Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR)

32nd SESSION
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Room XVIII, Palais des Nations, Geneva

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Afternoon Session

Updates by international and regional organizations

Presented by

Michael Stewart
Director of Implementation Activities
International Accounting Standards Board

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IFRS update
Michael Stewart
Director of Implementation Activities
November 2015
1. IFRS for SMEs – comprehensive review
2. Revenue recognition – clarifications ED
3. Leases
4. Insurance contracts
5. Materiality practice statement
6. Disclosure initiative – principles of disclosure
7. Draft interpretation – uncertainties in income taxes
IFRS for SMEs: Initial Comprehensive Review

- *IFRS for SMEs* published July 2009
- Amendments issued in May 2015 from initial comprehensive review
  - Review began with Request for Information in 2012
  - Few significant new issues identified
  - Some areas where targeted improvements could be made
  - Limited changes made after considering feedback and importance of stability during the early years of implementation
- Next step: Future reviews expected to take place no more frequently than approximately once every three years.
Revenue recognition

Clarifications to IFRS 15 ED – July 2015

• IFRS 15 Revenue from Contracts with Customers issued concurrently with the FASB in May 2014

• Revenue Transition Resource Group supporting implementation
  – Information about the TRG at http://go.ifrs.org/RTRG
  – 5 meetings held since formation of the group

• July 2015 ED proposes clarifying amendments on the following topics:
  – Identifying performance obligations
  – Principal versus agent considerations
  – Licensing

• ED also proposes new practical expedients on transition

• In the light of these clarifications, effective date of IFRS 15 deferred by one year to 1 January 2018
Leases

Status: IASB completed decision-making – final Standard in 2015

Main decisions: lessee accounting

• Balance sheet recognition of all leases
  – Except short-term leases and leases of low value assets

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

Comparison with US GAAP:

• Aligned on:
  – Recognition of leases on balance sheet
  – Lease definition
  – Liability measurement (except for reassessment of inflation-linked payments)
  – Little change to lessor accounting

• Main difference:
  – Recognition and presentation of some lease expenses and cash flows
Insurance contracts

• Objective – to provide a single principle-based Standard that would increase comparability and transparency of entities that issue insurance contracts.

• Timelines:
  – IASB issued revised Exposure Draft in June 2013.
  – Redeliberations started in March 2014 and expected to conclude in 2015
  – Final Standard is expected during 2016.

• So far, the IASB has completed its discussions on the model for insurance contracts without participation features, and is now finalising for the application to the general model to contracts with participation features.
Primary objective is to assist management in applying the concept of materiality to general purpose IFRS financial statements

Also likely to help the users of those financial statements understand the approach that management followed when making judgements about materiality

Proposes guidance on:
  – the characteristics of materiality; and
  – presenting and disclosing information in the financial statements, including application of materiality to the notes

The guidance aims
  – to provide explanations and examples to help preparers apply the definition of materiality
  – to illustrate the types of factors that management should think about when considering whether information is material
• Response to requests for presentation and disclosure principles that apply across IFRS.
  – Some call this a ‘disclosure framework’

• Aim is to develop principles that will result in improved disclosures because they will help:
  – the IASB set better disclosure requirements; and
  – entities make better judgements about what to disclose and how to disclose it.

• Will consider:
  – Concepts for presentation and disclosure, including the role of primary financial statements and notes
  – Application of the concepts, including aggregation and disaggregation of information

• Discussion Paper expected in Q1 2016.
Issue: Recognition and measurement of tax liabilities or assets when there is uncertainty over income tax treatments under the tax law

Scope: Current and deferred tax assets and liabilities in the scope of IAS 12

‘Probable’ threshold: reflect the impact of the uncertainty if it is probable that the uncertain tax treatment is not accepted

Examination by authorities: An entity should assume that the tax authorities will examine the amounts reported to it; and will have full knowledge of all relevant information if the tax authority has the right to examine these amounts

Measurement: Use the expected value or the most likely amount, on the basis of which method it expects to provide the better prediction of resolution of the uncertainty
Thank you

For more information about our projects:
http://go.ifrs.org/IASB-Work-Plan