

# IASB Update

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# IFRS 17 *Insurance Contracts*



One  
accounting model for all insurance contracts  
in all IFRS jurisdictions



## 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

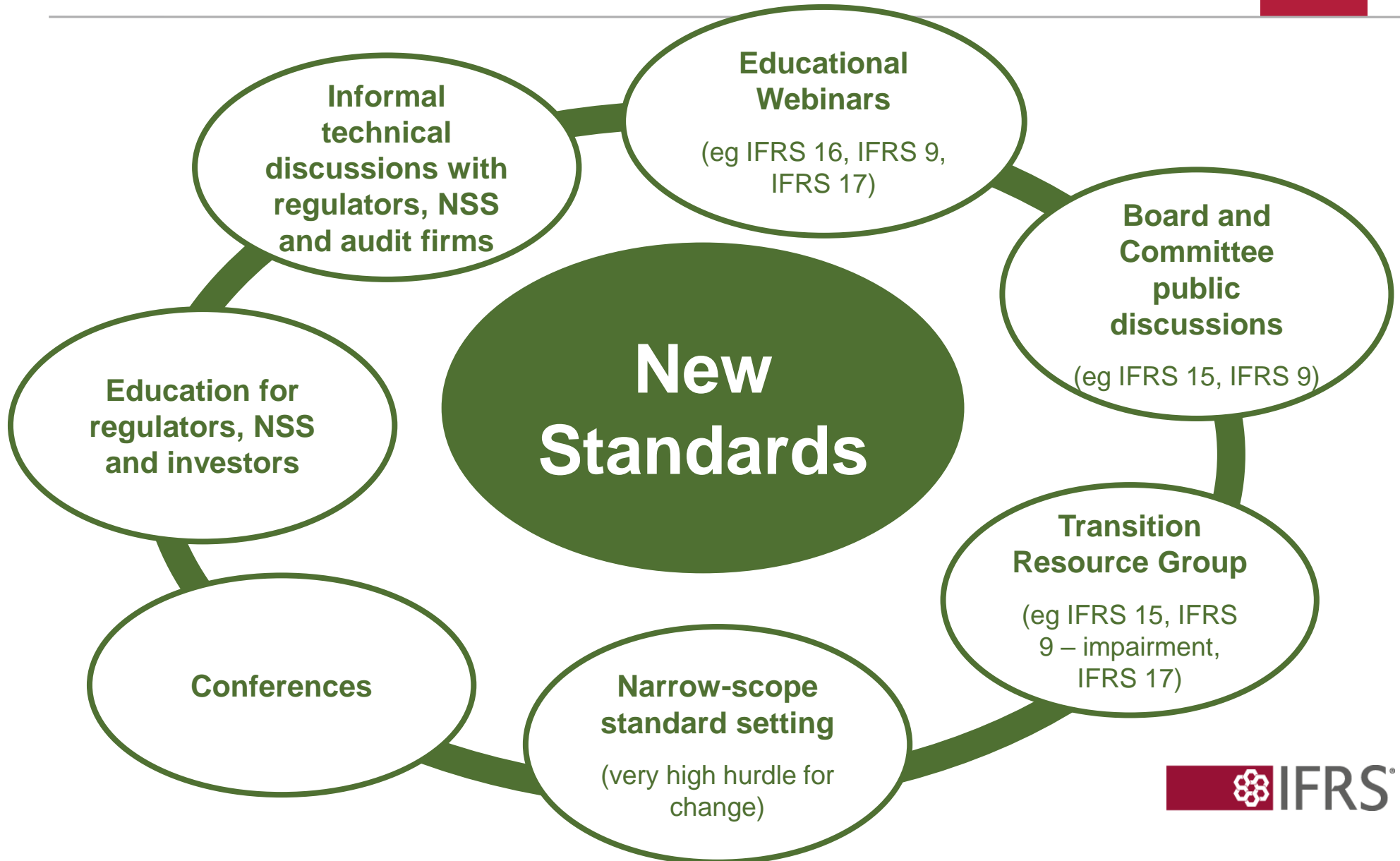


3.5  
years for companies  
to implement the new  
requirements

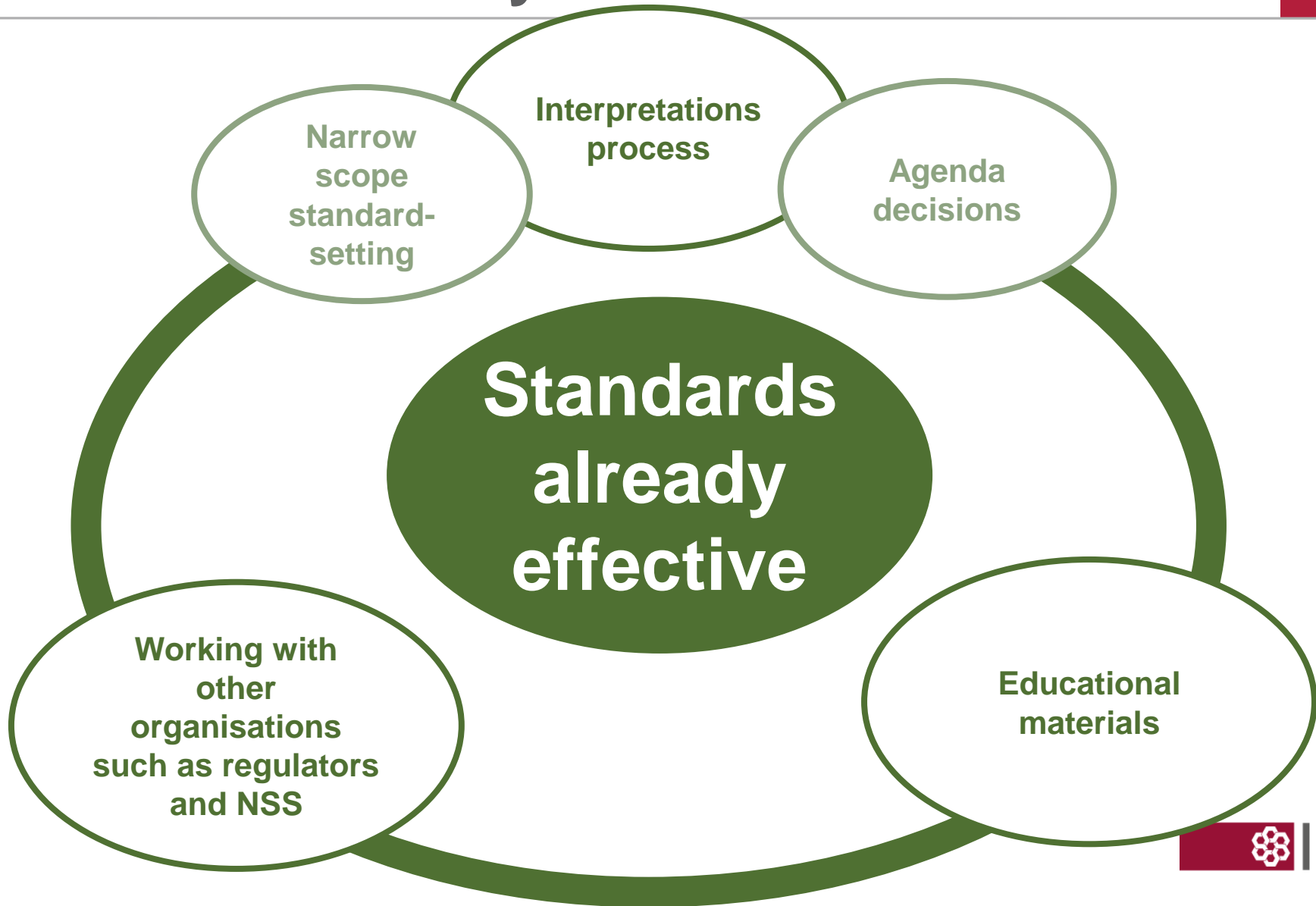
- Current focus: implementing the IASB Work Plan 2017–2021
  - Supporting implementation
  - Better Communication
  - Active projects
    - Conceptual Framework
    - Rate-regulated activities
  - Research programme
    - Active research projects
    - Research pipeline
    - Post-implementation reviews
    - Wider corporate reporting
  - Maintenance projects
  - Upcoming consultations

# Supporting implementation

# How we support implementation: New Standards



# How we support implementation: Standards already effective



# Overview of 2017 activities to date

**16** addressed

- 13** agenda decisions with explanatory material
- 3** amendments or additions to IFRS Standards



**3** too broad for Committee

- 1** picked up in pipeline research projects/PIRs
- 1** considered by Board as part of another narrow-scope amendment
- 1** still to be considered by Board

**1** Committee provided input on Board project

3 meetings held to date in 2017 (March, May and June)

# Making supporting activities visible and accessible



New website



Video



Brochure

Supporting IFRS Standards

## Supporting materials sorted by Standard

IFRS Standards

IFRIC Interpretations

News and events



For example, for IFRS 9 *Financial Instruments*



Webinars



Articles



Transition Resource Group



Agenda decisions



# Better Communication

Central theme of Board's work

Primary  
Financial  
Statements

Disclosure  
Initiative

IFRS  
Taxonomy™

Content and its organisation

Content delivery

# Primary Financial Statements – scope

Statement(s) of financial performance	Statement of cash flows	Statement of financial position	Statement of changes in equity
Requiring additional EBIT subtotal	Eliminating options (interest/dividends)	No planned change – except possible development of template for primary financial statements and greater disaggregation	
Providing guidance on presentation of management operating performance and alternative EPS	Aligning the operating section between the statements of cash flows and financial performance		
Better ways to communicate OCI	Requiring a consistent starting point for the reconciliation		

# 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



# Disclosure Initiative and related projects

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## 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

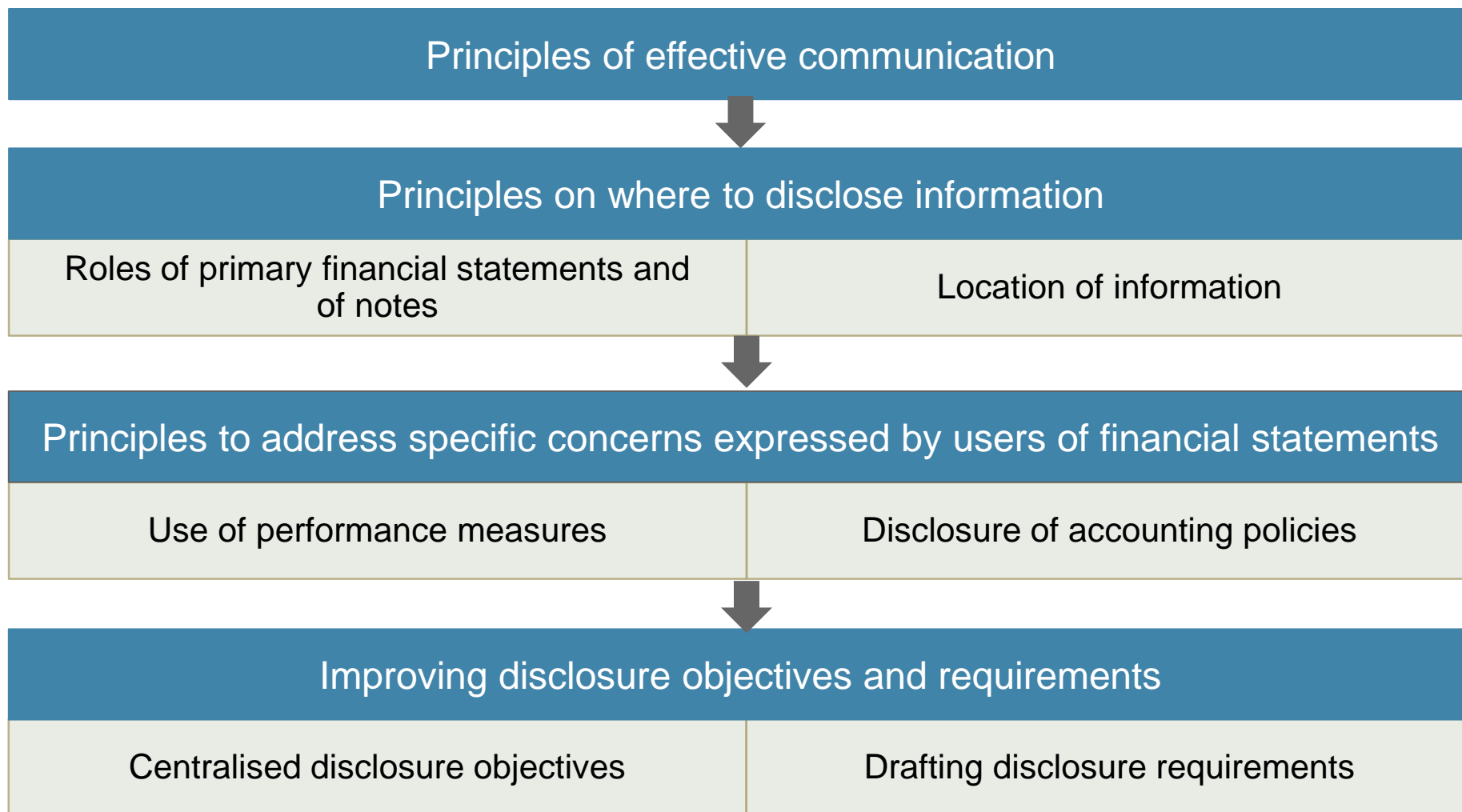
Principles of Disclosure (POD)

Comment deadline: **2 October**

Standards-level Review of Disclosures

Conceptual Framework

Primary Financial Statements



## 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**

- 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



# Active projects

# *Conceptual Framework*

# We need a *Conceptual Framework*

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It supports principle-based Standards

Provides a consistent starting point

Focuses on principles rather than rules

It addresses fundamental issues

What is the objective of financial reporting?

What are assets, liabilities, equity, income and expenses, when should they be recognised and how should they be measured, presented and disclosed?

What makes financial information useful?

It underpins decisions made by the Board when setting Standards

# What is new?



**Clarified**  
objective and qualitative  
characteristics



**New**  
reporting entity,  
presentation & disclosure,  
derecognition and  
measurement



**Updated**  
elements and recognition



**To be continued**  
distinction between  
liabilities and equity

# How did we get feedback?

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**Publications**  
Discussion Paper and  
Exposure Drafts



**Outreach**  
over 260 meetings and  
other events



**Consultative group**  
Accounting Standards  
Advisory Forum

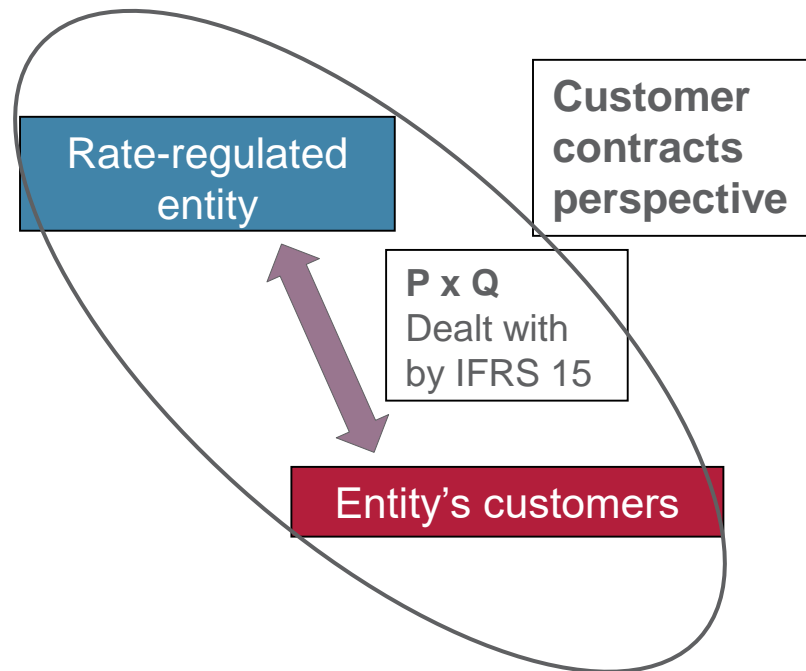


**Effects analysis**  
definitions of elements  
and effects on preparers

# Rate-regulated activities

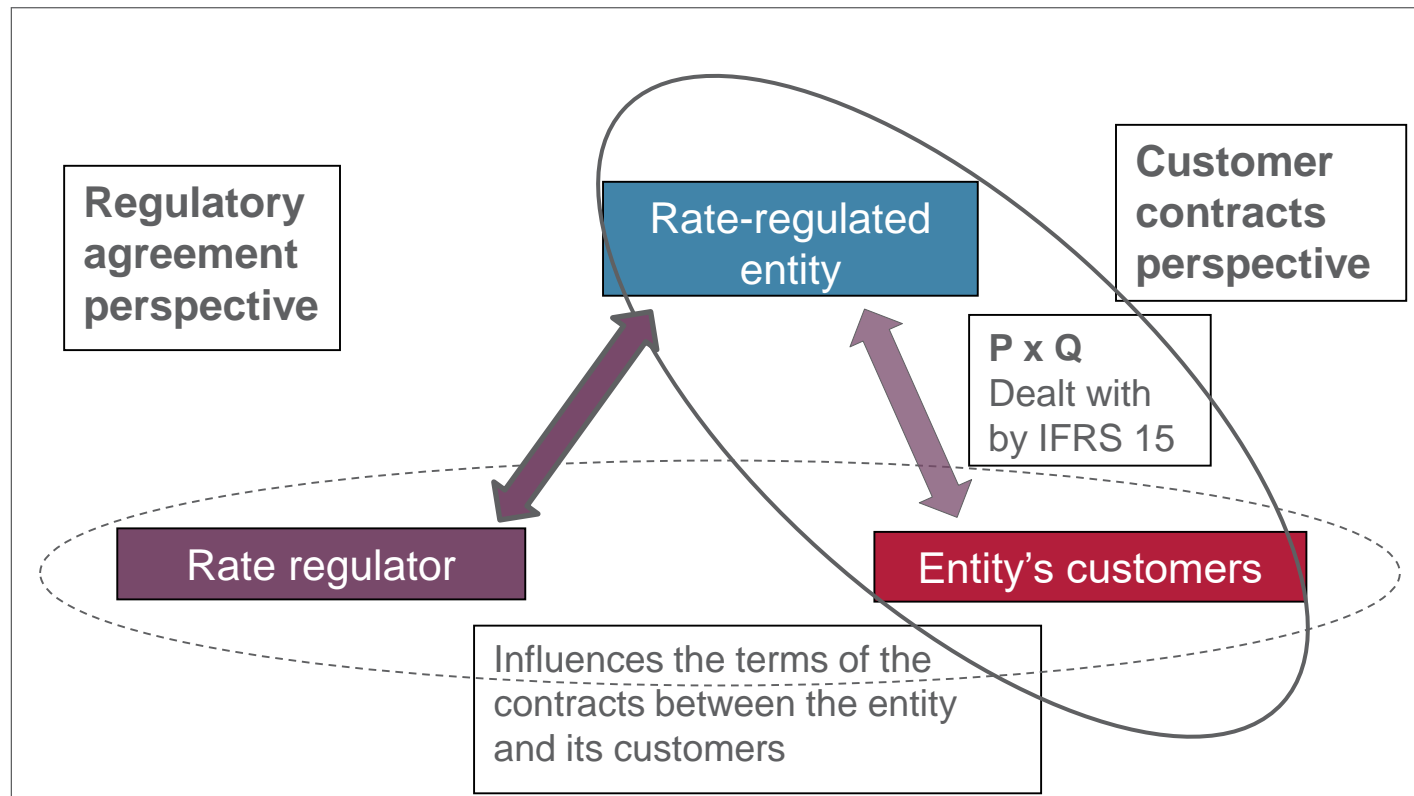
# Rate regulated activities

- IFRS 15 applies to revenue recognition by rate regulated entities, potential **economic effects** of an existing regulatory agreement are **ignored**



# The regulatory agreement

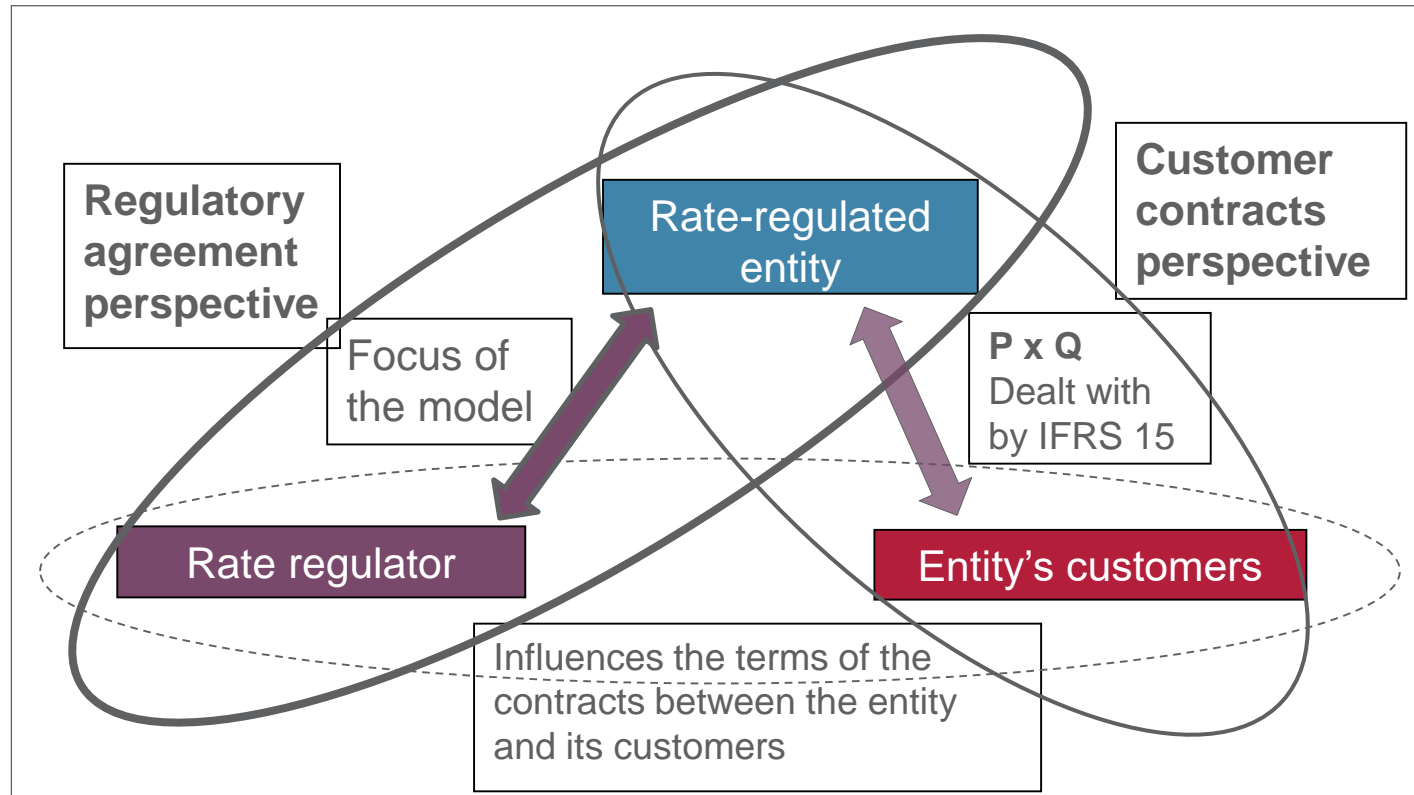
- In **defined rate regulation**, the rate regulator intervenes to affect both the **amount** and the **timing** of the price (P) billed to customers.





# The regulatory agreement

- The model under development aims at recognising **supplementary rights and obligations** of the rate regulated entity that **originate from the regulatory agreement**



# Developing an accounting model for consultation

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## Focus on 'rate-adjustment mechanism'

Creates **temporary differences** when the regulated rate in **one period** includes amounts relating to required activities carried out by the entity in a **different period**

**Right** to increase a future regulated rate

**Obligation** to reduce a future regulated rate

Analysing whether the right or obligation meets the revised *Conceptual Framework* definitions of an asset or liability

Supplementary model—would not amend existing IFRS Standards

Board discussions throughout 2017

Output:  
Discussion Paper  
or Exposure Draft  
in 2018

# Research programme

# Active research projects\*

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Project	Target
Financial instruments with characteristics of equity	DP Q4 2017
Business combinations under common control	DP H1 2018
Dynamic risk management	DP H2 2018
Goodwill and impairment	DP H1 2018

\* Also see slides on Better Communication. Primary Financial Statements and Principles of Disclosure are research projects.

## Classification

- Still a single distinction (liability or equity)
- Underpin principles in IAS 32
- Consistency with the Conceptual Framework may need to be addressed

## Presentation

- Separate presentation for those liabilities based on value of residual interest
- 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?

# Business combinations under common control (BCUCC)

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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

# Business combinations under common control (BCUCC)

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## Board discussions to resume Q4 2017

### Exploring two approaches:

- |  |                                       |
|--|---------------------------------------|
| <ul style="list-style-type: none"><li>• Apply IFRS 3 for transactions with particular characteristics</li><li>• Predecessor method used in other cases</li></ul> | 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



## 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

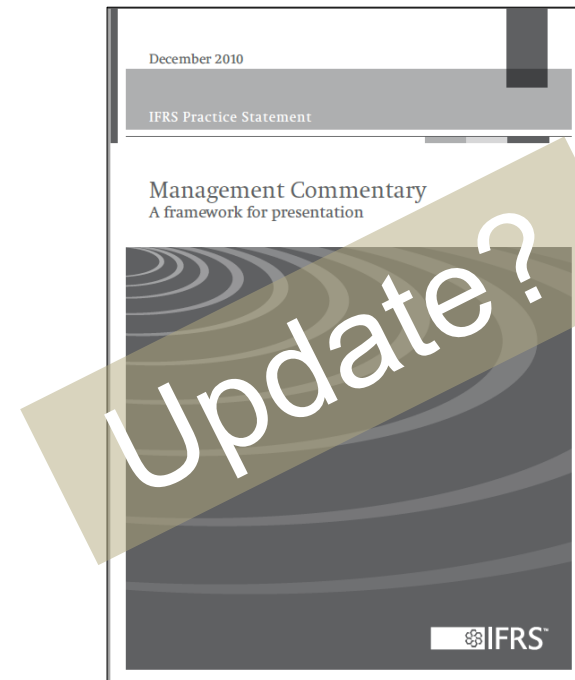
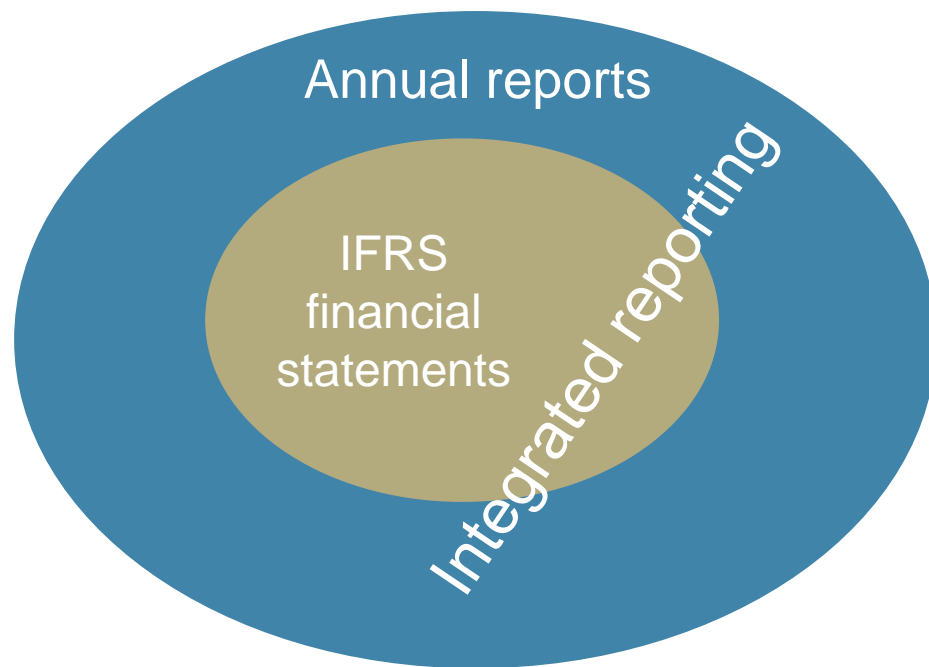
Board discussions  
throughout 2017

Discussion Paper  
H1 2018

# Wider corporate reporting:

# Wider corporate reporting

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



# Maintenance activities

# Ongoing maintenance projects




- Including topics referred by the Interpretations Committee
- There are currently 14 maintenance projects on the Board's work plan

## Work plan

ALL	 RESEARCH PROJECTS	 STANDARD-SETTING PROJECTS	 MAINTENANCE PROJECTS	 OTHER PROJECTS
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Maintenance projects address application questions about IFRS Standards. Such projects involve the Board or the IFRS Interpretations Committee developing narrow-scope amendments to, and interpretations of, IFRS Standards. [Print this tab.](#)

Sort by

Project	Next milestone	Expected date	Follow	Open for comment
 Accounting Policies and Accounting Estimates (Amendments to IAS 8)	Exposure Draft	September 2017	<input type="checkbox"/>	<input type="checkbox"/>
 Accounting policy changes (Amendments to IAS 8)	Exposure Draft	H1 2018	<input type="checkbox"/>	<input type="checkbox"/>
 Availability of a refund (Amendments to IFRIC 14)	IFRS Amendment	H1 2018	<input type="checkbox"/>	<input type="checkbox"/>

# Ongoing maintenance projects

A sample:

## IFRS 3

Definition of a business

## IAS 8

Accounting policies and accounting estimates

## IFRS 8

Improvements to IFRS 8 Operating Segments

## IFRS 9

Prepayment features with negative compensation

## IAS 16

Proceeds before intended use

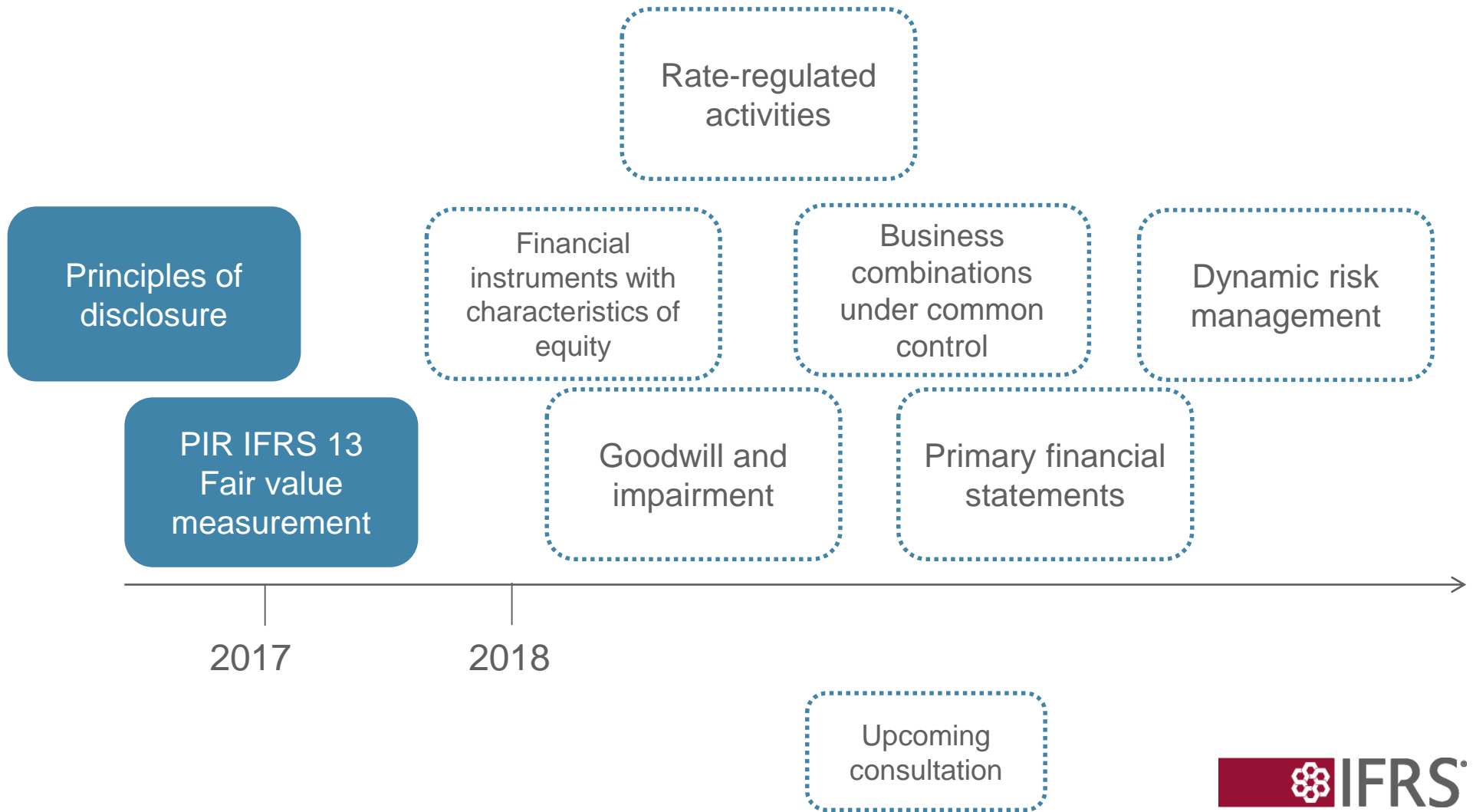
## IAS 8

Accounting policy changes

Open for comment

# Upcoming consultations

# Upcoming consultations





# Contact us

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## Keep up to date



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