

# International Financial Reporting Standards

## INTERNATIONAL ACTUARIAL ASSOCIATION ESTABLISHING STANDARDS FOR GLOBAL FINANCE

AN IASB PERSPECTIVE

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London

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# OVERVIEW

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- The driving forces for global standards
- The challenges
- The IASB
  - governance
  - structure of board
  - process
  - progress to date
- The elephants in the room
- Current work plan
- Implementation

# THE DRIVING FORCE

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- Global markets require comparable financial statements
- Differences
  - Add to cost of capital
  - Impede efficient capital allocation
  - Impede constructive regulation
- The G20 and other international bodies are calling for it
- It simply makes sense

# THE CHALLENGES

- Sovereignty
  - no tinkering
  - abrogation of legal rights
- Endorsement processes
  - should be rarely tripped
  - small changes can make big differences
- The status of the IASB
  - efficiency v legitimacy
  - rating agencies and the UN
  - transparency and inclusiveness
- Cultural, business practices and accounting traditions
- At the end of the day the IASB has no enforcement powers

## Governance IFRS Foundation

- Monitoring board
  - Appointment of Trustees
- Trustees
  - Strategy
  - Finance
  - Due process oversight
  - Appointments
- IASB
  - 14 independent members
  - Appointment by Trustees
- Process
  - Comprehensive due process
  - Overseen by Trustees
  - World class transparency
  - Consultation and inclusiveness

- IFRS as global standards – a pocket guide
- More than 100 countries require the use of IFRS
- Most others permit some use of IFRS
- Amazing progress in just over a decade

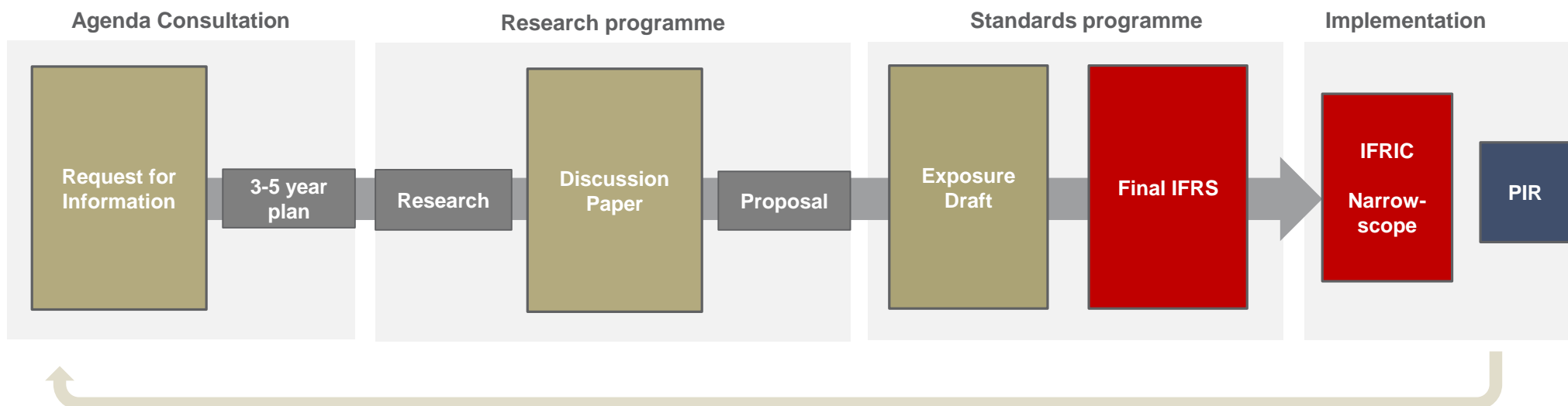
# THE ELEPHANT(S) IN THE ROOM

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- Japan
- India
- Indonesia
- US

# HOW WE DEVELOP OUR STANDARDS

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- In 2007, Trustees introduced Post Implementation reviews
- In 2011, Trustees introduced the three-yearly public Agenda Consultation
- In 2012, Trustees supported a move to more **evidence-supported decision making**, with more emphasis put on the research phase of the process

Evidence supported decision making



# Research programme

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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
- Leads to project proposals:
  - do more research; or
  - add to the Standards-level programme, or
  - recommendation not to develop an IFRS
- 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 exposure draft phase on a timely basis (eg the *Disclosure Initiative*)

	2014			2015
	Q2	Q3	Q4	Q1
Business combinations under common control	B	B		
Disclosure Initiative				
General disclosure review	To be determined			
Materiality		B		
Principles of disclosure	B			
Discount rates	B			
Emissions Trading Schemes	To be determined			
Equity method of accounting				
Financial Instruments with characteristics of equity	Pending developments in the Conceptual Framework project			
Foreign currency translation/inflation			B	
Liabilities—amendments to IAS 37	Pending developments in the Conceptual Framework project			
Rate-regulated Activities		Target DP		

## Other research projects

<ul style="list-style-type: none"><li>• Extractive activities / Intangible assets / R&amp;D activities</li></ul>	These projects are longer term projects which the IASB does not expect to discuss publicly until 2015 or later.
<ul style="list-style-type: none"><li>• Income taxes</li></ul>	
<ul style="list-style-type: none"><li>• Post-employment benefits (including pensions)</li></ul>	
<ul style="list-style-type: none"><li>• Share-based payments</li></ul>	

### Work plan—as at 30 July 2014

Major Projects	Implementation	Conceptual Framework	Research Projects	Completed IFRSs	Agenda consultation
<b>Upcoming Standards</b>					
	2014 Q3	2014 Q4	2015 Q1	2015 Q2	
Insurance Contracts	Redeliberations				
Leases	Redeliberations				
Comprehensive review of the <i>IFRS for SMEs</i>		Redeliberations			
<b>Upcoming Exposure Drafts</b>					
	2014 Q3	2014 Q4	2015 Q1	2015 Q2	
Conceptual Framework			Target ED		
<b>Issued Discussion Papers</b>					
	2014 Q3	2014 Q4	2015 Q1	2015 Q2	
Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging [Comment period ends 17 October 2014]	Public consultation				
<b>Upcoming Discussion Papers</b>					
	2014 Q3	2014 Q4	2015 Q1	2015 Q2	
Rate-regulated Activities	Target DP				
<b>Disclosure Initiative</b>					
Principles of disclosure	Board discussion				

## Insurance contracts

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- Objective – to provide a single principle-based Standard that would increase comparability and transparency of entities that issue insurance contracts.
- IASB issued revised Exposure Draft in June 2013. Targeted issues:
  - Unlocking on contractual service margin
  - Mirroring
  - Presentation of revenue
  - Interest expense in profit or loss
  - Effective date and transition
- Redeliberations started in March 2014
- IASB plans to finalise the work on the Standard by the end of 2014 and to issue it in 2015

- Consistency of implementation is important
- We work with IOSCO and regulators
- Education initiative
- Interpretations Committee
- Post implementation reviews

