



**International Federation of Accountants**

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## **Agenda Item**

# **P**

**Committee:** IAASB Consultative Advisory Group

**Meeting Location:** Washington

**Meeting Date:** September 9–11, 2009

### **Impact Analysis**

#### **Objectives of Agenda Item**

1. The objectives of this agenda item are:
  - (a) To report on progress made in developing an Impact Analysis for IFAC; and
  - (b) To obtain the Representatives' views on the proposed analysis.

#### **Background**

2. An Impact Analysis contributes to the development of high-quality standards by providing a systematic and structured approach to obtain information about the potential impacts of a proposed new standard on key stakeholders and to document and communicate this information.
3. Staff has commenced a project to develop an Impact Analysis for all IFAC standard-setting boards. In developing the proposed Impact Analysis, Staff has been guided by the following criteria:
  - (a) The need to incorporate the analysis into the due process.
  - (b) The need to make the analysis scalable. In other words, its scope and depth depend on the nature of the problem being addressed.
  - (c) The importance of developing an approach that is practical and can be applied by all IFAC staff responsible for managing the projects of their respective boards.
4. The following steps, which are conducted as part of the due process, are important to the development of an Impact Analysis:
  - (a) Determining the nature and magnitude of the problem and the need for action by the Board.
  - (b) Determining the objective(s) of the Board in addressing the problem.
  - (c) Identifying the primary options to achieve the objective.
  - (d) Consulting relevant stakeholders.
  - (e) Conducting an overall assessment and drawing a conclusion.

## IAASB CAG PAPER

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#### Impact Analysis

The Impact Analysis provides a tool to analyze the impact of the preferred option for each key issue ((c) above) and the overall impact of the proposed new standard ((e) above). The tool identifies who will be affected by the option, how they will be affected, and to what extent they will be affected. This tool may also be referred to as a “cost-benefit analysis” or an “effect analysis.”

*See paragraph 8 of Agenda Item P.1 for a discussion of how the Impact Analysis is developed for a proposed new standard. Paragraph 10 of Agenda Item P.1 presents a proposed template for use in developing the Impact Analysis.*

5. Staff considered various forms of cost-benefit analysis used by other organizations in developing the proposed Impact Analysis and guidance. The proposed tool looks at costs and benefits qualitatively, not quantitatively. (However, the explanatory memorandum that accompanies an exposure draft of a proposed new standard may ask relevant stakeholders to assist in quantifying the impact of certain options at the national level.)

*See the Appendix of Agenda Item 3 of the June 2009 IAASB meeting material for an overview of these considerations.*

6. The Impact Analysis is not an after-the-fact justification of conclusions reached. Instead, information is gathered throughout the development of the proposed new standard and used to create and refine the Impact Analysis. The Impact Analysis is formally documented in the Explanatory Memorandum that accompanies the Exposure Draft. The analysis is further refined through feedback received during the exposure process and the final Impact Analysis is documented in the Basis for Conclusions.

*See paragraph 4 of Agenda Item P.1 for a discussion of how information is gathered for the Impact Analysis.*

7. The development of an Impact Analysis for IFAC has been done in consultation with an IAASB Task Force and an IFAC Staff Group. The IFAC Staff Group includes representatives of the various IFAC boards and committees, the Compliance Advisory Panel and the Communications department.
8. The Task Force comprises the following members:
  - John Fogarty, Task Force chair and IAASB member
  - Wolf Boehm, IAASB technical advisor
  - Jon Grant, IAASB member
  - Steen Jensen, IAASB public member
  - Bill Kinney, IAASB member
  - Jon Rowden, IAASB technical advisor
  - David Swanney, IAASB public member

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#### Impact Analysis

#### Previous Consultation with the IAASB CAG

9. At the March 2008 IAASB CAG meeting, Staff recommended that the Impact Analysis steps be incorporated in the due process of the IAASB. Staff indicated that a large part of the information that is ordinarily included in the Impact Analysis is already developed as part of the due process. Staff also reported that it was not envisaged that a cost benefit analysis would be wholly quantitative in nature. The Representatives supported this approach.

#### Development of a Guide on Impact Analysis: Progress to Date

10. The proposed Impact Analysis and guidance for the IAASB is presented as **Agenda Item P.1**. Other IFAC standard-setting boards will be asked to adapt the impact analysis template included in paragraph 10 of Agenda Item P.1 to reflect their stakeholders and areas of impact.
11. The proposed Impact Analysis was tested by the Task Force on a recently completed project, and modified based on the Task Force members' experience.  
*See Agenda Item 3-B of the June 2009 IAASB meeting material for an example of a completed Impact Analysis template.*
12. The IAASB Task Force presented the proposed Impact Analysis at the June 2009 IAASB meeting. The IAASB approved the proposed guidance for pilot testing.

#### Consultation to Date and Planned Consultation

13. The IFAC Staff Group is consulted as the project progresses.
14. Staff presented the principles of the proposed Impact Analysis to the Consultative Advisory Group of the International Accounting Education Standards Board (IAESB) on February 6, to the International Ethics Standards Board for Accountants (IESBA) on April 28, to the Small and Medium Practices Committee on May 22, and to the IAESB on June 22. Staff also presented an update to the IFAC Board at their meeting on June 4-5. Presentations to the other Boards and, where applicable, their Consultative Advisory Groups, and committees are planned during 2009.
15. IAASB Task Force chair, John Fogarty, presented the principles at the IAASB-National Standards Setters meeting on April 23-24.

#### Testing the Proposed Impact Analysis

16. The IAASB will begin pilot testing the Impact Analysis on one or more projects in the third or fourth quarter of 2009. The IAASB Steering Committee will work with IAASB staff to determine the projects for pilot testing. It is proposed that this is followed by pilot tests on projects of the IESBA, the International Public Sector Accounting Standards Board, and the IAESB.

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#### **Impact Analysis**

17. The results of these tests will be used to modify the proposed analysis. In addition, they will become examples to be appended to the proposed guidance.

#### **Matters for Consideration by the IAASB CAG**

18. The Representatives are asked for their views on the following:
  - (a) The proposed guidance on the Impact Analysis.
  - (b) The plan to pilot test the proposed analysis.
19. The Representatives are also asked to provide any other advice or ideas concerning the development of an Impact Analysis by the IAASB.

#### **Material Presented –IAASB CAG PAPER**

Agenda Item P.1

Proposed Impact Analyses Guidance

#### **Material Presented – FOR IAASB CAG REFERENCE PURPOSES ONLY**

Agenda Item 3 of the June 2009 IAASB  
Meeting – Impact Analysis – Cover Sheet

<http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=4767>

Agenda Item 3-B of the June 2009 IAASB  
Meeting – Illustrative Example of a  
Completed Impact Analysis Template

<http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=4769>