

Emerging Economies Group  
October 2018  
Agenda paper 7

# The work of the IASB

Update on the work of the IASB - September 2018

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

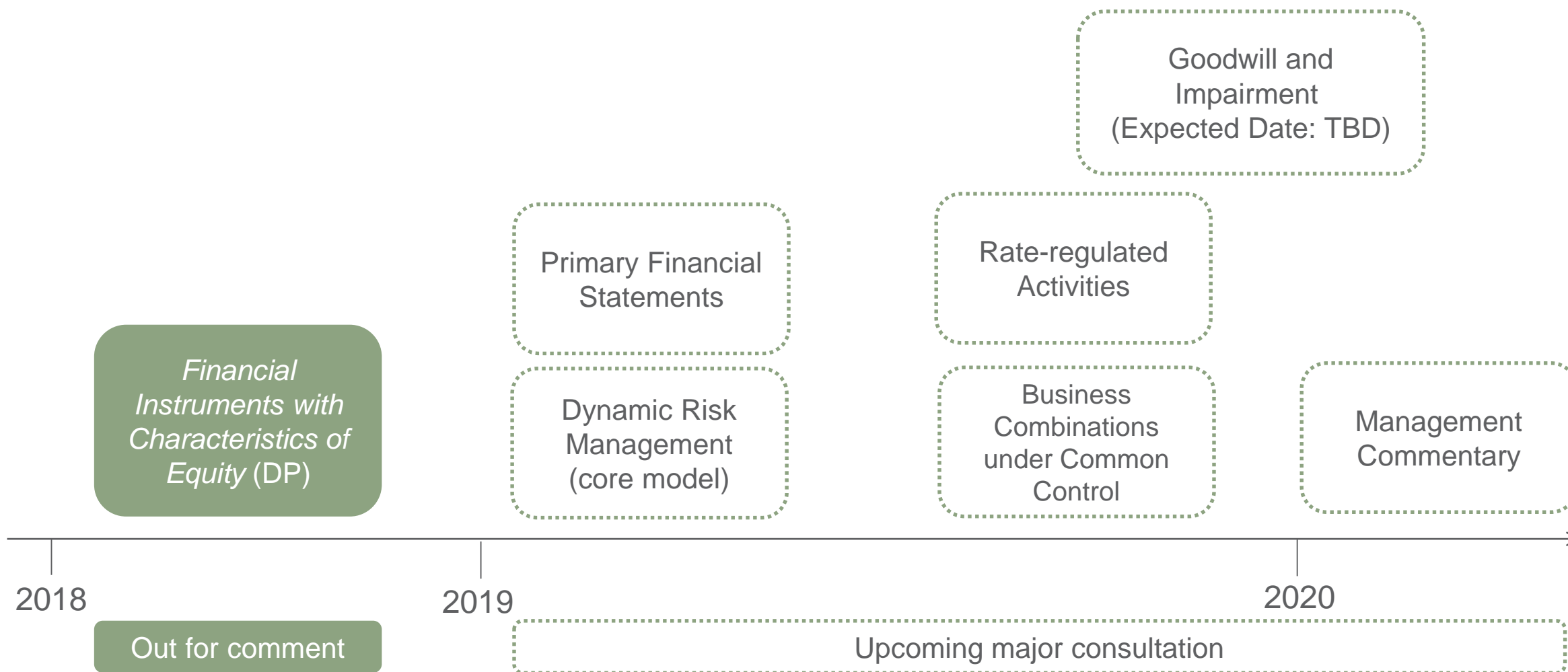
- 2017–2018 activities & achievements
- Better Communication in Financial Reporting
- Active projects
- Research pipeline and post-implementation reviews
- Supporting implementation
- Supporting resources



# 2017–2018 activities & achievements

Final documents	Consultation documents
<ul style="list-style-type: none"><li>• <i>Conceptual Framework for Financial Reporting</i></li></ul> <p>→ <b>Upcoming</b></p> <ul style="list-style-type: none"><li>• Definition of a Business (IFRS 3)</li><li>• Definition of Material (IAS 1 and IAS 8)</li></ul>	<ul style="list-style-type: none"><li>• <i>Financial Instruments with Characteristics of Equity</i> (Discussion Paper: comments due 7 January 2019)</li><li>• Costs Considered in Assessing whether a Contract is Onerous (Exposure Draft: Q4 2018)</li><li>• Proposed IFRS Taxonomy Update—Common Practice (IFRS13) (September 2018)</li></ul>

# Upcoming major consultations

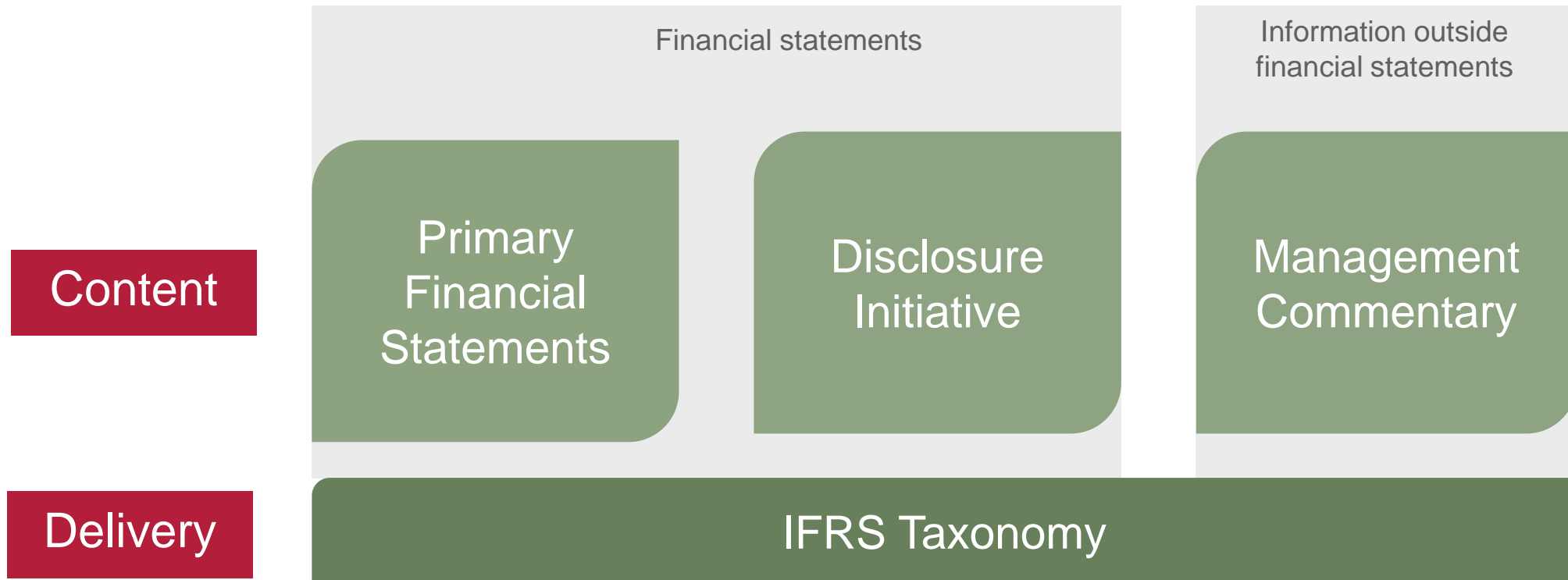




# Better Communication in Financial Reporting



## Better Communication in Financial Reporting



# Primary Financial Statements—in scope

## Statement(s) of financial performance

EBIT subtotal

'Income/expenses from investments'  
category

Guidance on presentation of  
management performance measure

Considering better ways to  
communicate OCI

Removing options for presentation of  
income and expenses eg  
presentation of profit of  
associates/JVs

## Statement of cash flows

Eliminating classification options  
(interest/dividends)

**(Not)** aligning the operating section  
between statement of cash flows and  
statement(s) of financial performance

Specifying the starting point for the  
indirect method

Developing templates for the Primary Financial Statements

Achieving greater disaggregation including minimum line items



## Statement of financial position

No planned change, except for templates and greater disaggregation

## Statement of changes in equity

But FICE project looks at some issues

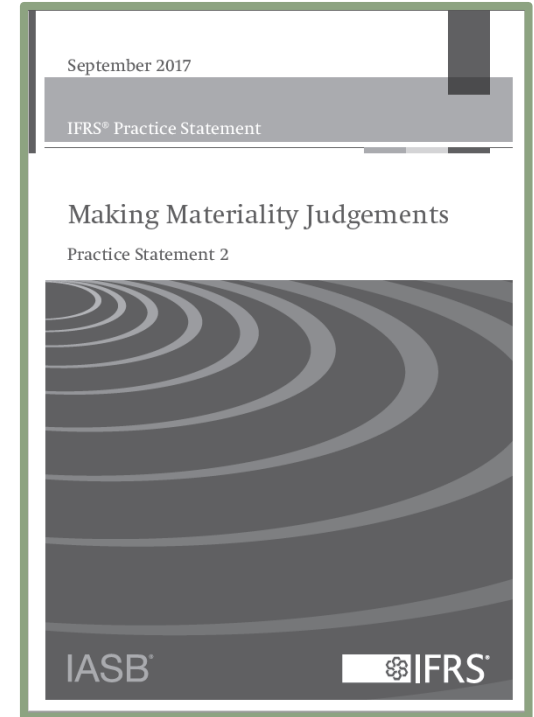
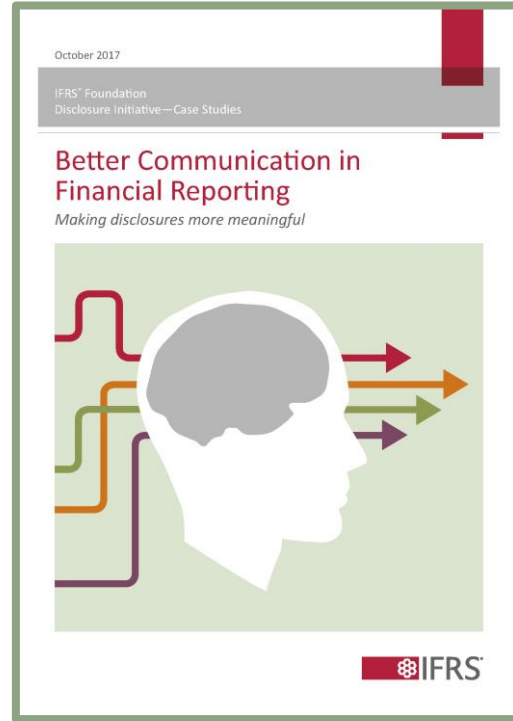
# Disclosure Initiative—the problem

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





# Completed projects



**Disclosure Initiative  
(Amendments to IAS 1 &  
IAS 7)**

**Disclosure Initiative—  
Case Studies**

**Making Materiality  
Judgements**

# Principles of Disclosure —next steps

## Objective

- identification of disclosure issues

## Outcomes

- new project—*Targeted Standards-Level Review of Disclosures*
- develop guidance to help entities decide which *accounting policies* to disclose
- move presentation topics to *Primary Financial Statements*

## Next Step

- publish feedback statement



# Principles of Disclosure—next steps

Decided **not to pursue further** the following topics in the Principles of Disclosure project:

## Topics to be discussed in the Primary Financial Statements project

- roles of the primary financial statements and the notes
- presentation of EBIT and EBITDA
- presentation of unusual or infrequently occurring items
- fair presentation of performance measures

## Topics unlikely to contribute significantly to addressing the disclosure problem

- use of formatting in the financial statements
- location of accounting policy disclosures
- location of disclosure objectives and requirements in IFRS Standards
- use of ‘present’ and ‘disclose’ in IFRS Standards\*

## Location of information

- IFRS information outside the financial statements
- Non-IFRS information inside the financial statements

\*The feedback on the use of these terms will be considered as part of developing the Guidance for the Board in developing and drafting disclosure requirements

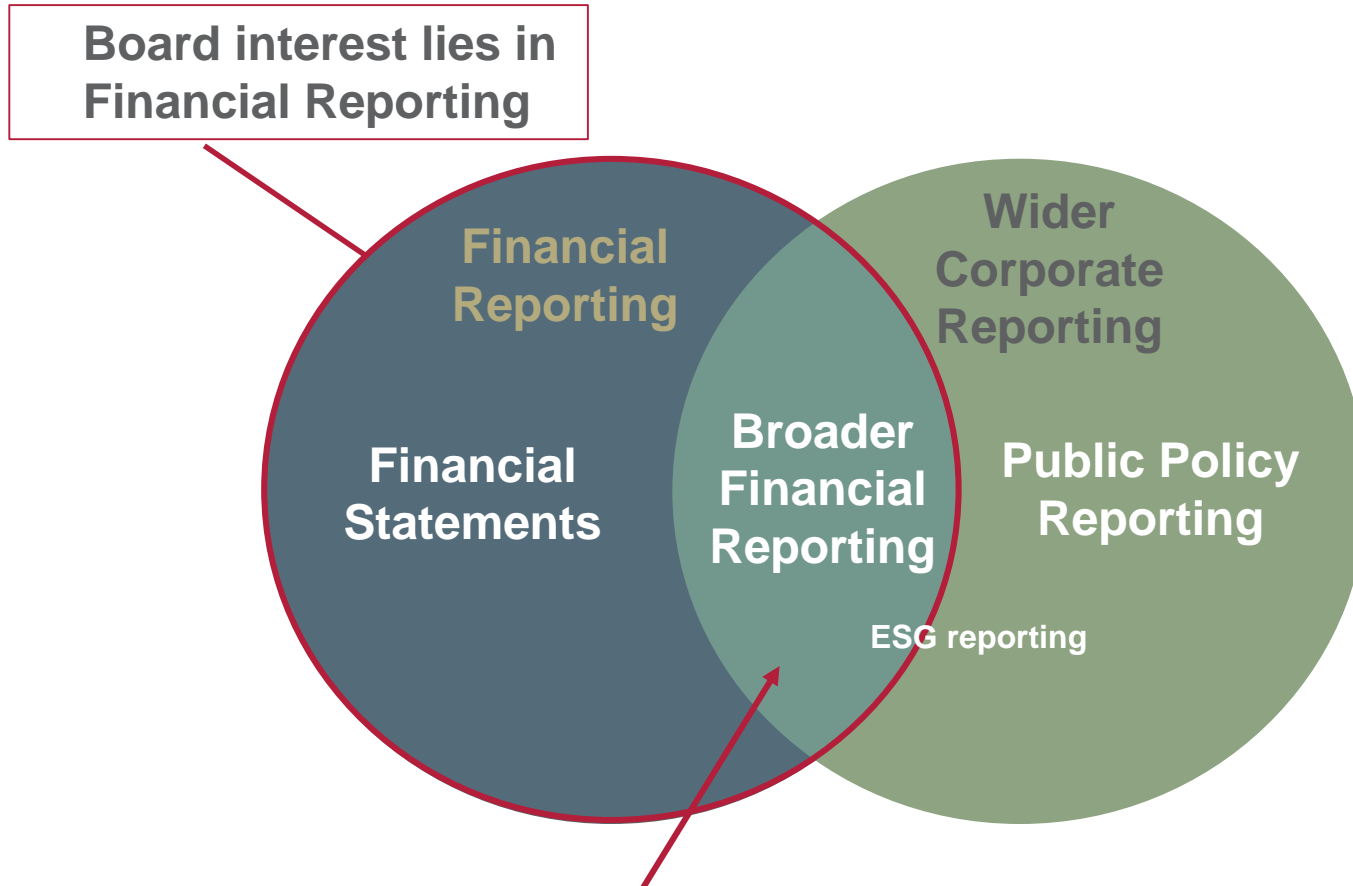
## Objective

- help stakeholders improve the usefulness of disclosures for primary users
- not to change the volume of disclosure requirements, although this may be a consequence

## Guidance for the Board

- the Board will develop the guidance through public discussion
- the Board has selected *IAS 19 Employee Benefits* and *IFRS 13 Fair Value Measurement* to test the draft guidance
- formal stakeholder feedback will be obtained when the guidance is subsequently used as part of standard-setting





**Management commentary—**  
a narrative report that provides broader financial value relevant information useful to primary users of financial statements

The IFRS Taxonomy reflects the presentation and disclosure requirements of IFRS Standards/*IFRS for SMEs* Standard and related common reporting practice in a timely and accurate manner

consists of **'elements'** that are used by preparers to tag the information in IFRS financial statements

makes IFRS disclosures **more accessible to users** of structured electronic data

facilitates communication between preparers and users

# The IFRS Taxonomy—areas of focus

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## Common reporting practice

IFRS 13 *Fair Value Measurement*

research XBRL filings to identify additional common practice elements

## Implementation support

update to materials, such as *Using the IFRS Taxonomy—A preparer's guide*

implementation guidance for specific elements

## Entity-specific disclosures

working with XBRL International to improve accessibility of entity-specific disclosures in a structured report

The impact of new or amended IFRS Standards on the IFRS Taxonomy in the next 12 months is expected to be limited

# Active projects

# Active projects

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Project	Target	Reference
Better Communication	see previous slides	Page 6-18
Rate-regulated Activities	DP or ED H2 2019	Page 21
Business Combinations under Common Control	DP H2 2019	Page 22-27
Goodwill and Impairment	DP or ED	Page 28
Financial Instruments with Characteristics of Equity (FICE)	DP Feedback H1 2019	Page 29
Dynamic Risk Management (DRM)	Core Model H1 2019	Page 30-31
Interbank Offered Rate (IBOR)	Decide Project Direction Q4 2018	Page 32

# Rate-regulated Activities—the model being developed

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## Challenge

- how should companies recognise assets and liabilities arising from the effects (timing and amount) of **defined rate regulation**?

## Project scope

### Regulatory framework that:

- is **binding** for both company and regulator
- establishes a **rate-setting mechanism** for goods or services that creates assets and liabilities due to **timing differences** arising when the regulated rate in **one period** includes amounts relating to required activities carried out by the entity in a **different period**

## Supplementary model

would not amend existing IFRS Standards

Board discussions throughout 2018

### Output

Discussion Paper or Exposure Draft in 2019

**Business Combinations under Common Control (BCUCC) are excluded from the scope of IFRS 3 *Business Combinations***



In practice, companies account for BCUCC using:

**acquisition method**  
as set out in IFRS 3

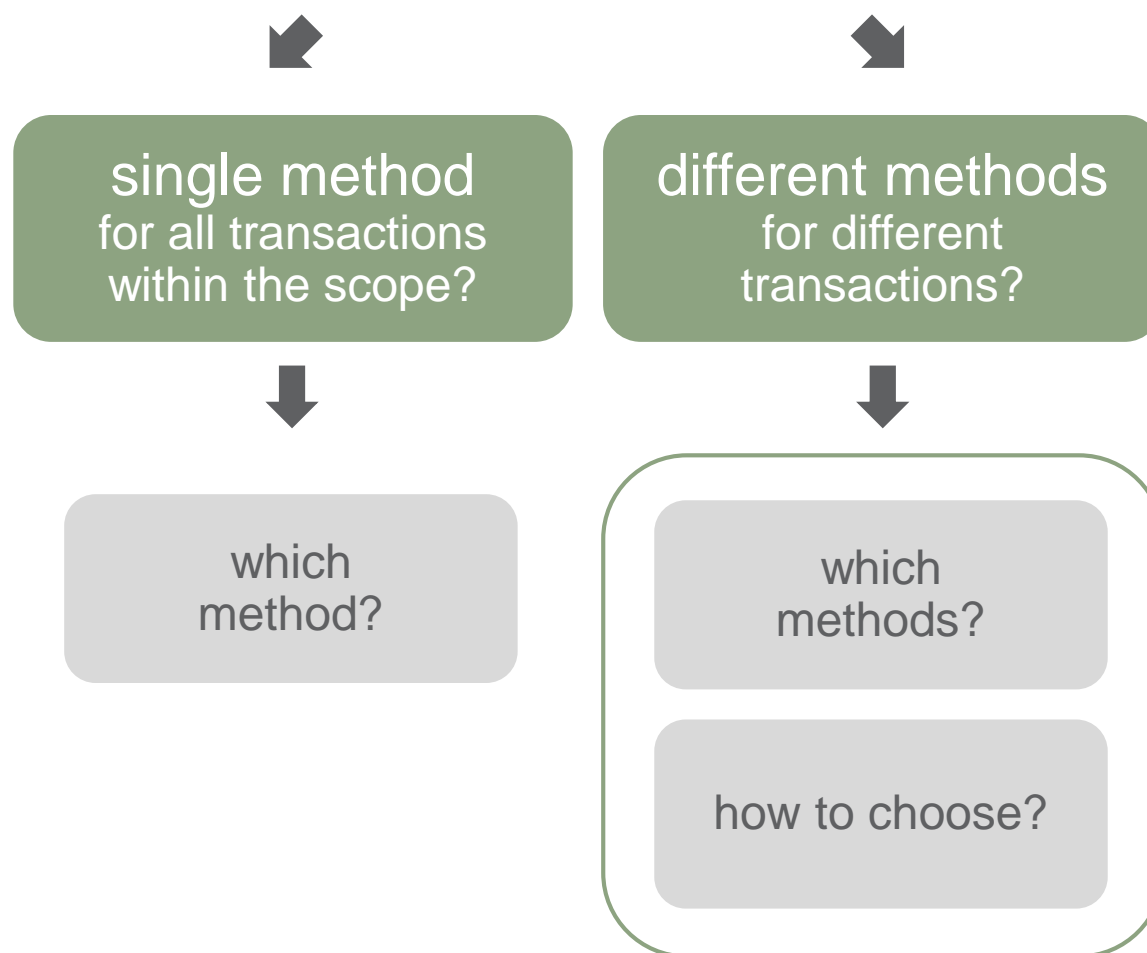
**predecessor method**  
but there is diversity in practice in  
how the method is applied

concerns about the diversity in practice raised by various interested parties, notably security regulators



- **The Board has finalised the discussion of the scope of the project.**
- **The Board has tentatively decided that the project will address transactions under common control in which a reporting entity obtains control of one or more businesses, regardless of whether:**
  - the reporting entity can be identified as the ‘acquirer’, if IFRS 3 were applied to the transaction;
  - the transaction is conditional on a future sale of the combining parties, such as in an IPO; or
  - the transaction is either preceded by an external acquisition of one or more combining parties, or followed by an external sale of the combining parties, or both.

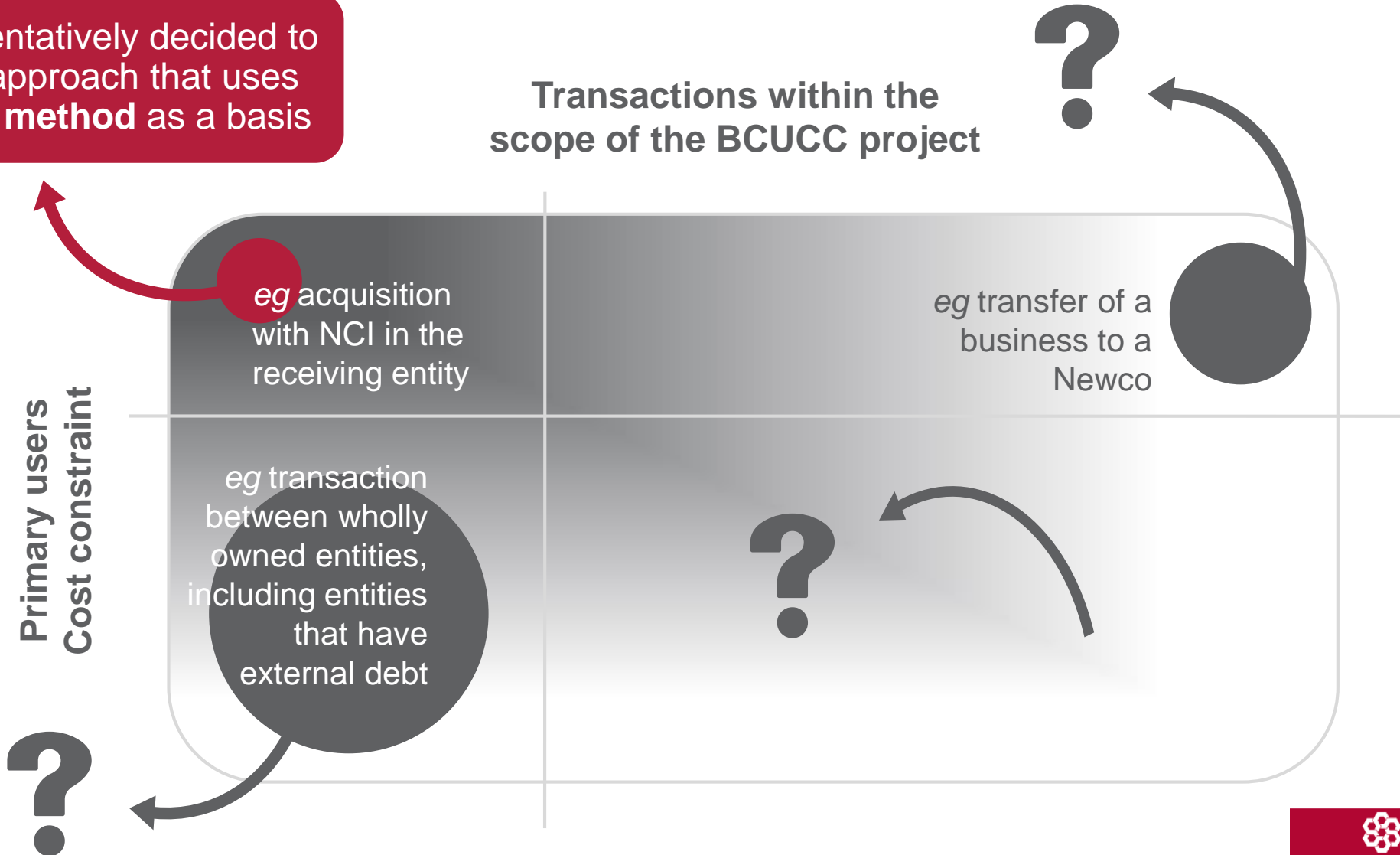
## Decision process



## Alternatives to explore

- acquisition method set out in IFRS 3 *Business Combinations*?
- predecessor method? If yes, how to apply it?
- other methods?

The Board tentatively decided to pursue an approach that uses **acquisition method** as a basis



## Acquisition method

+

Additional disclosures?

+

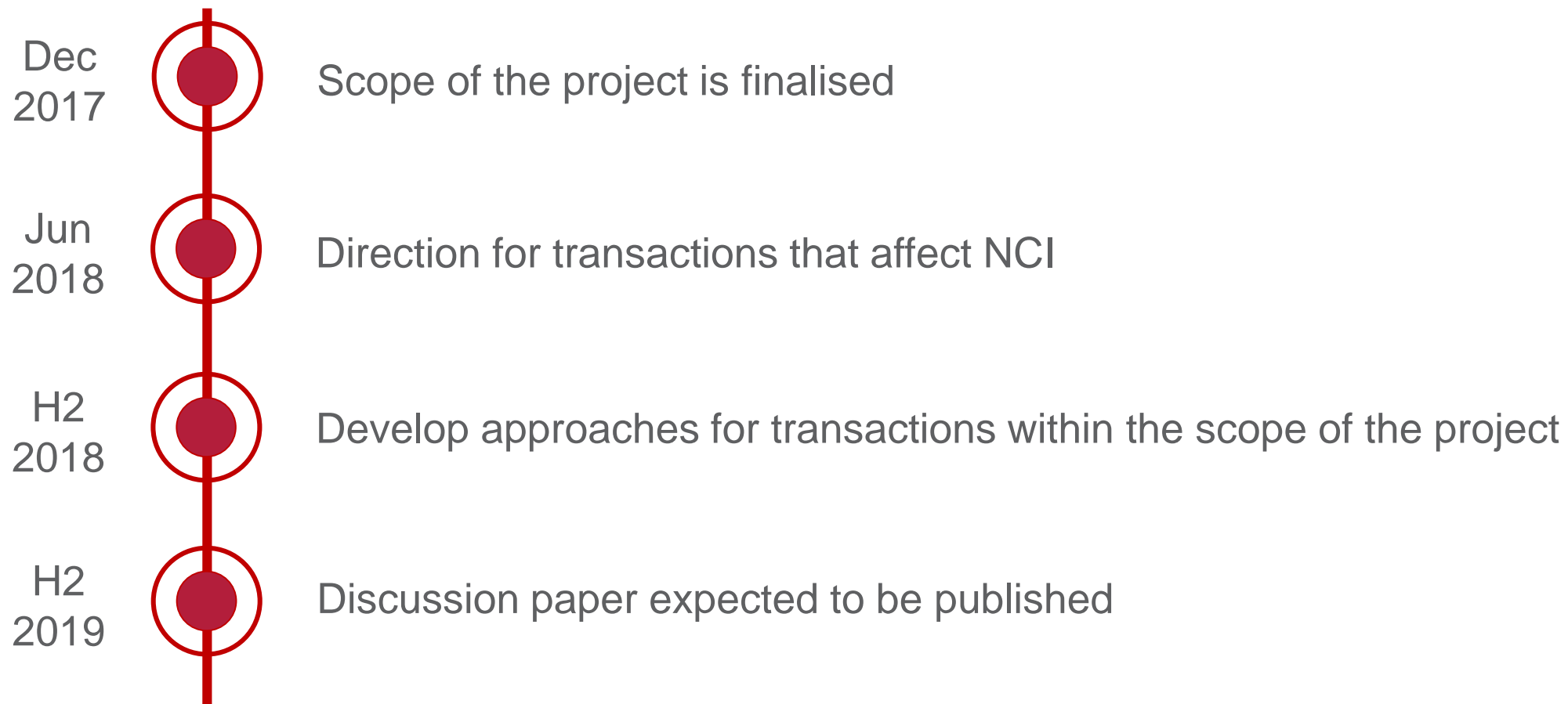
Recognise a contribution  
if it is a bargain purchase  
(not gain)?

+

Recognise a distribution  
if there is an excess  
consideration  
(not goodwill)?

- The Board directed the staff to develop an approach based on **the acquisition method** set out in IFRS 3 and to consider whether and how that method should be modified.
- **Possible modifications** could include one or more of the following:
  - provide additional disclosures;
  - recognise a contribution to equity if there is a bargain purchase, instead of recognising that excess as a gain;
  - recognise a distribution from equity if there is excess consideration transferred instead of including it implicitly in the initial measurement of goodwill; or
  - introduce a ‘cap’ on recognition of goodwill.

# BCUCC—timeline



- ✓ Three objectives the Board decided to pursue for addressing the interrelated problems identified in the research phase of this project:

Objective A	<p><b>identifying disclosures</b> to enable investors to assess:</p> <ul style="list-style-type: none"><li>• management's rationale for the business combination</li><li>• if the post-acquisition performance of the business combination meets expectations set at the acquisition date</li></ul>
Objective B	<p><b>simplifying the accounting for goodwill</b> by:</p> <ul style="list-style-type: none"><li>• permitting an <b>indicator-only approach</b> as to whether an impairment test is required</li><li>• exploring whether to <b>reintroduce amortisation of goodwill</b></li></ul>
Objective C	<p><b>improving the calculation of value in use</b> by permitting:</p> <ul style="list-style-type: none"><li>• cash flow projections that may include future enhancements to the asset</li><li>• the use of post-tax inputs in the calculation of value in use</li></ul>

# Financial Instruments with Characteristics of Equity (FICE)

## Challenges

- IAS 32 works well for most financial instruments, but challenges applying it to complex financial instruments
- limited information available to investors about equity instruments
- no clear rationale for classification

## Response

- articulate classification principles—clear rationale
- limit changes to IAS 32
- propose additional information through presentation and disclosure



# Dynamic Risk Management (DRM)

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## Objective

- improve information regarding risk management and how risk management activities affect the entity's current and future economic resources

## Guiding principles

- transparency
- consideration of capacity constraints
- dynamic nature
- performance measurement

Focused on solutions involving both measurement and disclosure

# Approach to developing the DRM model

## Current stage (July 2018)

- develop the 'core areas' that will shape the fundamentals of the DRM model:
  - asset profile
  - target profile
  - derivatives used for DRM purposes
  - performance assessment → current stage

## Next stage

- seek feedback on the 'core version' of the model before developing the 'non-core areas'. These include:
  - financial assets at FVOCI
  - equity as a source of funding

# Interbank Offered Rate (IBOR)

## Challenge

- market developments question the long-term viability of interest rate benchmarks, such as LIBOR

## Objective

- monitor market developments and determine whether there are any implications for the existing accounting requirements; if so decide whether the Board should take action

## Board's decision

- the discontinuance of IBOR could impact across financial markets and stakeholders are starting to ask about financial reporting implications
- at its June 2018 meeting, the Board decided to add a research project to its active research agenda



# Research pipeline and post-implementation reviews

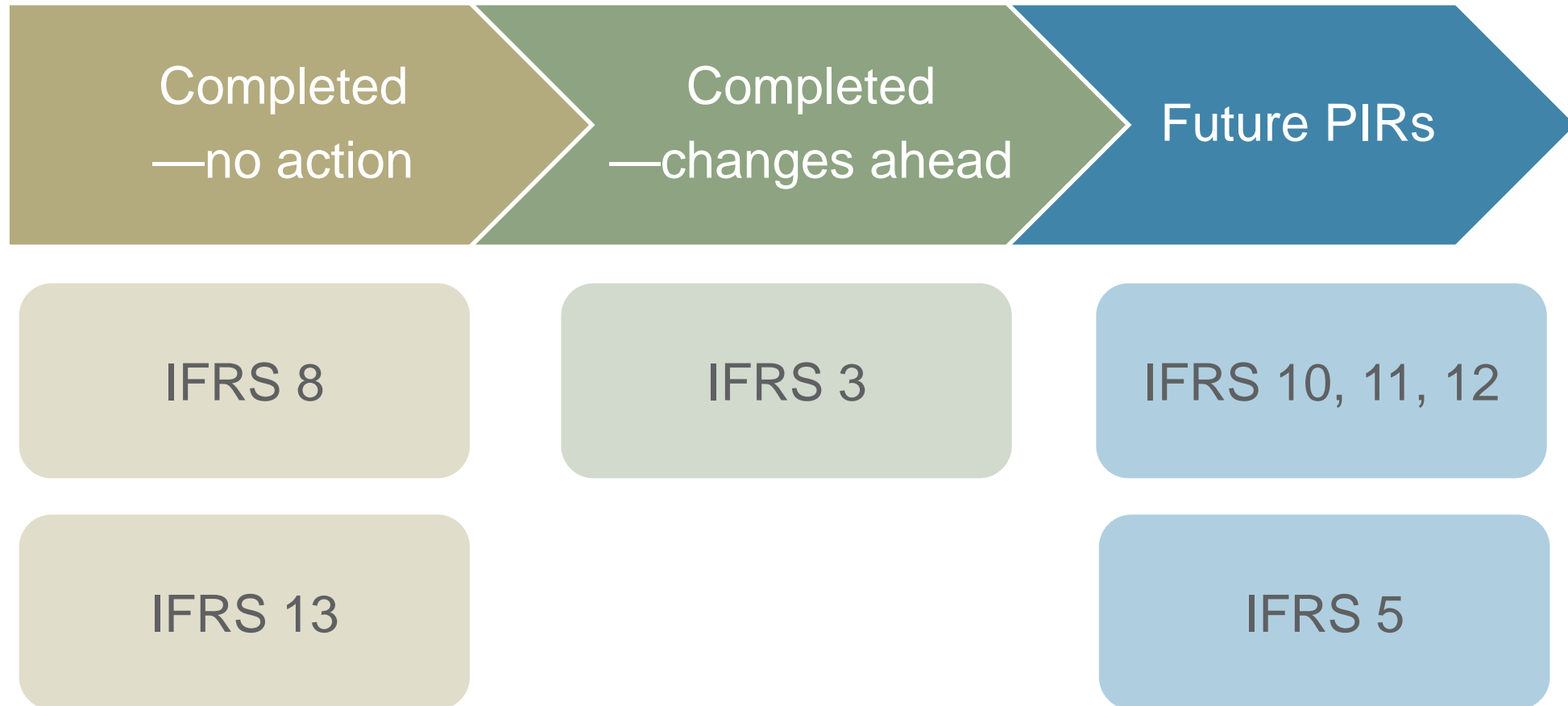
Projects starting in coming months	Remaining pipeline projects (to start in 2019-2020)
<ul style="list-style-type: none"><li>• Extractive Activities</li><li>• Pension Benefits that Depend on Asset Returns</li><li>• Provisions</li><li>• Variable and Contingent Consideration</li><li>• SMEs that are subsidiaries</li></ul>	<ul style="list-style-type: none"><li>• Equity Method</li><li>• Pollutant Pricing Mechanisms</li><li>• High Inflation: Scope of IAS 29</li></ul>

# Research pipeline

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Project	Comments
Extractive Activities	Important globally and particularly in some jurisdictions. A permanent solution is needed to fill a gap
Pension Benefits that Depend on Asset Returns	Assess whether it is feasible to develop an approach for benefits that depend on asset returns: cash flows included in the measurement of the benefit would not exceed the discount rate. No other work is planned on IAS 19
Provisions	Initial research on IAS 37 is largely complete, plan to update for revised <i>Conceptual Framework</i>
Variable and Contingent Consideration	Cross-cutting issue raised in agenda consultation and in earlier deliberations of other topics. This work may also lead to follow on work on risk-sharing and collaborative arrangements
SMEs that are subsidiaries	Assess whether it is feasible to permit subsidiaries that are SMEs to use: the recognition and measurement of IFRS Standards with the disclosure requirements for SMEs

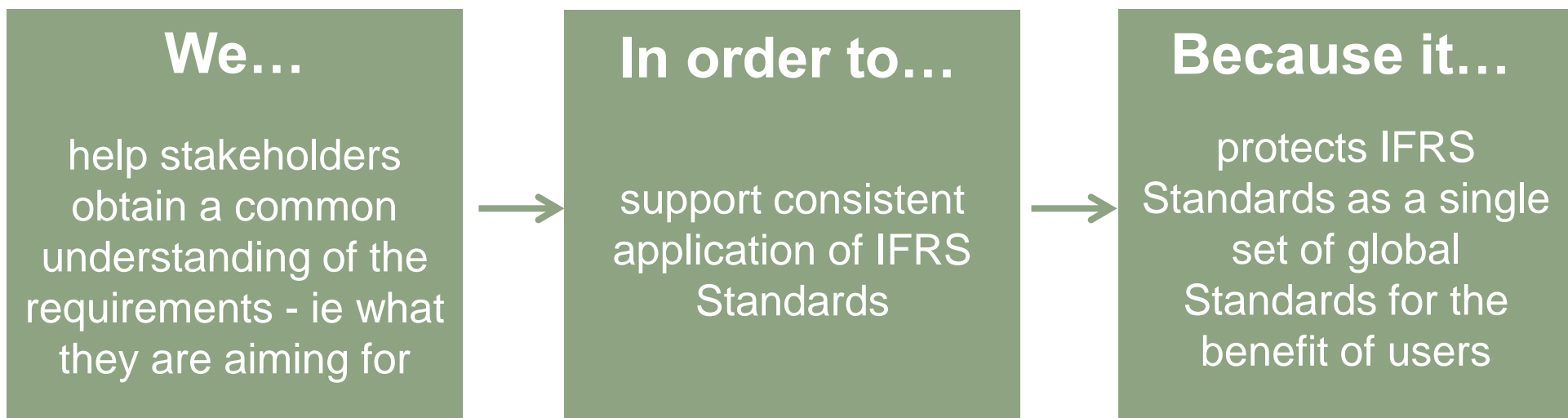
Project	Comments
Equity Method	A number of queries over time. Topic to be investigated as part of PIR of IFRS 11 <i>Joint Arrangements</i>
Pollutant Pricing Mechanisms	An analysis of the common economic characteristics of the various mechanisms will be needed
High Inflation: Scope of IAS 29	Assess whether it is feasible to extend the scope of IAS 29 to cover economies subject to high, rather than hyper, inflation. No other work is planned on IAS 29





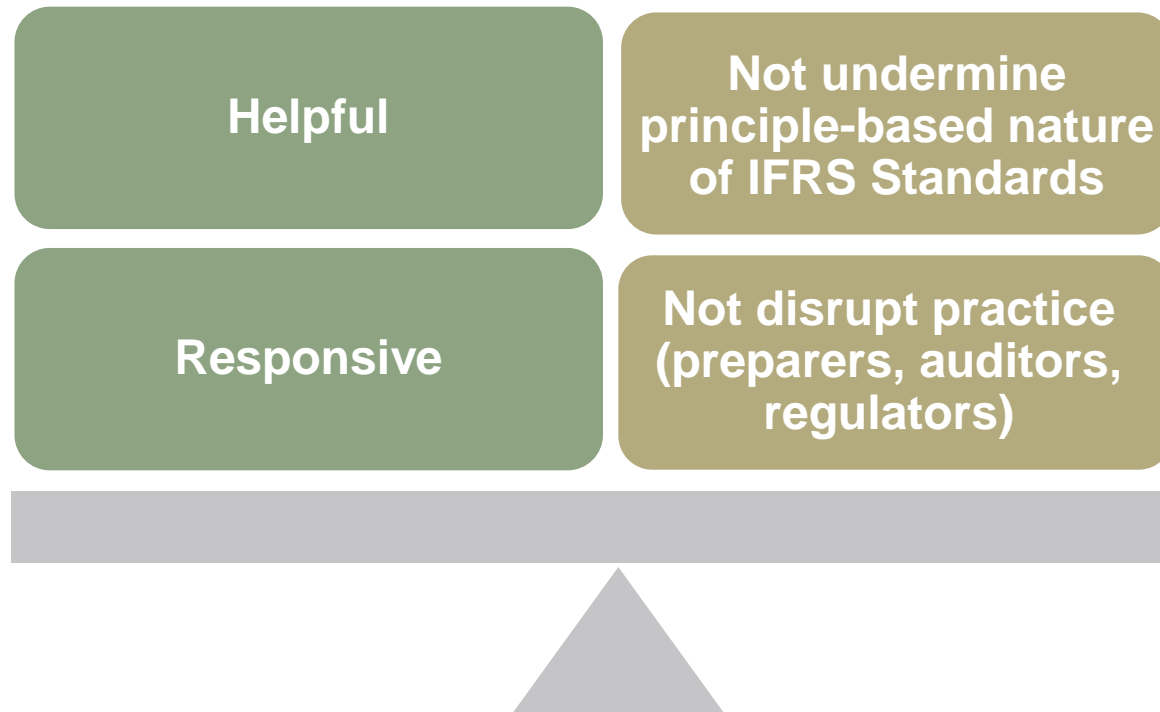
# Supporting Implementation

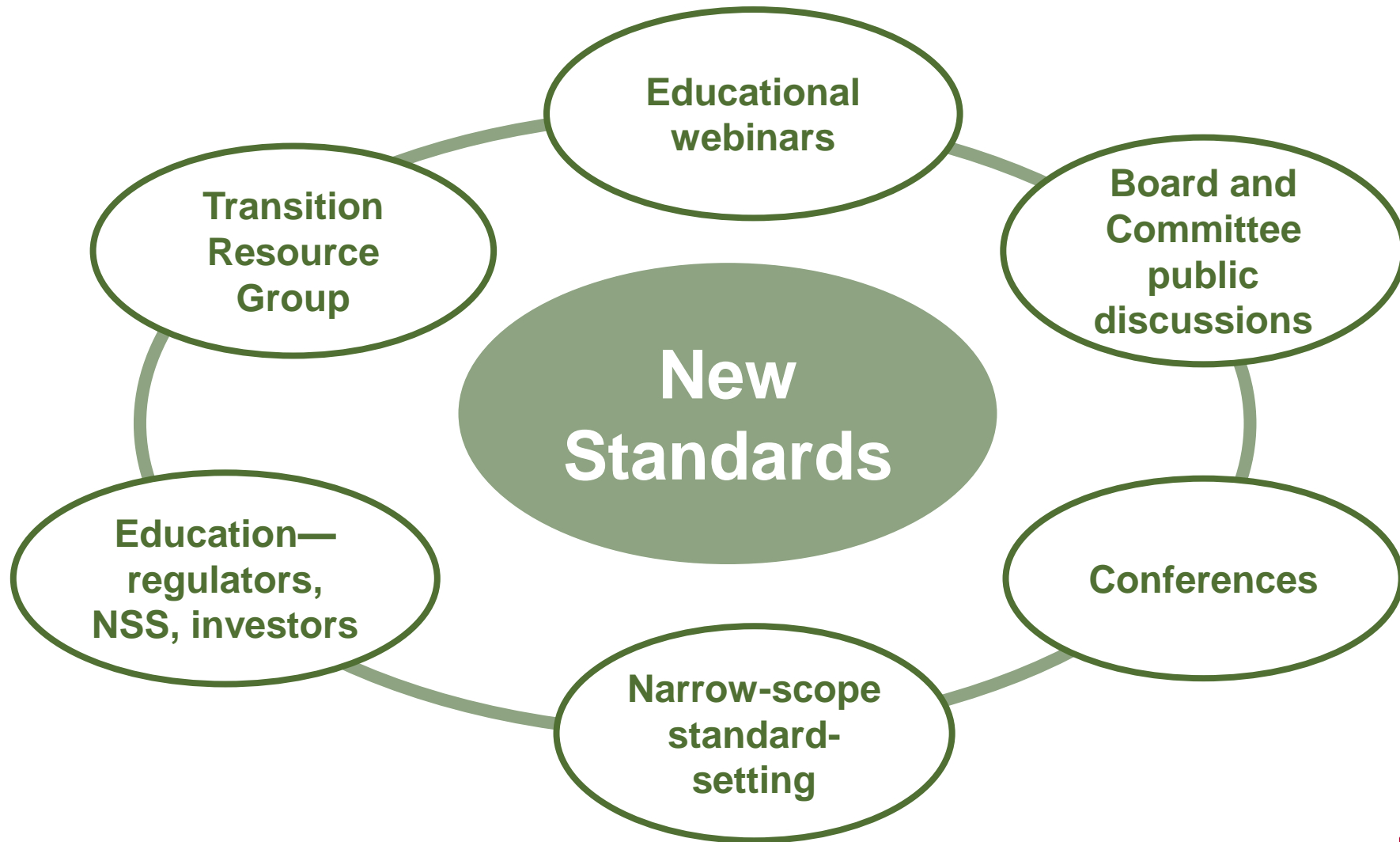
## Objective in supporting the Standards



# The challenge

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





# Purpose of the IFRS 17 TRG



Public forum for discussion of submitted questions

Helps companies to implement IFRS 17

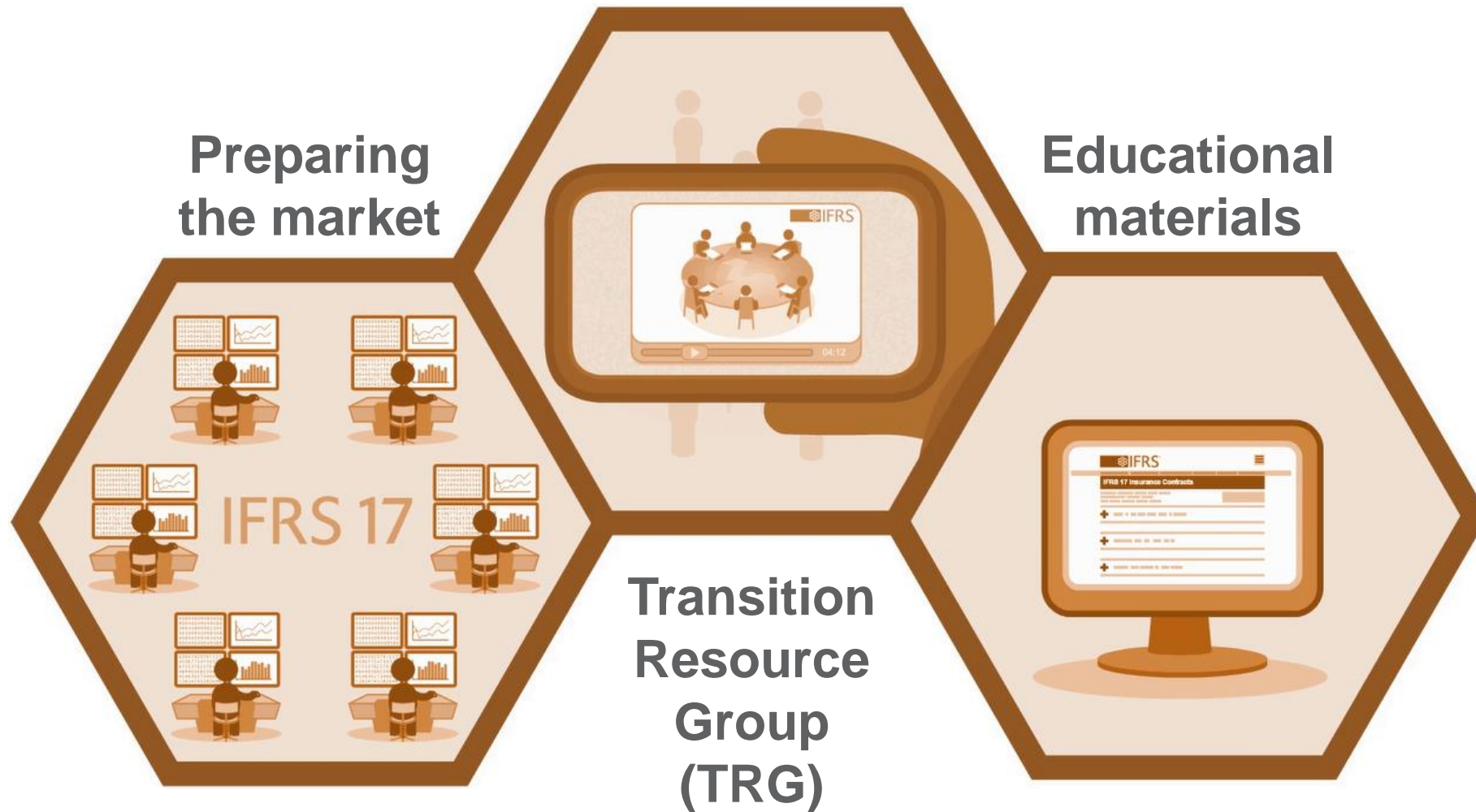
Helps the Board to identify if more support is needed

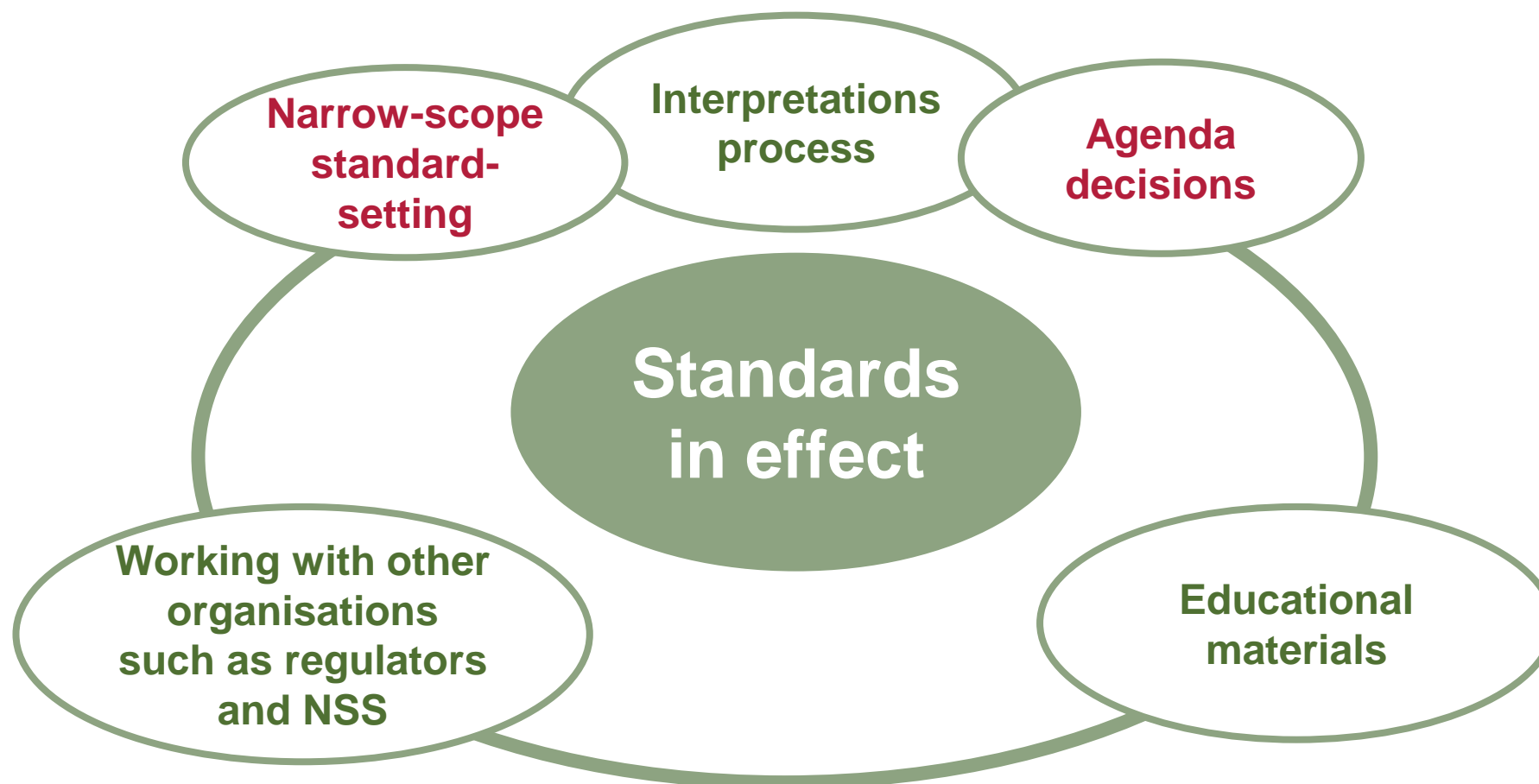
3 meetings to date

Webcasts, papers and summaries available for each meeting

Next meeting December 2018

# IASB support for IFRS 17 implementation





# 2017—2018 Amendments & Interpretations

Topic	Effective date
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	1 January 2019
Plan Amendment, Curtailment or Settlement (Amendment to IAS 19)	1 January 2019
Prepayment Features with Negative Compensation (Amendments to IFRS 9)	1 January 2019
Annual Improvements 2015-2017 <ul style="list-style-type: none"><li>• Amendments to IFRS 3 and IFRS 11: Previously Held Interests in a Joint Operation</li><li>• Amendments to IAS 12: Income Tax Consequences of Payments on Instruments Classified as Equity</li><li>• Amendments to IAS 23: Borrowing costs eligible for capitalisation</li></ul>	1 January 2019



# Maintenance Projects

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Project	Next milestone	Expected date
Definition of a Business (Amendments to IFRS 3)	IFRS Amendment	Imminent
Costs Considered in Assessing whether a Contract is Onerous (Amendments to IAS 37)	Exposure Draft	Q4 2018
Accounting Policies and Accounting Estimates (Amendments to IAS 8)	Decide project direction	October 2018
Accounting Policy Changes (Amendments to IAS 8)	Exposure Draft Feedback	Q4 2018
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	IFRS Amendment	TBD
Availability of a Refund (Amendments to IFRIC 14)	IFRS Amendment	TBD
Annual Improvements (next cycle) <ul style="list-style-type: none"> <li>• Fees in the '10 percent' test for Derecognition (Amendments to IFRS 9)</li> <li>• Lease Incentives (Amendment to Illustrative Example 13 accompanying IFRS 16)</li> <li>• Subsidiary as a First-time Adopter (Amendments to IFRS 1)</li> <li>• Package of annual improvements (Amendments to IFRS 17)</li> <li>• Taxation in Fair Value Measurements (Amendments to IAS 41)</li> </ul>	Exposure Draft	TBD
Classification of Liabilities as Current or Non-current	Decide Project Direction	TBD



# Supporting resources

# Resources available on our website



New website



Video



Leaflet  
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

# Finding agenda decisions—Path 1

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IFRS Home > Supporting Implementation >  
How the IFRS Interpretations Committee helps implementation > All Agenda Decisions

The screenshot shows the IFRS website interface. At the top left is the IFRS logo. To the right are links for 'Log in', a search icon, and a menu icon. Below this is a horizontal navigation menu with the following items: ABOUT US, AROUND THE WORLD, ISSUED STANDARDS, SUPPORTING IMPLEMENTATION (highlighted), PROJECTS, NEWS AND EVENTS, and SERVICES. A dark banner below the navigation contains the mission statement: 'Our mission is to develop IFRS® Standards that bring transparency, accountability and efficiency to financial markets around the world. Our work serves the public interest by fostering trust, growth and long-term financial stability in the global economy.' Below the banner are three article teasers: 'IFRS Foundation seeks feedback on website experience', 'Speech: IASB Chair discusses goodwill accounting' (highlighted with a red background), and 'Ann Tarca lecture: Check the numbers'. The main content area features a video player showing Hans Hoogervorst speaking at a podium. Below the video is the title 'Speech: IASB Chair discusses goodwill accounting' and a brief description: 'Hans Hoogervorst delivers speech in Japan, on IFRS adoption, goodwill accounting and better communication in financial reporting'. To the right of the video is a 'Resources for' sidebar with a list of categories: Academics, Accounting profession, Investors, Media, National standard-setters, Preparers, Regulators, and Students. At the bottom of the page is a search icon.



# Join the IFRS Foundation team

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a mission  
that matters



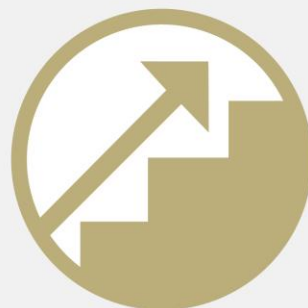
working with global  
accounting experts



access to network of  
influential people



small organisation  
with a big impact



unique development  
opportunities



intellectually  
stimulating



international  
environment

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