



IFRS on Point

Financial Reporting Developments and Information: February 2017

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IASB issues podcast on latest Board developments

The IASB has released a podcast featuring its Chair, Hans Hoogervorst and Vice-Chair, Sue Lloyd discussing the deliberations at the February 2017 IASB meeting.

In addition, the podcast features (1) updates on the recent meeting between the IASB, IFRS Foundation Trustees, and the IFRS Foundation Monitoring Board, (2) feedback on the proposed changes to the definition of a business consultation, (3) discussion on rate-regulated activities, (4) symmetric prepayment options comment period, and (5) sweep issues discussion on the new insurance contracts.

For more information, see the **press release** on the IASB website as well as our **comprehensive notes** taken by Deloitte observers of the February 2017 meeting.

EFRAG Pension Plans Advisory Panel membership announced

The European Financial Reporting Advisory Group (EFRAG) has announced the composition of its pension plans advisory panel.

The advisory panel will provide “expert advice on EFRAG’s research project to investigate possible improvements to the current requirements in relation to pension plans where the promised benefit is linked to the return on specified assets.”

The composition is as follows:

- Nicklas Grip, Chairman, EFRAG TEG Vice-Chairman
- Vincent Caire, preparer
- André Geilenkothen, industry
- Selim Gogus, user
- Heinz Hense, EFRAG TEG member
- Patrice Kalfon, consultant
- Anne Laning, industry
- Gabriel van de Luitgaarden, preparer
- Kazim Razvi, user
- Geert De Ridder, auditor
- Jean-François Vaccaro, preparer
- Julián Villanueva Lara, user

For more information please see
the following websites:

www.iasplus.com

www.deloitte.com

In addition, observer status has been granted to the European Commission, the European Insurance and Occupational Pensions Authority, the European Securities and Market Authority, and Pensions Europe.

For more information, see the **press release** on the EFRAG's website.

Updated IASB work plan

Following its February 2017 meeting, the IASB has updated its work plan.

Below is an analysis of all changes made to the work plan since the last update in January 2017.

Standard-setting and related projects

- Insurance contracts – the expected issuance of the IFRS is now marked as being expected within the next three months (May).

Narrow-scope amendments

- Improvements to IFRS 8 resulting from the post-implementation review of IFRS 8 – the expected publication of an exposure draft is now expected in March. Previously, it was expected in April.

IFRS Taxonomy

- Taxonomy update on insurance contracts – The expected issuance is now marked as being expected within the next three months (May).
- Common practice (agriculture, leisure, franchises, retail and financial institutions) – This project has completed its public consultation phase and is now in the drafting phase.

The **revised IASB work plan** is available on the IASB's website.

Trustees reappoint four IASB members

The IFRS Foundation trustees have announced the reappointment of Martin Edelmann, Gary Kabureck, Chungwoo Suh, and Mary Tokar to serve a second term as IASB board members beginning on July 1, 2017.

In addition, Darrel Scott's term has been extended by two more years and will end on September 30, 2020.

For more information, see the **press release** on the IASB's website.

EFRAG issues draft endorsement advice on amendments to IAS 40

The European Financial Reporting Advisory Group (EFRAG) has issued for comment its draft endorsement advice for the use of '*Transfers of Investment Property (Amendments to IAS 40)*' in the European Union (EU).

In December 2016, the IASB issued the amendments to IAS 40 to clarify transfers of property to, or from, investment property.

The EFRAG has performed a preliminary assessment of the amendments to IAS 40 and believes the amendments meet the technical requirements of the Regulation (EC) No 1606/2002 of the European Parliament and of the Council on the application of international accounting standards.

In addition, the EFRAG has updated its **endorsement status report** and is requesting comments on its preliminary conclusions by 20 March 2017.

For more information, see the **press release, draft endorsement advice** and the **invitation to comment** on the EFRAG's website.

EFrag assesses that IFRS 16 is conducive to the European public good

Following the preliminary consultation document relating to the endorsement of IFRS 16 'Leases' for use in the EU published in October, the European Financial Reporting Advisory Group (EFRAG) has now published draft endorsement advice on the standard.

In the preliminary consultation document, EFRAG had expressed the view that 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. However, EFRAG had not formed an opinion on whether the standard would reach an acceptable cost-benefit trade-off. Also, as EFRAG intended to conduct additional work that was expected to result in significant additional input into its assessment, EFRAG had not expressed a view on whether IFRS 16 is conducive to the European public good.

EFrag has now done additional research and evaluated the feedback on the preliminary consultation documents and concludes that IFRS 16:

- Meets the qualitative characteristics of relevance, reliability, comparability and understandability, leads to prudent accounting, and it is not contrary to the true and fair view principle.
- Would improve financial reporting and would reach a cost-benefit trade-off that is acceptable. EFRAG has not identified that IFRS 16 would have major deleterious effects on the European economy, including financial stability and economic growth.

Accordingly, EFRAG has assessed that adopting IFRS 16 is conducive to the European public good and has issued its draft endorsement advice. Comments on the draft endorsement advice are requested by 13 March 2017. It is available through the **press release** on the EFRAG website.

EFrag has also updated its **endorsement status report** accordingly.

In addition, the EFRAG has published a **study** by an independent economic consultancy which was used during the development of the draft endorsement letter. The study addressed potential changes in the behaviour of preparers, investors and lenders, the potential economic impact, and a cost-benefit analysis of IFRS 16.

Monitoring Board approves three IFRS Foundation Trustees

The IFRS Foundation Monitoring Board has announced that Else Bos, Su-Keun Kwak, and Guangyao Zhu have been appointed as IFRS Foundation trustees.

Ms. Bos fills the European vacancy, and Mr. Kwak and Mr. Zhu fill the Asia-Oceania vacancies. The terms of all three members became effective on 1 February 2017 and will last for three years.

For more information, see the **press release** on the IASB's website.

Sue Lloyd appointed new IFRS Interpretations Committee Chair

The Trustees of the IFRS Foundation have announced that Sue Lloyd, IASB Vice-Chair, has been appointed Chair of the IFRS Interpretations Committee with immediate effect.

The position had become vacant with the death of Wayne Upton in September 2016.

Click for the **press release announcing Ms Lloyd's appointment** on the IASB website.

The Bruce Column – Pushing stakeholders towards value creation and the long term

Robert Bruce, our regular, resident, columnist reports on moves towards widespread adoption of integrated reporting and the direction taken at the recent joint conference of the International Corporate Governance Network and the International Integrated Reporting Council.

Click **here** for more information.

AASB Research Forum – IASB keynote presentation and call for expressions of interest

The inaugural research forum of the Australian Accounting Standards Board (AASB) was held at the University of Technology in Sydney on 24 November 2016. The IASB keynote presentation by IASB Vice-Chair Sue Lloyd is now available for download. At the same time, the AASB has issued a call for expressions of interest regarding the second AASB research forum that will be held in November 2017.

The following papers from the 2016 research forum are available (all links to the IAASB website):

- Keynote presentation: *Research and Standard-setting – How to contribute to the IASB's work*, Sue Lloyd, Vice-Chair, IASB
- *Financial Reporting by Private Companies in Australia: Current Practice and Opportunities for Research* by Brad Potter (Melbourne University), George Tanewski (Deakin University) and Sue Wright (Macquarie University)
- *Not-for-profit & Public Sector Reporting Research Horizons: Moving the Bar in the Right Direction* by David Gilchrist (Curtin University) and Roger Simnett (University of New South Wales)
- *Accounting for financial instruments with characteristics of debt and equity: Finding a way forward* by Neil Fargher (The Australian National University), Baljit Sidhu (University of New South Wales), Ann Tarca (The University of Western Australia) and Warrick van Zyl (The University of Western Australia)

The 2017 research forum will focus on effective communication of financial and narrative reporting. The AASB is now calling for expressions of interest from academics who wish to undertake research for the purpose of presenting and discussing their research at the forum. The AASB is seeking papers that will inform a wide range of audiences from the for-profit and/or not-for-profit sectors by presenting research findings relevant to standard setting. Topics to be covered include:

- IASB Disclosure initiative project
- fair value measurement
- revenue recognition
- service performance reporting (including the post implementation review of IFRS 13/AASB 13)
- digital reporting, XBRL, big data
- recognition, measurement and disclosure of intangible assets
- integration of financial reporting/explanations and narrative reporting
- other topics of interest

For more information please see the **call for expressions of interest** on the AASB website.

IFRS Foundation issues “Debrief” on the IFRS for SMEs

The IFRS Foundation has issued a new Debrief series video on the IFRS for Small and Medium-Sized Entities (IFRS for SMEs). The video features IASB Board member Darrel Scott as he provides an overview of the background to the standard.

Topics discussed in the five minute video include:

- Why do smaller businesses have different needs?
- How does the IFRS for SMEs differ from full IFRSs?
- How widespread is the use of the standard?
- How has the standard changed since its inception?

For more information, see the **Debrief video on the IASB's website**.

ASBJ and OIC hold joint meeting

On 6 February 2017, the Accounting Standards Board of Japan (ASBJ) met in Tokyo and the Italian standard-setter Organismo Italiano di Contabilità (OIC) held a joint meeting in Tokyo. The meeting was the first bilateral meeting between the two standard-setters.

In addition to giving updates on their respective standard-setting activities at the meeting, the two boards exchanged views on technical topics on the IASB's agenda including insurance contracts, primary financial statements, rate-regulated activities, and business combinations under common control as well as on other projects in which they both have an interest including separate financial statements and goodwill.

For more information about the meeting, see the **press release** on the ASBJ website.

Monitoring Board appoints new Chair

The IFRS Foundation Monitoring Board has appointed Mr Jean-Paul Servais as its new Chair of the Monitoring Board. Mr. Servais will succeed Mr. Ryozi Himino starting in March 2017.

For more information, see the **press release** on the IASB's website.

EFrag draft comment letter on proposed annual improvements to IFRS standards 2015-2017

The European Financial Reporting Advisory Group (EFRAG) has issued a draft comment letter on the IASB exposure draft ED/2017/1 'Annual Improvements to IFRS Standards 2015-2017 Cycle'

EFrag broadly agrees with the IASB proposal; however, it is concerned that *"amending IAS 12 without providing guidance on how to determine whether the payments are distributions of profits may not lead to a significant improvement in consistent application compared to the current situation"* and that the short time period between issuing the amendments to IAS 28 with the purposed effective date of 1 January 2018 could present issues.

Further, the EFRAG recommends examples and/or illustrations on the application of the proposed amendments to IAS 28.

Comments on EFRAG's draft comment letter are requested by 3 April 2017.

For more information, see the **press release** and the **draft comment letter** on the EFRAG website.

The Bruce Column – Making the financial implications of climate-related risks clear

The recommendations of the Task Force on Climate-related Financial Disclosures marks a shift in the focus of the reporting of climate change and ensuring that companies explain the risks and opportunities that result. Our resident, regular columnist Robert Bruce explains the implications.

Click for **here** for more information.

IASB Chairman speaks on financial reporting in a digital world

At a conference of the South Asian Federation of Accountants (SAFA) in Bangladesh, IASB Chairman Hans Hoogervorst gave his thoughts on how technology is affecting financial reporting.

As the conference's focus was '*Navigating Through Digital Transformation Towards Better Accountability*', Mr. Hoogervorst expanded on the relation between digital reporting and financial reports:

"I have been asked if financial reports will become redundant as investors and others get more direct access to a wider range of information. I don't think that will happen. Nine in ten investors surveyed by the CFA Institute say that annual reports are important to them. The more information that becomes available, the more important it is to be able to sift trustworthy information from the more spurious. Financial statements will remain relevant, even in a digital world."

Mr. Hoogervorst then went on to explain that while digital reporting developments offer a host of new opportunities they also need to be complemented by 'analogue' developments. He therefore pointed the IASB's 'Better Communication' initiative and the focus on digital reporting and the IFRS Taxonomy that is also included in it as the fact that investors increasingly consume financial information electronically also meant that part of the IASB's job was to make it easy for them to access IFRS data in that manner.

A full transcript of Mr. Hoogervorst's remarks is available on the **IASB website**.

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Deloitte IFRS communications and publications

Issuance Date	Description
16 February 2017	Thinking allowed: Non-GAAP and Alternative performance measures
15 February 2017	Thinking allowed: Climate-related disclosure

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IASB and IFRS Interpretations Committee meetings

Description
IASB meeting
Click here for the 22 – 23 February 2017 meeting notes

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Hot topics on IFRS

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	–	–	–
Comment letters pending	ED/2017/1 Annual Improvements to IFRS Standards 2015-2017 Cycle	IASB	12 April 2017

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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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