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

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Afternoon Session

**Agenda Item 4. Review of current developments in
international standards of accounting and reporting in the
public and private sectors**

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DYNAMICS IN THE IMPLEMENTATION OF NEW IFRS

ISAR 36 CONFERENCE

SARA ALSARGHALI AND HOLGER DASKE

What

- **Dynamics of IFRS implementation** in eight selected jurisdictions that vary in their IFRS implementation methods (i.e., the way they incorporate IFRS into national law)
- Not only at initial adoption, but also **over time when new pronouncements are issued**
- **Goal to detect magnitude and types of deviations from IASB-IFRS**, and derive some tangible insights and policy recommendations to foster consistent adoption

Why

- Different **perceptions** regarding their magnitude
- So far focus on deviations of **content** only (as issued), but **not on timing** (when issued)

Main New Insight

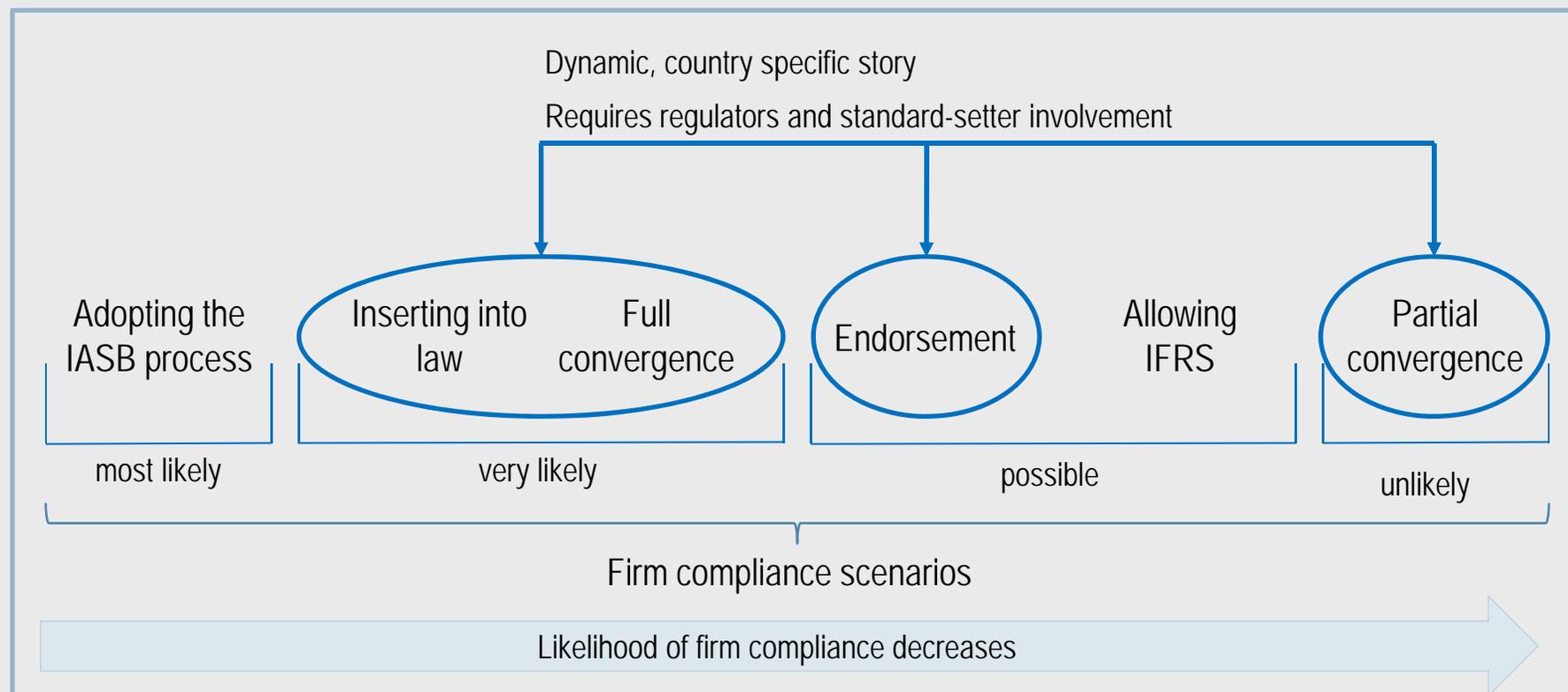
- Significant variation in **when** new IFRS pronouncements get binding for IFRS reporting firms in adopting jurisdictions (due to **delays** and **changes in effective dates**)

Defining Deviations from IASB-IFRS

1. **Not adopting** a complete pronouncement
2. Not adopting part of a pronouncement (**carve out**)
3. Adding to the body of IFRS (**carve in**)
4. Changing the **scope** of the standard
5. Less than full **scope** of adoption (granting exemption for certain entities)
6. Changing the **effective dates** (national effective date is different from IASB effective date)
7. Using an **outdated version** (not updating pronouncements)
8. **Delay** is the difference between the national issue date and IASB effective date:
 - Where the national effective date equals IASB effective date and the national issue date comes after IASB effective date
9. Delays in making **translations** into all official local languages in a country available
10. Deviations in the use of the **IFRS label** (usage of hybrid or national labels such as K-IFRS)

IFRS Implementation Methods

Zeff and Nobes (2010) Framework



Approach to Detect Deviations from IASB-IFRS

1. Establish a benchmark

- List of all types of IASB pronouncements (2003-2018), and effective date

2. Collect and process documents legalizing IFRS in each jurisdiction

- Google translation tools to translate non-English documents
- Manually review each document to link it to the corresponding IASB pronouncement

3. Comparison

- For **timing deviations**, we compare national effective dates with IASB effective dates
- For **content deviations**, we read the IASB document and the corresponding national version searching for deviation in content (e.g., deletions or additions) by comparing paragraphs numbers and length

Approach – Google Translate

Illustration 1

Original text (Turkish)

17 Aralık 2017 PAZAR **Resmî Gazete** Sayı : 30273

TEBLİĞ

Kamu Gözetimi, Muhasebe ve Denetim Standartları Kurumundan:
**NAKİT AKIŞ TABLOLARINA İLİŞKİN TÜRKİYE MUHASEBE STANDARDI (TMS 7)
HAKKINDA TEBLİĞ (SIRA NO: 4)'DE DEĞİŞİKLİK
YAPILMASINA DAİR TEBLİĞ
(SIRA NO: 78)**

MADDE 1 – 18/01/2005 tarihli ve 25704 sayılı Resmî Gazete’de yayımlanan Nakit Akış Tablolarına İlişkin Türkiye Muhasebe Standardı (TMS 7) Hakkında Tebliğ (Sıra No: 4)’in 3 üncü maddesi başlığı ile birlikte aşağıdaki şekilde değiştirilmiştir.

“Dayanak

Madde 3 – Bu Tebliğ, 26/9/2011 tarihli ve 660 sayılı Kamu Gözetimi, Muhasebe ve Denetim Standartları Kurumunun Teşkilat ve Görevleri Hakkında Kanun Hükmünde Kararname’nin 9 uncu maddesine dayanılarak hazırlanmıştır.”

MADDE 2 – Aynı Tebliğin 4 üncü maddesinde yer alan “TMSK ve Kurul: Türkiye Muhasebe Standartları Kuruludur.” ibaresi “Başkan: Kamu Gözetimi, Muhasebe ve Denetim Standartları Kurumu Başkanı.” olarak değiştirilmiştir.

MADDE 3 – Aynı Tebliğin 6 ncı maddesi aşağıdaki şekilde değiştirilmiştir.

“Madde 6 – Bu Tebliğ hükümlerini Kamu Gözetimi, Muhasebe ve Denetim Standartları Kurumu Başkanı yürütür.”

MADDE 4 – Aynı Tebliğin ekinde yer alan “Türkiye Muhasebe Standardı (TMS 7) Nakit Akış Tabloları” Standardının;

a) 44 üncü paragrafından sonra gelmek üzere aşağıdaki başlık ile 44A, 44B, 44C, 44D ve 44E paragrafları eklenmiştir.

“Finansman faaliyetlerinden kaynaklanan yükümlülüklerdeki değişiklikler

Translated text

December 17, 2017 Sunday **Official newspaper** Number: 30273

NOTIFICATION

From the Public Oversight, Accounting and Auditing Standards Authority:
**TABLE cash flows from Turkish Accounting Standard (IAS 7)
AMENDMENT IN THE COMMUNIQUE (ROW NO: 4)
COMMUNIQUE ON CONDUCT
(SEQ ID NO: 78)**

ARTICLE 1 - 18.01.2005 dated and 25704 numbered Official Cash Flow Gazette Turkey Regarding Table Accounting Standard (IAS 7) Communiqué (Sequence No. 4) in the third with the Article title is changed as follows.

“Rest

Article 3 - This Communiqué has been prepared on the basis of Article 9 of the Decree Law No. 660 dated 26/9/2011 on the Organization and Duties of the Public Oversight, Accounting and Auditing Standards Authority.

ARTICLE 2 - The same communiqué of the 4th Located in the article “IASB and Assembly: Turkey Accounting Standards Board,” the phrase “President: Public Oversight, Accounting and Auditing Standards Agency Head up,” as amended.

Article 3 - same Communiqué 6 th , is amended as follows.

6 Article 6 - The provisions of this Communiqué are executed by the President of the Public Oversight, Accounting and Auditing Standards Authority.”

ARTICLE 4 - the same Communiqué annexed “Turkey Accounting Standard (IAS 7) Cash Flow Statements” Standard of;

a) Subsequent paragraphs 44A, 44B, 44C, 44D and 44E are added with the following heading.
“ Changes in liabilities from financing activities

This example illustrates our method of obtaining information for jurisdictions not using English. The original document is in Turkish (left) and we base our information on the English translation (right). From this first screening, we are able to identify the implementation date in Turkey (used in our calculation as listed in Table A2) and to relate the communiqué to a corresponding IASB pronouncement which is the IAS 7 amendment issued by the IASB on 29 January 2016 effective for annual periods starting 1 January 2017 (see Illustration 2).

Approach – Content Comparison

Illustration 2

IAS 7 amendment (IASB)

Amendments to IAS 7 *Statement of Cash Flows*

Paragraphs 44A–44E and the related heading is added. Paragraph 60 is also added.

Changes in liabilities arising from financing activities

- 44A** An entity shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.
- 44B** To the extent necessary to satisfy the requirement in paragraph 44A, an entity shall disclose the following changes in liabilities arising from financing activities:
- (a) changes from financing cash flows;
 - (b) changes arising from obtaining or losing control of subsidiaries or other businesses;
 - (c) the effect of changes in foreign exchange rates;
 - (d) changes in fair values; and
 - (e) other changes.
- 44C** Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities. In addition, the disclosure requirement in paragraph 44A also applies to changes in financial assets (for example, assets that hedge liabilities arising from financing activities) if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

TAS 7 amendment (Turkey)

ARTICLE 4 - the same Communiqué annexed "Turkey Accounting Standard (IAS 7) Cash Flow Statements" Standard of:

a) Subsequent paragraphs 44A, 44B, 44C, 44D and 44E are added with the following heading:

" Changes in liabilities from financing activities

44A. The entity presents the disclosures necessary to enable users of the financial statements to evaluate changes in liabilities arising from financing activities, changes in cash flows and changes that do not create cash flows.

44B. An entity shall disclose the following changes in obligations arising from its financing activities to the extent necessary to meet the provision in paragraph 44A:

- (a) changes in cash flows from financing activities;
- (b) changes arising from the acquisition or loss of control of subsidiaries or other entities;
- (c) The effects of exchange rate changes,
- (d) changes in fair value; and
- (e) Other changes.

44C. Liabilities arising from financing activities are, or will be, classified as cash flows from financing activities in the statement of cash flows. In addition, if the cash flows from financial assets are included or included in the cash flows from financing activities, the disclosure clause in paragraph 44A applies to changes in those financial assets (for example, hedging assets relating to liabilities arising from financial activities).

44D. One method of fulfilling the disclosure clause in paragraph 44A is to reconcile the opening and closing balances of liabilities arising from financing activities, including the changes specified in paragraph 44B, in the statement of financial position. In the event that such disclosure is disclosed, the entity provides sufficient information to enable users of the financial statements to link the items in the reconciliation to the statement of financial position and cash flow statement.

44A. Where the disclosure prescribed in paragraph 44A, together with the disclosures of changes in other assets and liabilities, the entity discloses the changes in liabilities arising from financing activities separately from changes in other assets and liabilities."

b) the following paragraphs 59 and 60 to come after the 58 th paragraph is added.

"59. "-

60. The Disclosure Provisions (Amendments to TAS 7) add paragraphs 44A-44E. The amendments are effective for annual periods beginning on or after 1 January 2017. Early application is permitted. When these changes are applied for the first time, it is not mandatory to provide comparative information on previous periods."

This example illustrates our method of reviewing the content of the translated pronouncement. The IASB pronouncement regarding IAS 7 amendments (left) and the Turkish communiqué inserting it into Turkish law (image) are compared. As can be seen, the communiqué includes the same paragraphs in terms of number and approximate length. We do not compare the exact wording as differences will naturally exist due to translation. Google tools serve to help us collect data not to evaluate the accuracy of translation.

Approach – Content Deviation

Illustration 3

IAS 17 Leases (2005, IASB)

Paragraph 14:

Leases of land and of buildings are classified as operating or finance leases in the same way as leases of other assets.

However, a characteristic of land is that it normally has an indefinite economic life and, if title is not expected to pass to the lessee by the end of the lease term, the lessee normally does not receive substantially all of the risks and rewards incidental to ownership, in which case the lease of land will be an operating lease. A payment made on entering into or acquiring a leasehold that is accounted for as an operating lease represents prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided

FRS 17 Leases (2005, Singapore)

Paragraph 14:

Leases of land and of buildings are classified as operating or finance leases in the same way as leases of other assets.

* The 2009 amendment to IAS 17 Leases eliminated the deviation between FRS 17 Leases and IAS 17 Leases.

Core Findings & Policy recommendations

Most carve outs and carve ins occurred at initial adoption of IFRS and faded over time

- Due to transitional options
- Due to later changes made by the IASB to cater to deviating jurisdictions' environments
- Due to increased efforts of the IASB to encourage local jurisdictions to participate early

Dynamics - Jurisdictions Struggle to keep pace with the IASB's production process

- Many delays create uncertainty for preparers
- Delays can lead to de facto changes in effective dates
- Effective dates are also actively changed
- Significant issues in magnitude and frequency
- Prevent comparability in the adoption year of a new standard

Policy recommendation

- Timing deviations should be addressed in the regulatory circles
- Local jurisdictions are advised to critically (re-)evaluate the lengthiness of their implementation process

Core Findings & Policy recommendations

The IASB issuance policy is an important factor in causing/avoiding unnecessary deviations

- Lead Period / Piecewise major standards / Translation
- Provide sufficient lead time to decrease the likelihood of local changes in effective dates
- Issue complete standards to avoid cases of non-implementation similar to IFRS 9
- IFRS standards should be translated into all official languages in a country

Diversity in the usage of IFRS Label

- Jurisdictions achieving full compliance do not necessarily use the IFRS label
- Firms sometimes not even allowed to reference IFRS
- Underestimate the extend of perceived IFRS application

Policy recommendation

- Usage of alternative "accounting policy"-labels should be minimized. At the minimum, (i) reference to IFRS should be visibly included in the national label and (ii) dual referencing/reporting to local standards *and* IFRS (as issued by the IASB) should be allowed

Summary of Results

Jurisdiction	Method	Label	IFRS Label	Type of Deviations	Magnitude	Changes	Delay	Delay (days)		
						Effective Date	Cases	Min	Avg.	Max
Turkey	Inserting into Law	TFRS	Not allowed	Delay (33)	Time	–	33	14	124	350
Canada	Inserting into Law	IFRS	Not prohibited	1) Delay (1)	Scope	–	1	59	59	59
				2) Less than full scope adoption (3)	Time					
Malaysia	Full Convergence	MFRS and IFRS	Required	Less than full scope adoption (2)	Scope	–	–	–	–	–
South Korea	Full Convergence	K-IFRS	Not allowed	Not implementing a pronouncement (1)	Scope	–	–	–	–	–
EU	Endorsement by the EU	IFRS as adopted by the EU	Not prohibited	1) Delay (75)	Content Scope Time	39	75	21	136	403
				2) Not implementing a relevant pronouncement (4)						
				3) Change in effective date (39)						
				4) Carve out (2)						
				5) Change in scope (1)						

Summary of Results

Jurisdiction	Method	Label	IFRS Label	Type of Deviations	Magnitude	Changes	Delay	Delay (days)		
						Effective Date	Cases	Min	Avg.	Max
Russia	Endorsement	IFRS	Required	Delay (16)	Time		16	23	154	220
Singapore	Partial Convergence	FRS	Not allowed	1) Delay (15)	Content	14	15	5	51	121
				2) Not implementing a relevant pronouncement (1)	Scope					
				3) Changing the effective date (14)	Time					
				4) Exemptions and modifications (3)						
India	Partial Convergence	Ind AS	Not allowed	1) Not implementing a relevant pronouncement (2)	Content	3	-	-	-	-
				2) Changing the effective date (2)	Scope					
				3) Carve out (7)	Time					
				4) Carve in (1)						
				5) Textual changes						