporting

Content
- Financial statements
- Information outside financial statements
- Primary Financial Statements
- Disclosure Initiative
- Management Commentary

Delivery
- IFRS Taxonomy
Primary Financial Statements

**Objective:**
Targeted improvements to the primary financial statements with a focus on the structure of statement(s) of financial performance

- **2015:** Agenda consultation identified project as a priority
- **Dec 2016:** Board decision on project scope
- **2017–2019:** Board discussions on topics in project scope
- **H2 2019:** Publish Exposure Draft

**Stakeholder feedback and key tentative Board decisions**

- **Users:** Statements of financial performance are not sufficiently comparable between different companies
- **Users:** Non-GAAP measures can provide useful information, but transparency needs to be improved
- **Preparers:** I need flexibility to tell my company’s story
- **Users:** There is insufficient disaggregation in financial statements

- **Introduce defined subtotals** in the statement(s) of financial performance
- **Introduce disclosure of Management Performance Measures**
- **Introduce requirements to improve disaggregation**
Full scope of the project

**Statement(s) of financial performance**
- Introducing subtotals & categories facilitating comparisons between entities:
  - Operating, investing and financing categories
  - Presentation of share of profit of associates/JVs
- Introducing disclosure of management performance measures
- Improving communication of OCI

**Statement of cash flows**
- Eliminating classification options (interest/dividends)
- Introducing consistent starting point for the indirect method
- Prescribing classification of cash flows related to associates/JVs

**Improving disaggregation in financial statements by:**
- Introducing principles of disaggregation in financial statements
- Requiring disaggregation by nature or by function in the statement(s) of financial performance
- Requiring disclosure of unusual items
- Requiring minimum line items in the primary financial statements
- Developing illustrative examples of primary financial statements for a small number of industries

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**Introducing required and defined subtotals in P&L**
(example for general corporates, analysis of expenses by nature)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>16,500</td>
</tr>
<tr>
<td>Changes in inventories of finished goods and work in progress</td>
<td>(1,000)</td>
</tr>
<tr>
<td>Raw material and consumables used</td>
<td>(6,000)</td>
</tr>
<tr>
<td>Employee benefits expense</td>
<td>(4,000)</td>
</tr>
<tr>
<td>Amortisation expense</td>
<td>(800)</td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>(1,200)</td>
</tr>
<tr>
<td>Impairment of property, plant and equipment</td>
<td>(500)</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>3,000</td>
</tr>
<tr>
<td>Share of profit of integral associates and JVs</td>
<td>500</td>
</tr>
<tr>
<td><strong>Operating profit and share of profit of integral associates and JVs</strong></td>
<td>3,500</td>
</tr>
<tr>
<td>Changes in the fair value of financial assets</td>
<td>250</td>
</tr>
<tr>
<td>Dividend income</td>
<td>50</td>
</tr>
<tr>
<td>Share of profit of non-integral associates and JVs</td>
<td>100</td>
</tr>
<tr>
<td><strong>Profit before financing and income tax</strong></td>
<td>3,900</td>
</tr>
<tr>
<td>Interest income from cash and cash equivalents</td>
<td>100</td>
</tr>
<tr>
<td>Expenses from financing activities</td>
<td>(1,000)</td>
</tr>
<tr>
<td>Unwinding of discount on pension liabilities and provisions</td>
<td>(100)</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td>2,900</td>
</tr>
</tbody>
</table>
Management performance measures (1)

Preparers

I need flexibility to tell my company’s story

Tentative Board decisions

Identify a measure (or measures) of profit that, in management’s view, communicates the financial performance of the entity.

This measure might be a subtotal or total specified by IFRS Standards, but could be a management performance measure (MPM) that complements those subtotals or totals.

If entities identify MPMs, they will usually be disclosed in the notes, because few will fit the structure of the statement(s) of financial performance.

Include as MPMs only if use same measure outside financial statements

Management performance measures (2)

Users

Non-GAAP measures can provide useful information, but transparency needs to be improved

Tentative Board decisions

- Disclose a reconciliation in the notes between the MPM and the most directly comparable subtotal/total specified by IFRS Standards (not as a column on the face)
- Disclose the effect on tax and non-controlling interests separately for each reconciling item
- Explain any differences between MPMs and segment measures
- Describe why the MPMs provide management’s view of performance and how they have been calculated
- Label MPMs in a clear and understandable way
- Explain any changes over time in calculation of MPMs
Example of MPM reconciliation

The MPM is disclosed in a separate reconciliation in the notes:

<table>
<thead>
<tr>
<th></th>
<th>Adjusted operating profit (MPM)</th>
<th>4,400</th>
<th>Tax</th>
<th>NCI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restructuring expenses for the closure of Factory A</td>
<td>(1,000)</td>
<td>200</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td>Impairment of asset B</td>
<td>(400)</td>
<td>80</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Operating profit (IFRS-specified)</td>
<td>3,000</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Most directly comparable subtotal/total specified by IFRS Standards
– can be:
• any of the subtotals required by para. 81A of IAS 1;
• any of the three subtotals proposed in this project;
• profit before tax, profit from continuing operations or gross profit; or
• operating profit before depreciation and amortisation—this means entities are unlikely to be required to disclose tax and NCI for depreciation and amortisation.

Disclosure Initiative—the disclosure problem

• The Board has identified three main concerns about disclosures in financial statements:
  – not enough relevant information
  – too much irrelevant information
  – ineffective communication

Any auditability concerns?
Disclosure Initiative—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 liabilities (including non-cash flows) in financing activities

Disclosure Initiative—Definition of Material (Amendments to IAS 1 and IAS 8)

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

- Some thought the threshold 'could influence' was too low and could be applied too broadly.
- Replaced with 'could reasonably be expected to influence'*
- Focused only on information that cannot be omitted (material information).
- Includes 'obscuring' to clarify that the effect of including immaterial information should also be considered*.
- Referred to 'users' but did not specify their characteristics.
- Uses the wording of the definition in the Conceptual Framework.

*Consistent with existing requirements in IAS 1 Presentation of Financial Statements.
Disclosure Initiative—Materiality Practice Statement

IFRS Practice Statement 2 Making Materiality Judgements

Gathers in one place all the requirements on materiality from IFRS Standards and adds practical guidance and examples

Objective

Provides reporting entities with guidance on making materiality judgements when preparing financial statements in accordance with IFRS Standards

Form of the guidance

The Practice Statement does not change any existing requirements nor introduce any new requirements; it is a non-mandatory document developed by the Board.

How is this being used in practice?

Disclosure Initiative—Better Communication case studies

Objective

• demonstrate that better communication is already possible
• inspire others to improve communication

Content

• focuses on the seven principles of effective communication from the Principles of Disclosure Discussion Paper
• shows how companies disclosed information before and after enhancing communication in their financial statements.
• describes how companies improved the way they communicate (the process)
Disclosure Initiative—Principles of Disclosure

Objective

• identify disclosure issues

Main outcomes

• added a project on targeted standards-level review of disclosures
• added a project to help entities apply materiality judgments to accounting policy disclosure
• consider broader implications of technology for financial communication in the Board’s Technology Initiative
• consider performance measures topic in the Board’s Primary Financial Statements project

Disclosure Initiative—Targeted Standards-level Review of Disclosures

Objective

• help stakeholders improve the usefulness of disclosures for the primary users of financial statements
• develop guidance for the Board to use when developing and drafting disclosure objectives and requirements (as a set of Board decisions)
• not an objective to change the volume of disclosure requirements, although this may be a consequence

Next steps

• test the draft guidance for the Board by applying it to IAS 19 Employee Benefits and IFRS 13 Fair Value Measurement
• publish an exposure draft of amendments to the disclosure requirements in IAS 19 and IFRS 13, and also solicit stakeholder feedback on the draft guidance for the Board on developing disclosure requirements
Disclosure Initiative—Accounting Policy Disclosures

Users say that accounting policy disclosures today are often not useful. Stakeholders’ views differ about ‘significant’ accounting policies required by IAS 1.

Board’s tentative decisions

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.

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

Management Commentary Practice Statement—Project timeline

Nov 2017
Revision of the Practice Statement added to the Board’s agenda

Jul 2018
The Board establishes the Consultative Group (CG)*
The group will advise the Board in developing proposals for revision of the Practice Statement

Sep 2018
CG* meeting - Stream 1
Objective, materiality and principles

Jan 2019
CG meeting - Stream 2
Performance, position and progress

Apr 2019
CG* meeting - Stream 3
Business model, risk, strategy, and operating environment

Q2 2019 onwards
Board deliberations

H1 2020
Publish Exposure Draft
Reasons for updating the Management Commentary Practice Statement

- Proliferation of requirements with diverse objectives
- Incorporate relevant developments from other frameworks
- Close gaps in existing practice
- Growing importance of intangible business resources & relationships
- Complementary information to support longer-term decision making
- Better support for the interpretation of the financial statements

Conceptual Framework Chapter 1

The objective of financial reporting is to provide financial information to primary users to assess future net cash inflows and management’s stewardship.

See Conceptual Framework section 1
Proposed objective of management commentary

The objective of the management commentary is to give context for financial statements by providing primary users with historical financial and operating information and analysis useful for assessing prospects for future net cash inflows and management’s stewardship of the entity’s economic resources.

It is a balancing act …

Consolidate innovation in narrative reporting

Maintain a financial reporting focus

Integrate:
- Key drivers for long-term success
- Impact of specific risks
- Risk management strategy
- Analyses of actual vs strategy

Keep four content elements:
- Business model
- Strategy
- Risks and operating environment
- Performance, position, progress
The *IFRS for SMEs* Standard

### Issued
- July 2009

### Previous review
- 1st review *IFRS for SMEs* Standard commenced in 2012
- A limited number of targeted improvements made
- Amended *IFRS for SMEs* Standard issued in Q4 2015

### Current stage
- 2nd review *IFRS for SMEs* Standard has commenced

### Next steps
- The Board expects to issue a Request for Information in H2 2019
IFRS for SMEs 2019 Review—Status

October 2015
Issued amended IFRS for SMEs Standard effective 1 January 2017

January 2019
2019 Review begins

February 2019
The Board
– Project plan for 2019 Review
– Phase 1: issue RFI

2019 Review begins

Q1 2019

February 2019
The Board
– Project plan for 2019 Review
– Phase 1: issue RFI

Q1 2019

October 2018
Emerging Economies Group
Presented background to IFRS for SMEs

January 2019
SMEIG Consultative Group
(Outreach requests)
– Advice on RFI1 content
– Issues affecting jurisdictions

March 2019
Advisory Council
Advice on the scope of the IFRS for SMEs Standard

(Some) other projects
Supporting Implementation

Why we support implementation

Objective in supporting the Standards

We... help stakeholders obtain a common understanding of the requirements - ie what they are aiming for

In order to... support consistent application of IFRS Standards

Because it... protects IFRS Standards as a single set of global Standards for the benefit of users
The challenge

- In supporting implementation and application of the Standards, the challenge for a standard-setter is to balance:

  - Helpful
  - Not undermine principle-based nature of IFRS Standards

  - Responsive
  - Not disrupt practice (preparers, auditors, regulators)

Support for new Standards

- Educational webinars and other materials
- Transition Resource Group?
- Education—regulators, NSS, investors
- Narrow-scope standard-setting
- Board and Committee public discussions
- Conferences
Support for Standards in effect

Working with other organisations such as regulators and NSS

Interpretations process

Agenda decisions

Narrow-scope standard-setting

Educational materials

Standards in effect

IASB support for IFRS 17 implementation

Webinars

Articles and other materials

Conferences

Transition Resource Group (TRG)

Education for
• investors
• regulators
• standard-setters
• preparers

IASB discussions
• deferral of effective date to 2022*
• targeted amendments to ease implementation*

Informal technical discussions with
• regulators
• standard-setters
• audit firms
• preparers

* proposed deferral of effective date to 2022 and proposed targeted amendments will be subject to public consultation in 2019
Purpose of the IFRS 17 TRG

- Public forum for discussion of submitted questions
- Helps companies to implement IFRS 17
- Helps the Board to identify if more support is needed
- Webcasts, papers and summaries available on web site

IFRS 17 easing implementation

- The Board has discussed concerns and implementation challenges raised and has decided to propose some amendments to IFRS 17 that are narrow in scope and are intended to ease implementation for companies

1. Deferral of the effective date by one year
   - IFRS 17
   - IFRS 9

2. Additional scope exclusions
   - Loans
   - Credit cards

3. Acquisition cash flows relating to expected contract renewals

4. Profit allocation relating to investment components

5. Extension of risk mitigation exception

6. Reinsurance contracts held when underlying contracts are onerous

7. Simplified balance sheet presentation

8. Additional transition reliefs
   - Business combinations
   - Risk mitigation—transition date
   - Risk mitigation—fair value approach
Background on IBOR Reform ED

Interest rate benchmarks such as interbank offer rates (IBORs) play an important role in global financial markets. They index a wide variety of financial products worth trillions of dollars, ranging from mortgages to derivatives.

Market developments have undermined the reliability of existing benchmarks. The FSB has recommended reforms. Some jurisdictions have made progress towards replacing existing benchmarks with nearly risk-free rates (RFRs).

This has led to uncertainty about the future of existing interest rate benchmarks. Such uncertainties have some market implications which may also affect entities’ financial reporting.
Two-phase project

The Board identified two groups of accounting issues:

**Phase I** Pre-replacement issues

- Issues affecting financial reporting before the replacement of an existing benchmark with RFR.

**Phase II** Replacement issues

- Issues that might affect financial reporting when an existing benchmark is replaced with RFR.

The Exposure Draft addresses Phase I issues only

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Phase I – why the Board is proposing amendments

*Uncertainties arising from the reform*

- Uncertainties around timing and amount of designated future cash flows may affect some hedge accounting requirements.

*Potential effects to financial reporting*

- Entities could be required to discontinue hedge accounting. Entities may also not be able to designate new relationships.

*What is the Board’s view?*

- Discontinuation of hedge accounting solely due to such uncertainties could produce information that would not be useful to users of financial statements.

*As a result…*

- The Board decided to propose amending some hedge accounting requirements during this period of uncertainty.
**Which issues are addressed? What is proposed?**

- **Forecast transactions**
  - Reform creates uncertainty about timing/amount of future cash flows based on IBOR.
  - How to consider uncertainty when assessing whether future IBOR cash flows are highly probable?

- **Prospective assessments**
  - Hedge accounting requires a notion of offsetting between hedged item and hedging instrument.
  - How consider possible changes from reform?

- **Risk components**
  - If the hedged item is a risk component, then it must be separately identifiable.
  - Reform may impact market structure and therefore ability to identify a risk component.

**Until uncertainty is resolved assume interest benchmark does not change**

**Required to demonstrate separately identifiable only at inception**

**Other hedge accounting requirements would remain unchanged**

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**Goodwill and Impairment—Project timeline**

- **2009**
  - Entities started implementing revised IFRS 3 Business Combinations.

- **2013**
  - The Board set as research objectives exploring whether to consider:
    - changing the subsequent accounting for goodwill;
    - allowing identifiable intangible assets to be included within goodwill;
    - providing better information about goodwill and impairment through disclosures; and
    - improving the impairment test in IAS 36 Impairment of Assets.

- **2015**

- **July 2018**
  - Based on key findings from research project the Board decided to pursue three objectives for follow-up work and to issue a Discussion Paper as the next step of the project.

- **2019**
  - The Board will continue its discussions on how to achieve the project objectives and work on drafting a Discussion Paper.
Goodwill and Impairment—Objectives for the project

The Board has tentatively decided to pursue three objectives to address the interrelated problems identified in the research. The objectives are:

<table>
<thead>
<tr>
<th>Objective A</th>
<th>Identifying disclosures to enable investors to assess:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• management’s rationale for the business combination; and</td>
</tr>
<tr>
<td></td>
<td>• whether the post-acquisition performance of the business combination meets expectations set at the acquisition date</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Objective B</th>
<th>Simplifying the accounting for goodwill by exploring whether to:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• permit an indicator-only approach to determine when an impairment test is required; and/or</td>
</tr>
<tr>
<td></td>
<td>• reintroduce amortisation of goodwill</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Objective C</th>
<th>Improving the calculation of value in use by exploring whether to:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• remove the prohibition on the inclusion in cash flow projections of future enhancements to the asset; and</td>
</tr>
<tr>
<td></td>
<td>• permit the use of post-tax inputs in the calculation of value in use</td>
</tr>
</tbody>
</table>

Disclosures to support assessing acquisition performance

**Acquisition – current**
- Primary reasons
- Consideration
- Amount of each class of A/L
- Post acquisition revenue, p&l included in group

**Acquisition – possible new**
- Link to business strategy
- Expected synergies and costs to achieve
- Key objectives: targets for acquisition
- Measures to be used to assess performance vs targets

**Subsequent performance – possible new**
- For two years post acquisition, actual results of measures of target

Any auditability concerns?
Enhancing acquisition disclosures – feedback

- Need better information, particularly on subsequent performance of acquisitions
- Support staff suggestions

Preparers

- Disclosures need improvement but...
- Concerns re: commercial sensitivity, costs to track synergies and isolate post-acquisition performance, limits on forward-looking information
- Is info re: expected targets, measures of targets forward looking information?
- Should this information be outside ft/s?
- Any auditability concerns regarding new disclosures?
- How to improve practice?

Users

Regulators & Auditors

Accounting Policies and Accounting Estimates—Proposals

Proposed amendments would clarify:

- How accounting policies and accounting estimates relate to each other
- Selecting an estimation technique (or valuation technique) constitutes making an accounting estimate
- Selecting the inventory cost formulas in IAS 2 constitutes selecting an accounting policy
Accounting Policies and Accounting Estimates

Feedback on the Exposure Draft

Amendments help clarify the distinction between accounting policies and estimates. However:

- concerns on particular aspects
- request for additional clarity
- request for illustrative examples
- questions on cost/benefits of proposed amendments.

Staff’s proposals

- Revise definition of accounting estimates
  - Monetary amounts subject to measurement uncertainty
  - Output of measurement techniques used in applying accounting policies
  - Judgements and assumptions are used in selecting and applying measurement techniques

Additional clarifications
- Changes in inputs or measurement techniques are changes in estimates if resulting from new information.
- Estimation and valuation techniques are examples of measurement techniques.

Other proposals
- Develop illustrative examples
- Not amend definition of accounting policies
- Not address change in inventory cost formulas

Next steps
- Board to consider proposals at a future meeting.
Other maintenance standard-setting projects

**ED forthcoming**
- Deferred Tax Related to Assets and Liabilities from a Single Transaction (IAS 12)
- Fees in the 10% Test for Derecognition (IFRS 9)
- Lease Incentives (IFRS 16)
- Subsidiary as a First-time Adopter
- Taxation in Fair Value Measurements
- Updating a Reference to the CF

**Comment period closed**
- Onerous Contracts, Costs of Fulfilling a Contract (IAS 37)
- Accounting Policy Changes Availability of a Refund (IFRIC 14)
- Current/non-current classification of liabilities
- PPE: Proceeds before Intended Use (IAS 16)
Other projects

**Standard-setting**
- Rate-regulated Activities

**Research**
- Business Combinations Under Common Control
- Dynamic Risk Management
- Extractive Activities
- Financial Instruments with Characteristics of Equity
- Pension Benefits that Depend on asset Returns
- Provisions
- Subsidiaries that are SMEs

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Post-implementation reviews

- **Completed** (no action)
  - IFRS 8
  - IFRS 13

- **Completed**
  - IFRS 3

- **Future PIRs**
  - IFRS 10, 11, 12
  - IFRS 5
Completed projects

The Board issued the following project summaries in 2019:

- Discount rates
- Improvements to IFRS 8 Operating Segments
- Disclosure Initiative—Principles of Disclosure

Supporting resources
Resources available on our website

Supporting materials sorted by Standard

- New website
  www.ifrs.org
- Video
- Leaflet
  Supporting IFRS Standards

For example, for IFRS 9 Financial Instruments

- Webinars
- Articles
- Transition Resource Group
- Agenda decisions


IFRS® Standards

- IFRS Standards Required 1 January 2019 (Blue Book)
- The Annotated IFRS® Standards Required 2019 (Blue)
Join the IFRS Foundation team

visit go.ifrs.org/careers

Get involved

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