

# IFRS on point.

## Financial Reporting Developments and Information: October 2015

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### International headlines

#### **European Union will not adopt IFRS 14**

The European Commission (EC) will not propose for endorsement the interim Standard on rate-regulated activities, IFRS 14.

The EC argues that IFRS 14 *Regulatory Deferral Accounts* is a temporary Standard offering an accounting option to companies that adopt IFRSs for the first time. Therefore the EC will not propose IFRS 14 for endorsement in the EU as very few European companies would fall within its scope. The EC will consider any future Standard on rate-regulated activities for endorsement in the EU under its normal process.

Click [here](#) to access the EC's decision that is reflected in an updated EFRAG endorsement status report.

#### **Several work plan updates for October**

The IASB has updated its work plan several times in October. The updates of note are an exposure draft on the definition of a business that is expected "within three months" and an update on the project on materiality.

The publication of ED/2015/8 *IFRS Practice Statement – Application of Materiality to Financial Statements* means that the project on materiality is now in public consultation phase, no longer in exposure draft drafting phase.

Click [here](#) for more information.

#### **IFRS Advisory Council membership update**

The Trustees of the IFRS Foundation have announced 16 appointments and re-appointments to the IFRS Advisory Council.

The Advisory Council is the formal advisory body to the Trustees and the IASB. It advises the IFRS Foundation on its strategic direction, technical work plan and priorities.

The new Advisory Council members are:

1. William Coen – Basel Committee on Banking Supervision
2. Aziz Dieye – La Fédération Internationale Des Experts-Comptables Francophones (FIDEF)
3. Isabelle Ferrand – International Co-operative Alliance (ICA)
4. Yibin Gao – Ministry of Finance, People's Republic of China
5. Andrew Marshall – KPMG
6. Colin McDonald – The Investment Association
7. Melanie McLaren – Group of European National Standard-setters
8. John Stanford – International Federation of Accountants (IFAC)

For more useful information please see the following websites:

[www.iasplus.com](http://www.iasplus.com)

[www.deloitte.com](http://www.deloitte.com)

With the exception of Isabelle Ferrand, who is representing an organisation newly admitted to the Advisory Council, the new members will replace retiring members Peter Chambers, Egbert Eeftink, Stephenie Fox, Alberto Giussani, Daniel McMahon, René van Wyk, and Min Yang.

The following members of the Advisory Council have been reappointed: Linda Diaz del Barrio, Gavin Francis, Jake Green, Igor Kozyrev, Ghiath Shabsigh, Anne Simpson, Lynda Sullivan, and Stephen Taylor.

Ernesto López Mozo and Maarika Paul are stepping down from the Council.

All appointments take effect 1 January 2016 and are for a three-year period.

Click [here](#) to access the press release announcing the new appointments on the IASB's website.

#### **IFRS Foundation Trustee speaks on the relevance of IFRSs**

Lynn Wood, IFRS Foundation Trustee, gave a keynote speech at a conference in Melbourne, Australia today. She focused on '*Financial reporting in the global economy: Facilitating better business and investor decision-making*'.

Ms Wood, who herself served as Chairman of the Australian Financial Reporting Council, was convinced that in the 21st century, capital markets are mutually dependent and globally interconnected and that as a country that looks both East and West, Australian capital markets were the perfect example of this. This was the reason international standards were needed.

She noted that one of the most frequent criticisms she heard was the ongoing concern about complexity in financial reporting. However, she also voiced the conviction that people do understand that there are many root causes of complex financial reporting, including increasingly complex business operations. She also conceded that IFRSs and financial reporting in general are a long way from being perfect.

She urged the members of her audience to a) familiarise themselves with developments in IFRSs and how they may affect their company and b) to get involved in the process at an early stage, because she believed that there was no way back or around IFRSs:

*"I strongly believe that the momentum is now unstoppable towards every country in the world adopting IFRS, and so the question is no longer 'if' but 'when' we will have truly global accounting standards."*

Click [here](#) to download the manuscript of Ms Wood's speech from the IASB's website.

#### **IASB publishes update on the definition of a lease**

The IASB staff have published a short project update providing an overview of how a lease will be defined in the IASB's new Standard on leases. It also includes a working draft of the application guidance and accompanying illustrative examples to be included in the forthcoming Standard on the definition of a lease.

The staff are providing the update to help stakeholders prepare for the implementation of the new Standard. They point out that it is likely that the first step to be undertaken in implementing the Standard will be to determine the population of contracts to which the Standard applies – which will be determined by the definition of a lease. Please note that although the IASB has completed its decision making for the leases project, the final Standard is still in drafting and is subject to possible further refinements.

Click [here](#) to download the update from the IASB website.

#### **New IFRS for SMEs training module available**

The IFRS Foundation Education Initiative has developed a training module for Section 12 of the *IFRS for SMEs*.

Section 12 *Other Financial Instruments Issues of the IFRS for SMEs* specifies the accounting for other, more complex financial instruments and transactions that are not covered by Section 11 *Basic Financial Instruments*.

Click [here](#) to access all training modules available on the IASB website. The IFRS Foundation also notes that the education staff are currently updating the complete suite of 35 training modules to reflect the IASB's May 2015 amendments to the *IFRS for SMEs*.

## Summary of the October ASAF meeting now available

The staff of the International Accounting Standards Board (IASB) have made available a summary of the discussions of the Accounting Standards Advisory Forum (ASAF) meeting held in London on 1-2 October 2015.

The first two discussions also featured feedback from the World Standard-setters Meeting held earlier that week.

The topics covered during the meeting were the following (numbers in brackets are references to the corresponding paragraphs of the summary):

- 2015 Agenda consultation (1-22). ASAF members discussed (a) the factors used to allocate resources between standards-level projects, research and maintenance and implementation, (b) the prioritisation of the research programme, (c) the level and mix of implementation support provided, (d) the pace of change and the level of detail given in IFRSs, and (e) a proposal to extend the interval between agenda consultations to five years.
- Conceptual Framework (23-54). ASAF members discussed (a) possible implications for IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* of the proposals in the *Conceptual Framework* exposure draft, (b) the proposals on measurement in the ED, and (c) possible implications of the ED for the rate-regulated activities project.
- Clarifications to IFRS 15 (55-58). The IASB staff provided an overview of the exposure draft of clarifications to IFRS 15 and asked the ASAF members (a) to comment on the high hurdle applied by the IASB when considering whether and how to amend IFRS 15 and (b) to provide their preliminary views on the questions in the 'Invitation to comment' section of the ED.
- Measuring quoted investments in subsidiaries, joint ventures and associates at fair value – unit of account (59-82). ASAF members were asked to provide their views on the relevance of the proposed measurement model included in the exposure draft *Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value* published in September 2014.
- Pollutant pricing mechanisms (83-96). ASAF members considered a possible model to account for a cap-and-trade type of emissions trading scheme that reflected the feedback received from ASAF members at the July 2015 meeting.
- Equity method of accounting (97-104). The FASB briefly outlined its simplification project on the equity method of accounting, which includes eliminating the requirement for an entity to measure at fair value its share of the investee's identifiable assets and liabilities. The IASB staff then sought the views of the ASAF's members on the IASB staff's preliminary proposals to amend the equity method of accounting.
- IASB project update including insurance contracts (105-113). The IASB staff provided an overview of the recent IASB's tentative discussions on the insurance contracts project, which focused on (a) requirements for insurance contracts with participation features and (b) the different effective dates of IFRS 9 and the new insurance contract. The staff then presented an overview of the IASB's current projects, a summary of the actions taken on the advice provided by the ASAF in previous meetings and the suggested agenda topics for the December 2015 and April 2016 ASAF meetings.

Click [here](#) to access the full report of the meeting available on the IASB website.

## 2016 IFRS Blue Book – Coming soon

The IFRS Foundation has announced that the *2016 IFRS Consolidated without early application* will be published in December 2015. This volume (nicknamed the "Blue Book") will contain all official pronouncements that are mandatory on 1 January 2016. It does not include IFRSs with an effective date after 1 January 2016. The Blue Book differs from the traditional Bound Volume (the "Red Book"), which includes all pronouncements issued at the publication date, including those that do not become mandatory until a future date.

Click [here](#) for more information.

## **IASB publishes proposed Practice Statement on materiality**

The International Accounting Standards Board (IASB) has published an exposure draft of a proposed IFRS Practice Statement (PS) *Application of Materiality to Financial Statements*. The PS aims at explaining and illustrating the concept of materiality and at helping preparers of financial statements in applying the concept. Comments are requested by 26 February 2016.

### **Background**

The IASB initiated its disclosure initiative in December 2012 as part of its response to the Agenda Consultation 2011. In March 2014, a project on materiality was added to the disclosure initiative. The objective of the project is to help preparers. Auditors and regulators use judgement when applying the concept of materiality in order to make financial reports more meaningful. The final pronouncement the IASB is driving at is a Practice Statement, not a Standard. Consequently, entities applying IFRSs are not required to comply with the Practice Statement, unless specifically required by their jurisdiction. Furthermore, non-compliance with the Practice Statement will not prevent an entity's financial statements from complying with IFRSs, if they otherwise do so.

### **Suggested guidance**

The guidance proposed in ED/2015/8 *IFRS Practice Statement – Application of Materiality to Financial Statements* is intended to provide explanations and examples to help management apply the definition of materiality.

The guidance covers three main areas: characteristics of materiality, presentation and disclosure in the financial statements, and omissions and misstatements. It also contains a short section on applying materiality when applying recognition and measurement requirements.

**Characteristics of materiality.** The PS builds on the definition of materiality in the exposure draft ED/2015/3 *Conceptual Framework for Financial Reporting* that states:

*"Information is material if omitting it or misstating it could influence decisions that the primary users of general purpose financial reports make on the basis of financial information about a specific reporting entity."*

It states that materiality is pervasive to the preparation of general purpose financial statements and needs to be considered in the primary financial statements as a whole. The IASB also concedes that judgement needs to be applied to assess whether information could reasonably be expected to influence decisions that its primary users make. The PS also notes that the assessment of whether information is material needs to be on both an individual and a collective basis and also needs an overall assessment and does involve assessing qualitative and quantitative factors.

**Presentation and disclosure in the financial statements.** The PS notes that in preparing the financial statements, management should consider the objective of providing information that is useful to users in assessing the prospects for future net cash inflows to the entity and in assessing its stewardship of the entity's resources. This objective provides the context for materiality judgements and may lead to different materiality assessments in different parts of the financial statement. The IASB proposes three steps – to assess what information should be presented in the primary financial statements, to assess what information should be disclosed within the notes (including assessment of appropriate emphasis), and then to review the financial statements as a whole – to ensure that the financial statements are a comprehensive document with an appropriate overall mix and balance of information. The IASB also states that an entity shall not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions, although it concedes that *"IFRS does not prohibit entities from disclosing immaterial information"*.

**Omissions and misstatements.** The PS notes that the materiality of identified errors or omissions needs to be assessed individually and on basis of the financial statements as a whole. Material misstatements or omissions that offset each other still are considered material misstatements of the financial statements as such. The PS also states that intentionally made misstatements shall always be considered material.

**Recognition and measurement.** The PS notes that materiality considerations also apply to decisions not to apply a requirement in an IFRS when recording a particular item. It stresses that some entities might choose practical expedients for this reason. However, the PS states that IFRS recognition and measurement requirements need to be applied if their effect is material and that financial statements do not comply with IFRSs if they contain either material errors or immaterial errors made intentionally to achieve a particular presentation of an entity's financial position, financial performance or cash flow.

## Initial application and transition

Given the proposed PS is not a mandatorily applicable Standard, it contains neither a proposed effective date nor transition guidance. The IASB also notes that the PS may undergo further changes even after being finalised, if necessary, depending on developments in its *Conceptual Framework* and principles of disclosure projects.

Click below for more information:

- **IASB press release** (link to IASB website);
- **access to the exposure draft** on the IASB website;
- **IASB Snapshot publication** explaining the PS; and
- **our IAS Plus project page on materiality**

## IFRS Foundation Trustees held October 2015 meeting

Meeting activities included the following:

- *Executive session* – The Trustees discussed a number of important strategic issues:
  - *Meeting with the Chinese Assistant Minister of Finance* – Prior to the Trustees' meeting there had been a meeting with the Chinese Assistant Minister of Finance, where convergence and support for the IFRS Foundation and its work were discussed. The meeting was described as having been very encouraging.
  - *Strategic overview* – The Trustees discussed a proposed framework and suggested success metrics for measuring the Foundation's performance against its strategic goals. The Trustees commended the staff for their efforts but noted that the proposals focused on seeking to develop measures of the organisation's effectiveness. The Trustees stressed the need to also look at measures of the organisation's efficiency, as well as looking at the resources and inputs available to the Foundation.
  - *Funding* – The Trustees noted that several new jurisdictions have started to fund the Foundation and that several other jurisdictions have increased their contributions. However, there are still jurisdictions that fund below the contribution that might be expected for the size of the economy or that do not fund the Foundation at all. The Trustees also acknowledged and appreciated the efforts that had been made to increase the organisation's reserves towards the target of a full year's expense level over the next few years.
  - *Communications strategy* – The Trustees discussed how the Foundation might better align its communications and stakeholder engagement activities with its strategic goals.
  - *International developments* – The Trustees were encouraged by the increased voluntary adoption of IFRSs in Japan, noted the overall positive outcome of the European Commission's review of the IAS Regulation and the positive EFRAG endorsement advice on IFRS 9, and discussed the on-going situation with regard to the USA.
- *IASB Chairman's report* – The Vice-Chairman of the IASB provided the Trustees with an update on a number of the IASB's technical activities, on behalf of the Chairman.
  - *Major projects* – On insurance contracts, the IASB expects to finish redeliberations until the end of 2015, with the Standard itself expected in 2016. The extension of the original timetable means that the mandatory effective date for the Standard would be later than that for IFRS 9. Given stakeholders concerns about the implications of this the IASB plans to propose two approaches (the overlay approach and the deferral approach) later in 2015. On leases, the forthcoming Standard is currently being drafted and is expected to be published before the end of 2015.
  - *Engagement strategy* – The IASB's Investors in Financial Reporting programme has received positive reactions, with support from the investment community and others, and will be reviewed at the end of 2015.
  - *Use of IFRS globally and consistency of application* – The Trustees noted the state of IFRS adoption around the world as evidenced in the IFRS Foundation's jurisdiction profiles. On consistent application, the Trustees were informed of the progress of the work of the transition resource groups on revenue recognition and the impairment of financial instruments. The Trustees were reminded that it is not the IASB's intention to always establish a transition resource group when a Standard is published. Rather, this would be considered on a case-by-case basis.
- *Report of the Due Process Oversight Committee (DPOC)* – The Trustees received a report about the DPOC's October 2015 meeting. For more information, see our related **news item**.

- **Stakeholder event** – The IFRS Foundation hosted an event 'IFRS and China: Ever-changing Challenges and Opportunities' which included several speeches and a panel discussion.

Click [here](#) for the full report on the IFRS Foundation Trustees' meeting available on the IASB's website.

### **Upcoming agenda consultation events in Europe**

The European Financial Reporting Advisory Group (EFRAG) along with the International Accounting Standards Board (IASB) will be hosting joint outreach events in November on the 2015 IASB Agenda Consultation and EFRAG's own proactive Agenda Consultation.

On 12 November 2015, a joint outreach event will occur in Paris and will be co-hosted by the French standard-setter ANC in Paris. The event, which will be in French, will feature IASB member Philippe Danjou as a speaker, and is titled "What should EFRAG, the ANC and the IASB focus on before 2020?"

Click [here](#) for more information in the press release on the EFRAG website. Registration for the event is available through the ANC.

The next joint outreach event will occur on 23 November 2015 in Brussels. The event, which will be in English, will feature IASB Senior Technical Manager April Pitman and EFRAG TEG Chairman Francoise Flores.

For more information, including how to register and to see the press release on the EFRAG website click [here](#).

### **IASB publishes update on its investor programme**

In December 2014, the International Accounting Standards Board (IASB) launched a new '*Investors in Financial Reporting*' programme designed to foster greater investor participation in the development of International Financial Reporting Standards (IFRSs). In anticipation of the one-year anniversary of the programme and because four new investors have joined, the IASB has published an article on the achievements so far.

The article assesses the impact of the programme on both the IASB and the investors involved.

Click [here](#) to access the article and [here](#) for the press release on the four new joiners to the programme on the IASB website.

### **IFRS Interpretations Committee publishes draft Interpretation on *Foreign Currency Transactions and Advance Consideration***

The IFRS Interpretations Committee published the draft Interpretation *Foreign Currency Transactions and Advance Consideration*. Comments are requested by 19 January 2016.

#### **Background**

The IFRS Interpretations Committee observed some diversity in practice regarding the exchange rate used when reporting transactions that are denominated in a foreign currency in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates* in circumstances in which consideration is received or paid in advance of the recognition of the related asset, expense or income. As a consequence, the Interpretations Committee decided to develop an Interpretation.

#### **Proposed guidance**

##### **Scope**

The Interpretation is intended to address foreign currency transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- the prepayment asset or deferred income liability is non-monetary.

##### **Consensus**

The Interpretations Committee came to the following conclusion:

- The date of the transaction, for the purpose of determining the exchange rate, is the earlier of (a) the date of initial recognition of the non-monetary prepayment asset or deferred income liability and (b) the date that the asset, expense or income is recognised in the financial statements.
- If the transaction is recognised in stages, a date of transaction is established for each stage.

- When there is more than one date of the transaction, the exchange rate for each date is to be applied to translate that part of the transaction.

#### **Transition**

On initial application, entities would apply the Interpretation either:

- retrospectively in accordance with IAS 8; or
- prospectively to all foreign currency assets, expenses and income in the scope of the Interpretation initially recognised on or after the beginning of the reporting period an entity first applies the Interpretation in or the beginning of a prior reporting period presented as comparative information.

#### **Comment deadline and additional information**

Comments on DI/2015/2 *Foreign Currency Transactions and Advance Consideration* are requested by 19 January 2016.

Click below for more information:

- IASB press release** ([link to IASB website](#));
- access to the draft Interpretation on the IASB website**;
- IFRS in Focus – IFRS Interpretations Committee issues draft Interpretation on foreign currency transactions and advance consideration; and**
- our IAS Plus project page on foreign currency transactions and advance consideration.**

#### **IFRS Interpretations Committee publishes draft Interpretation on accounting for uncertainties in income taxes**

The IFRS Interpretations Committee has published the draft Interpretation *Uncertainty over Income Tax Treatments*. Comments are requested by 19 January 2016.

#### **Background**

The IFRS Interpretations Committee observed diversity in practice regarding the recognition and measurement of current tax, deferred tax liabilities and deferred tax assets as defined by paragraph 5 of IAS 12 *Income Taxes*, when there are uncertainties in the amount of income tax payable (recoverable). As a consequence, the Interpretations Committee decided to develop an Interpretation.

#### **Proposed guidance**

##### **Scope**

The draft proposes that the Interpretation be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

##### **Issues**

###### Whether tax treatments should be considered collectively

An entity is required to use judgement to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision should be based on which approach provides better predictions of the resolution of the uncertainty.

###### Assumptions for taxation authorities' examinations

An entity is to assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so.

## Determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates

An entity has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing.

- If the entity concludes that it is probable that a particular tax treatment is accepted, the entity has to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings.
- If the entity concludes that it is not probable that a particular tax treatment is accepted, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better predictions of the resolution of the uncertainty.

## Effect of changes in facts and circumstances

An entity has to reassess its judgements and estimates if facts and circumstances change.

## **Disclosures**

The draft Interpretation does not contain any new disclosure requirements. Instead it highlights existing disclosure requirements in IAS 1, IAS 12 and IAS 37.

## **Transition**

An entity has to apply the requirements by recognising the cumulative effect of initially applying them in retained earnings, or in other appropriate components of equity, at the start of the reporting period in which an entity first applies them, without adjusting comparative information. Full retrospective application is permitted, if an entity can do so without using hindsight.

## **Comment deadline and additional information**

Comments on DI/2015/1 *Uncertainty over Income Tax Treatments* are requested by 19 January 2016.

Click below for more information:

- **IASB press release** (link to IASB website);
- **access to the draft Interpretation on the IASB website;**
- **IFRS in Focus** – IASB publishes a draft Interpretation of IAS 12 ***Income Taxes*** – Uncertainty over income tax treatments; and
- **our IAS Plus project page on accounting for uncertainties in income taxes**

## **IASB tentatively decides on effective date of IFRS 16**

The IASB voted on the effective date of IFRS 16, the new Standard on leases.

As recommended by the staff, the IASB voted for an effective date of 1 January 2019, with early application permitted but only if the entity is also applying IFRS 15 *Revenue from contracts with customers*.

Click [here](#) for more information.

## **Questionnaire on proposed definitions of assets and liabilities**

In order to test whether the proposed new definitions in the IASB's exposure draft ED/2015/3 *Conceptual Framework for Financial Reporting* will be interpreted similarly by different persons, the European Financial Reporting Advisory Group (EFRAG) has developed a questionnaire.

The questionnaire presents nine arrangements and asks respondents to provide their assessment of whether different aspects of the definitions of assets and liabilities proposed in the May 2015 ED are met. Respondents are asked to provide their assessment solely based on the proposed definitions and the additional guidance included in the ED.

The questionnaire should be submitted before 15 December 2015.

Click [here](#) to access the questionnaire, which is available through the press release on the EFRAG website.

## **IASB issues *Investor Perspectives* article on future work plan**

The IASB has issued the latest issue of *Investor Perspectives*. In this edition, Patrick Finnegan (IASB member) discusses the IASB's 2015 Agenda Consultation and why the investor community should be involved in the process.

This issue features discussions on:

- the importance of having input from the investor community regarding the future work of the IASB;
- the IASB's standard-setting approach; and
- current research projects pipeline.

In addition, the IASB has prepared an investor survey to gather views and priorities from the community concerning the future work plan. The survey responses are due by 15 December 2015.

Click [here](#) to see the press release and click [here](#) to access the *Investor Perspectives* article on the IASB's website.

#### **Hoogervorst and Prada give IFRS-related speeches**

The IASB has posted to its website recent speeches by IASB Chairman Hans Hoogervorst and IFRS Foundation Trustees Chairman Michel Prada. On 12 October 2015, Mr. Hoogervorst spoke on measurement at the joint HKICPA and IFRS Foundation conference in Hong Kong. On 14 October, Mr. Prada spoke on the application of IFRSs in China at the Trustees' stakeholder event in Beijing.

Click [here](#) for more information.

#### **New IAS Plus feature – pre-meeting summaries**

IAS Plus is offering a new feature that allows you to plan for upcoming IASB meetings and follow the IASB's decision making more closely. Ahead of each Board meeting IAS Plus summarises the agenda papers made available by the IASB staff and points out the main issues to be discussed by the IASB and the staff recommendations.

Click [here](#) for more information.

#### **Latest IASB Investor Update issued**

The IASB has issued the seventh edition of its newsletter *IASB Investor Update* to provide investors with quick access to information on current accounting and financial reporting issues.

This issue features:

- *Spotlight*: Financial instruments – a focus on the new disclosure requirements in IFRS 9 *Financial Instruments*;
- *In profile*: Views from Marietta Miemietz, Director and Co-founder of Primavenue, on the financial reporting debate and the work of the CFA UK's Financial Reporting and Analysis Committee;
- *Shaping the future in 15 minutes*: An invitation to partake in the IASB's online survey on the agenda consultation;
- current projects that need input from the investment community; and
- current events calendar.

Click [here](#) to access the *IASB Investor Update* newsletter that is available on the IASB website.

#### **IASB seeks input on future work plan and priorities**

The IASB has released a survey to gather input from investors and analysts about its future work plan and priorities.

The survey, which is part of the IASB's 2015 agenda consultation, requests feedback on two main topics: (1) the scope of the IASB's work and (2) the prioritisation of topics in the IASB's future work plan.

The survey ends on 15 December 2015.

For more information, including a link to the survey click [here](#) to see the press release on the IASB website.

#### **Constituents split over proposed deferral of effective date of September 2014 amendments to IFRS 10 and IAS 28**

With the comment period ended for the IASB's exposure draft (ED) of proposed amendments to IFRS 10 and IAS 28 aimed at deferring the effective date of the September 2014 amendments to these Standards indefinitely until the research project on the equity method has been concluded, it has become obvious that constituents are split as to whether this proposed deferral should be finalised.

In August 2015 the IASB proposed in ED/2015/7 *Effective Date of Amendments to IFRS 10 and IAS 28* deferring the effective date of the 2014 amendments because it wants to deal with a series of issues around IAS 28 – including an identified conflict of the September 2014 amendments with IAS 28 - more comprehensively as part of its research project on the equity method of accounting. The proposed deferral is intended to avoid entities needing to change the way in which they apply IAS 28 repeatedly in a short period of time.

Constituents arguing against the deferral note that the amendments issued in September 2014 were broadly supported (by the respondents to ED/2012/6) and have fully passed the IASB's due process. They also point out that the September 2014 amendments lead to an increased clarity and the reduction of diversity in practice for the majority of transactions that are in the scope of the amendments while the identified inconsistency in IAS 28.31 only affects a small number of transactions. Among the comment letters not supporting the IASB proposal are those from the standard-setters of Australia, Germany, and New Zealand as well as from the European Securities and Markets Authority (ESMA).

Constituents arguing for the deferral stress in particular that the deferral is important to enable entities to avoid changing the way in which they apply IAS 28 twice. However, they are split as to whether early application should continue to be permitted with some believing it would help address diversity in practice and others believing it would increase diversity. All parties agree that if such a deferral is finalised, the IASB needs to prioritise its work on the research project on the equity method and come to conclusions soon. Among the supporters of the deferral are the Canadian, the Korean, and the Spanish standard-setters. In September, the European Financial Reporting Advisory Group (EFRAG) published a draft comment letter supporting the deferral; however, a final letter has not been published yet.

Click [here](#) for access to all comment letters made available publicly so far on the IASB website.

#### **IFRS 15 – ESMA believes the IASB has identified the right issues, calls for clear documentation of impacts of differences between IASB and FASB**

The European Securities and Markets Authority (ESMA) has commented on the IASB exposure draft ED/2015/6 *Clarifications to IFRS 15*.

ESMA agrees with the proposed clarifications to IFRS 15 but regrets that the IASB and FASB were not able to maintain convergence between their Standards. Nevertheless, the comment letter states:

*"ESMA agrees that the IASB identified the right issues that require clarification from the TRG discussions and that no further clarification on the issues for which amendments are proposed by the FASB is required at this stage. [...] Regarding any further standard-setting process related to IFRS 15, unless a major flaw of the standard is identified, any remaining minor issues to be identified by the implementation process could be addressed by referring the issue for consideration to the IFRS Interpretations Committee or to the post-implementation review."*

ESMA urges the two boards to maintain their efforts to keep the standards as convergent as possible and to discuss emerging issues together until the date of mandatory adoption of IFRS 15. Also, ESMA supports the IASB's decision to include a discussion in the Basis for Conclusions to the ED of the potential impacts on convergence for each of the issues where either the IASB or the FASB have decided to propose different amendments to their respective standards. ESMA urges the IASB to keep track of the differences and clearly communicate them, updating the comparison as the boards' proposals are finalised or new differences emerge.

Click [here](#) to access the full comment letter on the ESMA website.

#### **EFRAG believes IASB should not extend its remit beyond the current focus of the organisation**

The European Financial Reporting Advisory Group (EFRAG) has published a draft comment letter in response to the Trustees' Request for Views (RfV) document with proposals for further enhancing the structure and effectiveness of the organisation.

In its draft comment letter on the RfV published in July 2015, EFRAG is only answering questions 1 to 6 of the RfV, as the other questions dealing with governance and financing issues have already been considered by the European Commission in its evaluation of the IAS Regulation.

On the remaining questions, EFRAG makes the following observations.

- EFRAG believes that the IASB should not enter into the domain of public sector or not-for-profit sector standard-setting as this would require substantial additional resources, as well as knowledge, expertise and capacity not currently present within the IASB board or staff.

- EFRAG believes that the IASB should be fully aware of the developments across the whole range of corporate reporting, but should only take steps where necessary to maintain the relevance of IFRSs within corporate reporting debate. Nevertheless, EFRAG underlines the importance of the IASB addressing non-IFRS information, in particular alternative performance measures, as part of the disclosure initiative project.
- As regards the IFRS Taxonomy, EFRAG believes that the IFRS Foundation should continue to develop and maintain an IFRS Taxonomy to control the quality and the use of the brand. However, the Board should not be involved in the process since this is for most members outside their scope of competence; rather competent senior staff should deal with this issue. The development of the appropriate computer language and software should be left entirely to somebody else.
- EFRAG believes that post-implementation reviews should be regarded as a useful tool in IASB's research activities; EFRAG also stresses that the IASB may also wish to consider undertaking post-implementation reviews of older Standards where Interpretation issues are often raised.
- Finally, EFRAG calls on the Trustees to examine and reconsider the effectiveness of their due process oversight and extend it beyond mere compliance with the due process procedures and steps laid down in the due process handbook.

Click [here](#) to access the full draft comment letter on the EFRAG website. Comments are requested by 30 November 2015.

#### **Agenda paper details expected timing of potential IFRS 4 amendments**

An agenda paper for the meeting of the IASB, which was held from 19 to 22 October 2015, explains the IASB staff's expected timetable for finalising potential amendments to IFRS 4 *Insurance Contracts* that would address the interaction between IFRS 9 *Financial Instruments* and the forthcoming Standard on accounting for insurance contracts. It also recommends a comment period of 60 days for the corresponding exposure draft.

As the IASB's Due Process Handbook states that the comment period on an exposure draft should normally be for a minimum period of 120 days but can be shorter if the matter is narrow in scope and urgent, the staff suggests having a comment period of 60 days. The staff argues that the comment period needs to strike a balance between the need to finalise any amendments to IFRS 4 sufficiently in advance of the mandatory effective date of IFRS 9 and the need to allow interested parties to consider the proposals and provide input to the IASB.

The IASB decided that the comment period shall indeed be 60 days. This decision requires approval from the Due Process Oversight Committee (DPOC). Should the DPOC approve, the expected timetable would be as follows:

Expected timing	Development
December 2015	Publication of exposure draft
February 2016	End of comment period
Second quarter of 2016	Redeliberations
Third quarter of 2016	Issuance of final amendments

Click [here](#) to access the agenda paper on the IASB website.

#### **EFRAG issues draft comment letter on the 2015 IASB Agenda Consultation; launches consultation on its proactive agenda**

The European Financial Reporting Advisory Group (EFRAG) has issued a draft comment letter on the IASB's Request for Views, *2015 Agenda Consultation*.

On 11 August 2015, the IASB launched its second public consultation to seek broad public input on the strategic direction and overall balance of its future work programme. In the draft comment letter, EFRAG believes the main priorities for the IASB should be (1) completing the insurance contract Standard, (2) revising its *Conceptual Framework*, and (3) making significant progress on the disclosure initiative and dynamic risk management projects. In addition, EFRAG provides an analysis and assessment of the importance of each IASB research project. Further, EFRAG comments on the usefulness of post-implementation reviews when evaluating a Standard and recommends that the IASB leverage work performed by other accounting bodies during its research phase.

Comments on the draft comment letter are due by 30 November 2015.

For more information click [here](#) to see the press release and [here](#) to access the draft comment letter on EFRAG's website.

In parallel with the IASB's 2015 Agenda Consultation, EFRAG is seeking views from its constituents on its proactive agenda. The proactive agenda consultation seeks views on the recent proactive work performed by EFRAG as well as future proactive activities relevant for Europe.

Comments on the consultation are due by 30 November 2015.

For more information click [here](#) to see the press release and [here](#) to access the proactive agenda consultation on EFRAG's website.

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## Deloitte IFRS communications and publications

Issuance Date	Description
28 October 2015	<b>IFRS in Focus:</b> IASB publishes a draft Interpretation of IAS 12 <i>Income Taxes</i> – Uncertainty over income tax treatments
16 October 2015	<b>IFRS Project Insight:</b> Insurance contracts
08 October 2015	<b>IFRS industry insight:</b> Mining sector – IFRS 15, the new revenue Standard could impact profile of revenue and profit recognition

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## IASB and IFRS Interpretations Committee meetings

Description	
IASB meeting	<a href="#">Click here</a> for the 20 – 22 October 2015 meeting notes
IASB meeting	<a href="#">Click here</a> for the 21 – 24 September 2015 meeting notes

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## Hot topics on IFRS

Topic	
Country by country reporting	<a href="#">Click here</a> for more information on the developments related to proposals to require the publishing of financial information by country or jurisdiction
Differential reporting	<a href="#">Click here</a> for more information dealing with the financial reporting needs and requirements of different categories of entities (listed, public, private).
Global financial crisis	<a href="#">Click here</a> for more information on global financial crisis
Islamic accounting	<a href="#">Click here</a> for more information responding to concerns that existing accounting Standards such as IFRSs or local GAAP may be perceived to be insufficient to account for and report Islamic financial transactions.
Use of IFRS by jurisdiction	<a href="#">Click here</a> for more information on use of IFRS within different jurisdictions
IFRS in Europe	<a href="#">Click here</a> for more information on IFRS in Europe
Research and education matters	<a href="#">Click here</a> for more information on research and education matters

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## Comment letters

	<b>Description</b>	<b>Receiving party</b>	<b>Date issued/ Comment deadline</b>
Comment letters issued	Exposure draft ED/2015/7: <i>Effective Date of Amendments to IFRS 10 and IAS 28</i>	IASB	06 October 2015
	Exposure draft ED/2015/5: <i>Remeasurement on a Plan Amendment, Curtailment or Settlement/Availability of a Refund from a Defined Benefit Plan – Proposed Amendments to IAS 19 and IFRIC 14</i>	IASB	19 October 2015
	Exposure draft ED/2015/6: <i>Clarifications to IFRS 15</i>	IASB	28 October 2015
Comment letters pending	Exposure draft ED/2015/8: <i>IFRS Practice Statement – Application of Materiality to Financial Statements</i>	IASB	26 February 2016
	Draft Interpretation DI/2015/2: <i>Foreign Currency Transactions and Advance Consideration</i>	IASB	19 January 2016
	Draft Interpretation DI/2015/1: <i>Uncertainty over Income Tax Treatments</i>	IASB	19 January 2016
	Exposure draft ED/2015/3: <i>Conceptual Framework for Financial Reporting</i>	IASB	25 November 2015
	Exposure draft ED/2015/4: <i>Updating References to the Conceptual Framework</i>	IASB	25 November 2015

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## Effective dates

Click [here](#) for upcoming and recent effective dates. <http://www.iasplus.com/standard/effect.htm>

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