

IASB update to IAASB October 2017

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The views expressed in this presentation are those of the presenter, not necessarily those of the International Accounting Standards Board (the Board) or IFRS Foundation.

- IASB strategy and workplan
- Supporting implementation of new Standards
- Focus on
 - Better communication in Financial Reporting
 - Primary Financial Statements
 - Disclosure Initiative
 - Materiality Practice Statement
 - Changes in accounting policies and accounting estimates
 - Broader corporate reporting
- Overview of IASB current agenda

IASB – changes ahead (effective dates)

Materiality
Practice
Statement

Conceptual
Framework

Financial
instruments

Revenue

Leases

Insurance
contracts



3

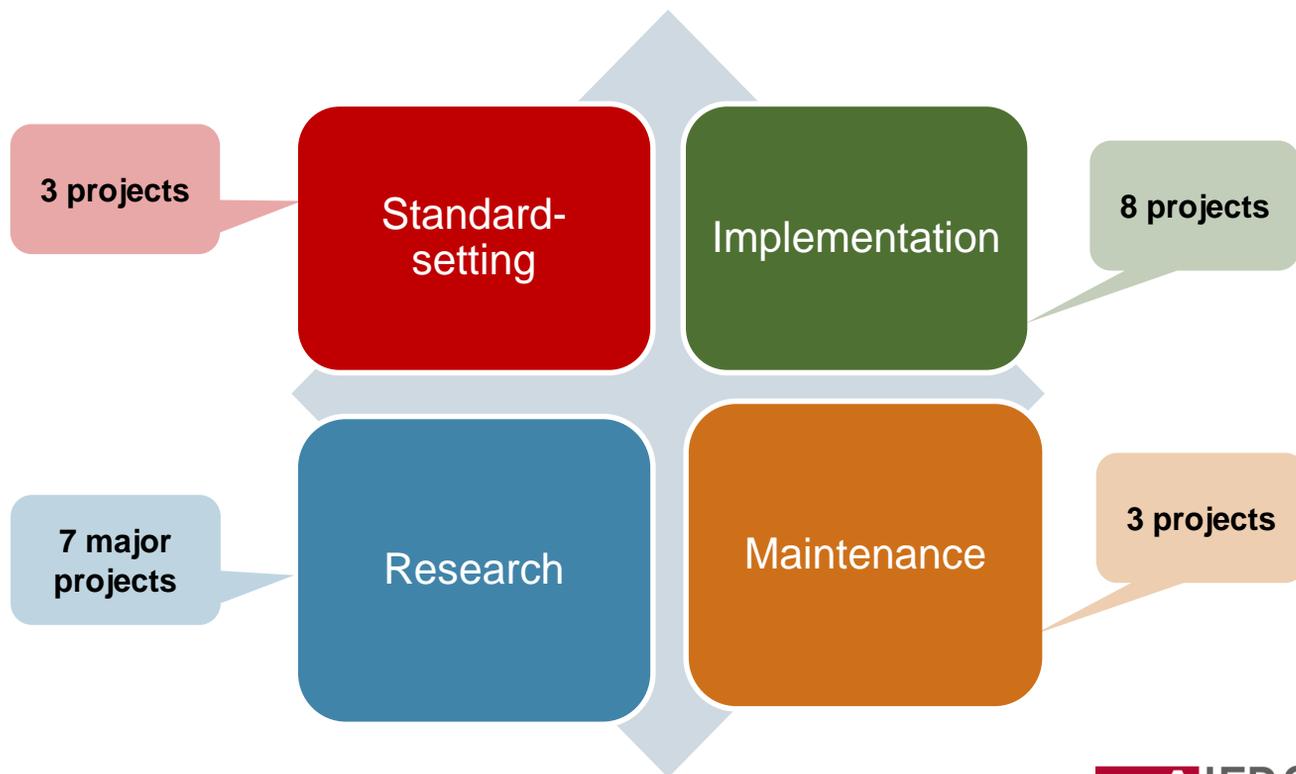
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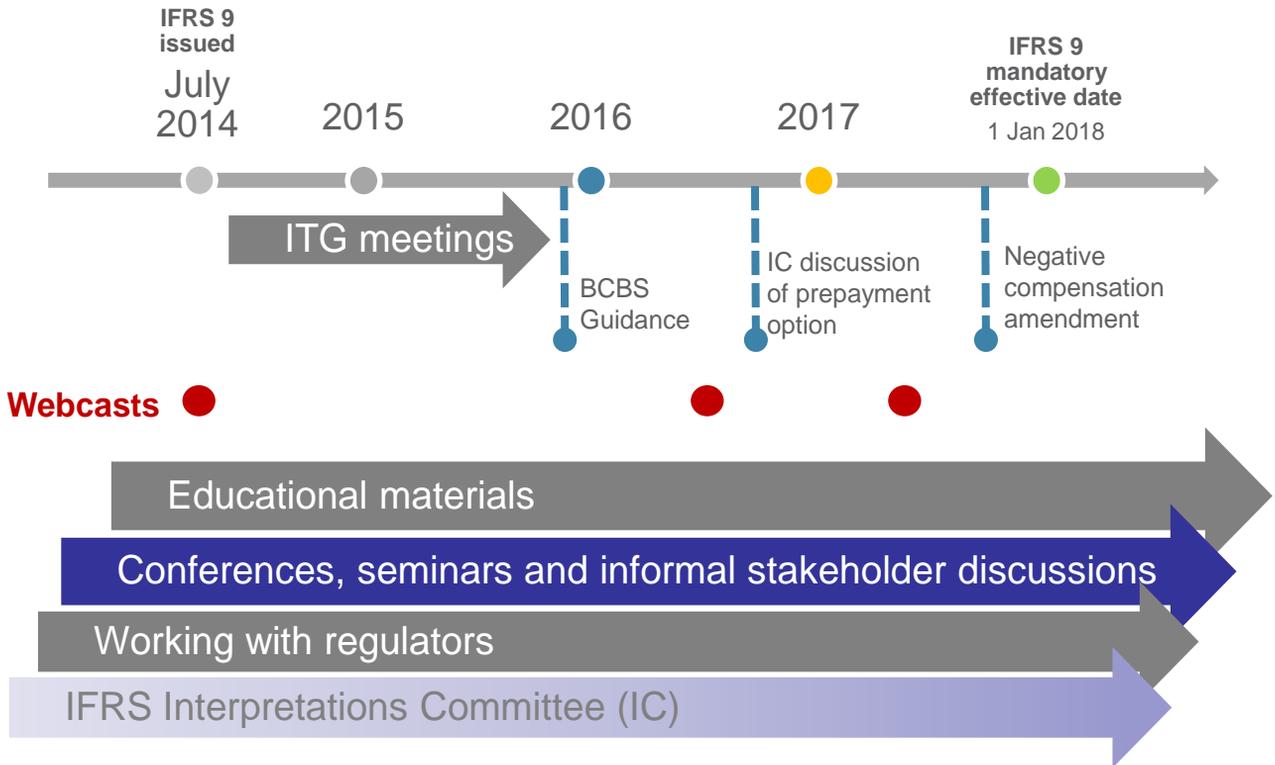
Maintenance
documents
effective in each
year

The Board's work

4



Supporting implementation of IFRS 9



IFRS 17 implementation support

May 2017	3.5 years			2021
Issue of IFRS 17	Support implementation			Mandatory effective date of IFRS 17
	2017 - Early 2019	Late 2019	2020	
	Some entities begin implementation process General questions Contentious / specific implementation questions	Entities are finalising implementation		

Objective: monitor and proactively support implementation	Objective: provide period of calm for implementation
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Supporting materials: - articles - webinars	TRG, IFRS IC and/or Board discussions	Mostly monitor Light touch on implementation / educational activities
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Supporting the implementation of IFRS® Standards

What happens once we've issued Standards? We undertake various activities to support the implementation of recently issued IFRS Standards and the application of Standards already effective. We do this because the quality of implementation and application of the Standards affects the benefits that investors receive from having a single set of global standards. There are several different ways that we, and you, can help with supporting implementation and application of our Standards.

Supporting materials for IFRS Standards and IFRIC Interpretations

Access the material we have produced to help with the implementation of our Standards, including Agenda Decisions, TRG materials and webcasts. >

How the IFRS Interpretations Committee helps implementation

Find out more about the work of the Interpretations Committee and get involved by submitting questions on Standards. >

Supporting materials for the IFRS for SMEs Standard

Access the material we have produced specifically for the IFRS for SMEs Standard, including implementation guidance and training material. >

IFRS 15 Revenue from Contracts with Customers

IFRS 15 *Revenue from Contracts with Customers* was issued by the Board on 28 May 2014 and has a mandatory effective date of 1 January 2018. The Board is undertaking a number of activities to support implementation of the Standard. You can find information about all of these activities by following the links below. This includes all of the educational material that has been prepared by the Board since the Standard was issued, information about the activities of the Transition Resource Group and links to upcoming conferences. Throughout the implementation phase, the Board will monitor implementation and will consider whether additional materials might be helpful.

Transition Resource Group

In June 2014, the Board, along with the US Financial Accounting Standards Board (the FASB), announced the formation of a joint [Transition Resource Group](#) (the TRG). The TRG was set up to support implementation of IFRS 15, and the FASB's Topic 006 *Revenue from Contracts with Customers*, by considering potential implementation issues submitted by stakeholders. After each TRG meeting, the Board and the FASB determined what action, if any, to take relating to each issue considered by the TRG.

Most of the topics discussed by the TRG have been determined by the TRG as sufficiently addressed by the requirements in IFRS 15. However, five topics emerging from the TRG's discussions resulted in the Board deciding to issue some clarifications to IFRS 15. Partly due to these clarifications, the Board also decided to defer the effective date of IFRS 15 by one year to 1 January 2018.

On 21 January 2016, the Board announced that it had completed its decision making on the clarifications to IFRS 15, and that it does not plan to schedule further meetings of the IFRS constituents of the TRG. The Board issued [Clarifications to IFRS 15](#) in April 2016.

+ [Educational materials](#)

+ [Summaries of issues discussed at TRG Meetings](#)

+ [Standard setting activity relating to topics considered by the TRG: publications and other information](#)

+ [Technical enquiries and implementation issues](#)

Other Board discussions and education materials

The materials below record other potential implementation issues discussed by the Board after issuance of IFRS 15. These relate to issues that were not considered by the TRG. These discussions did not result in any Standard setting activity.

Related Standards

[IFRS 15 Revenue from Contracts with Customers](#)

Contact

[Implementation team](#)

Upcoming conference

[IFRS Conference in Amsterdam
29 - 30 June](#)

+ Educational materials

+ Summaries of issues discussed at TRG Meetings

+ Standard setting activity relating to topics considered by the TRG: publications and other information

+ Technical enquiries and implementation issues

Other Board discussions and education materials

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+ Other Board discussions relating to IFRS 15

Maintenance: overview of 2017 activities to date



Maintenance: Post-Implementation Reviews (PIRs)

11

Completed PIRs

IFRS 8 *Operating Segments*

- Improvements to IFRS 8 ED—**comments due 31 July 2017**

IFRS 3 *Business Combination*

- Definition of a business ED, issued 2016, finalise 2018
- Research project: Goodwill and Impairment

In progress

IFRS 13 *Fair Value Measurement*

- Request for Information—**comments due 22 September 2017**

Future PIRs

IFRSs 10-12

- consolidation topics

IFRS 5

- discontinued operations

Central theme of Board's work

Primary
Financial
Statements

Disclosure
Initiative

IFRS
Taxonomy™

Content and its organisation

Content delivery

Primary Financial Statements – scope

13

Statement(s) of Financial Performance		
Require Additional EBIT-type Subtotal?		
Require Investing Category?	Statement of Cash Flow	
Permit or Require a Management Performance Measure?	Require a consistent starting point for the reconciliation?	Statement of Financial Position
Better ways to communicate OCI?	Eliminate options for interest/dividends?	No planned change – possibly greater disaggregation



PFS – September 2017 staff proposals

14

Revenue	10,000
Cost of goods sold	<u>-4,000</u>
Gross profit	6,000
Selling, general and admin costs (SG&A)	<u>-2,000</u>
Management performance measure	4,000
Restructuring expenses	<u>-1,000</u>
Profit before investing, financing and income tax	3,000
Share of profit of associate/joint venture	250
Other investing income	50
Profit before financing and income tax	3,300
Income related to capital structure	200
Expenses related to capital structure	-1,000
Interest income on a net defined benefit asset or a net asset that arises from offset with a liability outside capital structure	50
Interest expenses on liabilities outside capital structure	<u>-450</u>
Pre-tax profit	2,100

Should columnar presentation be permitted?

Investing category ('no significant synergies with the entity's other resources')

Disclosure Initiative

Related projects

Completed projects

Materiality implementation projects

Research projects

Amendments to IAS 1 to remove barriers to application of judgement

Amendments to IAS 7 to improve disclosure of liabilities from financing activities

Materiality Practice Statement

Definition of material

Comment deadline: 15 January 2018

Principles of Disclosure (POD)

Comment deadline: 2 October 2017

Standards-level Review of Disclosures

Conceptual Framework

Primary Financial Statements

Principles of Disclosure

Principles of effective communication



Principles on where to disclose information

Roles of primary financial statements and of notes

Location of information



Principles to address specific concerns expressed by users of financial statements

Use of performance measures

Disclosure of accounting policies

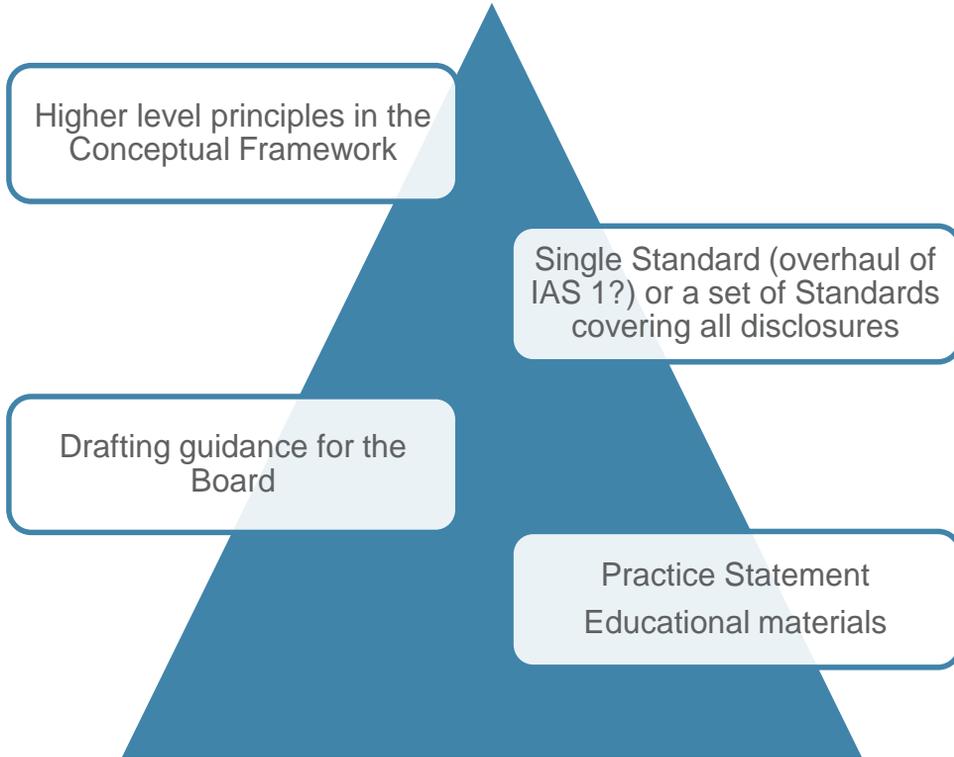


Improving disclosure objectives and requirements

Centralised disclosure objectives

Drafting disclosure requirements

Principles of Disclosure – possible outputs



IFRS Practice Statement *Making Materiality Judgements*



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

Objective



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**

* The *Definition of Material* ED proposes aligning the definitions of material in IFRS Standards and refining them by incorporating concepts currently described elsewhere in IFRS Standards.

- A **classification system** for IFRS reporting
- Consists of ‘**elements**’ that are used to tag the information in IFRS financial statements
- Enables **structuring** of the information to make it more understandable and accessible
- Makes the tagged information **readable for computers**

Covers IFRS® Standards and the *IFRS for SMEs*® Standard

Changes in accounting policies and accounting estimates

20

September 2017 Exposure Draft

Help entities distinguish accounting policies from accounting estimates

Clarification on how accounting policies and accounting estimates relate to each other

**Comment period ending
15 January 2018**

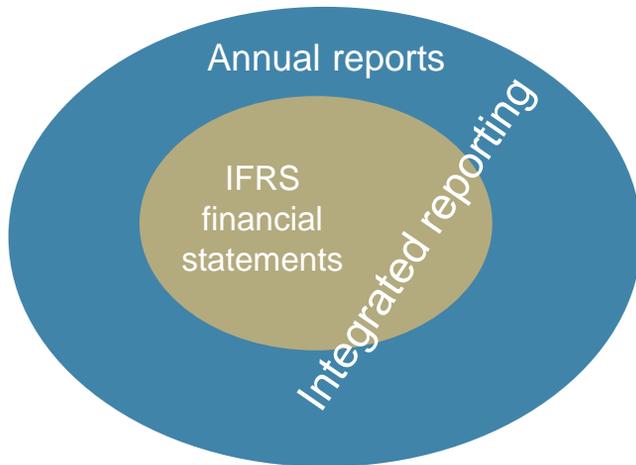
Forthcoming (2018) Exposure Draft

Lower the threshold for retrospective application of voluntary changes in accounting policies arising from IFRS-IC Agenda Decisions

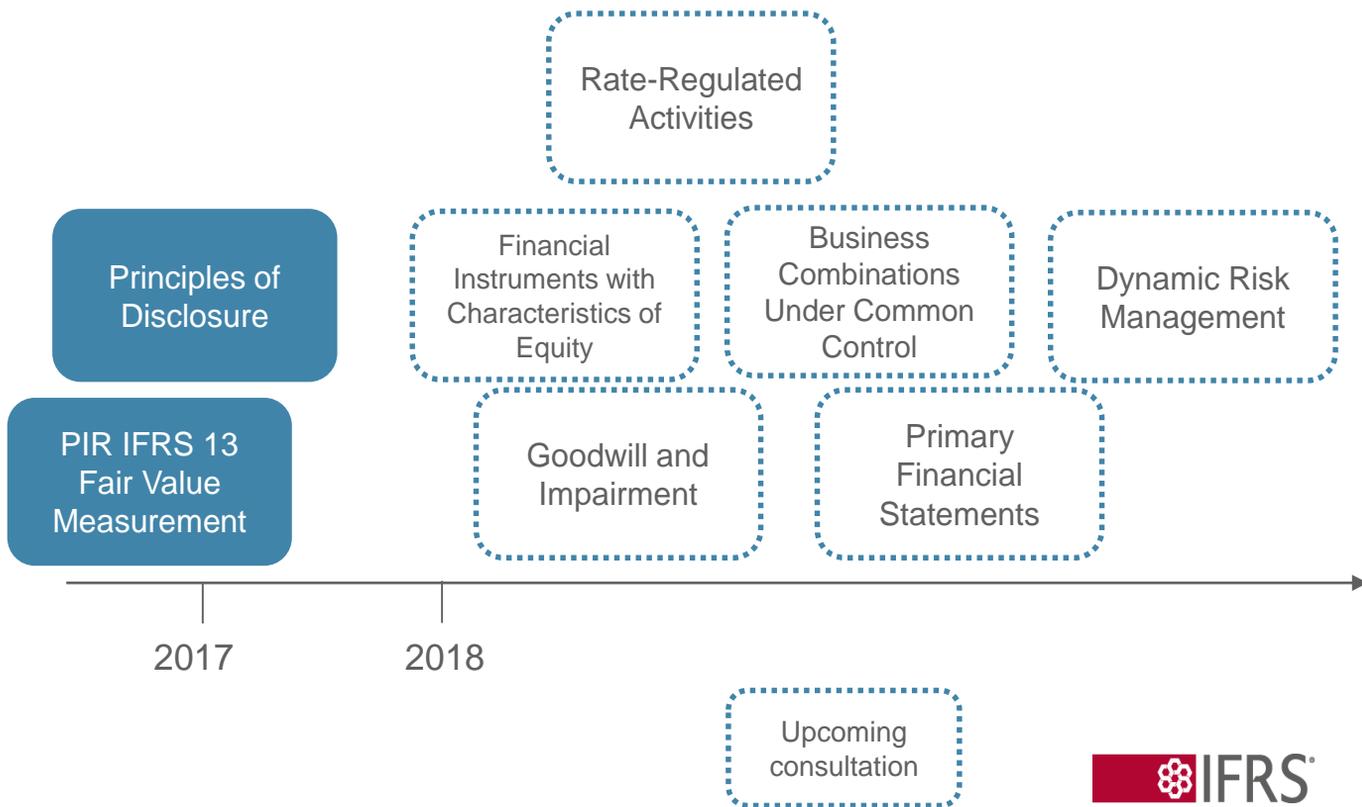
Threshold including a consideration of the benefits and costs of applying the change retrospectively

Broader corporate reporting

- IASB participates in:
 - Corporate Reporting Dialogue
 - International Integrated Reporting Council

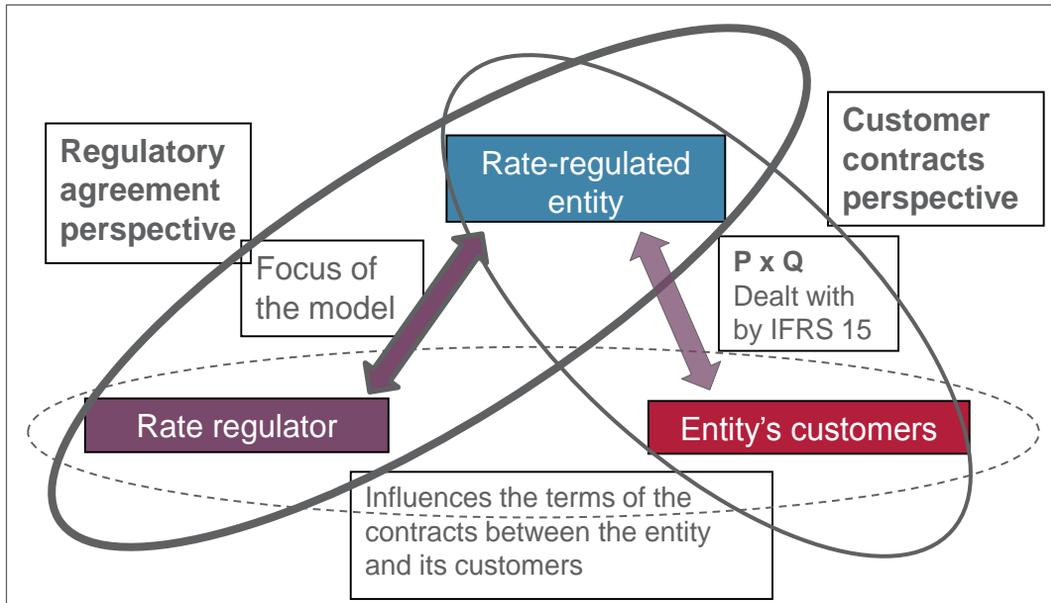


2017-2019 major consultations



Rate-regulated activities: focus on the regulatory agreement

In **defined rate regulation**, the rate regulator intervenes to affect both the **amount** and the **timing** of the price (P) billed to customers.



Research pipeline

- Future research projects
- 2017-2021: 8 projects in pipeline

Active research

- Gather evidence: is there a problem?
 - Is it a financial reporting problem?
 - Can it be solved?
- 6 active research projects

Standard setting?

- Use evidence:
 - Start standard-setting?
 - If yes, set scope.

Active research projects

25

Project	Target
Disclosure Initiative: Principles of Disclosure	DP feedback – Q1 2018
Primary Financial Statements	DP – H1 2018
Business Combinations under Common Control	DP – H2 2018
Dynamic Risk Management	DP – H2 2018
Financial Instruments with Characteristics of Equity	DP – H1 2018
Goodwill and Impairment	DP – H1 2018

Business Combinations Under Common Control (BCUCC)

26

BCUCC excluded from the scope of IFRS 3 *Business Combinations*



Project to address concerns about diversity in practice for BCUCC and group restructurings

- Predecessor method commonly used
- Acquisition method prescribed by IFRS 3 used in some cases

Diversity in applying the predecessor method

Particular focus on transactions that affect equity investors outside group

Board discussions resumed Q3 2017

Exploring two approaches:

- Apply IFRS 3 for transactions with particular characteristics
- Predecessor method used in other cases

Apply predecessor method in all cases

Discussion paper expected in 2018

Key question

What should the information content of financial statements be regarding dynamic risk management activities?

Guiding principles

1. Is information content **improved** considering the objective of financial statements?
2. Can **users understand** the risk management objective? Are they able to **evaluate management** on its ability to **deliver against the stated goal**?
3. Does it allow risk managers to **faithfully** and **transparently** represent their activities in the financial statements?
4. Is the solution consistent with the *Conceptual Framework*?

Focused on solutions involving both measurement and disclosure

Classification

- Still a single distinction (liability or equity)
- Underpin principles in IAS 32
- May differ from Conceptual Framework ('no practical ability to avoid')

Presentation

- Separate presentation for liabilities based on value of residual
- Expanded statement of changes in equity (including attribution of performance to classes of equity)

Disclosure

- Consider investor information needs re: dilution, liquidity, solvency
- Interaction with EPS?

Feedback from PIR of IFRS 3 *Business Combinations*

- Complex and costly impairment test
- Delays in recognition of impairment
- Inadequate disclosures
- Question whether separation of particular intangibles is always useful

Board's research project

- Possible:
 - improvements to impairment test
 - amortisation of goodwill
 - subsuming particular intangibles into goodwill
 - additional disclosures

Board discussions throughout 2017

Discussion Paper H1 2018

Appendix: Recently issued standards, amendments and interpretations

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One accounting model for all insurance contracts in all IFRS jurisdictions



- measures insurance contracts at a current estimate of cash flows discounted at a current rate
- Separates underwriting and financial performance

Who is affected?



450
listed insurers using IFRS
Standards



\$13 trillion
total assets of those listed
insurers

When?

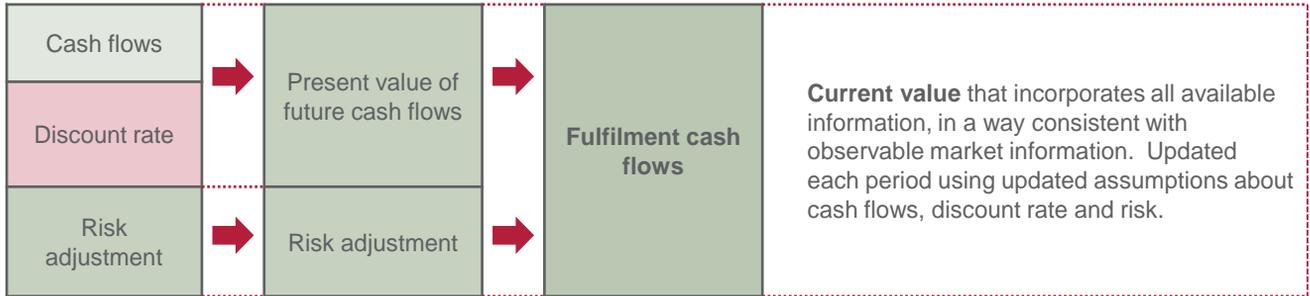


2021
mandatory effective date of
the new Standard



3.5
years for companies
to implement the new
requirements

IFRS 17 measurement model

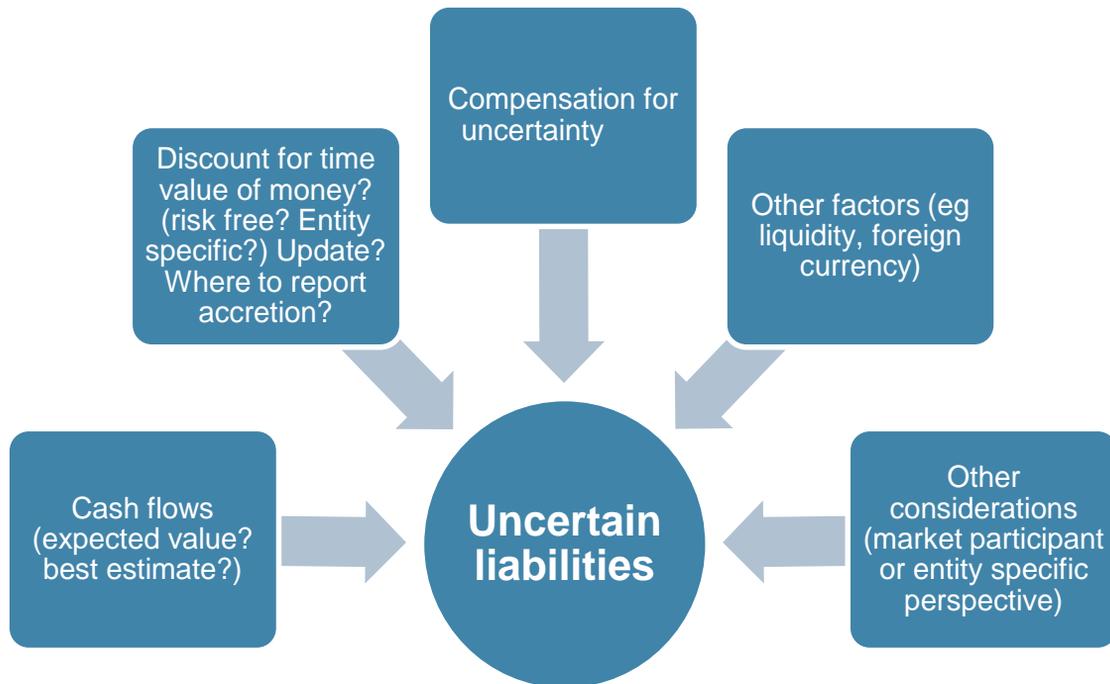


All insurance contracts are measured as the sum of:

- **fulfilment cash flows;**
- and
- **contractual service margin**

Unearned profit of a group of contracts. It is adjusted by changes in estimates and is recognised in profit or loss as insurance coverage is provided.

Lessons learned – measuring uncertain liabilities



Recent IFRS Standards

35

Major Standards	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
IFRS 17 <i>Insurance Contracts</i>	1 January 2021
2015 Amendments to the <i>IFRS for SMEs Standard</i>	1 January 2017

*includes Clarifications to IFRS 15, issued April 2016

Narrow-scope amendments—Effective 1 January 2017

Recognition of Deferred Tax Assets for Unrealised Losses
(amended IAS 12)

Disclosure Initiative (amended IAS 7)

Annual Improvements 2014-2016 (amended IFRS 12)

Narrow-scope amendments—Effective 1 January 2018

IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts*
(amended IFRS 4)

Classification and Measurement of Share-based Payments
(amended IFRS 2)

Transfers of Investment Property (amended IAS 40)

Annual Improvements 2014-2016 (amended IFRS 1, IAS 28)

Narrow-scope amendments—Effective 1 January 2019

IFRIC 23 *Uncertainty over Income Tax Treatments*

Prepayment Features with Negative Compensation (amended IFRS 9)

Long Term Interests (amended IAS 28)

2016-2017 Interpretations

Topic	Effective date
IFRIC 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
IFRIC 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019

Recent IFRS Taxonomy releases

40

Topic	Taxonomy due process stage	Publication date
Applying IFRS 9 <i>Financial Instruments</i> with IFRS 4 <i>Insurance Contracts</i> (Amendments to IFRS 4)	Final Update	Q4 2016
Common Practice (agriculture, leisure, franchises, retail and financial institutions)	Final Update	Q1 2017
Annual 2017 IFRS Taxonomy	Not applicable	Q1 2017
IFRS 17 <i>Insurance Contracts</i>	Proposed Update Comment deadline 18 September 2017	Q2 2017
Prepayment Features with Negative Compensation (Amendments to IFRS 9)	Proposed Update Comment deadline 11 December 2017	Q2 2017



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