

IASB Developments

AOSSG December 2017

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- Strategic update
 - New Board composition
 - Reputation survey
- 2016 – 2017 Activities
 - IFRS 17 *Insurance Contracts*
 - Changes ahead
 - Upcoming amendments
- Implementing the IASB Work Plan 2017–2021
 - Better Communication
 - Active projects
 - Conceptual Framework
 - Rate-regulated activities
 - Research programme
 - Active research projects
 - Research pipeline
 - Post-implementation reviews
 - Wider corporate reporting
 - Upcoming consultations
 - Supporting implementation

Five new Board members



Nick Anderson



Françoise Flores



Jianqiao Lu



Tom Scott



Ann Tarca

The complete Board

Africa	Americas		Asia-Oceania		Europe		'At large'
							
Darrel Scott	Amaro Gomes	Gary Kabureck	Jianqiao Lu	Tak Ochi	Martin Edelmann	Françoise Flores	Sue Lloyd
							
	Tom Scott	Mary Tokar	Chungwoo Suh	Ann Tarca	Hans Hoogervorst	Nick Anderson	

Findings and recommendations

- Positive results overall
- The Foundation was highly rated by its stakeholders in most areas, especially against the attributes of transparency and independence
- Less highly rated for timeliness, reducing complexity, and engagement with some specific stakeholder types
- We will be working on specific actions in these areas as part of our strategic work plan for 2018



2016–2017 Activities and achievements

IFRS 17 *Insurance Contracts*

The first truly international
IFRS Standard for insurance contracts



One

accounting model for all insurance contracts in all IFRS jurisdictions—replaces IFRS 4



Who is affected?



450
listed insurers
using IFRS
Standards



\$13 trillion
total assets of
those listed
insurers

When?



2021
mandatory
effective date of
IFRS 17

What changes?



More
useful and
transparent
information



Better
information
about profitability

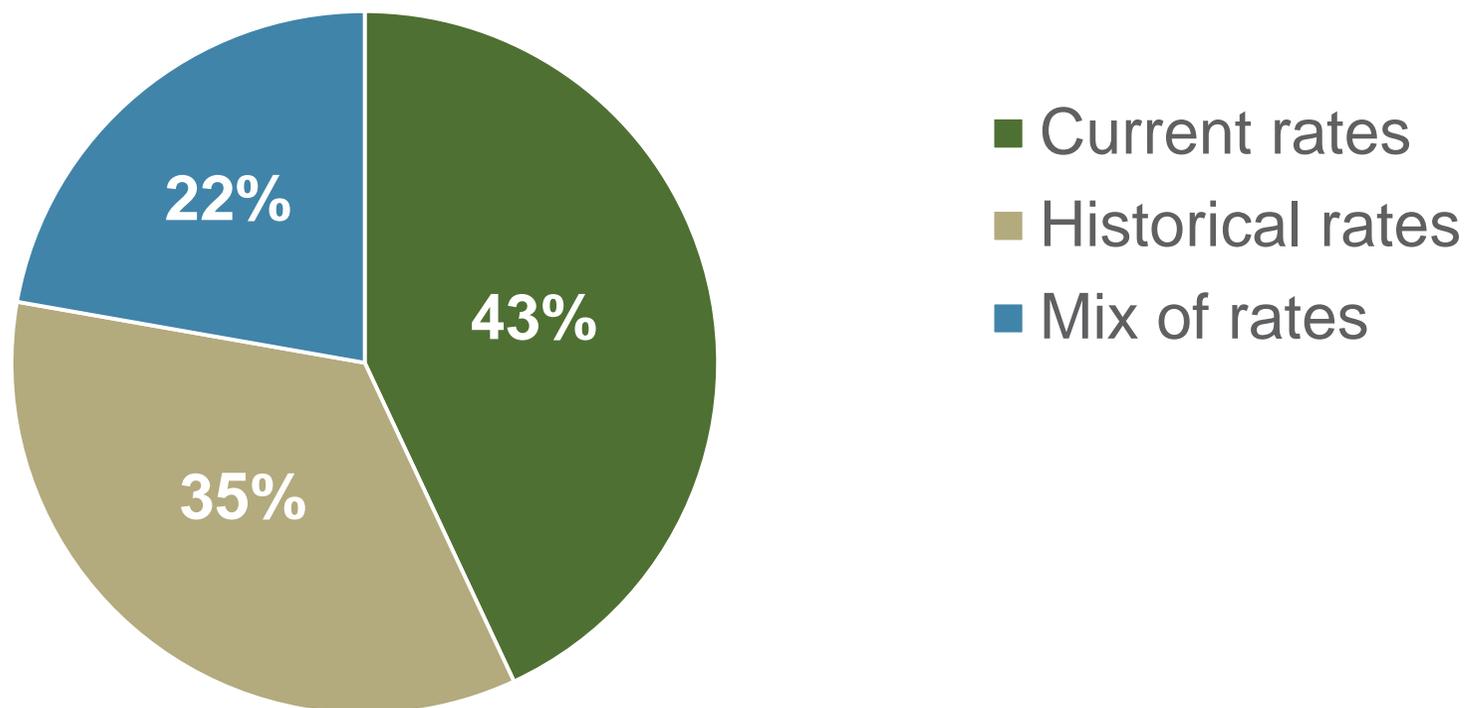
Insurance accounting today

- Same insurer – two different GAAP

(\$ millions)	GAAP 1	GAAP 2	Difference	
Revenue	9,010	11,244	(2,234)	-25%
Operating income	1,606	748	858	53%
Total equity	10,375	4,567	5,808	56%

Insurance accounting using IFRS today

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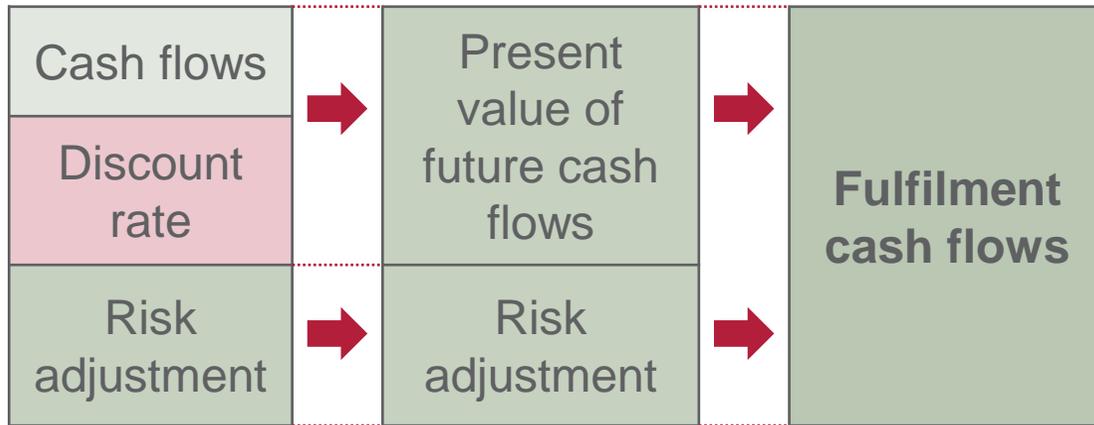


Discount rates used for a sample of life insurers (2015)



*Sample is from top 100 listed insurance companies using IFRS—information available for 72 of the 100 companies (table on page 37 of the Effects Analysis)

IFRS 17 measurement model



Current value that incorporates all available information, in a way consistent with observable market information. Updated each period using updated assumptions about cash flows, discount rate and risk.



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.



IFRS 17 asset or liability

All insurance contracts are measured as the sum of:

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

Changes to financial performance presentation

IFRS 4*	IFRS 17	Key changes
Premiums	Insurance revenue	- Two drivers of profit presented separately
Investment income	Incurred claims and expenses	
Incurred claims and expenses	Insurance service result	- Insurance revenue excludes deposits [written premiums disclosed in the notes]
Change in insurance contract liabilities	Investment income	- Revenue is recognised as earned and expenses are recognised as incurred
Profit or loss	Insurance finance expenses	
	Net financial result	- Insurance finance expenses are excluded from insurance service result and are presented (i) fully in P&L or (ii) in P&L and OCI, depending on accounting policy
	Profit or loss	
	Insurance finance expenses <i>(optional)</i>	
	Comprehensive income	

(*) Common presentation in the statement of comprehensive income in applying IFRS 4

What changes?



More
useful and transparent
information



Better
information about
profitability

How did we get feedback?



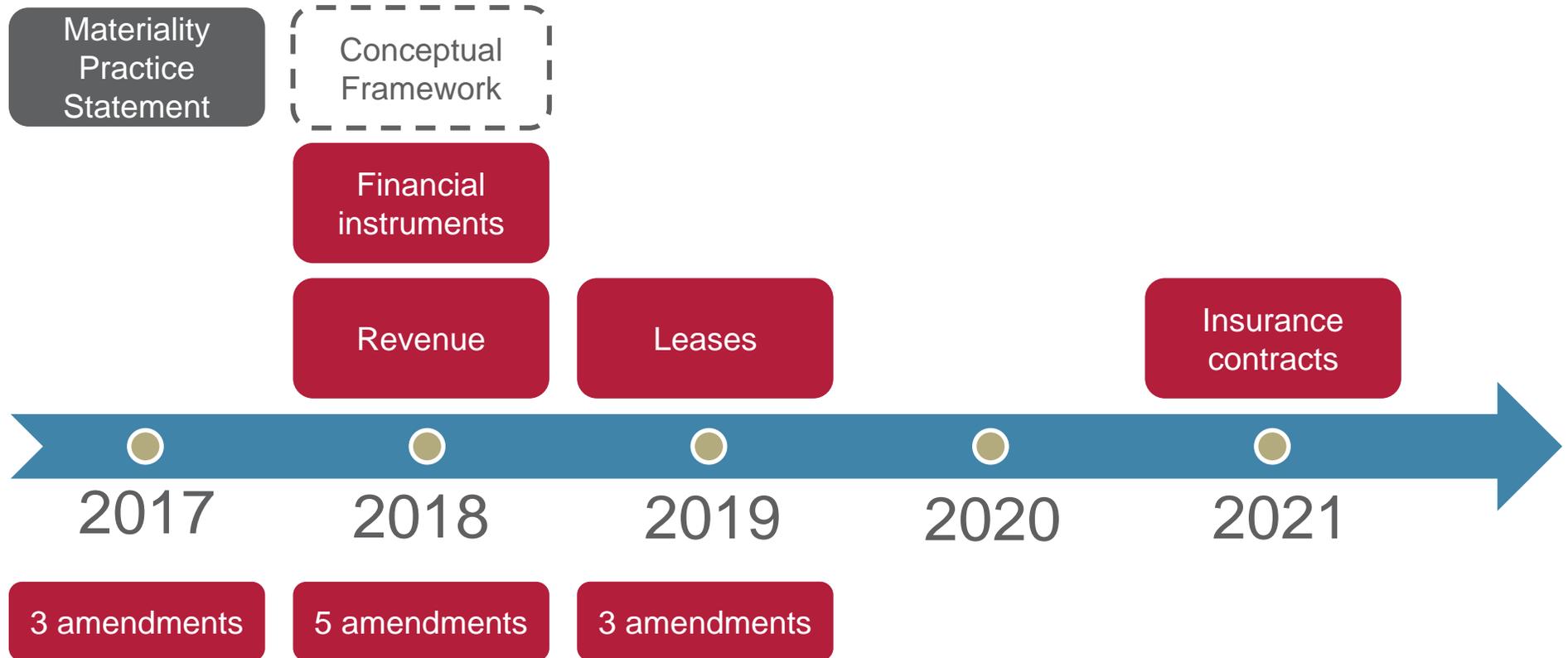
600
comment letters



900
meetings, round-tables
and discussion forums

Changes ahead

Changes ahead – effective dates of issued Standards



Effective dates of issued Amendments & Interpretations

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Topic	Effective date
Disclosure Initiative (Amendments to IAS 7)	1 January 2017
Recognition of deferred tax assets for unrealised losses (Amendments to IAS 12)	1 January 2017
<i>Annual Improvements 2014-2016</i>	
Amendments to IFRS 12	1 January 2017
Amendments to IFRS 1, IAS 28	1 January 2018
Applying IFRS 9 <i>Financial Instruments</i> with IFRS 4 <i>Insurance Contracts</i> (Amendments to IFRS 4)	1 January 2018
IFRIC 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Transfer of Investment Property (Amendments to IAS 40)	1 January 2018
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	1 January 2018

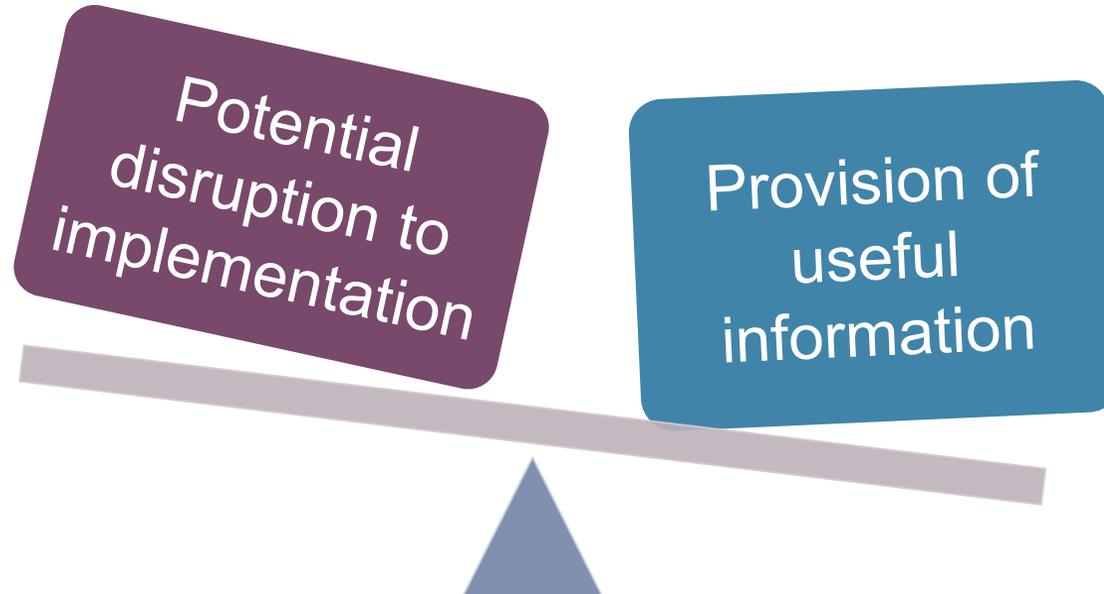
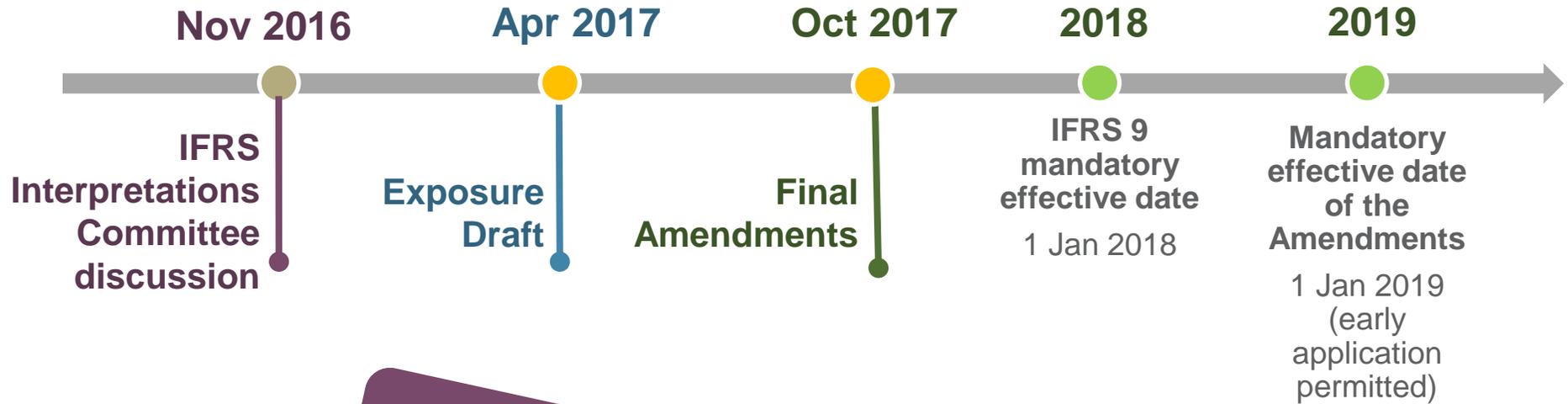
Effective dates of issued Amendments & Interpretations

Topic	Effective date
IFRIC 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	1 January 2019
Prepayment Features with Negative Compensation (Amendments to IFRS 9)	1 January 2019



Amendments to IFRS 9 *Prepayment Features with Negative Compensation*

Amendments to IFRS 9

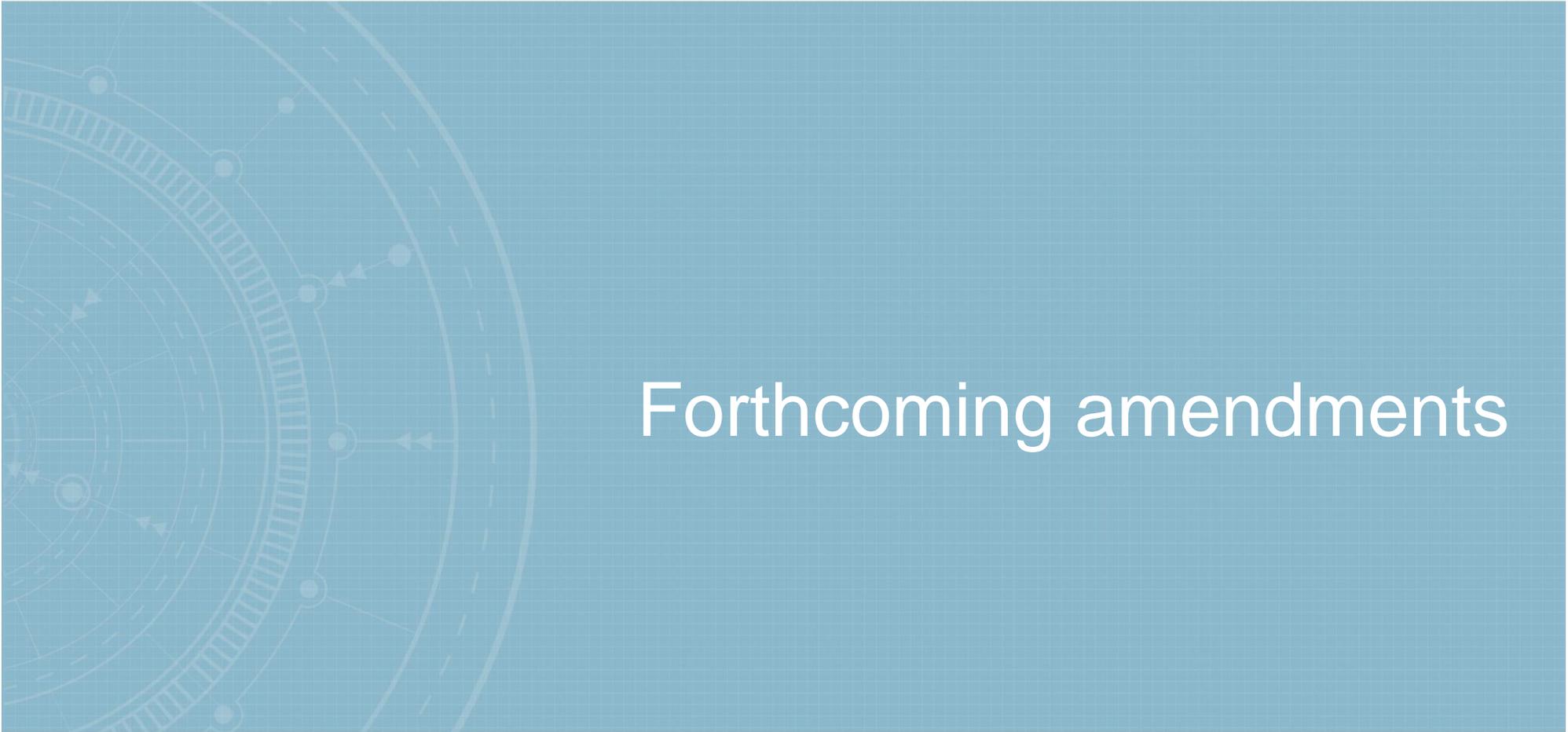


Issue

Without an amendment to IFRS 9, all prepayable financial asset with so-called 'negative compensation' features would be measured **at fair value through profit or loss.**

Amendments

The amendments allow some financial assets with such features to be measured at amortised cost when a specific condition is met.



Forthcoming amendments

Forthcoming narrow-scope amendments

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Annual Improvements to IFRS Standards 2015–2017 Cycle

Previously held interests in a joint operation (Amendments to IFRS 3 and IFRS 11)

Income tax consequences of payments on financial instruments classified as equity (Amendments to IAS 12)

Borrowing costs eligible for capitalisation (Amendments to IAS 23)

Amendments to IAS 19

Plan amendment, curtailment or settlement (Amendments to IAS 19)

Implementing the IASB Work Plan 2017–2021

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

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

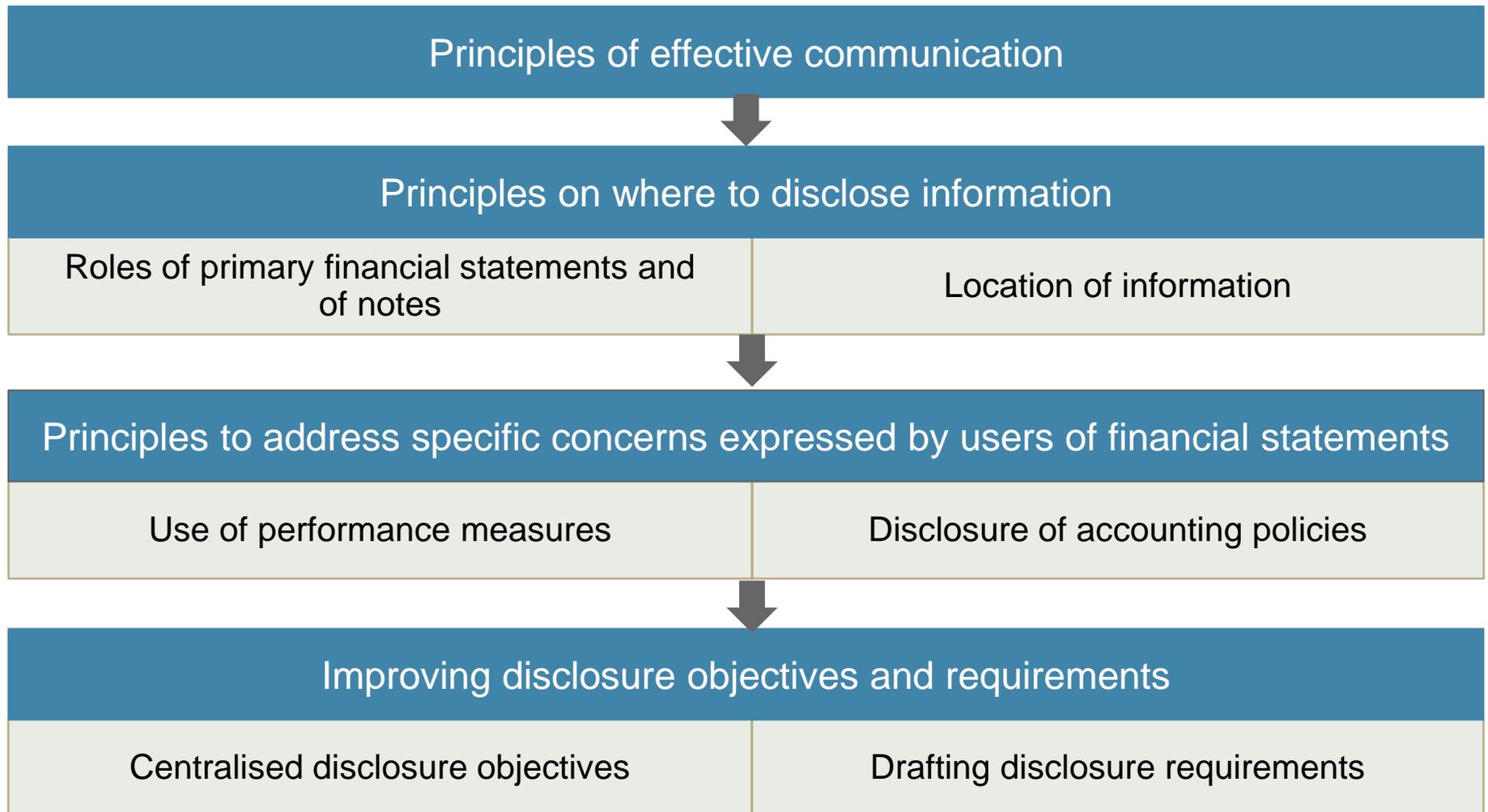
Definition of material

Principles of Disclosure (POD)

Standards-level Review of Disclosures

Conceptual Framework

Primary Financial Statements



Making Materiality Judgements

'One-stop materiality shop'



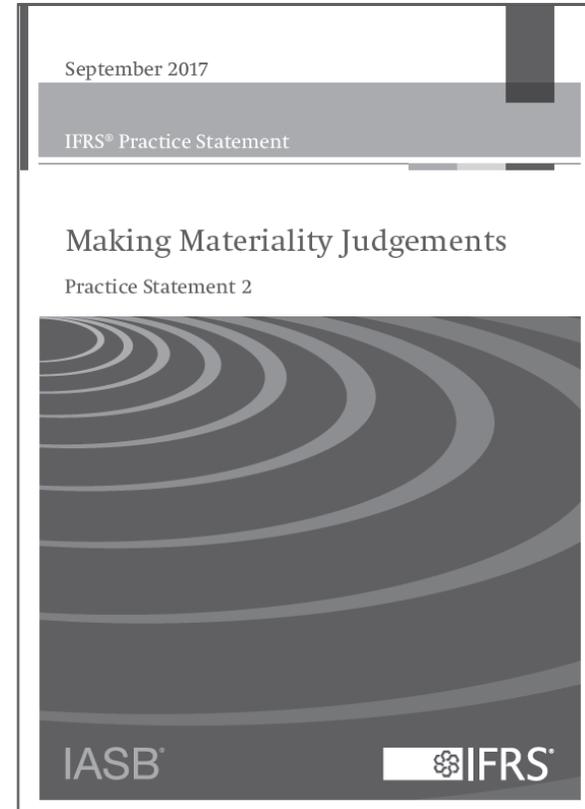
All IFRS materiality requirements



Practical guidance



Examples



- 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

- Regulators are increasingly requiring the use of structured electronic filings:
 - the **US Securities and Exchange Commission** is requiring the use of the IFRS Taxonomy starting for fiscal periods ending on or after 15 December 2017
 - the **European Securities and Markets Authority** is proposing to mandate the use of the IFRS Taxonomy for annual consolidated financial statements from 1 January 2020

Active projects

Conceptual Framework

Conceptual Framework at a glance

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What is it?



Underpins
developing and applying
IFRS Standards

Why did we revise it?



Priority
project identified in the
Agenda Consultations

What changed?



Updated
concepts that will result in
better IFRS Standards

What happens next?



Q1 2018
expect to publish
Conceptual Framework
and update references in
IFRS Standards

What is the *Conceptual Framework*?

A practical tool that assists:

Board

- to develop Standards

Preparers

- to develop consistent accounting policies when no specific Standard applies

All

- to understand and interpret Standards

Not a Standard and does not override Standards

Standards should be consistent with the *Conceptual Framework*

Why are we revising the *Conceptual Framework*?

Existing *Conceptual Framework* useful but some improvements needed

Fill in the gaps

- For example, provides concepts on presentation and disclosure and measurement

Update

- For example, updates the definitions of assets and liabilities

Clarify

- For example, clarifies the roles in financial reporting of:
 - stewardship
 - prudence
 - substance over form
 - measurement uncertainty

References to the Conceptual Framework– Fact sheet

References to the Conceptual Framework



Updates references in IFRS Standards to the revised *Conceptual Framework*

Objective



Enables transition to the revised *Conceptual Framework* for preparers

Form

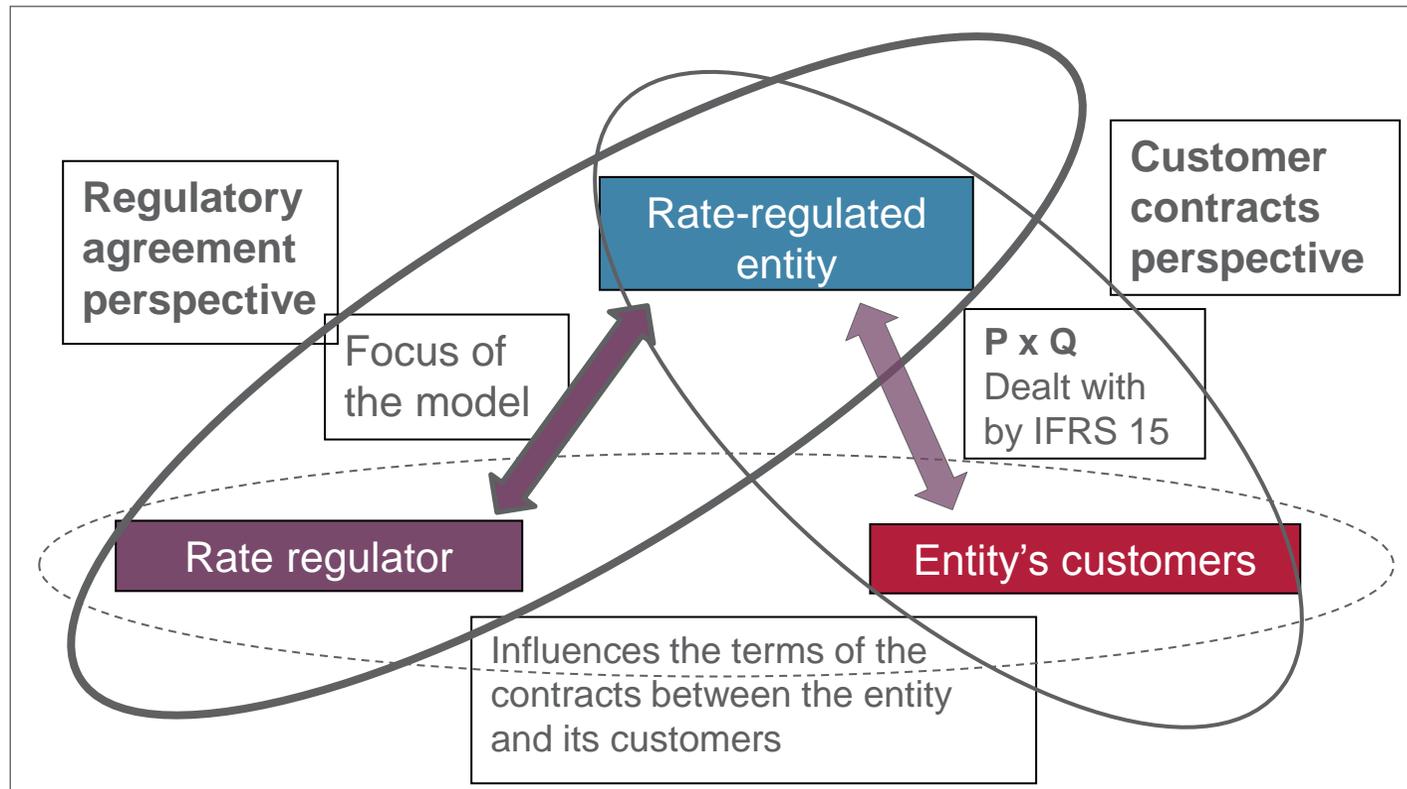


Amendments to IFRS Standards

Rate-regulated activities

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.



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

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

Standard setting?

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

Research pipeline

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

Active research projects*

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Project	Target
Financial instruments with characteristics of equity	DP H1 2018
Business combinations under common control	DP H2 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)

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">• 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

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

Discount rates

[research completed March 2017]

- Some issues being considered in other current or planned projects
- List of matters for staff to consider in future projects
- Future education session on negative interest rates
- No other work planned

Share-based payments

[research completed May 2016]

- No further work planned

Next step:

publish summary
of research
H1 2018

Research pipeline

Topic	Comments
Equity method	A number of queries over time. Topic to be investigated as part of PIR of IFRS 11 <i>Joint Arrangements</i>
Extractive activities	Important globally and particularly in some jurisdictions. A permanent solution is needed to fill a gap. Larger topic of intangibles has been removed from this project to enable a more effective and efficient approach.
Pollutant pricing mechanisms	An analysis of the common economic characteristics of the various schemes will be needed
Provisions	Initial research on IAS 37 is largely complete, awaiting finalisation of 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

Research pipeline

Topic	Comments
High inflation	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.
Pension benefits	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
SMEs that are subsidiaries	Assess whether it is feasible to permit subsidiaries that are SMEs to use: <ul style="list-style-type: none">• the recognition and measurement of IFRS Standards with• the disclosure requirements for SMEs

Post-implementation reviews (PIRs)

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Completed PIRs

In progress

Future PIRs

IFRS 8 *Operating Segments*

- Improvements to IFRS 8 ED—**comment period closed 31 July 2017**

IFRS 3 *Business Combination*

- Definition of a business ED, finalise H1 2018
- Research project: Goodwill and Impairment

IFRS 13 *Fair Value Measurement*

- Request for Information—**comment period closed 22 September 2017**

IFRSs 10-12

- consolidation
- joint arrangements
- disclosures

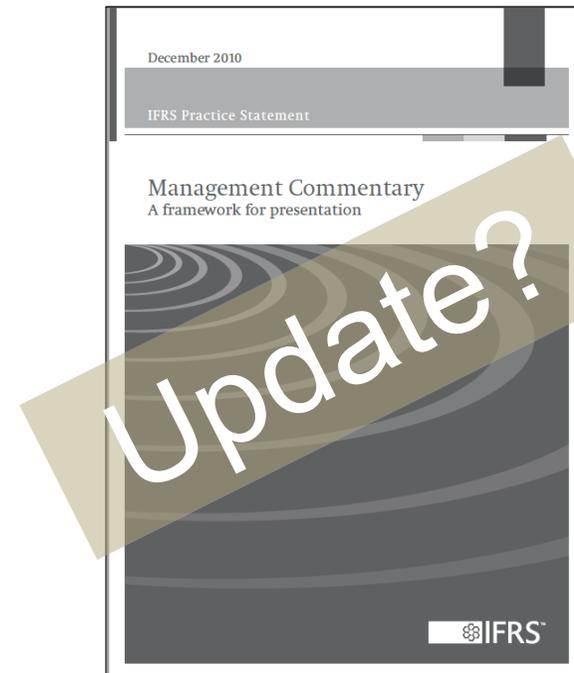
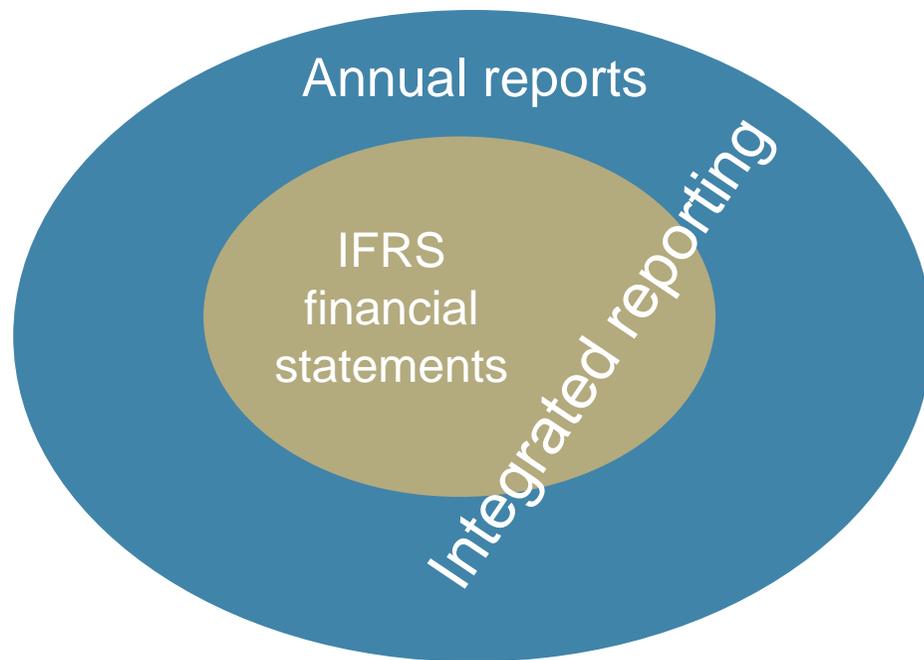
IFRS 5

- discontinued operations

Wider corporate reporting

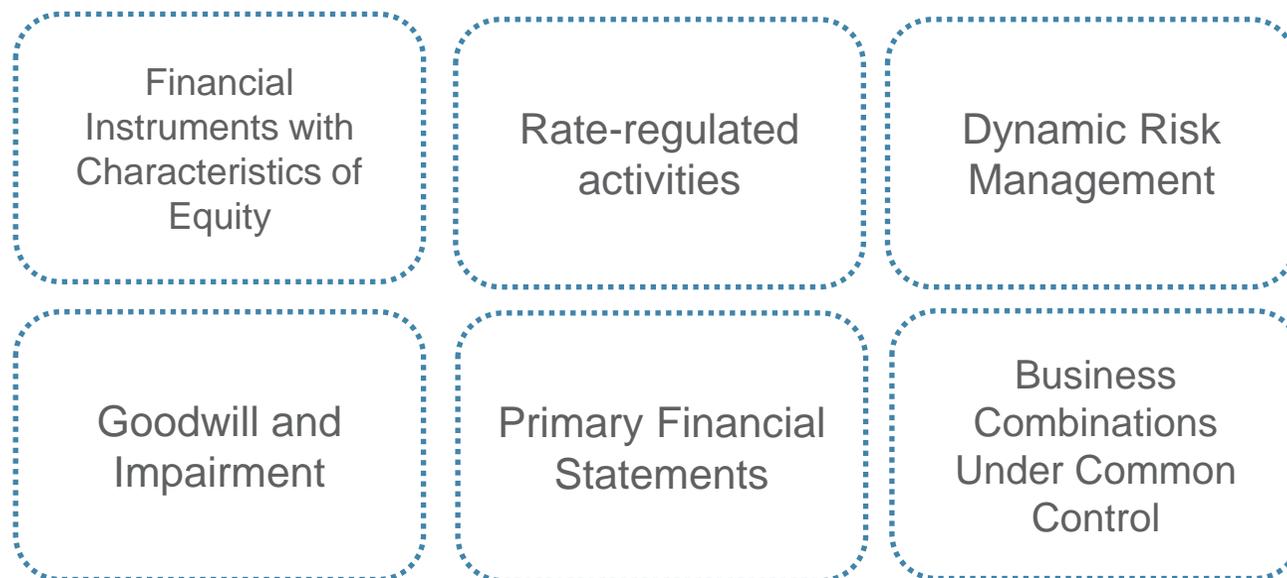
Wider corporate reporting

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



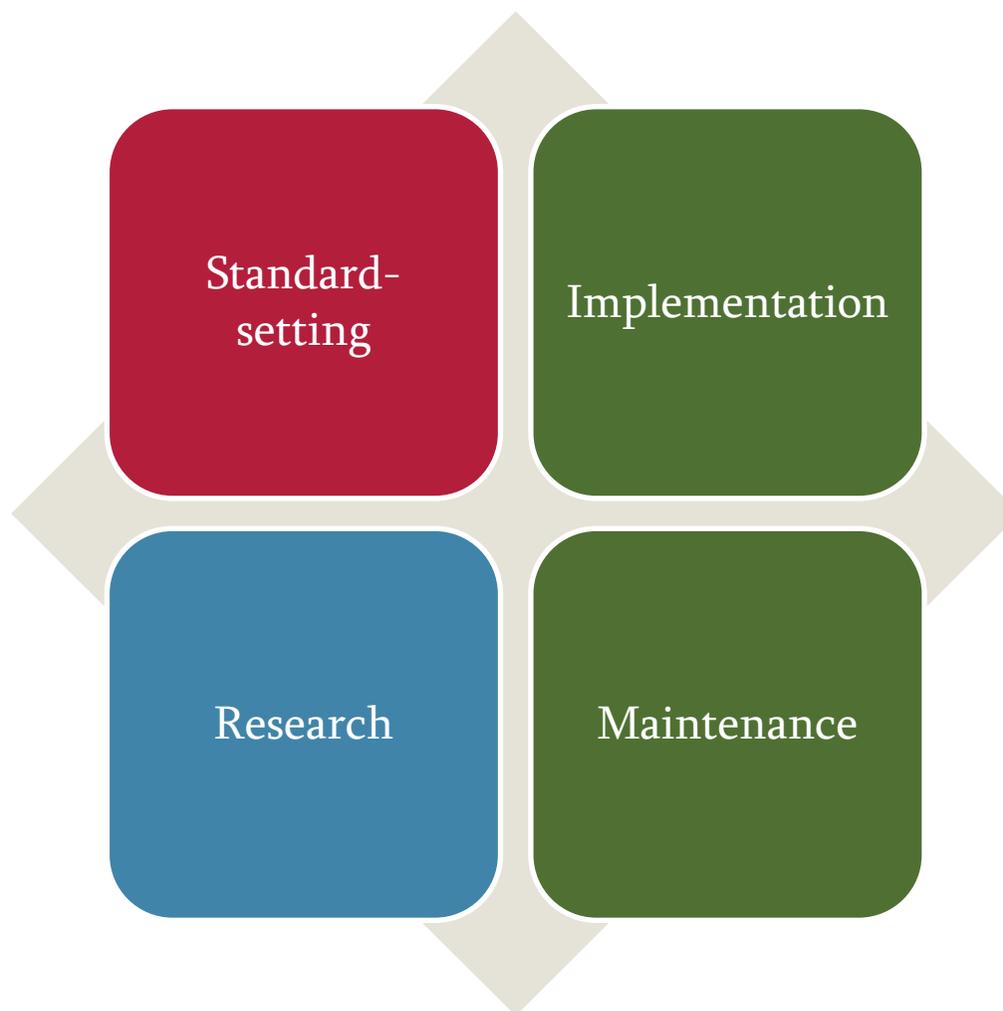
Consultations

2018 Consultations



2018

Supporting implementation



Making supporting activities visible and accessible

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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

Supporting implementation of new Standards

New Standards

Informal technical discussions with regulators, NSS and audit firms

Educational Webinars
(eg IFRS 16, IFRS 9)

Board and Committee public discussions
(eg IFRS 15, IFRS 9)

Transition Resource Group
(eg IFRS 15, IFRS 9 – impairment, IFRS 17)

Narrow-scope standard setting
(very high hurdle for change!)

Conferences

Education for regulators, NSS and investors

Contact us

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