

# IASB® Update *Progress and plans*

IFRS Week, Nairobi, Kenya  
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# IFRS in Africa

# Adoption of IFRS

## *Profiles project*

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- IFRS profiles project
- Completed profiles for 143 countries
  - 20 in Africa
- 119 (83%) require IFRS for all or most publically accountable entities
  - 16 (80%) in Africa
- 14 allow IFRS, or require only for some publically accountable entities (eg banks)
  - 1 in Africa
- 133 (93%) require or allow IFRS for some or all publically accountable entities
  - 17 (85%) in Africa

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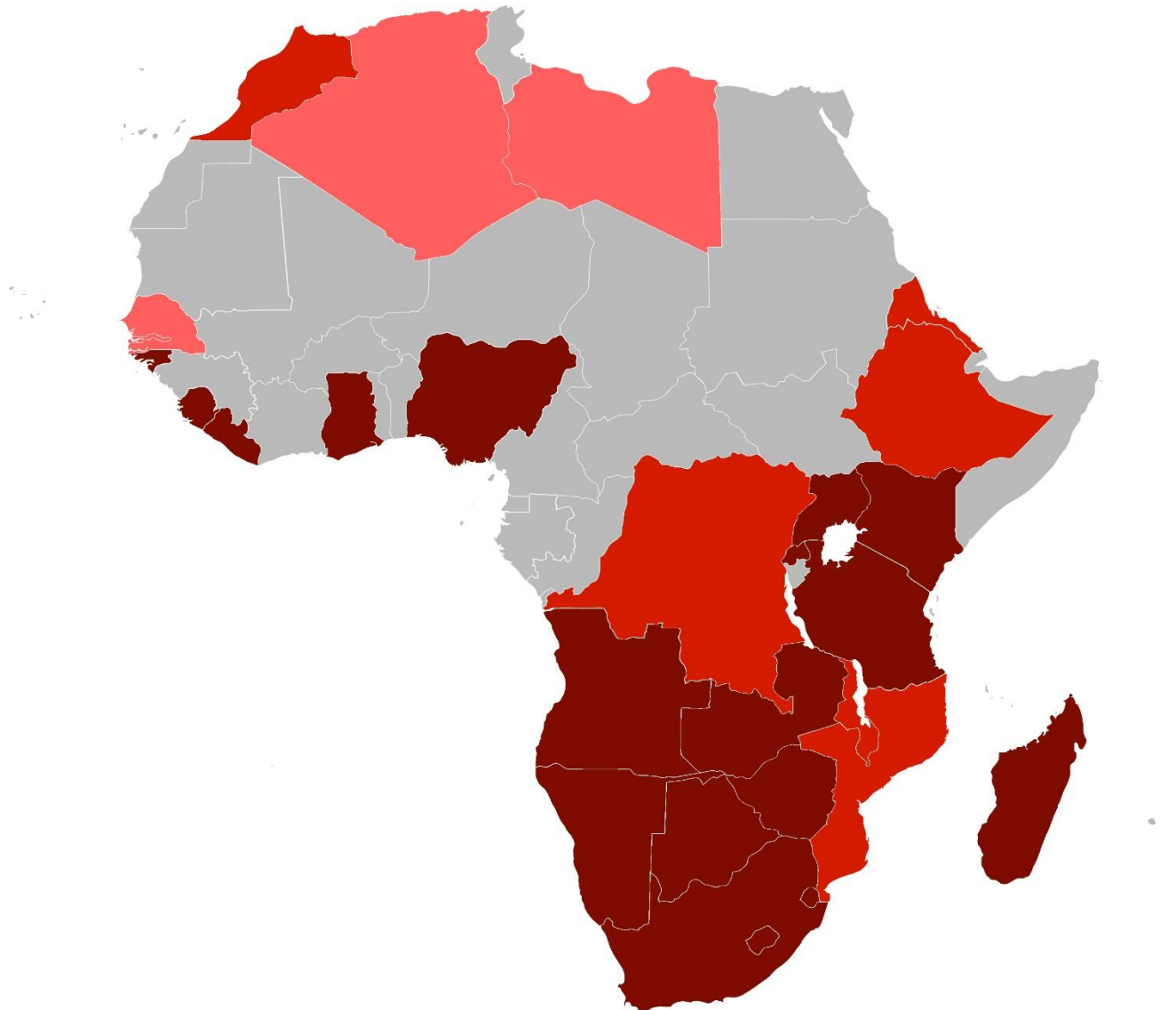
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# The Map

## *Using IFRS and active plans to adopt IFRS*

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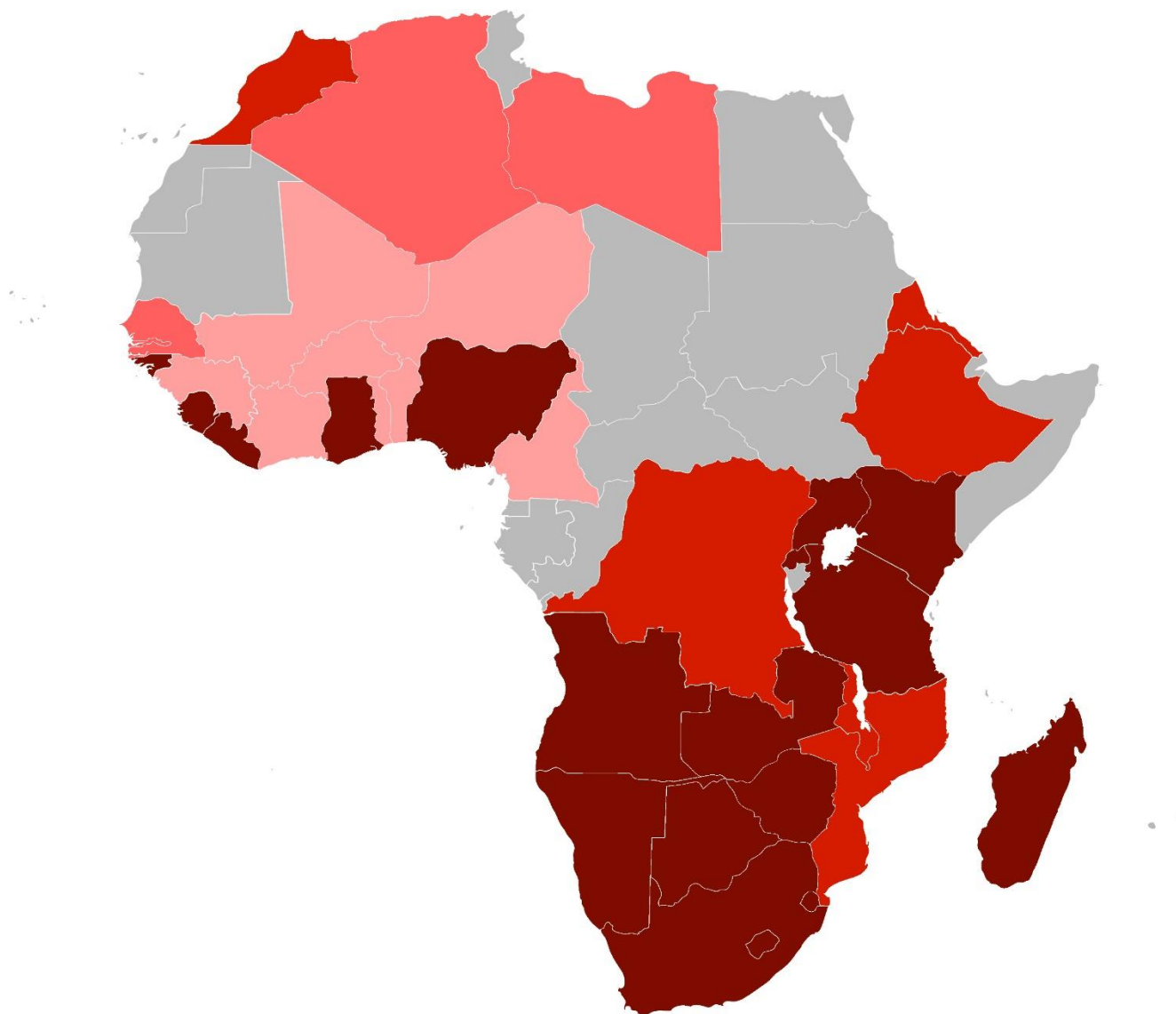




# The Map

*Using, active plans to adopt and discussions*

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# Adoption of IFRS

## *Drivers for change*

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- Investment cash flows within Africa
  - Cross border trading
  - Cross border M&A activity
  - Parent/Subsidiary relationships
- International Investment cash flows
- Adoption of international regulatory standards (Basel, solvency etc)
- Development of Stock exchanges
- Availability of IFRS for SMEs (and Micro Guide)
- Development of skills
- Retention of skills



# Adoption of IFRS

## Challenges

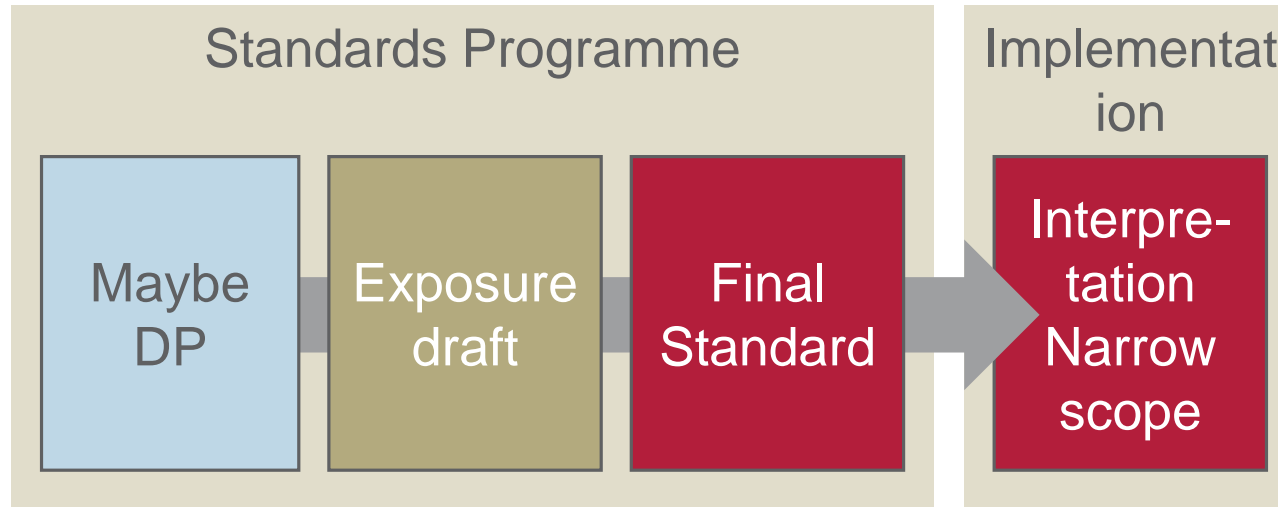
- Development of skills
- Retention of skills
- Complexity of full IFRS for smaller companies
- Consistent application of IFRS
  - Role of regulators
  - Role of auditors
- Balance the advantages against the disadvantages
  - Education
    - Regulatory
    - Audit, then
    - Preparers
  - Support (PAFA, World Bank, IASB, ICAEW, others)

# Standard Setting process

# The Standard Setting Process

## *The Good old Days*

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# The Standard Setting Process

## *The new process*

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Agenda  
Consultation

Request for  
Information

Every 3  
to 5 years

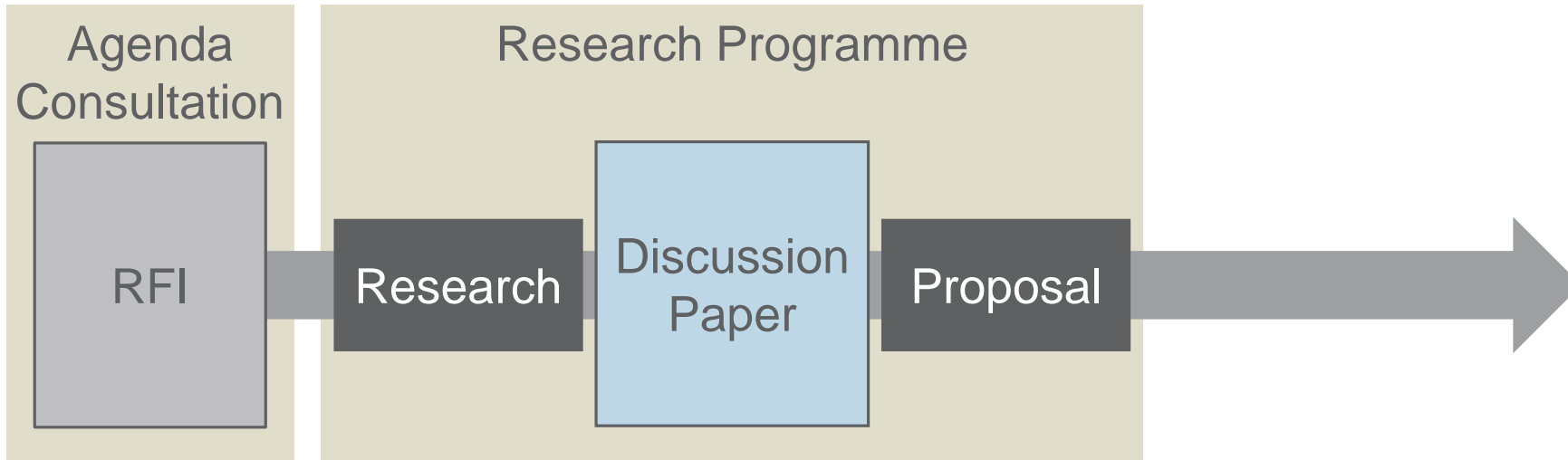


- 2011: Trustees introduced triennial Agenda Consultation

# The Standard Setting Process

## *The new process*

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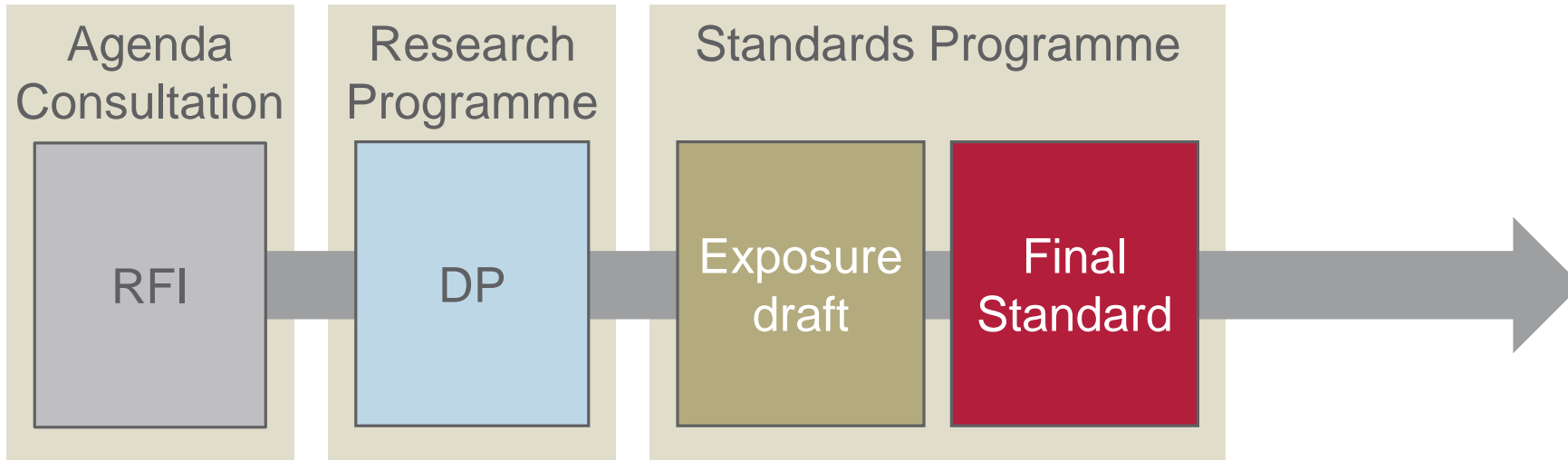


- 2011: Trustees introduced triennial Agenda Consultation
- 2012: Trustees support move to **evidence-based decision making**, with a research phase

# The Standard Setting Process

## *The new process*

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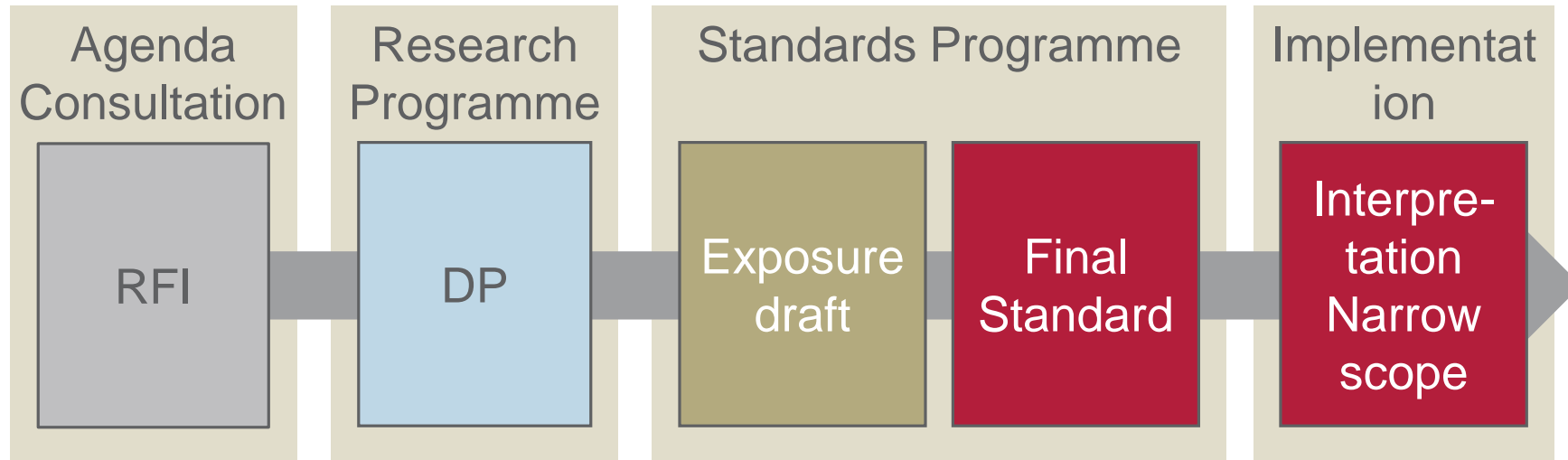


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# The Standard Setting Process

## *The new process*

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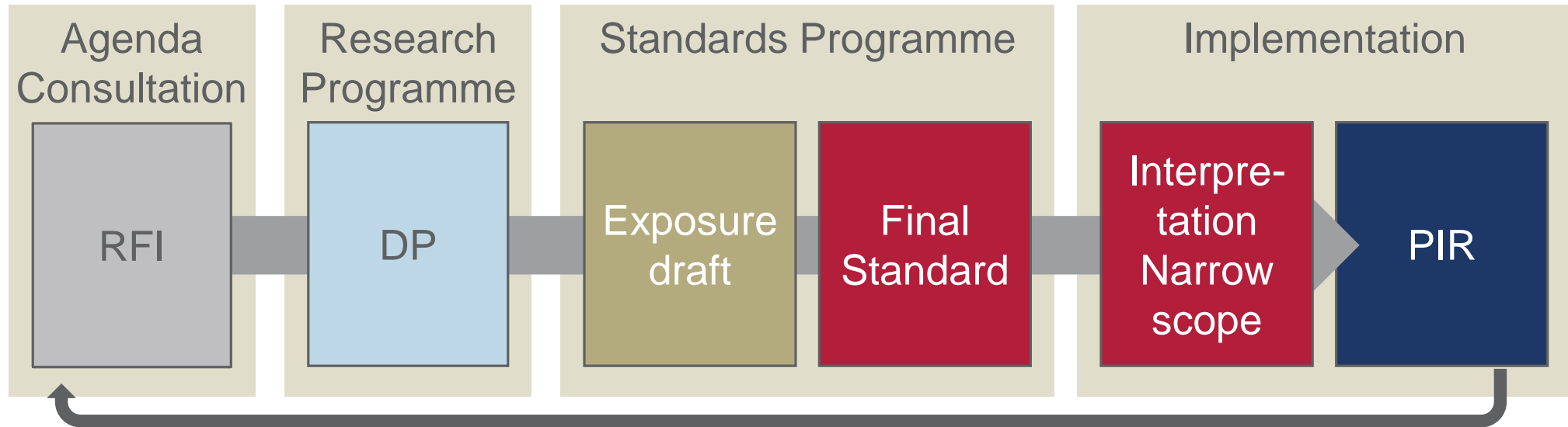
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# The Standard Setting Process

## *The new process*

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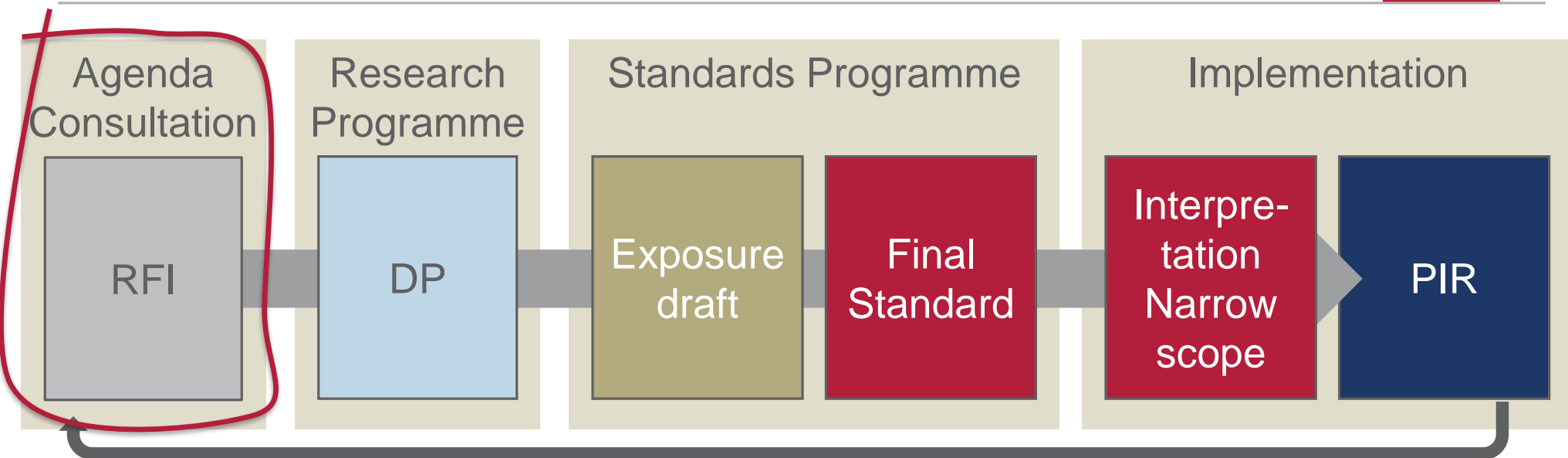


- 2011: Trustees introduced triennial Agenda Consultation
- 2012: Trustees support move to evidence-based decision making, with a research phase
- 2007: Trustees introduced **Post Implementation reviews**

# Agenda Consultation

# Agenda Consultation

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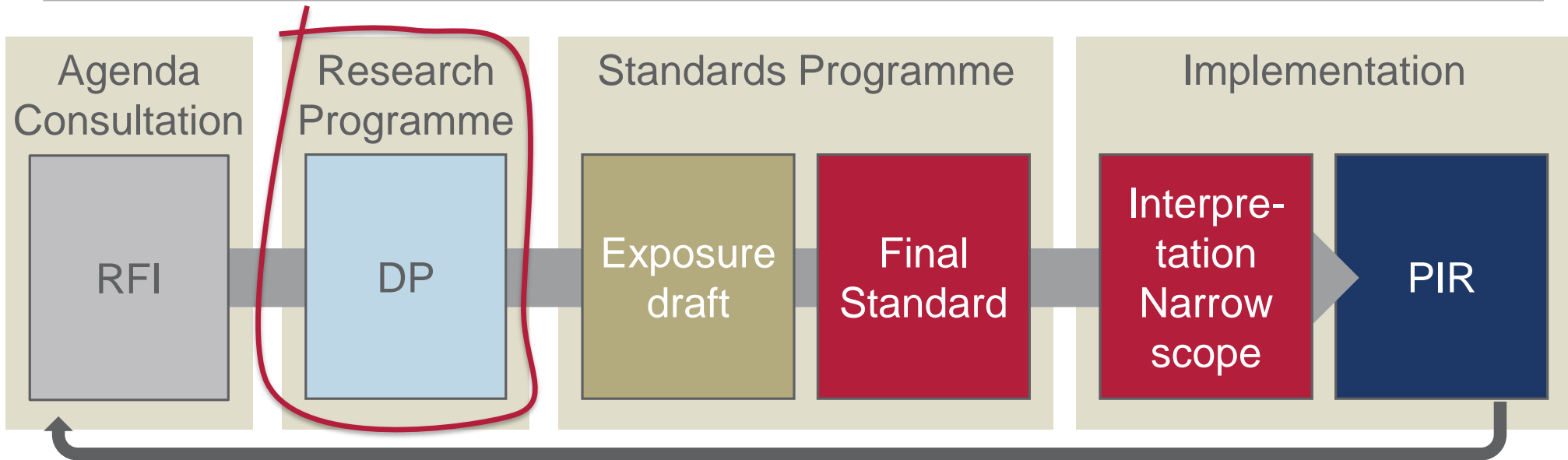


- A regular public agenda consultation
  - seeks formal input on strategy and balance of work program
  - first consultation completed in December 2012
  - board currently reviewing 2015 consultation
- 2015 Consultation
  - Board considered feedback and priorities at April and May board meetings
  - Trustees considered priorities at May meeting
  - Both ASAF and IFRS Advisory Committee have considered feedback
  - Board will conclude priorities in October

# Research

# Research

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- 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**
- 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 Standards-level programme on a timely basis



# Research programme

## *Adding work to the programme*

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- **Sources** of requests for IASB to assess a possible problem:
  - Issues considered by the IFRS **Interpretations** Committee
    - The Equity Method
    - Share-based Payments
  - **Post-implementation Reviews**
    - Goodwill amortisation and impairment
  - **Agenda Consultation**
    - Discount rates
  - Ad hoc
    - National Standard-setters
    - Disclosure Initiative

- Assessment-stage projects :
  - identify practical application issues
  - understand whether there is a financial reporting problem and
  - determine what further action, if any, is needed
- Development-stage projects
  - assess whether the IASB can identify a solution and
  - the form that solution is likely to take
- Communication of project progress and findings
  - Papers posted for IASB discussion
  - Project output documents (general consultation document, project conclusions)

# Research Development stage

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Projects	Status	
Common control ✓	<i>Begun discussions</i>	Subject to agenda consult
Disclosure initiative ✓	<i>Begun discussions, DP to be published in 2016</i>	
<b>Extractive</b>		
Dynamic risk management ✓	<i>Begun discussions, DP to be published in 2016</i>	
Equity method	<i>Not yet begun discussions</i>	
Financial instruments with characteristics of equity ✓	<i>Begun discussions</i>	

# Research Assessment stage

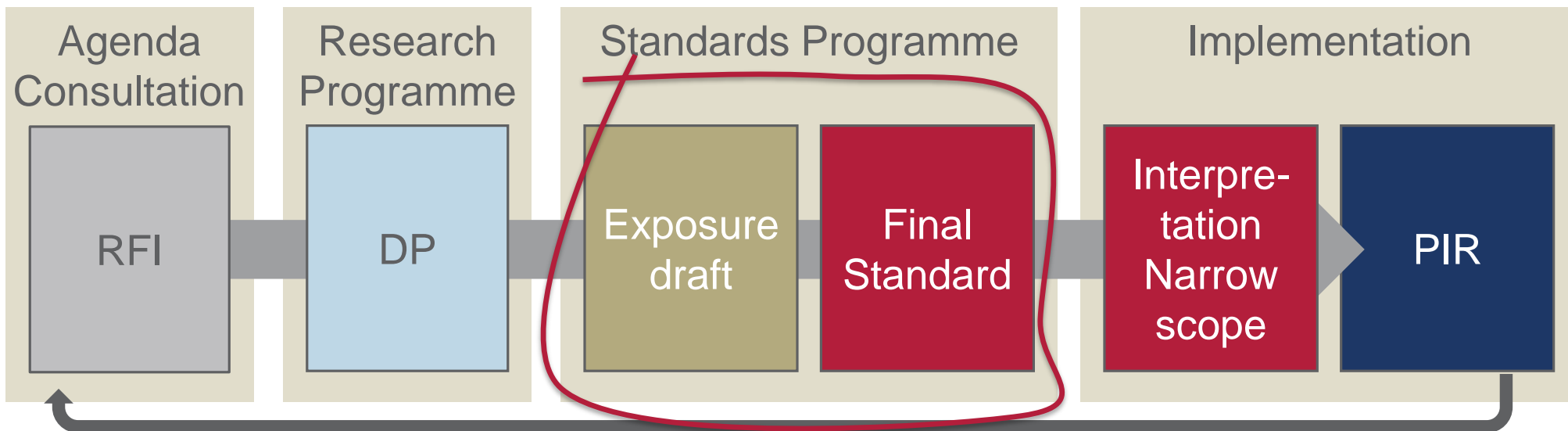
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Projects	Status	Subject to agenda consult
Discount rates	<i>Reviewing staff findings</i>	
Goodwill and impairment ✓	<i>Begun discussions</i>	
Income taxes	<i>Begin discussions May 2016</i>	
Pollutant pricing	<i>Begun discussions</i>	
Post employment benefits ✓	<i>Reviewed staff research</i>	
Primary Financial statements ✓	<i>Reviewed staff research</i>	
Provisions, contingents	<i>Reviewed staff research</i>	
Share Based payments	<i>Reviewed staff research</i>	

# Major standards-level projects

# Major Standard Level projects

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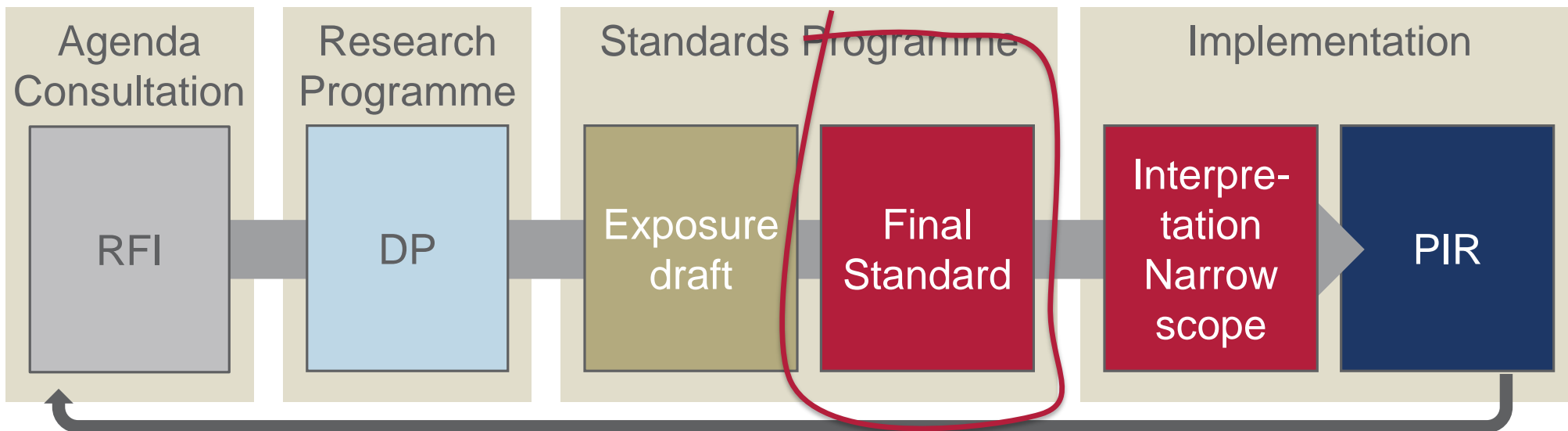
Major Projects	Next Due Process Step	Expected date
Insurance	Final Standard	Early 2017
Dynamic Risk Management	Discussion Paper	2017
Rate Regulated Activities	Discussion Paper	2017
Conceptual Framework	Final Framework	Early 2017
Disclosure Initiative	Various	Late 2016



# Recently issued IFRS Standards

# Recently issued IFRSs

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Major Publications	Effective date
IFRS 9 <i>Financial Instruments</i>	1 January 2018
IFRS 14 <i>Regulatory deferral Accounts</i>	1 January 2016
IFRS 15 <i>Revenue from Contracts with Customers</i>	1 January <b><u>2018</u></b>
IFRS 16 <i>Leases</i>	1 January 2019
2015 Amendments to the <i>IFRS for SMEs</i>	1 January 2017

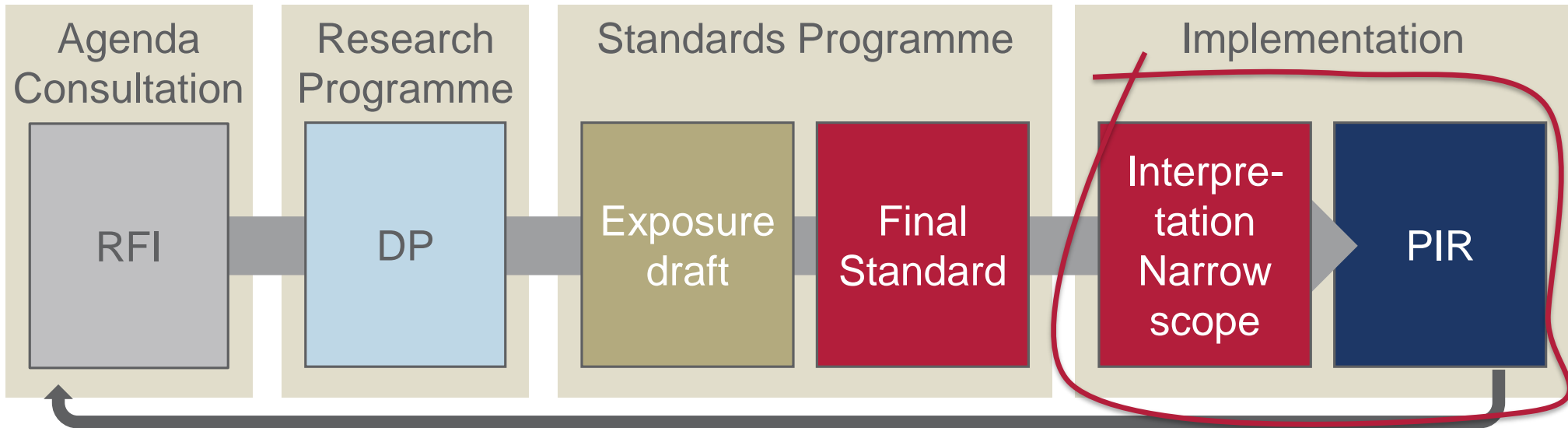
Narrow-scope amendments	Effective date <sup>1</sup>
<b><i>Recognition of Deferred Tax Assets for Unrealised Losses</i></b> (Amendments to IAS 12)	1 January 2017
<b><i>Disclosure initiative</i></b> (Amendments to IAS 7)	1 January 2017
<b><i>Clarifications to Revenue from contracts with customers</i></b> (Amendments to IFRS 15)	1 January 2018

<sup>1</sup> This list only includes amendments with effective dates after 1 January 2016, a list of amendments with effective dates on 1 January 2016 is included in the appendix

# Implementation

# Implementation

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- Implementation activities reflect the ‘repairs and maintenance’ that the IASB and the IFRS Interpretations Committee carry out on the Standards.
- Implementation activities include:
  - IFRIC Interpretations
  - Narrow-scope amendments
  - Annual Improvements



- The IASB reviews **each new Standard** or major amendment.
- Assess the **effect of new requirements** on investors, preparers and auditors, considering:
  - important or contentious issues in development of the Standard;
  - issues that arise after the publication; 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 new requirements have been applied for **2 years**

Reviews	Status
IFRS 8 <i>Operating segments</i>	Feedback (2013), narrow scope amendments proposed
IFRS 3 <i>Business combinations</i>	Feedback (2015), deliberations ongoing
IFRS 10 to 12 <i>Control</i>	Due to commence 2016-
IFRS 13 <i>Fair Value</i>	Due to commence 2016-

# Implementation *Considerations and challenges*

# Application of IFRS

## *What are the challenges?*

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### Balance between:

**Preserving principle-based nature of IFRS Standards**

Facilitates use of judgement to reflect differing economic realities

Avoids unintended consequences of narrow-scope or fact-specific standard-setting activity

**Fostering consistent application**

Address practice issues on a timely basis

Sufficient interpretative guidance to achieve similar accounting for economically similar transactions



# Application of IFRS

## *What does this mean in Practice?*

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### Principled based standards

- A mature framework for exercising and evaluating judgement
- A sound educational process with focus on both IFRS requirements and exercising of judgement
- An experienced intervention on difficult issues
- Interactive communication between regulators, auditors and preparers, particularly as regards local jurisdiction issues

# Application of IFRS

## *What does this mean in Practice?*

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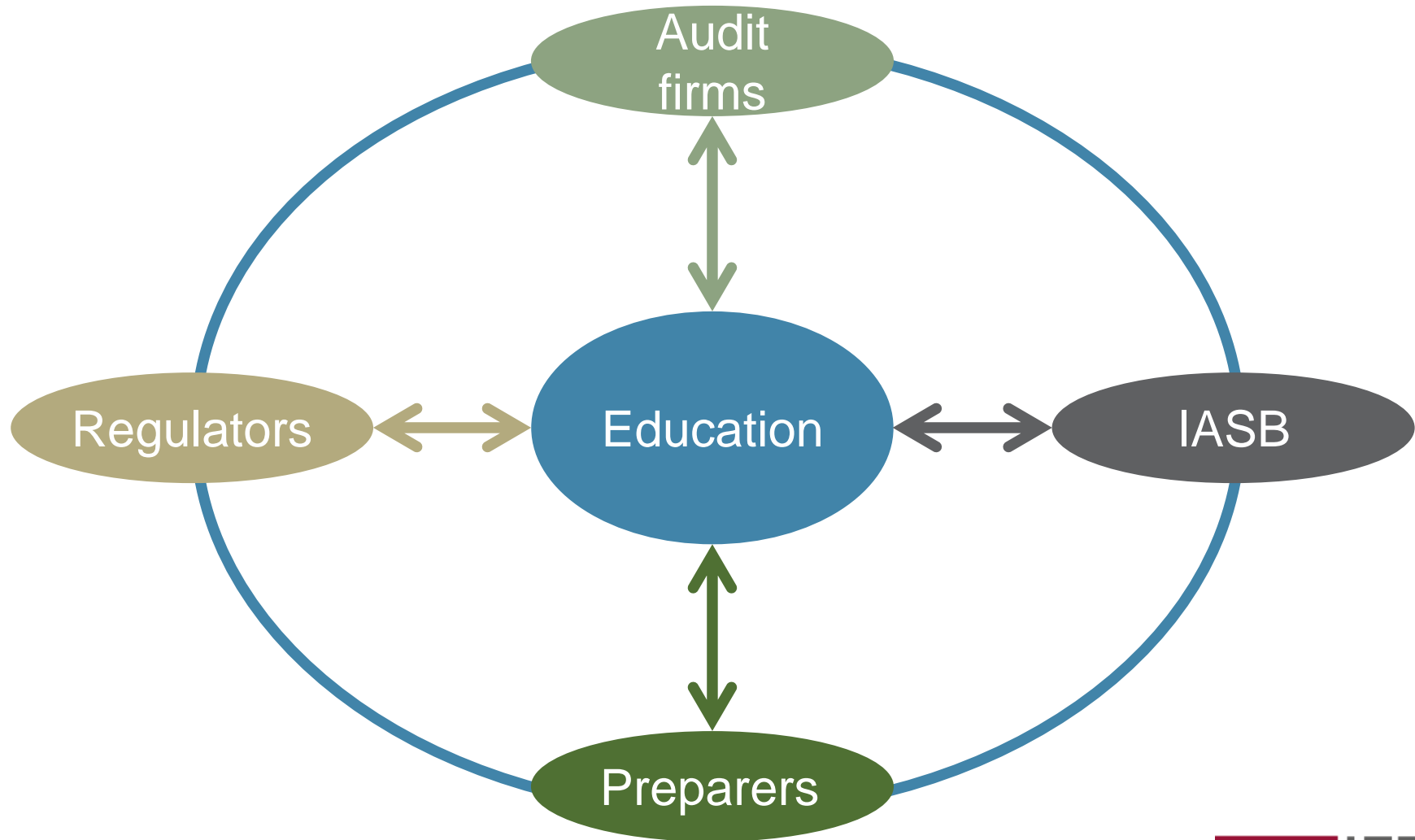
### Consistent application

- Awareness of international developments, particularly interpretation decisions
- Constant communication of regulatory decisions, interventions and actions
- Forums for discussion:
  - Understanding application of (especially new) IFRSs
  - Surface any problems arising early
  - Discuss and conclude on appropriate actions
- Feedback into education processes

# Application of IFRS

## *Who does what?*

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# Maintenance of IFRS Standards

## *IASB 'toolbox'*

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Post-implementation reviews

Narrow-scope amendments

IFRIC Interpretations

Annual Improvements

Other resources

Agenda Decisions

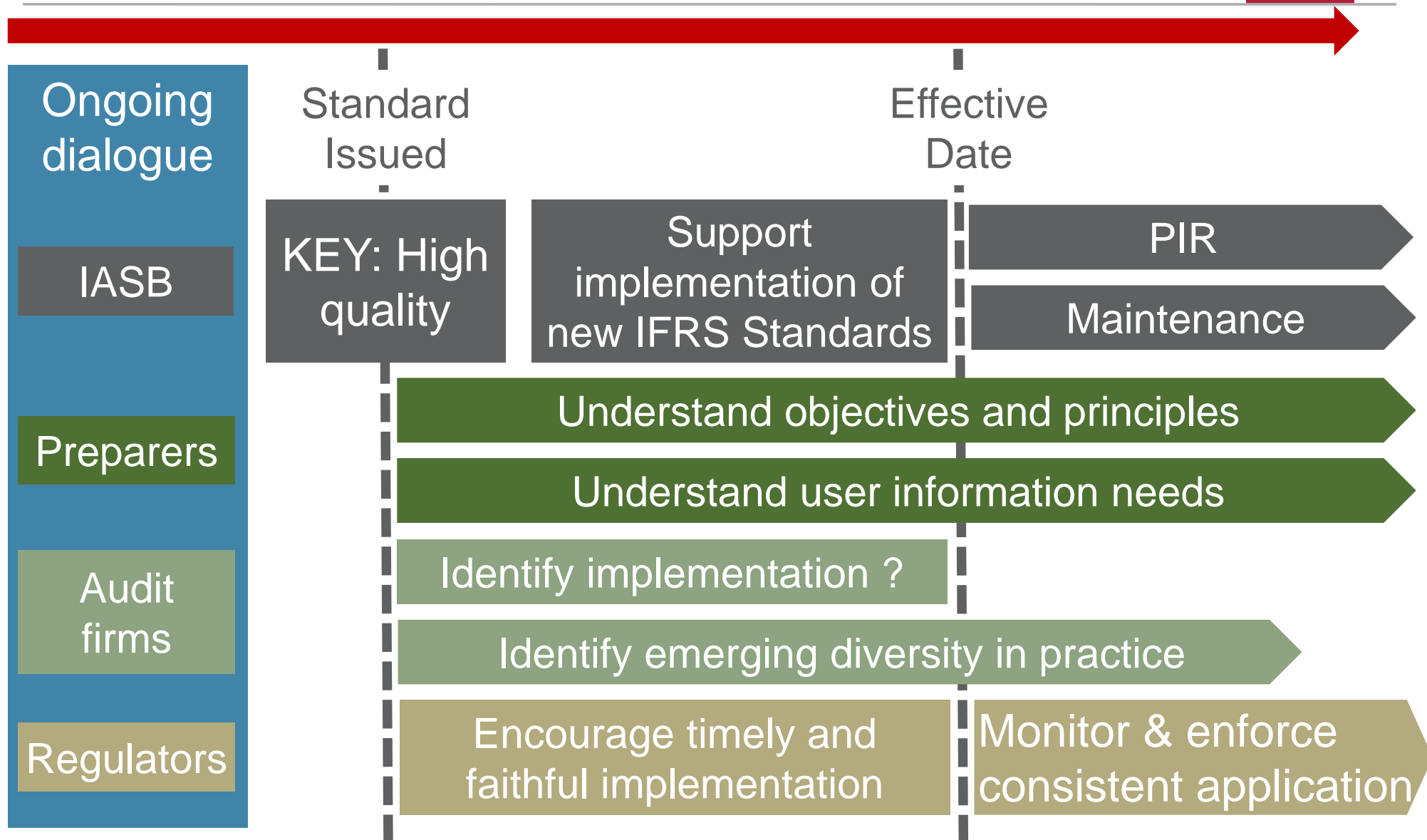
Education Initiative activities



# Support effective implementation

## *New IFRS Standards*

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# Contact us

## Keep up to date



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# Thank You

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# Appendix

Narrow Scope Amendments	Effective date
<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>Annual Improvements 2012-2014</b> <i>(IFRS 5, 7 and IAS 19, 34)</i>	1 January 2016
<b>Investment Entities: Applying the Consolidation Exception</b> <i>(Amendments to IFRS 10, 12 and IAS 28)</i>	1 January 2016
<b>Disclosure Initiative</b> <i>(Amendments to IAS 1)</i>	1 January 2016

# Implementation *Considerations and challenges*



# Application of IFRS

## *Who does what?*

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### Audit firms

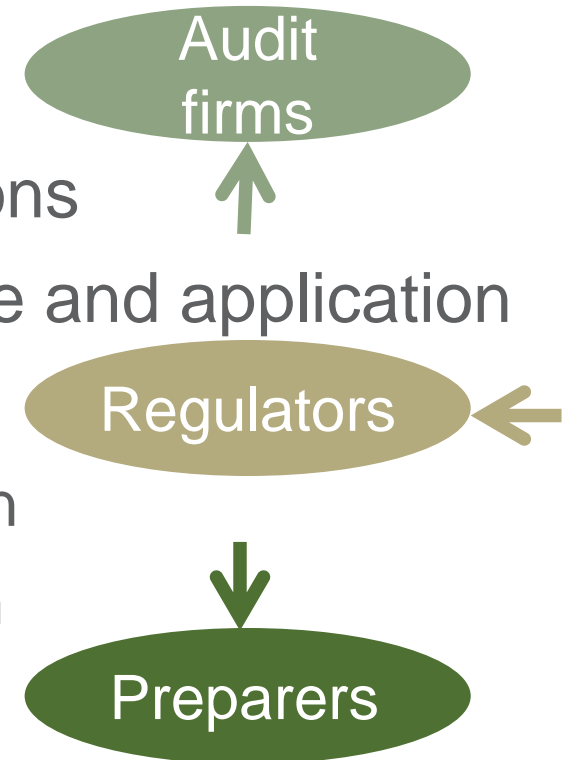
- Identification of implementation questions
- Foster ongoing development of practice and application

### Regulators

- Encourage timely & faithful implementation
- Monitor and enforce consistent application

### Preparers

- Understand objectives and principles of IFRS Standards
- Understand user information needs
- Contribute to ongoing practice development



# Application of IFRS

## *Who does what?*

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### IASB



- Maintain IFRS Standards/support consistent application
- Support implementation of new IFRS Standards
- Support those responsible for consistent application
- Support education initiatives

### Educators



- Initial and continuous education
- Stay aware of developments
- Ensure education stresses judgements (soft skills) as much as technical aspects (harder skills)
- Educate all players



# Example

## *Uncertain tax treatments*

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### The problem:

Various practice issues have arisen relating to uncertainty over income tax treatments—IFRS Standards do not address this

### IASB/ Interpretation Committee approach:

Draft **IFRIC Interpretation** (October 2015):

- When and how to reflect effect of uncertainty
- Examination by tax authorities
- Whether an entity considers uncertain tax treatments collectively
- Changes in facts and circumstances

# Example

## *Joint arrangements*

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### The problem:

Uncertainty about how to apply requirements in IFRS 11 *Joint Arrangements*, relating to:

- Classification of joint arrangements
- Accounting by the joint operator

### IASB/ Interpretation Committee approach:

Series of **Interpretations Committee agenda decisions** including comments about how the existing requirements interact (March 2015)

# Example

## *Definition of a business*

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The  
problem:

The **Post Implementation Review** of IFRS 3 *Business Combinations* identified the definition of a business as one of four main concerns with IFRS 3

IASB  
approach:

ED, **Proposed amendments** to IFRS 3, provide clarifications/examples of definition of business:

- revise definition of outputs to focus on goods and services provided to customers
- not a business if substantially all fair value of gross assets acquired is concentrated in single or group of similar identifiable assets