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

**31st SESSION**  
15 - 17 October 2014  
Room XVIII, Palais des Nations, Geneva

Friday, 17 October 2014  
Afternoon Session

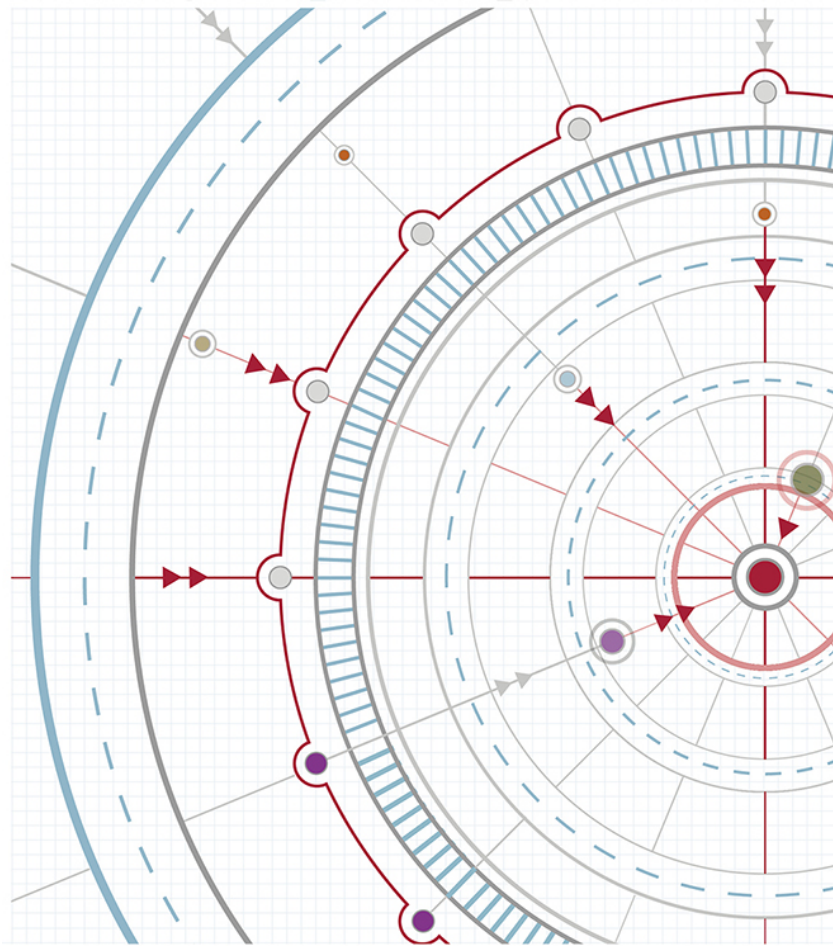
**Updates by other international and regional organizations**

Presented by

Michael Stewart  
Director of Implementation Activities  
International Accounting Standards Board (IASB)

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# IFRS update

Michael Stewart

Director of Implementation Activities

October 2014

# Agenda

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

- 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 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

- 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

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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 issue a Standard on the accounting for insurance contracts during 2015.

## Rate regulated activities

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- 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

Implementation

Research

Ongoing activities

Amendments to IAS 1

Reconciliation of liabilities from financing activities

Materiality

Principles of Disclosure

Review of existing Standards

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**