



IFRS on Point

Financial Reporting Developments and Information: October 2016

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AcSB and IASB panel discussion on IFRS 15

On 14 October 2016 the Canadian Accounting Standards Board (AcSB) hosted a panel discussion on implementing IFRS 15 *'Revenue from Contracts with Customers'*. A video recording of that panel discussion as well as the slides presented are now available.

The panel was chaired by IASB member Gary Kabureck. Panelists were Karen Higgins (Vice-Chair of the AcSB and Partner at Deloitte), Karyn Brooks (Retired Senior Vice President and Controller at Bell Canada and member of the Transition Resource Group for Revenue Recognition), Cameron McInnis (Chief Accountant at the Ontario Securities Commission), and Allison McManus (Partner at KPMG and former IASB staff). After a short overview of the situation in Canada, panelists discussed in depth IFRS 15 implementation issues and project management including external communications.

The **video recording** (two hours and 15 minutes) is available on YouTube. The **slides** can be downloaded from the AcSB website.

IFRS Foundation Trustees seek IASB Board members

The IFRS Foundation Trustees are seeking to appoint up to seven Board Members in July 2017.

IASB members are appointed for an initial five-year term with the possibility of being reappointed for another three years (in exceptional circumstances for another five years). Nominations for IASB board membership close on 25 November 2016.

Click **here** for more information, to see the press release and **here** for the IASB members' application page on the IASB's website.

For more information please see
the following websites:

www.iasplus.com

www.deloitte.com

European Union formally adopts IFRS 15

The European Union has published a Commission Regulation endorsing IFRS 15 '*Revenue from Contracts with Customers*'. IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.

Commission Regulation (EC) No 2016/1905 of 22 September 2016 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council published in the Official Journal on 29 October 2016 adopts IFRS 15 *Revenue from Contracts with Customers* issued by the IASB in May 2014. The EU effective date is the same as the IASB's revised effective date (annual periods beginning on or after 1 January 2018 with earlier application permitted).

As a result of the EU's adoption, the EFRAG has updated its endorsement status report.

Click [here](#) for more information.

IASB updates work plan

Following its October 2016 meeting, the IASB has updated its work plan. Only little progress or slippage can be traced. Most noticeable is postponing the publication of the Disclosure initiative – Principles of disclosure discussion paper until February 2017.

Changes to the work plan include:

Major projects

- No changes (i.e. projects may have slipped by one month each, this cannot be identified).

Implementation projects

- A new project '*Property, Plant and Equipment: Proceeds before Intended Use*' has been added to the work plan as a consequence of the discussion of IFRS implementation issues this week. An exposure draft is expected 'after 6 months'.
- *Annual Improvements (2015-2017)*: An exposure draft is now expected in January 2017.

Research projects

- *Disclosure initiative – Principles of disclosure*: A discussion paper is now expected in February 2017. During this week's meeting, the Staff revised the expected publication date of the discussion paper from mid-December 2016 to February 2017 in order to provide the Board with more time to focus on matters relating to the draft insurance standard.

Post-implementation reviews

- A decision on the project direction in the post-implementation review of IFRS 13 *Fair Value Measurement* is now expected 'within 3 months'.

Click [here](#) for the revised IASB work plan is available on the IASB's website.

Trustees appoint IASB Vice-Chair

After their meeting in New Delhi, the Trustees of the IFRS Foundation, have announced the appointment of Sue Lloyd as vice-chair of the IASB. Ms. Lloyd succeeds Ian Mackintosh who served as vice-chair from 2011 to 2016. Her term is effective 1 November 2016 and expires on 31 December 2018 when she will be eligible for a second term.

Ms. Lloyd has been an IASB Board member since 2014. Previously, she served as the Director of Capital Markets and Senior Director of Technical Activities at the IASB. In addition, Ms. Lloyd is a former member of the Australian Accounting Standards Board.

For more information, click [here](#) to see the press release on the IASB's website.

IASB announces May 2017 workshop for academics

On 8 May 2017, IASB technical staff will hold a one day event in London for those teaching International Financial Reporting Standards (IFRS).

The event will provides a forum for those teaching IFRSs to:

- discuss the development of new and amended IFRSs (especially on those IFRS Standards that have been issued but that are not yet effective) with the IASB technical staff;
- discuss the development of recent interpretations and amendments to IFRSs resulting from the annual improvements project with the IFRS Interpretations Committee technical staff;
- be updated by senior IASB technical staff on the main principles being considered in developing major new IFRSs that are on the IASB's active agenda;
- participate in a workshop on Framework-based IFRS teaching by exploring case studies with the IASB Education Initiative staff; and
- provide feedback to the IASB on providing support to those teaching IFRSs.

Participation in the workshop is free of charge, however, since places are limited there is an application procedure.

Click [here](#) for more information on the IASB website.

IFRS 9 resolution carried by European Parliament

The proposed resolution regarding IFRS 9 '*Financial Instruments*' was carried in the plenary session of the European Parliament in Strasbourg.

For the content of the resolution please see [the news item](#). A last minute amendment to the proposed resolution was rejected.

European Parliament to vote on IFRS 9 resolution

The plenary of the European Parliament debated a proposed resolution regarding IFRS 9 *'Financial Instruments'*. A vote on the resolution was scheduled.

The resolution was developed by the Parliament's Committee on Economic and Monetary Affairs (ECON) and relates to several questions submitted to the Commission, specifically, how the Commission intends to address concerns regarding potential negative effects of IFRS 9 on long-term investment, how the Commission intends to address the concerns caused by the misalignment of the effective dates of IFRS 9 and the new upcoming insurance standard (IFRS 17) and whether the Commission considers the provisions issued by the IASB on 12 September 2016 to be adequate and satisfactory for the EU, and how the Commission intends to address potential negative effects of IFRS 9 on financial stability.

In this context, the resolution contains several observations on IFRS 9 as well as calls on various parties to ensure that IFRS 9 contributes to the European public good. The following aspects deserve mentioning:

The European Parliament

- notes that IFRS 9 constitutes one of the major responses of the IASB to the financial crisis and notes that implementation efforts are already in progress;
- acknowledges that IFRS 9 constitutes an improvement on IAS 39;
- notes that IFRS 9 calls for a great deal of judgement in the accounting process and calls for guidance to be developed by the European Supervisory Authorities in cooperation with the Commission and EFRAG in order to prevent any abuse of management discretion;
- calls on the IASB and EFRAG to strengthen their impact analysis capacity, notably in the field of macroeconomics;
- notes the misalignment of the effective dates of IFRS 9 and the upcoming new insurance standard IFRS 17 but also notes that the IASB has issued amendments to IFRS 4 addressing some of the concerns;
- calls on the Commission to make sure that IFRS 9 serves the EU's long-term investment strategy;
- calls on the Commission to ensure compliance of IFRS 9 with the Accounting Directive and to cooperate wherever necessary with the IASB and national and third-country standard setters;
- calls on the Commission, together with the European Supervisory Agencies (ESAs), the ECB, the European Systemic Risk Board (ESRB) and EFRAG, to closely monitor the implementation of IFRS 9 in the EU and to prepare an ex post impact assessment no later than June 2019; and
- calls on the IASB to conduct a post-implementation review (PIR) of IFRS 9 in order to identify and assess unintended effects of the standard, in particular on long-term investment.

Resolutions are not legally binding but will serve as guidance and reference in future EU law-making processes. Please click for the **full text of the proposed resolution** on the European Parliament website.

Papers for the IASB research forum and registration for webcast

The third IASB Research Forum will form part of the 2016 Contemporary Accounting Research (CAR) conference that took place in Waterloo, Ontario, Canada on 15 and 16 October 2016. The research papers are available on the forum.

The following papers were presented and discussed. The first three papers also feature IASB discussants:

- *Moving the Conceptual Framework Forward: Accounting for Uncertainty.*
- *Assets and Liabilities: When do they exist?*
- *Relative Effects of IFRS Adoption and IFRS Convergence on Financial Statement Comparability.*
- *How Does Intrinsic Motivation Improve Auditor Judgment in Complex Audit Tasks?*
- *Relating Product Prices to Long-Run Marginal Cost: Evidence from Solar Photovoltaic Modules.*
- *How Quickly Do Firms Adjust to Optimal Levels of Tax Avoidance?*
- *One Team or Two? Investigating Relationship Quality between Auditors and IT Specialists: Implications for Audit Team Identity and the Audit Process.*

All papers can be downloaded from the **website of the Canadian Academic Accounting Association (CAAA)**. Also available is a webcast sponsored by the Canadian Accounting Standards Board (AcSB). Viewers around the world can access the research and discussions presented at the event. More information is **here**.

IFRS conference in Lima

The IFRS Foundation has announced that its next IFRS conference in the Americas will be held in Lima, Peru on 3-4 November 2016.

The English- and Spanish-language conference will include discussions on the implementation plans for new standards (IFRS 9, IFRS 15, IFRS 16), on the Conceptual Framework, and on implementing for the first time the IFRS for SMEs. There will also be panel discussions on consistent application and on the future of corporate reporting. Before the conference, a half-day workshop cross-cutting IFRS measurement issues will be held.

More details, including registration information, are available on the **conference website** (Spanish language only).

ESMA announces enforcement priorities for 2016 financial statements

The European Securities and Markets Authority (ESMA) has announced the priority issues that the assessment of listed companies' 2016 financial statements will focus on.

ESMA considers the following key topics to be especially relevant for the examinations of listed companies' financial statements:

- presentation of financial performance;
- financial instruments: distinction between equity instruments and financial liabilities; and
- disclosures of the impact of the new standards on IFRS financial statements.

In addition, taking into consideration the relevance of Brexit for some issuers in Europe, ESMA urges issuers potentially affected by the result of the UK's referendum to leave the EU to assess and disclose the associated risks and expected impacts it may have on their business activities. ESMA expects that more information about the impact will become available as the date of Brexit approaches.

ESMA and European national enforcers will monitor and supervise the application of the IFRS requirements outlined in the priorities, with national authorities incorporating them into their reviews and taking corrective actions where appropriate. ESMA will collect data on how European listed entities have applied the priorities and will publish its findings in a separate report.

Please click for the following documents on the ESMA website:

- **Press release**
- **Public statement on enforcement priorities, providing more background on each of the focus areas**

FEE responds to EBA consultation on guidance on accounting for expected credit losses

In July 2016, the European Banking Authority (EBA) launched a consultation on draft guidelines on credit institutions' credit risk management practices and accounting for expected credit losses. The Federation of European Accountants (Fédération des Experts-comptables Européens, FEE) has responded to the consultation and asks for clarifications regarding the intended interaction between prudential and accounting requirements.

The EBA draft guidelines build on the guidance by the Basel Committee on Banking Supervision (BCBS) in December 2015 on the same matter and feature a detailed section on the application of IFRS 9 *Financial Instruments*.

FEE states that any alignment at EU level should stay as close as possible to international requirements and the guidance from the BCBS to ensure consistent interpretations of IFRS 9 and achieve a high-quality ECL model across different jurisdictions. As regards the proposed EBA guidelines, FEE fears that their scope is wider than the scope of the BCBS guidelines and stresses that FEE *"has the clear expectation that the EBA has not and does not intend to have the authority to establish requirements for financial statements"*. FEE concludes: *"Prudential and accounting approaches cannot be similar and it should be noted that there are important differences"*.

For more information please access the **press release** and the **consultation response** on the FEE website.

Summary of the September 2016 ITCG conference call

The IASB has published notes to the IFRS Taxonomy Consultative Group (ITCG) conference call held on 14 September 2016.

The ITCG discussed:

- proposed common practice additions for leisure and agriculture;
- revised IFRS Taxonomy terms and conditions; and
- the ITCG review of amendments to IFRS 4 *Insurance Contracts*.

Click **here** for more information, to see the summary on the IASB's website.

Coincidentally, the ITCG is meeting face to face today in London. Topics discussed today are:

- Better Communication
- Update on activities
- Principle-based reporting and the technological world
- Entity-specific disclosures – task force progress
- IFRS Taxonomy content and other areas
- IFRS Technology
- The ITCG UK Financial Reporting Lab – Digital Future

Click **here** for the supporting papers for this meeting available on the IASB website.

FRC discussion paper on improving the statement of cash flows

The UK Financial Reporting Council (FRC) has issued a discussion paper on improving the statement of cash flows with the aim of identifying possible evolutionary improvements to the requirements of IAS 7 'Statement of Cash Flows'.

Noting that IAS 7 is more than twenty years old and that it would be *"surprising if improvements cannot be identified from the perspective of 2016"*, the paper presents some ideas to improve the usefulness of the statement of cash flows. The paper is divided into five sections:

- The usefulness of information about cash flows
- The classification of cash flows
- Cash equivalents and the management of liquid resources
- Reconciliation of operating activities
- Direct or indirect method?

The discussion paper includes 11 specific questions relating to these sections but also invites any other comments on issues relating to possible improvements to the statement of cash flows.

Click [here](#) to access the discussion paper and [here](#) for the associated press release available from the FRC website.

ESMA and IFRS Foundation announce updated Statement of Protocol

The European Securities and Markets Authority (ESMA) and the IFRS Foundation have updated their Statement of Protocol agreement.

The statement, which builds upon the 2014 protocol agreement, provides provisions for supporting the development of IFRSs as well as the consistent implementation and application of IFRSs worldwide.

For more information, see the [press release](#) and [Statement of Protocol](#) on the IASB's website.

EFRAG consults on IFRS 16 endorsement

The European Financial Reporting Advisory Group (EFRAG) has issued a preliminary consultation document relating to the endorsement for use in the EU of IFRS 16 'Leases'.

Although EFRAG has preliminarily concluded that IFRS 16 meets the relevant qualitative characteristics, raises no issues regarding prudent accounting, is not contrary to the true and fair view principle, would improve financial reporting, compared to the standard and the interpretations it replaces, and would not put European entities at a competitive disadvantage taking into account the lack of convergence with the equivalent US GAAP Standard, EFRAG has not yet assessed whether it would reach an acceptable cost-benefit trade-off. Furthermore, during the consultation period, EFRAG will be conducting additional work on the impact of IFRS 16 on SMEs, views of users of financial statements, and the effect analysis of IFRS 16.

EFRAG is expecting significant additional input into its assessment from this additional work and has not yet reached a preliminary conclusion as to whether IFRS 16 is conducive to European Public Good. Therefore, EFRAG encourages constituents to provide views on any matters that may be relevant to its endorsement advice, which need not be limited to the specific questions included in the consultation document.

Comments are requested by 8 December 2016. EFRAG expects to issue a complete draft endorsement advice for an additional short consultation period in 2017.

Click [here](#) for the press release on the EFRAG website to access the consultation document and various supporting documents. EFRAG has also updated its IFRS endorsement status report, click [here](#) for more information.

ISAR workshop on IFRS 15 and IFRS 16

The thirty-third session of the United Nations Conference on Trade and Development (UNCTAD) Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) is currently being held in Geneva. Before the session, there was a workshop on 3 October on recent developments on IFRS.

First, Hugh Shields, Executive Technical Director at the IASB, gave a general presentation on trends in financial and corporate reporting touching primary financial statements, the disclosure initiative, and corporate reporting. His presentation is available on the **UNCTAD website**.

This was followed by a block on IFRS 15 *Revenue from Contracts with Customers* with the following speakers (links to their presentations on the UNCTAD website):

- **Richard Martin, ACCA**
- **Susan M. Cospers, FASB**
- **David Baur, PwC Switzerland**
- **Vincent Papa, CFA Institute**
- **Vijay Kumar, ICAI**
- **Fábio Moraes da Costa, FUCAPE Business School, Brazil**

The afternoon was dedicated to IFRS 16 *Leases*. Speakers were (links to their presentations on the UNCTAD website):

- **Susan M. Cospers, FASB**
- **Andrew Watchman, EFRAG**
- **Kalani Hettiarachchi, Sri Lanka Accounting and Auditing Standard Monitoring Board**

Second quantitative study on goodwill and impairment

Similar to the European Financial Reporting Advisory Group (EFRAG), the Accounting Standards Board of Japan (ASBJ) took up research on goodwill and goodwill impairment following the post-implementation review of IFRS 3 *'Business Combinations'*. Originally, these two research efforts were not connected, only relatively late in the process data and findings were combined and exchanged. Therefore, the ASBJ research report now published is a companion piece to the EFRAG report published last week but not identical.

The main findings presented in the ASBJ report are:

- For all stock market indices analysed (Japan, United States, Australia, Europe), the total amount of goodwill and the amount of goodwill per company increased from 2005 to 2014.
- The stock market indices of the United States and Europe recognised larger amounts, both in the total amount of goodwill and the amount of goodwill per company, compared to the stock market indices of Japan and Australia.
- The stock market indices of the United States and Europe have consistently shown higher ratios of goodwill to net assets and of goodwill to market capitalisation.
- In 2014, 32% of the companies' recognising goodwill in the United States and 25% of the companies' recognising goodwill in Europe had goodwill that exceeded 50% of their net assets. Furthermore, 14% of those companies in the United States and 11% of those companies in Europe had goodwill that exceeded 100% of their net assets. A few companies in the United States, Europe and Australia had goodwill that exceeded 100% of their market capitalisation.
- In the United States and Europe, the market capitalisation exceeded by a large portion the carrying amount of equity in the statement of financial position.
- Explicit time lags were not observed by analysing the correlation between impairment and the price or points of the stock market index.
- Fully expensing goodwill judged by the data collected takes on average 82 in the United States, 37 in Europe, 9 years in Japan, and 34 years in Australia.

Click **here** to access the study and a **here** for the corresponding press release on the ASBJ website. The EFRAG's research report can be accessed **here**.

Joint investor outreach on leases and recent IFRS 4 amendments

The European Financial Reporting Advisory Group (EFRAG), the European Federation of Financial Analysts Societies (EFFAS), the Italian standard-setter Organismo Italiano di Contabilità (OIC), and the Associazione Italiana degli Analisti e Consulenti Finanziari (AIAF) will host a joint event on 29 November in Milan. The event will be held in English and will also include speakers from the IASB.

The first part of the event will address IFRS 16 *Leases* and will seek users' views on a series of topical issues. The second part will discuss the amendments to IFRS 4 *Insurance Contracts* that allow companies that issue insurance contracts to apply the overlay approach and give companies who have predominantly insurance activities a temporary optional exemption from applying IFRS 9 *Financial Instruments* until 2021.

Click **here** for more information, to see the press release on the EFRAG website.

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Deloitte IFRS communications and publications

Issuance Date	Description
24 October 2016	Models and checklists – IFRS compliance, presentation and disclosure checklist 2016
04 October 2016	Models and checklists – IAS 34 compliance checklist 2016

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IASB and IFRS Interpretations Committee meetings

Description	
IASB meeting	Click here for the 18-19 October 2016 meeting notes.

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Hot topics

Topic	
Country by country reporting	Click here for more information on the developments related to proposals to require the publishing of financial information by country or jurisdiction
Differential reporting	Click here for more information dealing with the financial reporting needs and requirements of different categories of entities (listed, public, private).
Global financial crisis	Click here for more information on global financial crisis
Islamic accounting	Click here 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	Click here for more information on use of IFRS within different jurisdictions
IFRS in Europe	Click here for more information on IFRS in Europe
Research and education matters	Click here for more information on research and education matters

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Comment letters

	Description	Receiving party	Date issued/ Comment deadline
Comment letters issued	<i>ED/2016/1 Definition of a Business and Accounting for Previously Held Interests (Proposed amendments to IFRS 3 and IFRS 11) published</i>	IASB	31 October 2016
Comment letters pending	ED/2016/1 Definition of a Business and Accounting for Previously Held Interests (Proposed amendments to IFRS 3 and IFRS 11) published <i>ED/2016/1 Definition of a Business and Accounting for Previously Held Interests (Proposed amendments to IFRS 3 and IFRS 11) published</i>	IASB	31 October 2016

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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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