

IFRS in Focus

IASB publishes Request for Views to launch the 2015 agenda consultation process

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This edition of IFRS in Focus outlines the contents of the *Request for Views: Agenda Consultation 2015* ('the RfV') which was issued in August 2015 for public comment.

The Bottom Line

- The IASB launches its second agenda consultation with a Request for Views to seek broad public input on the strategic direction and overall balance of its future work programme.
- In the consultation document, the IASB explains its evidence-based approach to standard-setting and the establishment of a research programme.
- The IASB explains the progress made on the work plan since the previous agenda consultation and describes the current work plan. It also gives an outlook on how the work plan will change over the period covered by the 2015 agenda consultation.
- In addition, the IASB proposes to increase the interval between agenda consultations from three to five years.
- Comments on the Request for Views can be provided until 31 December 2015.

Why is the RfV being published?

As per the Due Process Handbook of the IFRS Foundation, the IASB is required to undertake a public consultation on their work programme every three years. To launch the 2015 process, the IASB published an RfV to seek broad public input on the strategic direction and overall balance of its future work programme. The responses will help the IASB to set their priorities for the period between finalisation of this agenda consultation (mid-2016) and the beginning of the next agenda consultation (mid-2020). For activities outside of the IASB's technical agenda, the Trustees of the IFRS Foundation issued a separate RfV '*Trustees' Review of Structure and Effectiveness: Issues for the Review*' in July 2015. The Chairman of the IASB encourages stakeholders in the preface of the RfV to consider both consultations jointly.

For more information please see the following websites:

www.iasplus.com

www.deloitte.com

What are the contents of the RfV?

The IASB's approach to standard-setting

As a result of the previous agenda consultation that was conducted in 2011 and 2012, the IASB introduced a new approach to standard-setting that is more clearly based on evidence. To achieve this, the IASB introduced a research programme to provide evidence about the need for change before it started on its standard-setting activities. As a result, the work plan is now categorised in research projects, standards-level projects and maintenance and implementation projects.

Research projects lead to the publication of discussion papers and research papers and there is a relatively low hurdle for them to be taken onto the research agenda. The IASB can skip the research phase if there is otherwise sufficient evidence to add a project straight to its standard-setting programme. Such evidence could be provided by a post-implementation review (PIR) or by work performed by the IFRS Interpretations Committee ('the IFRS IC').

Standards-level projects will only be started when there is sufficient evidence that a problem is defined properly and that implementable, high quality solutions are available. By moving a project to the standards-level, the IASB proposes to take action on the defined problem.

Maintenance and implementation comprises projects to make minor amendments to existing standards ('narrow-scope projects') or to issue formal interpretations of existing standards and PIRs. If the IFRS IC identifies a problem that is too broad to be addressed by an interpretation or a narrow-scope amendment to IFRS, it will often refer that matter to the IASB. PIRs are required for all new standards and all major amendments and are performed after the new requirements have been applied internationally for two years. Findings of a PIR are usually summarised in a feedback statement. The IASB asks constituents whether the IASB and the IFRS IC provides the right mix of implementation support and whether this support is sufficient.

The work plan of the IASB

In the RfV, the IASB describes its past, current and future technical agenda.

The feedback statement of the previous agenda consultation stated that its work plan would focus on the major projects (revenue recognition, financial instruments, leases and insurance), the *Conceptual Framework* and maintenance and implementation. In addition, the feedback statement announced the establishment of a research programme.

The IASB concludes that it made good progress on the focused areas of the work plan, except the projects on leases and insurance took longer than expected. However, the IASB is confident that those projects are nearing completion.

For the future, the IASB expects that the research programme is likely to see an increase in resources whilst the *Conceptual Framework* project will see a significant decrease in resources with the expected completion of the project in 2017. The disclosure initiative could potentially also see a decrease in resources as individual projects are finalised. The IASB asks for feedback on what factors should be considered in deciding how much of the IASB's resources should be allocated to the different areas of the work plan.

Observation

This second consultation is fundamentally different from the inaugural consultation. In 2011 the IASB was concluding its convergence work with its U.S. equivalent, the Financial Accounting Standards Board, and was therefore seeking to make major changes to how it developed standards. It was also seeking to identify the projects that should form its first research programme. The 2015 agenda consultation process is more focused on whether, or how, the IASB should adjust its work programme.

The research projects are categorised into three phases: assessment-stage projects, development-stage projects and inactive projects. Assessment-stage research projects identify and assess practical application issues in order to understand whether there is a financial reporting problem and to consider what further action is needed. Development-stage projects are projects where a preliminary assessment has been completed and the IASB has decided that the project warrants further investigation. The third category is formed by inactive projects. Projects are moved to that category when, for example, the IASB decides that no standards-level project is needed.

The following table is taken from the RfV and outlines the research programme as at 31 July 2015.

Project stage	Project
Assessment stage	Definition of a business
	Discount rates
	Goodwill and impairment
	Income taxes
	Pollutant pricing mechanisms (formerly emission trading schemes)
	Post-employment benefits (including pensions)
	Primary financial statements (formerly performance reporting)
	Provisions, contingent liabilities and contingent assets
	Share-based payment
Development stage	Business combinations under common control
	Disclosure initiative – principles of disclosure
	Dynamic risk management
	Equity method
	Financial instruments with characteristics of equity
Inactive	Extractive activities / intangible assets / research and development (R&D)
	Foreign currency translation
	High inflation

The RfV stated that a project on the application of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* could possibly be added to the research programme after a referral of a number of issues by the IFRS IC.

The IASB asks whether any further projects should be added to the research programme or whether projects (inactive or active) should be removed from the research agenda. The constituents are also asked to rank the research projects by their importance and urgency.

As regards the standards-level projects, it is likely that the leases, insurance and *Conceptual Framework* projects will be completed during the period covered by the 2015 agenda consultation.

The following table from the RfV illustrates the major projects as at 31 July 2015.

Due process stage	Project
Upcoming standards	Insurance contracts
	Leases
Published exposure draft	<i>Conceptual Framework</i>
Upcoming exposure draft	Disclosure initiative – changes in accounting policies and estimates
	Disclosure initiative – materiality practice statement
Published discussion papers	Dynamic risk management
	Rate-regulated activities
Upcoming discussion paper	Disclosure initiative – principles of disclosure

The IASB invites constituents to provide any comments on the major projects.

The IASB states that most of the maintenance and implementation projects on its agenda will also be completed before the next agenda consultation.

The IASB concludes that the current work plan will enable timely improvements to financial reporting and can be carried out with the current and planned resources and that an increase of the level of activities would exceed stakeholders' capacity to provide feedback and to implement the results. The IASB asks for feedback on whether the work plan is delivering change at the right pace and at a level of detail that is appropriate to principle-based standard-setting. It also solicits any further comments on the work plan.

Frequency of agenda consultations

Under the current requirements, an agenda consultation needs to be performed every three years. Some find this excessive as a major project usually takes longer than three years. Therefore, a major project identified in an agenda consultation will still be on the work plan when a new agenda consultation is launched. The IASB therefore proposes to introduce a five-year interval and asks constituents whether they agree with the suggested interval.

Comment period

The IASB requests comments on the consultation document by 31 December 2015.

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