

International Financial Reporting Standards



Presentation to IAASB

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June 2013

The views expressed in this presentation are those of the presenter, not necessarily those of the IASB or IFRS Foundation.

- **Response to Trustees' Strategy Review**
 - Implementation Steering Committee
 - Survey of IFRS adoption

- **Going concern**
 - The issue
 - When and what should be disclosed?

- **Snapshot of status of main projects**

Trustees' Strategy Review Implementation Steering Committee Survey of IFRS Adoption

- Consistency of application and implementation is one of the IASB's priorities.
- To be achieved through
 - Issue clear standards
 - Provide application and implementation guidance, consistent with a principle-based approach
 - Work with a network of securities regulators, audit regulators, standard-setters, regional standard-setting bodies, accounting bodies and others
 - Education activities
 - Identify jurisdictions where IFRSs are being modified
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- Coordination role only, not a technical group
- Comprises 4 IASB members plus senior staff
- Assess whether...
 - ...appropriate functions in place
 - ...receiving timely intelligence on implementation issues
 - ...conducting appropriate follow-up
- Identify opportunities for enhanced interaction...
 - ...with range of stakeholders
 - ...prioritising multilateral groups and organisations

- Coordination of interaction with stakeholder groups
 - Securities regulators
 - Auditors
 - Accounting bodies
- Supporting consistent implementation of IFRSs
 - Improving communication with those involved in implementation and enforcement

- The Trustees asked the IFRS Foundation to develop a survey to seek an understanding of the application of IFRSs around the world in August 2012
- **66 jurisdiction profiles** posted 5 June 2013:
 - All G20 plus 46 others
 - go.ifrs.org/global-standards
- **Goal: A central source of information to chart jurisdictional progress toward global adoption of a single set of financial reporting standards**

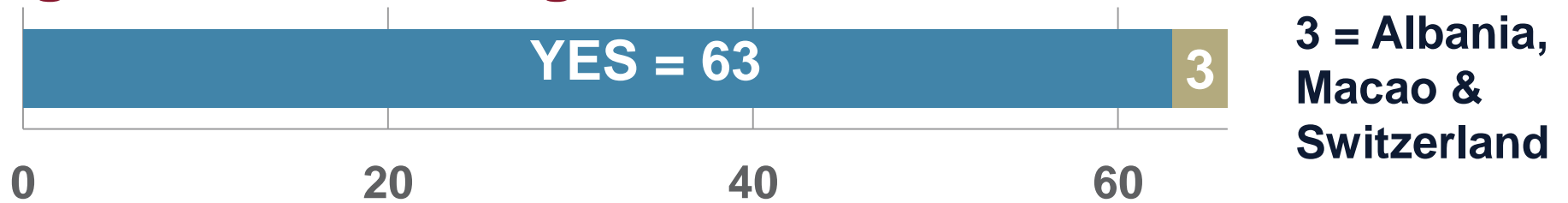
First batch of 66 jurisdictional profiles

Albania	China	Italy	New Zealand	Tanzania
Argentina	Colombia	Jamaica	Norway	Turkey
Australia	Czech	Japan	Pakistan	Uganda
Austria	Denmark	Lesotho	Romania	Ukraine
Bahamas	Ecuador	Lithuania	Russia	United Kingdom
Belgium	European Union	Macao	Saudi Arabia	United States
Bhutan	Fiji	Macedonia	Serbia	Uruguay
Bolivia	France	Malaysia	Singapore	Venezuela
Botswana	Georgia	Malta	Slovakia	Zambia
Brazil	Germany	Mauritius	South Africa	Zimbabwe
Brunei	Hong Kong	Mexico	South Korea	
Bulgaria	India	Mongolia	Sri Lanka	
Canada	Indonesia	Myanmar	Switzerland	
Chile	Israel	Netherlands	Taiwan	

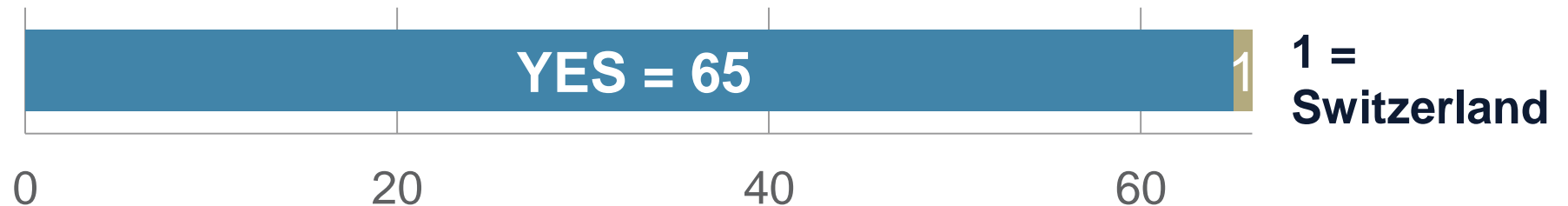
Commitment to IFRSs as global standards

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Public commitment in support of global accounting standards?



IFRSs as those standards?



Public commitment

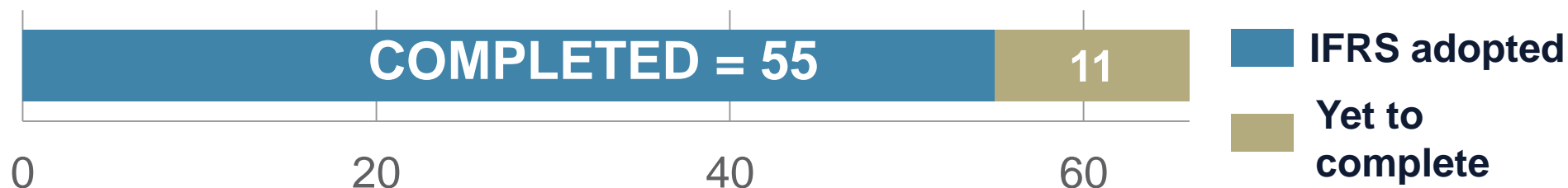
No statement



Adoption of IFRSs

11

Completion of IFRS adoption?



11 yet to complete:

- **Japan:** IFRSs permitted. By 2014 expect more than 20% of total market cap to use IFRSs.
- **United States:** IFRSs permitted for non-US companies (450 use now).
- **China:** Substantially converged.
- **India:** Permitted on a limited voluntary basis – only 11 companies use.
- **Pakistan and Singapore:** Have adopted many but not all IFRSs.
- **Saudi Arabia:** IFRSs required for banks and insurance companies.
- **Bhutan and Bolivia:** Yet to adopt but IFRSs used by some companies.
- **Indonesia and Macao:** Adopted some IFRSs but no plan for full adoption.



- **European Union:** IAS 39 ‘temporary carve-out’ – 99.5%+ of all EU companies report using full IFRSs
- **Effective dates:** A few jurisdictions deferred dates of several standards, notably IFRSs 9, 10, 11, 12
- **Pending completion of IASB projects:** A few modifications or deferrals pending completion of IASB projects on equity method, agriculture, loan loss provisions, hedge accounting, rate regulation

- **Complete the remaining 13 EU and 2 EEA jurisdictions with high priority**
 - Post Profiles by 31 July 2013
- **Send surveys to all remaining IFAC member jurisdictions plus others (about 50 countries)**
 - Post Profiles by 31 December 2013
- **Follow-up survey early 2014**
 - Including some additional questions relating to IFRS adoption

Going Concern

- **IAS 1 requires:**
 - Management to assess an entity's ability to continue as a going concern
 - Disclose 'material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern'

Going concern – the issue

- **Global financial crisis, including reduction in liquidity, increased the focus on going concern**
- **Many reviews and reports, including the UK Sharman Inquiry *Going Concern and Liquidity Risks: Lessons for Companies and Auditors* (June 2012)**
 - Suggested, among other things, IASB and IAASB work together to agree a common international understanding of:
 - the purposes of the going concern assessment and financial statement disclosures about going concern; and of
 - the related thresholds and descriptions of a going concern

Going concern – the submission

- **Issue submitted to IASB / IFRS IC by IAASB**
- **Seeking clarification on disclosures about**
 - “material uncertainties related to events or conditions that may cast significant doubt upon the entity’s ability to continue as a going concern”
- **Concern disclosures are not given when they should be given**

- **Outreach conducted**
 - definition of going concern clear and works well
 - a few think no need for disclosure if management's conclusion is that the entity is a going concern
 - many think earlier disclosure of problems would be useful
 - concern that disclosures are boilerplate
- **FASB is currently looking at going concern disclosures in US GAAP**

- **No plans to change definition of going concern**
 - An entity shall prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so
- **Plan to propose clearer guidance:**
 - When disclosures should be given about material uncertainties
 - What should be disclosed

Matter to consider

- **How to distinguish between ‘events or conditions’ and normal business risks**
 - Sufficiently serious to cast significant doubt about entity’s ability to continue as a going concern
 - Consider magnitude, likelihood and timing
- **Identifying mitigating actions to address the ‘events or conditions’**
 - Consider feasibility and effectiveness of those actions
- **Assessing the level of uncertainty**
 - Can entity continue as a going concern?

What should be disclosed?

- **Should disclosure of ‘gross’ position be given?**
 - Events or conditions that cast significant doubt about entity’s ability to continue as a going concern
 - Information about mitigating actions planned / being taken
- **Should a conclusion about the ‘net’ position also be disclosed?**
 - Whether significant doubt remains about entity's ability to continue as a going concern, after taking account of mitigating actions?
- **Should a positive statement about basis of preparation on going concern basis be required?**

Next steps

- **Discussion at IASB meeting in September**
- **Target Exposure Draft Q4 2013**
- **Consider aligning exposure with short-term project to amend IAS 1 *Presentation of Financial Statements***
 - Response to Disclosure Discussion Forum in January 2013

Snapshot of status of main projects

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- **Revenue Recognition**
 - IFRS expected Q3 2013
- **Financial Instruments**
 - *Classification & Measurement (limited amendment)*: commencing joint redeliberations July 2013
 - *Impairment*: Comment period ends 5 July 2013; redeliberations Q3 2013
 - *Hedge accounting*: IFRS chapter expected Q3 2013
- **Leases**
 - ED comment period ends 13 September 2013
- **Insurance**
 - ED comment period ends 25 October 2013

Thank you

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