

IFRS on point

Financial Reporting Developments and Information: April 2016

Contents

International headlines	1
Deloitte IFRS communications and publications	6
IASB and IFRS Interpretations Committee meetings	6
Hot topics on IFRS	7
Comment letters	7

International headlines

IASB posts a series of webinars on insurance contracts Standard

The IASB has posted the fifth instalment of its weekly webinar series on the upcoming insurance contracts Standard.

The series, hosted by IASB member Darrel Scott, discusses the following topics related to the upcoming insurance contracts Standard:

- The need for change and the history of the project. (issued 1 April);
- What is an insurance contract? (issued 8 April);
- Initial measurement of insurance contracts. (issued 15 April);
- Subsequent measurement of insurance contracts. (issued 22 April);
- Modifications to the general model: variable fee contracts. (issued 29 April);
- Other modifications to the general model (6 May 2016);
- Presentation and disclosure (13 May 2016); and
- Applying the Standard for the first time (20 May 2016).

Click [here](#) for more information as well as presentation slides, See the webinar page on the IASB's website.

IFRS Foundation publishes first update to IFRS Taxonomy 2016

The IFRS Foundation has published 'Update 1 to the IFRS Taxonomy 2016'.

The taxonomy updates contain additional taxonomy concepts that reflect new Standards and amendments to the Standards issued by the IASB. This update includes taxonomy elements for the January 2016 final amendments to IAS 7 under the Disclosure Initiative.

Click [here](#) for more information and access to the update, to see the press release on the IASB's website.

IFRS Foundation appoints Director of Education

The IFRS Foundation has appointed Mr. Matt Tilling as its new Director of Education responsible for the development of the organisation's educational activities.

Support of the consistent application of IFRSs through developing a wider range of educational activities is part of the Foundation's part strategic plan for 2016 and beyond. As of May 2016, Mr. Tilling will be part of the newly-formed integrated team covering interpretations of standards, implementation, adoption support and educational activities. He was previously based in Perth, Australia, where he split his time between professional accounting and academia.

Click [here](#) for the press release on the IASB website.

For more useful information please see the following websites:

www.iasplus.com

www.deloitte.com

FASB discusses credit impairment at April 27 meeting

At its 27 April 2016, meeting, the FASB discussed its credit impairment project and the progress of the transition resource group (TRG) on credit losses. The Board authorised the staff to draft a final Standard and also made tentative decisions related to (1) credit quality disclosures, (2) the effective date of the final Standard and whether the guidance can be early adopted, and (3) the costs and benefits of the final Standard.

The final ASU is expected by the end of the second quarter of 2016. The FASB staff will continue to assess and present to the Board any additional issues identified during the drafting of the final ASU.

Until June 2012, the FASB and the IASB jointly deliberated an expected-loss impairment model, which was broadly similar to the IFRS 9 impairment approach issued by the IASB on 24 July 2014. In response to feedback from U.S. constituents on the joint model, however, the FASB decided to develop an alternative expected credit loss model. Accordingly, the FASB's new credit impairment approach differs from that under IFRSs.

For more information, see Deloitte's related [journal entry](#) as well as the [press release](#) on the FASB's website.

IASB's investor programme gains three new members

In December 2014, the International Accounting Standards Board (IASB) launched a new '*Investors in Financial Reporting*' programme designed to foster greater investor participation in the development of International Financial Reporting Standards (IFRS). The number of investment organisations participating in the programme has now risen to 18.

As part of the programme, the investment firms commit to an ongoing dialogue, executive level support of the programme and access to analysts and portfolio managers. In return, the IASB has committed to providing an improved channel through which to influence Standard development, developing investor-tailored webcasts, providing investor-friendly articles on proposed changes, providing access to IASB members and staff, and providing investor-focused education sessions.

Click [here](#) for press release announcing the increased membership on the IASB's website.

IASB updates work plan

Following its April 2016 meeting, the IASB has updated its work plan. The IASB now indicates the month in which issuance of an Exposure Draft or a final Standard may occur.

Changes to the work plan include:

Major projects

- *Conceptual Framework* is now expected to be issued after 6 months. Previously, no timeline was set for issuance

Implementation projects

- Clarification of Classification and Measurement of Share-based Payment Transactions: The amendments are expected to be issued June;
- Transfer of Investment Property: A decision on the direction of this project is now expected within 3 months; previously it was within 6 months; and
- Draft IFRIC Interpretation — Foreign Currency Transactions and Advance Consideration: A decision on the direction of this project is now expected within 3 months; previously it was within 6 months.

Click [here](#) for the revised IASB work plan available on the IASB's website.

2016 IFRS XBRL taxonomy webinar - recording available

On 31 March 2016, the IFRS Foundation issued its 2016 IFRS Taxonomy. On 13 April 2016, the IFRS Taxonomy team held a webinar session to answer questions about the IFRS Taxonomy 2016. A recording of that webinar is now available.

To listen to the webinar and view the slides on the IFRS Foundation website please click [here](#).

IASB reconfirmed overlay and deferral approach

The IASB approved the staff recommendations in connection with the redeliberation of the proposals around the application of IFRS 4 together with IFRS 9.

There was a clear majority for supporting the staff's recommendations. 13 Board members were present, and only one Board member voted against all staff recommendations. Another Board member voted for most of the staff recommendations but against the recommendations around disclosures. There were some smaller comments by Board members that will lead to changes, However, these are mainly directed towards easier application. Thus, the approaches proposed in the Exposure Draft "Amendments to IFRS 4: Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts*" (overlay approach and deferral approach) have been essentially reconfirmed.

A more detailed summary of the IASB's discussion can be found in our IAS Plus meeting notes from the meeting. Click [here](#) for more information.

FASB clarifies guidance on licensing and identifying performance obligations

The US Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (ASU) 2016-10 '*Identifying Performance Obligations and Licensing*', which amends certain aspects of the Board's ASU 2014-09 '*Revenue from Contracts with Customers*' (Topic 606).

Click [here](#) for more information.

IASB webcast on the definition of a lease now available

As part of the IASB's webcast series on IFRS 16 implementation, the IASB staff has made available a webcast related to the definition of a lease.

This webcast discusses the IFRS 16 requirements and application guidance relating to: (i) the definition of a lease; (ii) practical differences between IFRS 16 and the previous definition of a lease in IAS 17 and IFRIC 4; and (iii) how entities should account for contracts with both lease and service components.

The new webcast and all previous webcasts of the series are available on the IFRS 16 implementation page on the IASB's website.

Click [here](#) for more information.

IASB publishes clarifications to IFRS 15

The International Accounting Standards Board (IASB) has published final clarifications to IFRS 15 '*Revenue from Contracts with Customers*'. The amendments are effective for annual reporting periods beginning on or after 1 January 2018 (same effective date as IFRS 15 itself). Earlier application is permitted.

Background

On 28 May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. After issuing the new revenue Standard, which is substantially the same as the FASB's ASU 2014-09, the IASB and the FASB formed the joint Revenue Transition Resource Group (TRG) to support the implementation of the new Standard. The substantial majority of the issues discussed by the TRG were resolved without the need for standard-setting activity. However, five topics (identifying performance obligations, principal versus agent considerations, licensing, collectability, and measuring non-cash consideration) were identified as requiring consideration by the Boards. In addition, some stakeholders asked for practical expedients. After considering the five topics and possible practical expedients, the IASB proposed in July 2015 targeted amendments in three areas of IFRS 15 as well as some transition relief. The proposals in the exposure draft have now been finalised.

Changes

The amendments in *Clarifications* to IFRS 15 '*Revenue from Contracts with Customers*' address three of the five topics identified (identifying performance obligations, principal versus agent considerations, and licensing) and provide some transition relief for modified contracts and completed contracts. The IASB concluded that it was not necessary to amend IFRS 15 with respect to collectability or measuring non-cash consideration. In all its decisions, the IASB considered the need to balance helping entities with implementing IFRS 15 and not disrupting the implementation process.

Identifying performance obligations. IFRS 15 requires an entity to identify performance obligations on the basis of distinct promised goods or services. To clarify the concept of 'distinct', the IASB has added the clarification that the objective of the assessment of a promise to transfer goods or services to a customer is to determine whether the nature of the promise, within the context of the contract, is to transfer each of those goods or services individually or, instead, to transfer a combined item or items to which the promised goods or services are inputs.

Principal versus agent considerations. When another party is involved in providing goods or services to a customer, IFRS 15 requires an entity to determine whether it is the principal in the transaction or the agent on the basis of whether it controls the goods or services before they are transferred to the customer. To clarify how to assess control, the IASB has amended and extended the application guidance on this issue, and especially stresses:

- That an entity determines whether it is a principal or an agent for each specified good or service promised to the customer and could be a principal for some specified goods or services and an agent for others;
- That the indicators provided for assessing control are not a conclusive list; and
- That the indicators provided may be more or less relevant to the assessment of control depending on the nature of the specified good or service and the terms and conditions of the contract so that different indicators may provide more convincing evidence in some contracts than others.

Licensing. When an entity grants a license to a customer that is distinct from other promised goods or services, the entity has to determine whether the license is transferred at a point in time or over time on the basis of whether the contract requires the entity to undertake activities that significantly affect the intellectual property to which the customer has rights. To clarify when an entity's activities significantly affect the intellectual property, the IASB has amended the application guidance and stresses that the activities significantly affect the intellectual property if

- The activities are expected to significantly change the form or the functionality of the intellectual property; or
- The ability of the customer to obtain benefit from the intellectual property is substantially derived from, or dependent upon, those activities.

Additionally, the IASB has extended the application guidance with respect to the application of the royalties constraint.

Transition relief. The IASB has provided two additional practical expedients (both optional):

- An entity need not restate contracts that are completed contracts at the beginning of the earliest period presented (for entities that using the full retrospective method only); and
- For contracts that were modified before the beginning of the earliest period presented, an entity need not retrospectively restate the contract but shall instead reflect the aggregate effect of all of the modifications that occur before the beginning of the earliest period presented (also for entities recognising the cumulative effect of initially applying the standard at the date of initial application).

Interaction with the FASB

The FASB has adopted a more piecemeal approach to amending its revenue standard and has decided to publish more extensive amendments. Final amendments to the application guidance on principal versus agent considerations were published in March 2016. Amendments on identifying performance obligations and licensing are expected soon, and other narrow-scope amendments and practical expedients on transition are expected slightly after that.

The IASB has announced that it will no longer attend TRG meetings. The IASB is of the view that stakeholders need to know that they can continue their implementation process with the confidence that IFRS 15 will not be subject to further changes. On the other hand, the FASB informed in February that it will continue to address implementation issues and has scheduled three TRG meetings for 2016.

Additional information

Please click for:

- **IASB press release** (link to IASB website);
- **access to the amendments on the IASB website** (link to IASB website, requires eIFRS registration);
- **interview with Ian Mackintosh discussing the amendments** (link to IASB website);
- **IFRS in Focus — IASB introduced clarifications to IFRS 15**; and
- **our IAS Plus project page on clarifications to IFRS 15**.

Feedback to EFRAG consultation on its proactive agenda

The European Financial Reporting Advisory Group (EFRAG) has issued a summary of the feedback received on its proactive agenda consultation. The consultation sought views on the recent proactive work performed by EFRAG as well as future proactive activities relevant for Europe.

EFRAG received 13 replies to its consultation and additional feedback in a number of outreach events spread over Europe. In general, respondents considered EFRAG proactive activities as important contributions to the international accounting debate. However, respondents requested more evidence and clarity on: (i) the objective that EFRAG tries to achieve in each project; and (ii) the way EFRAG proactive projects were selected. The EFRAG Board has therefore decided that:

- Any new proactive project must be clearly motivated and the reasons for taking up the project must be clearly communicated;
- For any new project a news item explaining the proactive project will be published to inform constituents; and
- A project plan would be included with an overview of the planned outreach activities.

Click [here](#) for more information, to see the press release and the feedback statement on EFRAG's website.

EFRAG updates website

The European Financial Reporting Advisory Group (EFRAG) has updated its website to a more modern look. Below is a list of links to major content:

- **EFRAG homepage**;
- **EFRAG news** (note that this is the link to all news, which differs from the home page selection of news);
- **EFRAG endorsement status report** (updated more frequently than "Latest updates" indicates);
- EFRAG meetings as **calender view** or as **list of upcoming meetings**;
- **EFRAG publications**; and
- **EFRAG projects** (please note that projects the IASB is still working on might be considered completed from the EFRAG viewpoint as the final EFRAG input has been submitted)

First meeting of the FASB TRG for credit losses

The US Financial Accounting Standards Board (FASB) has set up a transition resource group (TRG) for credit losses to seek and provide feedback on potential issues related to the implementation of the FASB's upcoming Standard on the accounting for credit losses. The TRG held its first public meeting on 1 April 2016. Although there are differences between the FASB's intended approach and IFRS 9 (2014) there are sufficient similarities between the current expected credit loss (CECL) models to make the discussions of the group interesting to IFRS preparers as well.

The TRG on credit losses acts in a manner similar to the joint TRG that the FASB and IASB established to discuss the recently issued revenue recognition Standards. However, unlike the revenue recognition TRG, the FASB established the credit losses TRG before the issuance of the final standard on credit losses to understand whether the guidance is understandable and to avoid potential implementation issues. The FASB will consider the feedback received from the credit losses TRG before finalising the guidance on credit losses (currently expected in the second quarter of 2016).

The first discussions included the TRG's observations on how an entity would estimate expected credit losses on loans, specifically relating to the draft measurement guidance that states an entity:

- May use various methodologies to determine their expectation of credit losses;
- Will not be required to forecast conditions over the entire life of a financial asset;
- Has flexibility when determining the historical loss information to which it would revert and the method of reversion; and
- Should incorporate information in its expectations of credit losses that are relevant to the entity and accessible without undue cost or effort and would exclude external information that is less relevant than an entity's own internal information.

Deloitte observers have taken notes at the meeting; these are available as a TRG Snapshot. Additional information is available on the US GAAP Plus and FASB websites:

- [FASB project page](#)
- [Agenda paper for the first TRG meeting](#)

IASB Chairman discusses lease accounting

IASB Chairman Hans Hoogervorst has written an article “Shining the Light on Leases” that discusses the problems with current lease accounting requirements and how the IASB addresses these in its new Standard IFRS 16 ‘Leases’.

In his article, Mr Hoogervorst acknowledges that IFRS 16 will result in a substantial change to many companies’ balance sheets and “will not be popular with everyone”. However, he notes, the IASB has looked at all possible risks carefully and has concluded that the risks and costs are manageable. He states that:

- IFRS 16 will not put the leasing industry out of business and leases will remain attractive as a flexible source of finance;
- The IASB believes that is highly unlikely that the improved visibility of lease obligations will lead to significant effects in terms of the cost of borrowing and debt covenants;
- There will be costs involved in updating systems to implement IFRS 16; and
- The IASB is convinced that the benefits of IFRS 16 will greatly outweigh its costs.

Click [here](#) to access the full text of Mr Hoogervorst’s article, which first appeared on *IFAC Global Knowledge Gateway*, on the IASB website.

Deloitte IFRS communications and publications

Issuance Date	Description
20 April 2016	IFRS in Focus — IASB introduced clarifications to IFRS 15
07 April 2016	IFRS in Focus — IFRS 9: Financial Instruments — high level summary

IASB and IFRS Interpretations Committee meetings

Description	
IASB meeting	Click here for the 19 – 21 April 2016 meeting notes.

Hot topics on IFRS

Topic	
Country by country reporting	Click here for more information on the developments related to proposals to require the publishing of financial information by country or jurisdiction
Differential reporting	Click here for more information dealing with the financial reporting needs and requirements of different categories of entities (listed, public, private).
Global financial crisis	Click here for more information on global financial crisis
Islamic accounting	Click here for more information responding to concerns that existing accounting Standards such as IFRSs or local GAAP may be perceived to be insufficient to account for and report Islamic financial transactions.
Use of IFRS by jurisdiction	Click here for more information on use of IFRS within different jurisdictions
IFRS in Europe	Click here for more information on IFRS in Europe
Research and education matters	Click here for more information on research and education matters

Comment letters

	Description	Receiving party	Date issued/ Comment deadline
Comment letters issued	-	-	-
Comment letters pending	-	-	-

Key contacts

Global IFRS Leader

Veronica Poole
ifrsglobalofficeuk@deloitte.co.uk

IFRS Centres of Excellence

Americas

Canada	Karen Higgins	ifrs@deloitte.ca
LATCO	Claudio Giaimo	ifrs-LATCO@deloitte.com
United States	Robert Uhl	iasplus-us@deloitte.com

Asia-Pacific

Australia	Anna Crawford	ifrs@deloitte.com.au
China	Stephen Taylor	ifrs@deloitte.com.cn
Japan	Shinya Iwasaki	ifrs@tohmatu.co.jp
Singapore	Shariq Barmaky	ifrs-sg@deloitte.com

Europe-Africa

Belgium	Thomas Carlier	ifrs-belgium@deloitte.com
Denmark	Jan Peter Larsen	ifrs@deloitte.dk
France	Laurence Rivat	ifrs@deloitte.fr
Germany	Jens Berger	ifrs@deloitte.de
Italy	Massimiliano Semprini	ifrs-it@deloitte.it
Luxembourg	Eddy Termaten	ifrs@deloitte.lu
Netherlands	Ralph Ter Hoeven	ifrs@deloitte.nl
Russia	Michael Raikhman	ifrs@deloitte.ru
South Africa	Nita Ranchod	ifrs@deloitte.co.za
Spain	Cleber Custodio	ifrs@deloitte.es
United Kingdom	Elizabeth Chrispin	deloitteifrs@deloitte.co.uk

[Back to top](#)

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee (“DTTL”), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as “Deloitte Global”) does not provide services to clients. Please see www.deloitte.com/about for a more detailed description of DTTL and its member firms.

This communication is for internal distribution and use only among personnel of Deloitte Touche Tohmatsu Limited, its member firms, and their related entities (collectively, the “Deloitte Network”). None of the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.

© 2016. For information, contact Deloitte Touche Tohmatsu Limited.

Designed and produced by The Creative Studio at Deloitte, London. J6608