

## STAFF PAPER

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**Prepared for joint Capital Markets Advisory Committee and Global Preparers Forum meeting****Project IASB Technical Update**

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**Introduction**

1. This report to the Capital Markets Advisory Forum (CMAC) and Global Preparers Forum (GPF) sets out the activities of the International Accounting Standards Board (the Board) in the period January to April 2018. An oral update will be provided on activities during May 2018.

**Key activities this period*****Conceptual Framework for Financial Reporting***

2. In March 2018, the Board issued the revised *Conceptual Framework for Financial Reporting (Conceptual Framework)*.
3. The *Conceptual Framework* is a practical tool to assist the Board in developing Standards that are based on consistent concepts and which result in financial information that is useful to investors, lenders and other creditors.
4. The *Conceptual Framework* also assists preparers of financial reports to develop consistent accounting policies when no Standard applies and it assists all parties to understand and interpret Standards.
5. The revised *Conceptual Framework* replaces a version originally issued in 1989 and partly revised in 2010. Unlike its predecessor, it provides a comprehensive set of concepts for financial reporting. Notably, it includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance—in particular on the

definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

### **Technical activities update**

6. A summary of the Board's work on the main technical projects is set out below.

#### ***Financial Instruments with Characteristics of Equity***

7. We remain on target to issue the Discussion Paper *Financial Instruments with Characteristics of Equity* in June 2018.

#### ***Disclosure Initiative—Principles of Disclosure***

8. During this period the Board has been considering the next steps on the Disclosure Initiative project taking into consideration the feedback on the Discussion Paper *Disclosure Initiative—Principles of Disclosure*, issued in March 2017.

9. In light of the feedback received, the Board decided to prioritise and focus on those areas where it can make the most difference in helping to improve the disclosure problem. Consequently, the Board is undertaking a Targeted Standards-level Review of Disclosures project. In the first instance, the Board is developing guidance for the Board itself to use when developing and drafting disclosure requirements and will then select one or two IFRS Standards on which to test that guidance. This is expected to result in improvements to:

- (a) the way the Board develops and drafts disclosure requirements in future; and
- (b) the disclosure requirements in the selected test Standard(s).

#### ***Post-implementation review of IFRS 13 Fair Value Measurement***

10. The Board discussed the feedback from phase 2 of the Post-implementation Review (PIR) of IFRS 13 *Fair Value Measurement* (IFRS 13). On the basis of the findings from the PIR, the Board has concluded that IFRS 13 is working as intended and has decided not to conduct any Standard setting activities as a direct result of the PIR. The Board has, however, decided to refer some of the findings relating to the usefulness of disclosures to the Disclosure Initiative—Principles of Disclosure and Primary Financial Statements projects.

## ***Improvements to IFRS 8 Operating Segments—Proposed amendments to IFRS 8 and IAS 34***

11. At its meeting in March 2018 the Board discussed the feedback on the Exposure Draft *IFRS 8 Operating Segments—Proposed amendments to IFRS 8 and IAS 34* issued in March 2017. The Board decided not to proceed with the proposals in the Exposure Draft. Although the Board supported finalising some of those proposals, it decided that, when considered in aggregate, the resulting improvements in information for investors would not be sufficient to justify the costs that stakeholders would incur.
12. A summary of the feedback and the Board’s response will be published in the second half of 2018.

## ***Goodwill and Impairment***

13. The Board has discussed the form and content of the consultation document to be issued as the next step in its Goodwill and Impairment research project, and will continue that discussion at a future meeting.

## ***Primary Financial Statements***

14. The Board has continued its discussions focusing on the presentation of management performance measures. The Board tentatively decided that all entities should identify a measure (or measures) of profit or comprehensive income that, in the view of management, communicates to users the financial performance of the entity. The Board has tentatively decided that the disclosures to support the presentation of management performance measures should describe why the performance measure provides management’s view of performance, how the measure is calculated and include a reconciliation between the measure and the most directly comparable subtotal or total required by IFRS Standards.

## ***Rate-regulated activities***

15. The Board has continued to develop the accounting model for rate-regulated activities. Importantly, applying the recently-issued revised *Conceptual Framework*, the Board has tentatively decided how to identify the assets and liabilities to be included in the scope of the accounting model and how to describe their nature.

16. The Board will discuss proposals for the measurement requirements to be included in the accounting model before deciding whether to issue a Discussion Paper or an Exposure Draft as the next consultation document for the project.

### ***Dynamic Risk Management***

17. The Board is developing a proposal for an accounting model for dynamic risk management to improve information provided regarding risk management and how risk management activities affect the entity's current and future economic resources.
18. During the period January to April 2018 the Board considered the scope of the accounting model, including the qualifying criteria for which assets can be included in the accounting model as part of the asset profile and the qualifying criteria for which financial liabilities are used when determining the target profile (the target profile represents management's objective for a given asset profile).

### **Supporting implementation**

19. The Board and the IFRS Interpretations Committee have continued to support the implementation of major IFRS Standards. Activities in the period included:
  - (a) The first substantive meeting of the transition resource group (TRG) for IFRS 17 *Insurance Contracts*, held in February 2018. The TRG for IFRS 17 is one of the ways in which the Board is supporting implementation of IFRS 17. The TRG provides a public forum for stakeholders to follow the discussion of implementation questions raised as entities ready themselves for the effective date of IFRS 17. The second meeting of the TRG was held in early May and the discussion was reported to the Board at its meeting in May 2018.
  - (b) We published three new webcasts to support implementation of IFRS 17 and an article about the tools available on our website. There were 12 webcasts, on various aspects of IFRS 17, available on our website at the end of April 2018.
  - (c) We continued with our programme of education activities with investors and analysts to help them understand the results of applying IFRS 17. In total we had held approximately 90 meetings with investors and analysts by the end of April. We also

published an article targeted at investors on the information about insurer's financial performance that will be provided by IFRS 17.

20. The IFRS Interpretations Committee met in January and March 2018. At these meetings, it published five final agenda decisions, all of which include information that explains how an entity applies IFRS Standards to the particular question submitted to the Committee. Notably, these agenda decisions include timely material supporting the consistent application of the new revenue recognition and financial instruments Standards (IFRS 15 and IFRS 9). The Committee also published three tentative agenda decisions and discussed two narrow-scope projects.
21. Recognising that explanatory material in Agenda Decisions supports high-quality and consistent application of IFRS Standards, the Board proposed a narrow-scope amendment, *Accounting Policy Changes*, in March 2018. This proposal would simplify the application of accounting policy changes that result from agenda decisions and would thereby encourage their adoption.
22. We also published the first three of a series of updated education modules designed to provide support to anyone applying or using financial statements prepared using the *IFRS for SMEs* Standard. Each module covers one of the sections in the amended *IFRS for SMEs* Standard. The remaining 32 modules will be published over the next 12 months.

### **IFRS Taxonomy**

23. The Board finalised two Taxonomy Updates during this period: *IFRS Taxonomy Update—IFRS 17 Insurance Contracts* and *IFRS Taxonomy Update—Prepayment Features with Negative Compensation*. These updates incorporate into the IFRS Taxonomy the presentation and disclosure requirements of these new and amended IFRS Standards. In addition, the staff have finalised *IFRS Taxonomy Update—Annual Improvements* and published the annual IFRS Taxonomy 2018.
24. The staff continue to support regulators in their implementation of the IFRS Taxonomy.
  - (a) During this period, foreign private issuers in the US have, for the first time, filed their financial reports with the SEC using the IFRS Taxonomy. We plan to review those filings to identify potential improvements to the IFRS Taxonomy.

- (b) The European Securities and Market Authority is continuing to work on its proposal to introduce a single electronic format for European listed companies, which includes the use of the IFRS Taxonomy. The next step is for the European Commission to endorse the proposal, after which it will be a legal requirement.

### **Summary of technical activities**

25. For a summary of all technical activities, please visit the current workplan on the website at <https://www.ifrs.org/projects/work-plan/>