Updates by other international and regional organizations

Presented by

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Agenda

1. Revenue recognition
2. Financial instruments
3. Leases
4. Insurance contracts
5. Rate regulated activities
6. Disclosure initiative
7. Post-implementation review – business combinations
IFRS 15 Revenue from Contracts with Customers

• Fully converged standard issued in May 2014
  – Effective 2017, early application permitted

• Single framework for revenue recognition

• Joint Transition Resource Group (TRG)
  – discuss stakeholder issues arising from implementation
  – meetings held in public
  – TRG will not issue guidance
  – fundamental implementation questions will be referred to the boards
IFRS 9 *Financial Instruments*

- IFRS 9 issued July 2014, effective 2018
- Classification and measurement
  - A logical, single classification approach driven by cash flow characteristics and how financial asset managed
- Impairment
  - An urgently needed and strongly supported forward-looking ‘expected loss’ model that is responsive to changes in credit risk and responds to the calls of the G20 and others
  - Transition Resource Group for Impairment of Financial Instruments to support implementation
- Hedge accounting
  - An improved and widely welcomed model that better aligns accounting with risk management
Leases

• Status: Board redeliberating 2013 ED

Main decisions: lessee accounting

• Balance sheet recognition of leases
  – Short-term lease recognition and measurement exemption

• Measurement of lease assets and liabilities
  – Present value of future lease payments
  – Variable and most optional payments excluded
  – Portfolio application permitted

• Definition of a lease
  – Lease exists when customer controls the use of the asset

• Income statement treatment:
  – Interest and amortisation presented separately in income statement

Expect to publish final standard in 2015
Insurance contracts

• 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 issue a Standard on the accounting for insurance contracts during 2015.
Rate regulated activities

- IFRS today has no comprehensive standard for rate-regulated activities

- Interim relief for first-time adopters of IFRS
  - Issued IFRS 14 *Regulatory Deferral Accounts* in Jan 2014
  - Permits grandfathering of previous GAAP accounting practices for recognition, measurement, impairment and derecognition
  - Enhanced presentation and disclosure matters
  - Effective date is 1 Jan 2016, early application is permitted

- Research project
  - Is considering how rate regulation affects the amount, timing and certainty of revenues and cash flows and what information is needed to help users understand the effects
  - Request for Information (published end of March 2013)
  - Discussion Paper (published 17 September 2014)
Disclosure Initiative – an overview

Disclosure Initiative

Implementation
- Amendments to IAS 1
- Reconciliation of liabilities from financing activities

Research
- Materiality
- Principles of Disclosure
- Review of existing Standards

Ongoing activities
- Digital reporting
- New EDs
Post-implementation review on IFRS 3 Business Combinations

• Request for Information published on 30 January 2014
  – (comment period ended on 30 May 2014)

• Feedback received on the following issues (among others):
  • Challenges and complexity of testing goodwill for impairment
  • Subsequent accounting for goodwill (impairment only approach vs. amortisation and impairment approach)
  • Challenges in applying the definition of a business
  • Identification and fair value measurement of intangible assets such as customer relationships and brand names
  • Fair value measurement of contingent consideration and usefulness of subsequent accounting
  • Usefulness of accounting for step acquisitions and loss of control
Thank you