

IFRS on point

Financial Reporting Developments and Information: February 2016

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International headlines

FASB issues ASU on leases

The FASB has issued its new leases standard, ASU 2016-02.

The ASU introduces a lessee model that brings most leases on the balance sheet and aligns many of the underlying principles of the new lessor model with those in the new revenue recognition Standard, ASC 606, *Revenue From Contracts With Customers*. The new leases Standard represents a wholesale change to lease accounting and will most likely result in significant implementation challenges during the transition period and beyond.

The new guidance will be effective for public business entities for annual periods beginning after 15 December 2018 (i.e., calendar periods beginning on 1 January 2019), and interim periods therein. For all other entities, the ASU will be effective for annual periods beginning after 15 December 2019 (i.e., calendar periods beginning on 1 January 2020), and interim periods thereafter. Early adoption will be permitted for all entities.

The leases project was part of a convergence effort between the IASB and FASB; however, the IASB's counterpart Standard, IFRS 16, contains notable differences from ASU 2016-02. For instance, the IASB's Standard has a single lessee accounting model while the FASB's has a dual lessee accounting model. However, both Standards require that assets and liabilities be recognised (with limited exceptions).

For more information, click to see the [press release](#), [FASB in Focus newsletter](#), [ASU, cost-benefit analysis](#), and [video](#) discussion by FASB Vice Chairman Jim Kroeker and Board members Tom Linsmeier and Hal Schroeder on the FASB's website. In addition, don't miss our *Heads Up* on the new Standard, which will be available shortly.

FAF appoints new FASB member

The trustees of the Financial Accounting Foundation (FAF) have appointed Christine Ann Botosan to the FASB for a five-year term beginning on 1 July 2016.

Ms. Botosan replaces Thomas J. Linsmeier, who will conclude his final term on 30 June 2016.

For more information click [here](#) to see the press release on the FAF's website.

For more useful information please see the following websites:

www.iasplus.com

www.deloitte.com

FASB adds four projects to research agenda

As result of a survey of different advisory groups, the FASB decided to add four new financial reporting issues in its upcoming agenda discussion paper expected in the first half of 2016.

The issues to be added are:

- pensions and other postretirement employee benefit plans;
- intangible assets;
- distinguishing liabilities from equity; and
- financial performance reporting.

With the exception of intangible assets, which the IASB currently does not address in a research project, the issues to be added correspond to a large part with the issues respondents to the IASB's agenda consultation, which had asked respondents to rank the IASB's research projects as high, medium or low priorities, ranked as "high importance". A full analysis of the 118 responses on the IASB website is not available yet, however especially pensions and other postretirement employee benefit plans and distinguishing liabilities from equity rank high among the research projects currently on the IASB's agenda.

Please click for the following information on the FASB website:

- **tentative Board decisions of 3 February 2016**; and
- **"From the Chairman's Desk"** – explaining the results of the survey more closely.

FASB constituents of the TRG will continue to meet

Wesley R. Bricker, deputy chief accountant in the SEC's Office of the Chief Accountant (OCA) spoke at the 43rd Annual Securities Regulation Institute (sponsored by the Northwestern Pritzker School of Law) about the implementation of the new revenue Standard.

Mr Bricker noted that the SEC staff continues to support the TRG as a mechanism to promote more consistent application of the new revenue Standard. While the IASB will no longer attend TRG meetings, the FASB will continue to address implementation issues and has scheduled three TRG meetings for 2016. Mr Bricker noted that the SEC staff attends TRG meetings and will use the discussions as a basis to assess the appropriateness of domestic and foreign registrants' revenue recognition policies.

For more information click [here](#) to see Deloitte's journal entry.

Japan updates list of 'designated' IFRSs

The Financial Services Agency (FSA) of Japan has announced that additional IFRSs issued in 2015 were designated for use by companies voluntarily applying IFRSs in Japan.

Newly designated IFRSs include:

- effective date of IFRS 15 (September 2015); and
- effective date of amendments to IFRS 10 and IAS 28 (December 2015).

In addition, the Japan Exchange Group has provided an updated list of Japanese public companies that have committed to use IFRSs. The number now exceeds 100 companies.

For more information click [here](#) to see the press release on the JPX website.

IASB Chairman reappointed; Vice-Chairman to retire

The Trustees of the IFRS Foundation, the oversight body of the International Accounting Standards Board (IASB), have reappointed IASB Chairman Hans Hoogervorst to serve a second five-year term starting on 1 July 2016. In addition, the Trustees announced that current IASB Vice-Chairman Ian Mackintosh will be retiring from his position when his term expires on 30 June 2016.

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

Trustees announce IASB membership update

The Trustees of the IFRS Foundation, the oversight body of the International Accounting Standards Board (IASB), have reappointed IASB Board member Takatsugu Ochi to serve a second three-year term starting on 1 July 2016. In addition, the Trustees announced that current IASB Board member Pat Finnegan will be retiring from his position on 30 June 2016.

For more information click [here](#) to see the press release on the IASB website.

IFRS Foundation Trustees hold January 2016 meeting

Meeting activities included the following agenda points.

- Executive session – the Trustees discussed a number of important strategic issues.
 - Review of structure and effectiveness of the IFRS Foundation – The Trustees reviewed: (1) the progress of the review of structure and effectiveness of the IFRS Foundation; and (2) the comments received on the request for views. Topics discussed included relevance of IFRS Standards, consistent application, governance and financing.
 - Strategic Plan 2016 – The Trustees discussed specific actions and activities for 2016.
 - Working with national standard-setters (NSS) and regional bodies – The Trustees decided on three goals: (1) to maintain effective relationships and communication with NSS and regional bodies; (2) promote consistent application of IFRS from NSS and regional bodies; and (3) work together with NSS and regional bodies on the technical work programme.
 - Other issues.
 - Committee reports – The Trustees discussed reports from the audit and finance committee, human capital committee, and the nominating committee.
- IASB Chairman’s report – The Chair of the IASB provided the Trustees with an update on a number of the IASB’s technical activities.
 - Major projects – The IASB Chair discussed its recently issued leases Standard, the end of deliberations in the insurance contracts project, and the different effective dates of IFRS 9 and the new insurance contracts Standard.
- Report of the Due Process Oversight Committee (DPOC) – The Trustees received a report about the DPOC’s January 2016 meeting. For more information, see our related news item.
- Investors in financial reporting event – The IFRS Foundation, with the CFA Institute, hosted an event ‘Investors in Financial Reporting’.

Click [here](#) to access the full report on the IFRS Foundation trustees’ meeting available on the IASB’s website.

IASB updates work plan

Following its February 2016 meeting, the IASB has updated its work plan. As mentioned before, directly tracing the Board’s progress on the individual projects has become impossible since the change of the work plan format in July, unless the Board makes definite progress or has to make larger corrections. Of these, only a few can be identified since the previous work plan. However, the IASB has begun to indicate the month in which issuance of exposure drafts or final standards may occur.

On major projects, the only change the Board notes is that the *Conceptual Framework* project is currently in the analysis stage (previously in public consultation). The disclosure initiative – principles of disclosure project is currently in the drafting discussion paper stage (previously in analysis).

Updates regarding the implementation projects are:

- *Annual improvements 2014-2016* – currently in analysis stage (previously drafting exposure draft stage).
- *Annual improvements 2015-2017* – exposure draft is no longer expected after six months, instead the Board will decide the direction of the project within the next six months.
- *Applying IFRS 9 with IFRS 4* – currently in the analysis stage and the direction of the project will be determined within 3 months.
- Clarifications to IFRS 8 arising from the post-implementation review – exposure draft issuance date is narrowed to May 2016.
- Clarifications of classification and measurement of share-based payment transactions – Standard issuance date is narrowed to May 2016.

- Clarifications to IFRS 15: Issues emerging from TRG discussions – Standard issuance date is narrowed to March/April 2016.
- Definition of a business – exposure draft issuance date is narrowed to May 2016.
- Disclosure initiative – amendments to IAS 7 is no longer in the work plan since the amendment has been issued on 29 January 2016.
- Remeasurement of previously held interests – obtaining control or joint control in a joint operation that constitutes a business – exposure draft is narrowed to May 2016.

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

IFRS conference in Bangkok announced

The IFRS Foundation, along with the Federation of Accounting Professions in Thailand, Securities and Exchange Commission and Stock Exchange of Thailand, has announced a joint IFRS conference in Bangkok, Thailand on 11 March 2016.

The conference will include discussions on the implementation plans for IFRS 15 *Revenue from Contracts with Customers*, and IFRS 16 *Leases*. In addition, the conference will cover the following:

- welcome and roadmap to adopt IFRS fully for Thailand;
- key note address by secretary-general of Securities and Exchange Commission of Thailand;
- speech by IASB Chairman Hans Hoogervorst on the future of financial reporting;
- panel discussion on understanding IFRS Standards and judgements required;
- IASB update;
- implementation issues with IFRS 15 and IFRS 16;
- break-out sessions on:
 - non-financial institutions implementing the financial instruments Standards; and
 - implementing IFRS 10, 11 and 12 on consolidations and joint arrangements; and
- update IFAC Code of Accounting Professions Ethics.

Click [here](#) to access more details, including registration information, that are available on the IASB website.

IFRS Foundation issues "Debrief" on IFRS 9

The IFRS Foundation has issued a new Debrief series video, "*From incurred to expected – two years to go.*" The video features IASB member Sue Lloyd as she discusses aspects of IFRS 9, which is set to be effective on 1 January 2018.

Topics discussed in the video include:

- background information during IFRS 9 developed;
- effects IFRS 9 will have on the accounting for loan losses;
- information on work done since IFRS 9 was completed in 2014;
- implementation considerations for companies;
- IFRS 9's interaction with prudential regulations;
- connection between the work on EDTF and IFRS 9; and
- next steps

For more information click [here](#) to see the Debrief video on the IASB's website.

Trustee and AIIB president discusses Asia and global economy

The IASB has made available an article that highlights a question and answer session held during the IFRS Foundation and CFA Institute investor event, *"Asia and the Balance of Power in the Global Economy."* The Q&A session featured IFRS Foundation Trustee and Asian Infrastructure Investment Bank (AIIB) president, Jin Liqun, as well as Sky News business presenter Ian King.

The article discussed topics which included the Chinese currency, debt in China, the potential co-operation between development banks and private sector, and the impact of the AIIB on capital markets. In addition, the article noted that IFRS are the accounting guidelines used by the AIIB and mentioned Mr Jin's positive thoughts on China's move forward on IFRS adoption. However, when the mention of whether China's move towards IFRS may persuade the US to do the same, Mr Jin replied, "time will tell."

Click [here](#) for more information to see the article on the IASB's website.

Video on the mission behind IFRSs

The IFRS Foundation has published on its website a short video explaining the role IFRSs play in the wider economy.

The video follows on from the publication last year of the organisation's Mission Statement, which sets out what the IFRS Foundation aims to achieve. The video is currently available in English and Spanish and can be accessed on the IASB website.

Click [here](#) to access the video on the IASB website.

2016 IFRS 'Red Book' coming in March

The International Accounting Standards Board (IASB) has announced that the 2016 edition of the Bound Volume of International Financial Reporting Standards (the *'Red Book'*) is expected to be available in March.

The *'Red Book'* contains all official pronouncements that have an effective date after 1 January 2016.

Accordingly, the 2016 edition includes the following changes made since 1 January 2015: IFRS 16 *Leases* as well as amendments to IFRS 15 (effective date) and IFRS 10/IAS 28 (effective date of amendments).

Click [here](#) for more information.

Reactions to the proposed amendments intended to address concerns about the different effective dates of IFRS 9 and the forthcoming new insurance contracts Standard

On 9 December 2015, the IASB published ED/2015/11 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Proposed amendments to IFRS 4)*. The comment deadline for this ED has now ended.

Click [here](#) for more information.

We comment on the IASB's proposed amendments to IFRS 4

We have responded to the IASB's exposure draft, *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Proposed amendments to IFRS 4)*, that was published by the IASB in December 2015.

As stated in the comment letter, we agree that:

- the exposure draft has identified valid reasons to introduce a temporary solution to issues arising from transitioning to two major and interrelated new Standards at different times;
- an option to defer IFRS 9 should be available for insurance activities and that a predominance criterion based on the carrying amount of liabilities is appropriate means to determine when that option should be available; however, we have concerns over the methodology for measuring that criterion and also disagree that it should be assessed only at the reporting entity level; and
- the proposed expiry date for the deferral approach is appropriate, but recommend that the IASB conclude its deliberations on the new insurance contracts Standard taking into account the inputs received from comment letters and outreach activities, so that the effective date of the new Standard is within this timescale.

In addition, we do not believe that a clearly defined insurance business should be excluded from the deferral approach only because it is part of a larger group and recommend the predominance test be permitted at the reporting entity level or each level below the parent entity (“waterfall” approach). Further, we provided some suggestions on how the predominance test could be modified to ensure that the temporary deferral can be applied by an appropriate population of entities.

Click [here](#) to access the full comment letter.

FEE briefing paper on the endorsement of IFRS 9

The Federation of European Accountants (Fédération des Experts-comptables Européens, FEE) has prepared a short briefing paper with additional answers to some of the questions asked by Members of the European Parliament of the Economic and Monetary Affairs Committee (ECON) during recently-held two public hearings on the International Financial Reporting Standards (IFRS) broadly, and on IFRS 9 *Financial Instruments* specifically.

The first hearing took place on 1 December 2015 and featured an introduction by the ECON Chair Roberto Gualtieri followed by short presentations by four invited experts. The presentations were followed by a joint discussion with ECON members.

The second hearing took place on 11 January 2016. IASB Chairman Hans Hoogervorst gave a short presentation of the current work of the IASB. Afterwards, he and Michel Prada, Chairman of the IFRS Foundation Trustees, answered questions of the ECON members.

Click [here](#) to access the FEE paper summarising the statements and providing additional answers can be downloaded from their website.

EU endorsement of IFRS 9 now expected in the second half of 2016

The European Financial Reporting Advisory Group (EFRAG) has published an updated endorsement status report indicating the EU endorsement of IFRS 9 *Financial Instruments* is now expected in the second half of 2016.

So far, the report had stated that endorsement of IFRS 9 is expected in the first half of 2016. The deferral is a result of deadlines within the European endorsement process and is not primarily technically motivated.

Click [here](#) to access the updated status report.

Deloitte IFRS communications and publications

Issuance Date	Description
01 February 2016	IFRS in Focus: IASB issues amendments to IAS 7 ‘Statement of Cash Flows’ requiring disclosure of changes in liabilities arising from financing activities

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IASB and IFRS Interpretations Committee meetings

Description	
IASB meeting	Click here for the 16 – 17 February 2016 meeting notes

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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

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Comment letters

	Description	Receiving party	Date issued/ Comment deadline
Comment letters issued	Exposure draft ED/2015/8: <i>IFRS Practice Statement – Application of Materiality to Financial Statements</i>	IASB	26 February 2016
	Exposure draft ED/2015/11: <i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – Proposed amendments to IFRS 4</i>	IASB	08 February 2016
Comment letters pending	Exposure draft ED/2015/9: <i>Transfer of Investment property – Proposed amendments to IAS 40</i>	IASB	18 March 2016

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Effective dates

Click [here](#) for upcoming and recent effective dates. <http://www.iasplus.com/standard/effect.htm>

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