

# International Financial Reporting Standards



**IMA – FRANCE  
28 Octobre 2014**

**IASB update: Progress and Plans  
par Philippe Danjou, membre du Board**

The views expressed in this presentation are those of the presenter, not necessarily those of the IASB or IFRS Foundation.

© IFRS Foundation. 30 Cannon Street | London EC4M 6XH | UK. [www.ifrs.org](http://www.ifrs.org)



# IFRS in the world – some good news!

The views expressed in this presentation are those of the presenter, not necessarily those of the IASB or IFRS Foundation

# IFRS in the world – Survey of 138 jurisdictions

Europe	42	30%
Africa	20	15%
Middle East	7	5%
Asia Oceania	32	23%
Americas	37	27%
Total	138	100%

<http://www.ifrs.org/Use-around-the-world/Pages/Analysis-of-the-G20-IFRS-practices.aspx>



G 20 Jurisdictions	Number & %
Commitment to single set of global accounting standards	20 (100%)
Commitment to IFRS	20 (100%)
Adoption of IFRS for most companies in their capital markets	14 (70%)
Permit IFRS on voluntary basis for domestic companies and/or foreign issuers (India, Japan, USA)	3 (15%)
Substantially converged national standards (China) or application limited to banks and insurance (Saudi Arabia)	2 (10%)

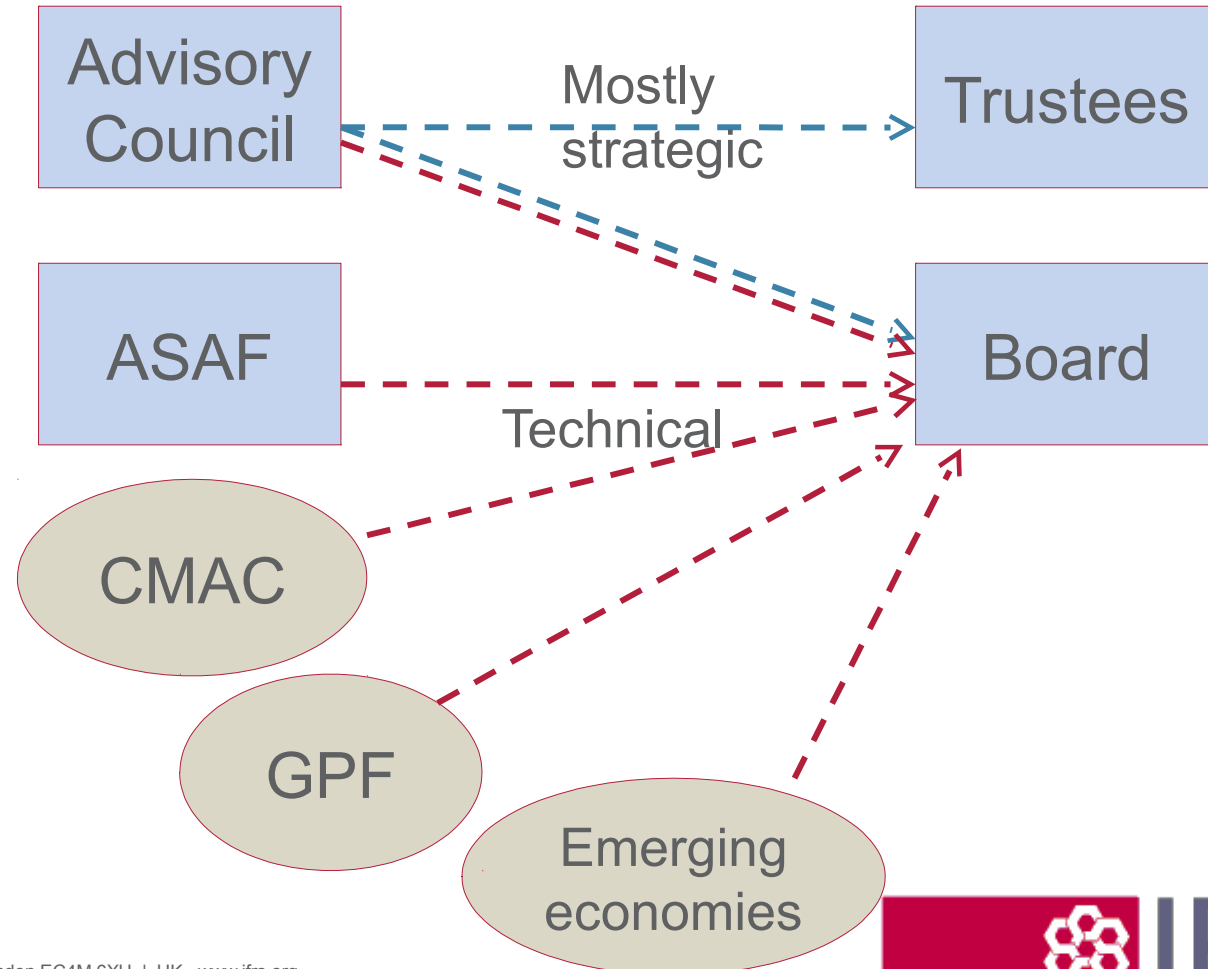
## What is the situation in these jurisdictions?

- 128 have made a public commitment in support of a single set of high quality standards
  - All those 128 have identified IFRS as the single set of standards
  - 114 require IFRS for all, or most of, domestic PIE entities; all have begun using IFRS, except Bhutan (2021) and Colombia (2015)
- 138-114= 24 remaining jurisdictions:
  - 12 permit rather than require IFRS (incl. Japan, Switzerland, India)
  - 2 require IFRS only for financial institutions (Uzbekistan & Saudi A.)
  - 1 in process of full adoption (Thailand)
  - 1 in process of substantially converging national standards (Indonesia)
  - 8 use national GAAP (China, USA, Vietnam...) with varying degrees of IFRS convergence (but when listed in Hong Kong, Chinese companies frequently use full IFRS)
- The 114 made very few modifications to IFRS; the few made are generally regarded as temporary steps (e.g. EU carve out)

# Evolution of structures

The views expressed in this presentation are those of the presenter,  
not necessarily those of the IASB or IFRS Foundation

# Overview of advisory groups



# Accounting Standards Setters Advisory Forum (1)

7

The objective of the ASAF is to provide an advisory forum where members can constructively contribute towards the achievement of the IASB's goal of developing globally accepted high-quality accounting standards. More particularly, the ASAF is established to:

- support the IFRS Foundation in its objectives, and contribute towards the development, in the public interest, of a single set of high quality understandable, enforceable and globally accepted financial reporting standards to serve investors and other market participants in making informed resource allocations and other economic decisions;
- formalise and streamline the IASB's collective engagement with the global community of national standard-setters and regional bodies in its standard setting process to ensure that a broad range of national and regional input on major technical issues related to the IASB's standard setting activities are discussed and considered; and
- facilitate effective technical discussions on standard-setting issues, primarily on the IASB's work plan, but which may include other issues that have major implications for the IASB's work, in sufficient depth, with representatives at a high level of professional capability and with a good knowledge of their jurisdictions/regions.



## Accounting Standards Setters Advisory Forum (2)

8

Twelve non-voting members, represented by twelve individuals, plus the Chair.

The IASB Chair or the Vice-Chair acts as the Chair of the ASAF.

In order to ensure a broad geographical representation and balance of the major economic regions in the world, the twelve members are from the following geographical regions:

- One member from Africa;
- Three members from the Americas (North and South);
- Three members from the Asia-Oceania region;
- Three members from Europe (including non EU); and
- Two members appointed from any area of the world at large, subject to maintaining overall geographical balance.



# Accounting Standards Setters Advisory Forum

## Initial membership (to be revised in 2015)

9

Africa	South African Financial reporting standards Council (supported by PAFA)
Asia-Oceania*	ASB of Japan Australian ASB Chinese ASC AOSSG (represented by Hong Kong Institute of CPA's)
Europe*	ASB of Germany (DRSC) EFRAG Spanish Accounting & Auditing Institute UK FRC
The Americas	GLASS Canadian Accounting Standards Board US FASB

(\* ) Including one “at large” member

# Recently issued IFRSs

The views expressed in this presentation are those of the presenter,  
not necessarily those of the IASB or IFRS Foundation

# Recent IFRSs

Major projects	Effective Date
<i>IFRS 9 Financial Instruments</i>	1 January 2018
<i>IFRS 14 Regulatory Deferral Accounts</i>	1 January 2016
<i>IFRS 15 Revenue from Contracts with Customers</i>	1 January 2017

Narrow-scope amendments / Interpretations	
<b>Defined Benefit Plans: Employee Contributions</b> ( <i>Amendments to IAS 19</i> )	1 July 2014
<b>Annual Improvements 2010-2012</b> ( <i>IFRS 2, 3, 8, 13 and IAS 16, 24, 38</i> )	1 July 2014
<b>Annual Improvements 2011-2013</b> ( <i>IFRS 1, 3, 13 and IAS 40</i> )	1 July 2014
<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>IFRIC 21 Levies</b>	1 January 2014

- IFRS 9 (2014) issued 24 July 2014. Represents finalisation of the IASB's response to the global financial crisis
- Effective 1 January 2018, early application permitted
- Brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*
- Culmination of an extensive outreach programme
- IASB worked closely with FASB, but ultimately unsuccessful
- IFRS 9 (2014) is a single package of requirements

- Classification and measurement
  - A logical, single classification approach driven by cash flow characteristics and how financial asset managed
- Impairment
  - An urgently needed and strongly supported forward-looking ‘expected loss’ model that is responsive to changes in credit risk and responds to the calls of the G20 and others
  - Transition Resource Group for Impairment of Financial Instruments (ITG) to support implementation
- Hedge accounting
  - An improved and widely welcomed model that better aligns accounting with risk management

- Objective – to develop a single, principle-based revenue standard for IFRS and US GAAP
- IFRS 15 *Revenue from Contracts with Customers* issued concurrently with the FASB in May 2014
  - Replaces IAS 18, IAS 11 and related Interpretations
  - Genuinely global standard
  - A comprehensive framework for revenue recognition
- Effective date 1 January 2017 with early application permitted
- Revenue Transition Resource Group to support implementation
  - First meeting in July 2014;
  - Next meeting 31 October 2014

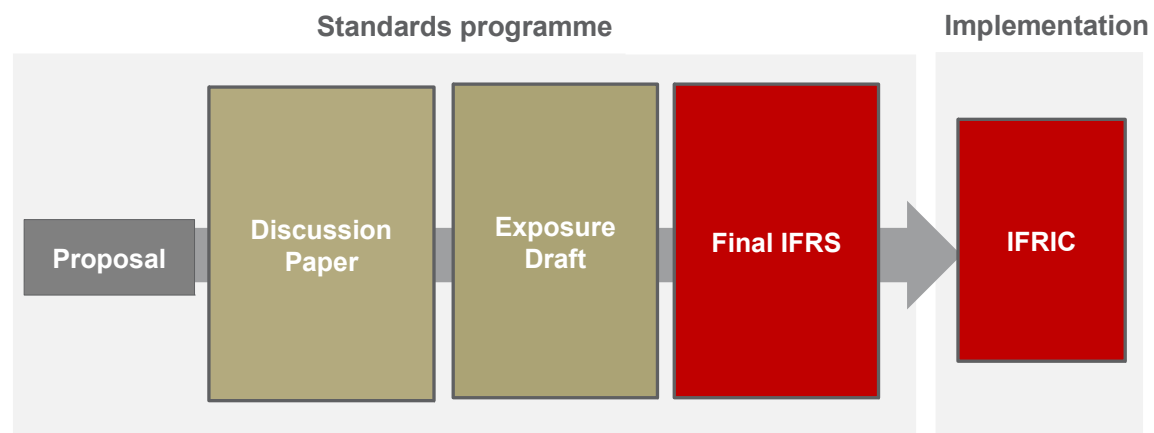
# How we develop Standards

Evolution of our process



# The standard-setting process

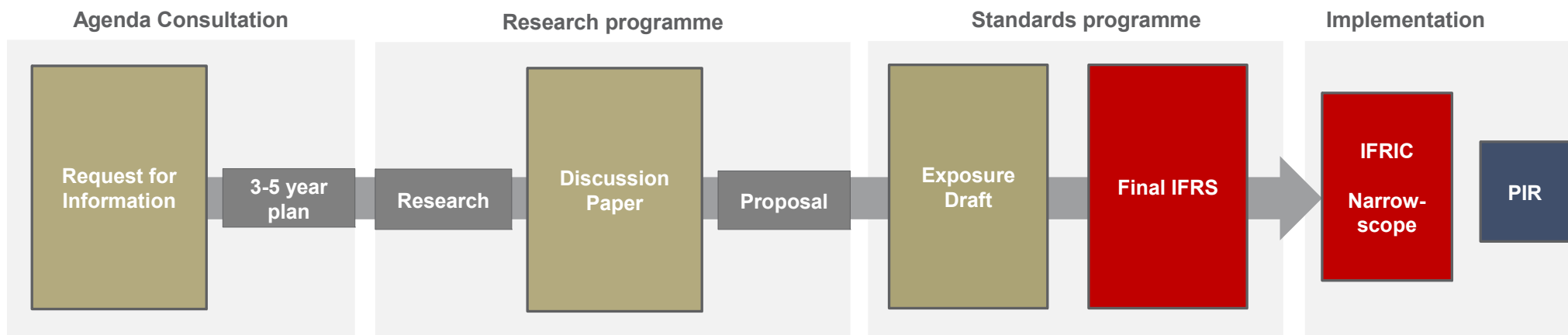
2001 to 2006



# The standard-setting process

18

## Today



- In 2007, Trustees introduced Post Implementation reviews
- In 2011, Trustees introduced the three-yearly public Agenda Consultation
- In 2012, Trustees supported a move to more **evidence-supported decision making**, with more emphasis put on the research phase of the process

Evidence supported decision making

- Perceptions that:
  - Projects not being completed
  - Projects not being completed on time
  - Most proposals are being exposed more than once, with major changes from the previous proposals
- Endorsement problems, and increased demands from the IFRS community to justify change
- Fear that once a project is on the IASB's work programme a new Standard is inevitable
- Limited resources (of the IASB and of the wider IFRS community)

The research programme was created to help address these problems

## Research programme

---

- A broad research and development programme
- Emphasis on defining the problem
  - Identify whether there is a financial reporting matter that justifies an effort by the IASB
  - Evidence based
- Leads to project proposals:
  - do more research; or
  - add to the Standards-level programme, or
  - recommendation not to develop an IFRS
- The programme is designed to **shorten** the time needed to develop improvements to financial reporting, by:
  - Clarifying the problem up front, before a solution is developed
  - Feeding manageable projects into the exposure draft phase on a timely basis (eg the *Disclosure Initiative*)

- The programme is new, and some of the outputs will be new.
- There is scope for traditional *Discussion Papers* as well as smaller and more focused consultative documents:
  - Position papers
  - Research papers
  - Requests for Information
- The key is to get timely and helpful input.
- Example
  - Disclosure Forum – the forum was a special event and the resulting feedback statement set out the IASB's priorities.

International Financial Reporting Standards

Research  
projects

# Short- and medium-term research projects

23

	2014		2015	
	Q3	Q4	Q1	Q2
<b>Business combinations under common control</b>	Board discussion			
<b>Disclosure Initiative</b>				
<b>General disclosure review</b>	To be determined			
<b>Materiality</b>	Board discussion			
<b>Principles of disclosure</b>	Board discussion			
<b>Discount rates</b>	Board discussion			
<b>Emissions Trading Schemes</b>	To be determined			
<b>Equity method of accounting</b>	Board discussion			
<b>Financial Instruments with characteristics of equity</b>	Pending developments in the Conceptual Framework project			
<b>Foreign currency translation/inflation</b>	Board discussion			
<b>Liabilities—amendments to IAS 37</b>	Pending developments in the Conceptual Framework project			

# Longer-term research projects

**Extractive activities/Intangible assets/  
R&D activities**

**Income taxes**

**Post-employment benefits  
(including pensions)**

**Share-based payments**

These projects are longer term projects which the IASB does not expect to discuss publicly until 2015 or later.



# Major Standards- level projects

The views expressed in this presentation are those of the presenter,  
not necessarily those of the IASB or IFRS Foundation

# IASB Work plan – as at 19 September 2014

## Major IFRSs

Next major project milestone				
	2014 Q3	2014 Q4	2015 Q1	2015 Q2
<b>Upcoming Standards</b>				
Insurance Contracts	Redeliberations			
Leases	Redeliberations			
IFRS for SMEs: Comprehensive Review 2012-2014		Redeliberations		
<b>Issued Discussion Papers</b>				
Accounting for Dynamic Risk Management: A Portfolio Revaluation Approach to Macro Hedging	Public consultation			
Rate-regulated Activities		Public consultation		

# IASB Work plan – as at 19 September 2014

27

## Major IFRSs

Next major project milestone				
	2014 Q3	2014 Q4	2015 Q1	2015 Q2
<b>Upcoming Discussion Papers</b>				
Disclosure Initiative				
<b>Principles of disclosure</b>	Board discussion			

- Status: Board redeliberating 2013 ED
- Main decisions:
  1. Lessee: **All leases on-balance sheet\*** (except for short-term leases and leases of small assets), with interest and amortisation presented separately in income statement
  2. Lessor: In essence, no change to existing lessor accounting\*
- Next steps: Publication of final standard expected 2015  
(Effective Date TBD)

(\*) Denotes converged decision with FASB

## Insurance contracts

---

- Objective – to provide a single principle-based Standard that would increase comparability and transparency of entities that issue insurance contracts.
- IASB issued revised Exposure Draft in June 2013. Targeted issues:
  - Unlocking on contractual service margin
  - Mirroring
  - Presentation of revenue
  - Interest expense in profit or loss
  - Effective date and transition
- Redeliberations started in March 2014
- IASB plans to issue a Standard on the accounting for insurance contracts during 2015.

- Objective
  - Discussion Paper (DP) *Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging* published in April 2014
  - DP explores an accounting approach to better reflect dynamic risk management activities in financial statements. Comment period ends 17 October 2014
- Status
  - Undertaking outreach activities to gather feedback on the approach explored in the DP. Feedback will complement the comment letters to identify areas on which efforts will most likely need to be focused during the deliberations.
- Next steps
  - A comment letter analysis will follow the outreach activities

## Rate regulated activities

---

- IFRS today has no comprehensive standard for rate-regulated activities
- Interim relief for first-time adopters of IFRS
  - Issued IFRS 14 *Regulatory Deferral Accounts* in Jan 2014
  - Permits grandfathering of previous GAAP accounting practices for recognition, measurement, impairment and derecognition
  - Enhanced presentation and disclosure matters
  - Effective date is 1 Jan 2016, early application is permitted
- Research project
  - Is considering how rate regulation affects the amount, timing and certainty of revenues and cash flows and what information is needed to help users understand the effects
  - Request for Information (published end of March 2013)
  - Discussion Paper (published 17 September 2014)

# Disclosure Initiative – an overview

---



# Disclosure Initiative – status update

---

- IFRS for SMEs published July 2009
- Comprehensive review began mid-2012 when IASB issued Request for Information (RfI)
  - Sought public views on whether any need to amend *IFRS for SMEs*
    - *eg for changes to full IFRSs or implementation issues*
- Exposure Draft (ED) issued October 2013
  - Comment period ended March 2014
  - Comment letter analysis published May 2014
- Next step: The SME Implementation Group are currently considering feedback on the ED and will provide their recommendations to the IASB in October 2014

# *Conceptual Framework*

The views expressed in this presentation are those of the presenter,  
not necessarily those of the IASB or IFRS Foundation

# Why?

---

- Agenda consultation
  - Priority project
- Purpose of *Conceptual Framework* project
  - Not a fundamental rethink
  - Update, improve and fill in gaps
  - Focus on problems in the real world

# Tentative decisions to date

37

- Complete in a timely manner
- Objective and qualitative characteristics (QC)
  - Increase the prominence of stewardship within the overall objective of financial reporting
  - Retain faithful representation as a QC
  - Describe prudence as caution under conditions of uncertainty, consistent with neutrality

# Tentative decisions to date (2)

- Profit or loss and OCI
  - Emphasise that profit or loss is the primary, although not the only, source of information about an entity's performance for the period
    - Require profit or loss as a total or subtotal
    - Rebuttable presumption that income and expense are included in profit or loss
    - Objective is to provide information about performance for the period and assist in predicting future cash flows
  - High-level guidance to the IASB on the use of OCI
  - Rebuttable presumption that income and expense included in OCI are recycled

# Tentative decisions to date (3)

- Definitions:
  - Clarify definitions of assets and liabilities
- Recognition:
  - ED will propose factors to consider in deciding whether to recognise an asset or a liability
    - Relevance, faithful representation and cost/benefit
  - Not intended to broaden or narrow the range of recognised assets or liabilities
- Measurement and distinction between liabilities and equity → discussed in September 2014; confirmed approach to measurement. Decided to deal with liabilities / equity in a research project rather than CF

# Timetable

---





# Implementation

The views expressed in this presentation are those of the presenter,  
not necessarily those of the IASB or IFRS Foundation

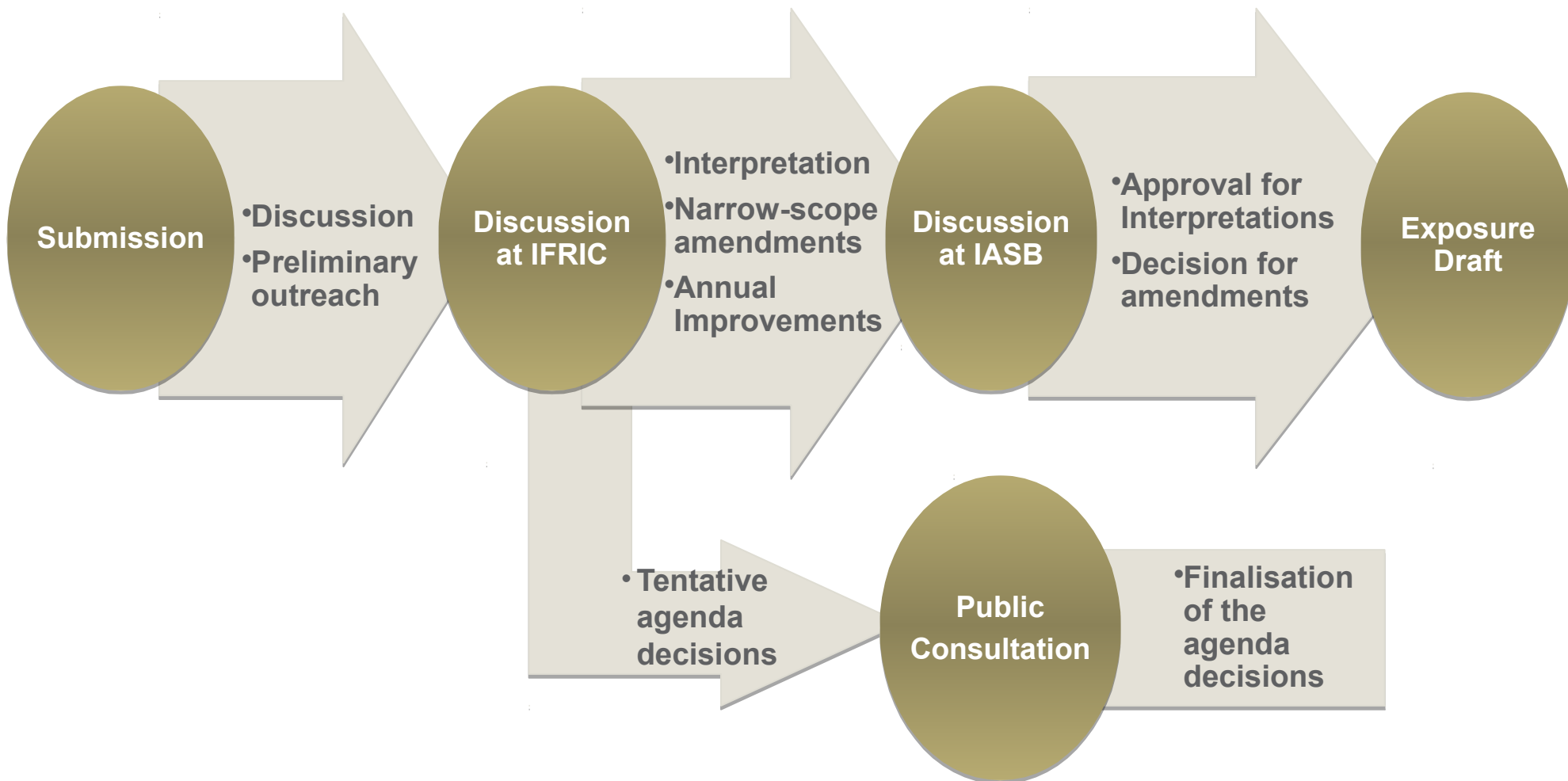
## Implementation

- Implementation activities reflect the ‘**repairs and maintenance**’ of IFRSs.
- Maintenance responsibility shared between **IASB and IFRS Interpretations Committee**.
  - Implementation and Enforcement contribute to Consistent Implementation of standards - a priority for the IFRS Foundation
  - Activities monitored by Implementation Steering Committee
  - MoU’s signed with IOSCO and ESMA ; enhanced cooperation
- Implementation activities include:
  - IFRIC Interpretations
  - Narrow-scope amendments
  - Annual Improvements
- Implementation activities also include Post-implementation Reviews

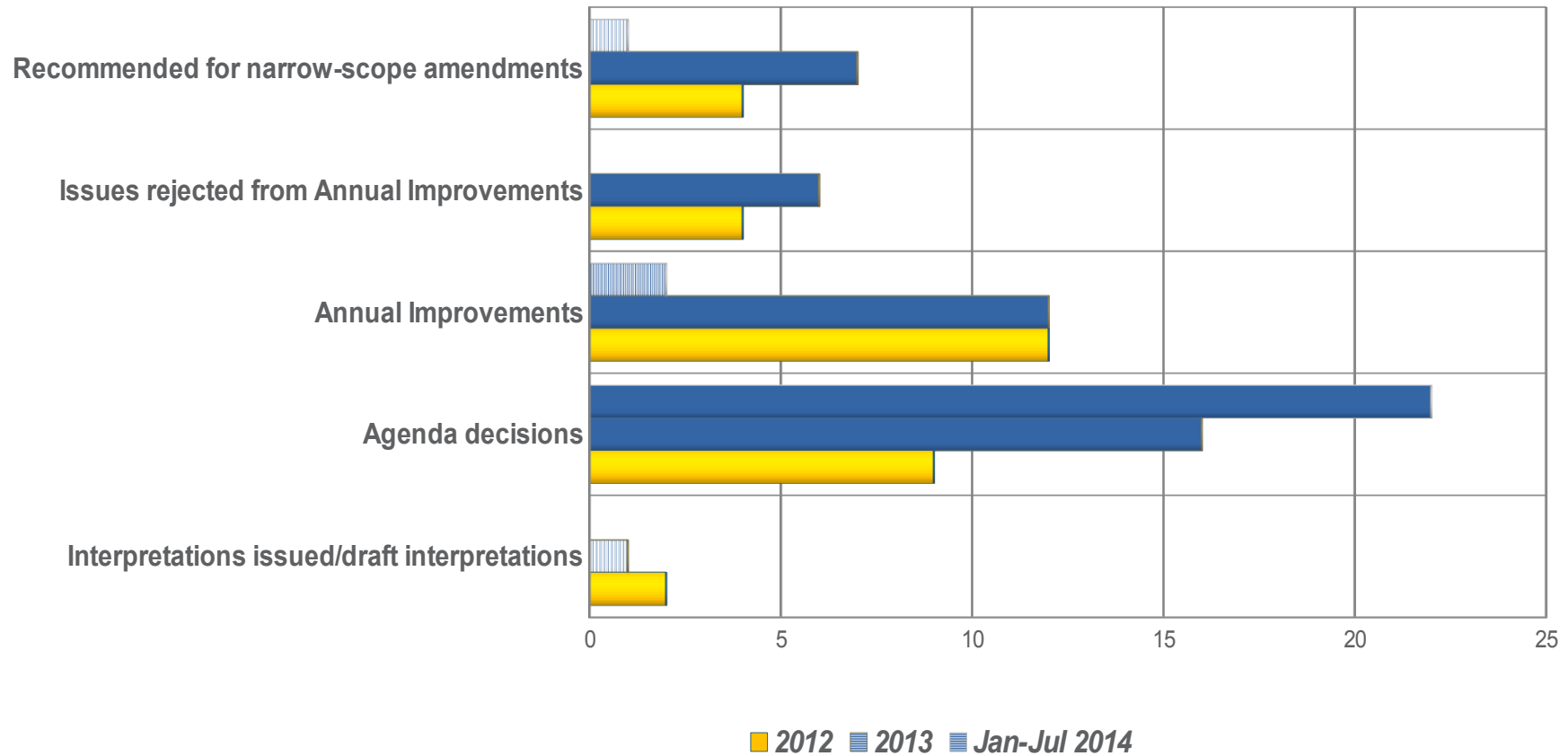
# Tools to maintain IFRS

---

# Overview of process

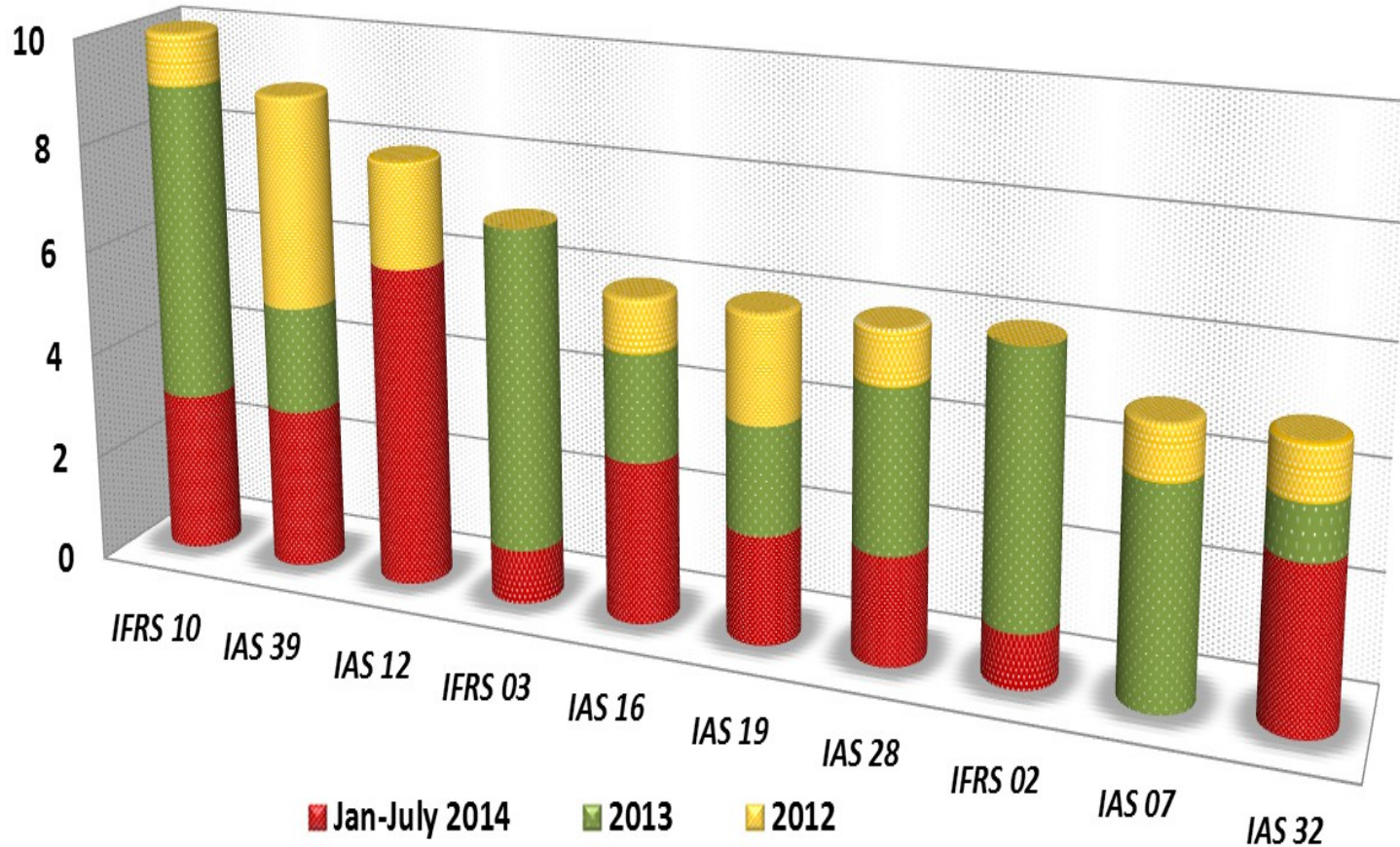


## Interpretations Committee Activity 2012-2014



# Issues analysed per Standard

## Number of issues analysed per Standard during 2012-2014



## Implementation

Next major project milestone				
Narrow-scope amendments		2014 Q4	2015 Q1	2015 Q2
<b>Annual Improvements 2014-2016</b>				Target ED
Clarifications of Classification and Measurement of Share-based Payment Transactions (proposed amendments to IFRS 2)		Target ED		
<b>Classification of liabilities</b> (proposed amendments to IAS 1)			Target ED	
Disclosure Initiative				
<b>Amendments to IAS 1 (Disclosure Initiative)</b>		Redeliberations		
Reconciliation of liabilities from financing activities		Target ED		
<b>Elimination of gains or losses arising from transactions between an entity and its associate or joint venture</b> (proposed amendments to IAS 28)		Target ED		

# IASB Work plan – as at September 2014

## Implementation (cont.)

### Next major project milestone

Narrow-scope amendments		2014 Q4	2015 Q1	2015 Q2
<b>Fair Value Measurement: Unit of Account</b> (comment period ends 16 January 2015)			Redeliberations	
<b>Investment Entities: Applying the Consolidation Exception</b> (proposed amendments to IFRS 10 and IAS 28) (comment period ended 15 September 2014)		Redeliberations		
<b>Recognition of Deferred Tax Assets for Unrealised Losses</b> (comment period ends 18 December 2014)			Redeliberations	

### Next major project milestone

Post-implementation Reviews		2014 Q4	2015 Q1	2015 Q2
<b>IFRS 3 <i>Business Combinations</i></b>		Deliberations		



# Post-implementation Reviews

- The IASB reviews each new Standard or major amendment.
- A PIR is an opportunity to assess the effect of the new requirements on investors, preparers and auditors, considering:
  - issues that were important or contentious during the development of the Standard;
  - issues that come to the attention of the IASB after the publication of the Standard; and
  - unexpected costs or implementation problems encountered.
- Seek input from preparers, auditors, securities regulators and investors
- Conduct review of academic studies on the Standard
- Timing of the review
  - After two years of implementation.

# Post-implementation review on IFRS 3 *Business Combinations*

50

- Request for Information (Rfi) published on 30 January 2014
  - (comment period ended on 30 May 2014)
- The Rfi includes the following issues (**among others**):
  - Definition of a business:
    - Are there benefits of having separate accounting treatments for business combinations and asset acquisitions?
  - Fair value measurements:
    - Is information derived from the fair value measurements relevant?
    - What are the valuation challenges?
  - Non-amortisation of goodwill and indefinite-life Intangible assets:
    - Is the impairment test useful?
    - What are the implementation challenges?

# Where to go for more information

- Look at the IFRS website:
  - <http://www.ifrs.org>
- **e-IFRS subscription** (more information to receive a discount on subscriptions to eIFRS):  
<http://shop.ifrs.org/ProductCatalog/Default.aspx>



Welcome to the website of the IFRS Foundation and the IASB

Thursday 18 September 2014



Search this site...



Home	About us	IFRS	Standards development	Get involved	Stay informed	Shop & eIFRS
------	----------	------	-----------------------	--------------	---------------	--------------

## Topical

IFRS 9 Financial Instruments

Speeches

Videos

2014 IFRS (Red Book)

eIFRS Web App

## Features

17 Sep 2014

Issue 2 of the IASB



Investors  
with ch  
affect

Work plan for IFRSs

Interpretations Committee  
Activities

Standard setting process

Interpretations process

High level summaries

d

investors to keep up  
w those changes may

07 Aug 2014

Article: 'Busting

10 Jul 2014

Video: Tommaso Padoa-Schioppa Memorial Lecture

more >

IFRS<sup>®</sup> as global standards:  
a pocket guide 2014

Available now at:  
shop.ifrs.org



Thank you

individual  
view  
expressions  
feedback a  
question  
expressions of individual vie  
individual comments  
questions  
expressions of individual views  
comments  
question  
expressions of individual vie  
feedback  
questions  
feedback  
questions  
individual  
comments  
questions or comments  
expressions of individual views  
comments  
questions  
expressions of individual views  
questions and viewpoints  
feedback and comments