

REPORT ON INTERNATIONAL FORUM OF ACCOUNTING STANDARD-SETTERS (IFASS) — 29-30 September 2015

IFASS met in London on 29-30 September 2015 and discussed the agenda items set out below.

Background

IFASS is an informal network of national accounting standard setters from around the world, plus other organisations that have a close involvement in financial reporting issues. It is a forum at which interested stakeholders can discuss matters of common interest. The group is chaired by Tricia O'Malley, a former Chair of the Canadian Accounting Standards Board and former member of the International Accounting Standards Board.

The public meeting was attended by representatives of standard setters from, Australia, Austria, Belgium, Brazil, Canada, Denmark, France, Germany, Hong Kong, India, Indonesia, Iraq, Italy, Japan, Kenya, Lebanon, Malaysia, Mexico, Netherlands, New Zealand, Norway, Pakistan, Republic of Korea, Sierra Leone, Singapore, South Africa, Spain, Sudan, Sweden, Taiwan, United Kingdom, United States of America, and Zimbabwe. European Financial Reporting Advisory Group (EFRAG), International Accounting Standards Board (IASB), International Public Sector Accounting Standards Board (IPSASB), Pan African Federation of Accountants (PAFA) and the International Arab Society of Certified Accountants also attended. A complete list of participants is attached. A number of observers were present.

Welcome

Tricia O'Malley welcomed participants to London and thanked the IASB for hosting the meeting in conjunction with its annual World Standard Setters conference.

1. Global IFRS Issues

1.1 Michel Prada, Chairman of the Trustees, IFRS Foundation, delivered the opening remarks. The speech, entitled "Roles and responsibilities in accounting standard-setting", focusses strongly on the importance of the collaborative nature of standard-setting around the world, and the challenges facing IFRS. The three main topics that Mr. Prada introduced were:

- the main strategic challenges to IFRS;
- the current structure and effectiveness review of the IFRS Foundation;
and
- the role and responsibilities of accounting standard setters in an IFRS world.

Mr. Prada's speech outlined the progress made so far and the challenges faced with honesty and clarity, and placed great emphasis on the importance of a united approach from standard setters around the world

1.2 Replying to questions, Mr. Prada's comments included the following:

- Relations between the IFRS Foundation and the U.S. Financial Accounting Foundation are very good. The IFRS Foundation is keen to make progress and both bodies meet with each other on a regular basis. The U.S. is a huge market accounting for about 50 per cent of the global capital markets. Both organisations need to work together to seek to limit divergences in their standards and focus as much as possible on convergence. This is in the interests both the markets and investors. He was highly encouraged by what was accomplished in the projects on leases and revenue recognition.
- Discussing the perceived influence of the U.S., Mr. Prada said that prior to the “big bang” in the mid-’80s in the U.K. and Europe, business in that region did not operate in a true market economy. When the markets opened up, many companies that operated on a global basis were of the view that the accounting standards in their jurisdictions were not entirely suitable for the changed circumstances. Although many companies started to adopt U.S. standards, a movement began in favour of a single set of standards that were fit for the global market economy.
- The influence of the U.S. is a non-issue. IFRSs are reasonably comparable and converged with U.S. standards today. This has resulted in foreign issuers being able to list their securities in the U.S. using IFRS-based financial statements. Fundamentally, both the IASB and FASB think in similar fashions and have standards that are fit for the global market economy.
- If the U.S. was so influential, the IASB's standards would be rules-based and this is not the case. Mr. Prada reiterated that the global economy needs global standards that are fit for all purposes.
- The IASB organisation has good relationships with prudential regulators. The IASB's accounting standards provide relevant and transparent financial information and it is up to the regulators to make relevant decisions pertaining to their function.
- For many reasons, jurisdictions make decisions at the local level that are not consistent with accounting requirements. The IASB can enlighten local tax authorities, but it cannot have the same level of global conceptual relationship as it has with prudential regulators.
- Regarding funding for the IASB organisation, the IFRS Foundation would like to receive two-thirds of its funding from publicly sponsored contributions. The organisation cannot impose levies and relies on support from those that have adopted IFRSs. The Foundation has established criteria to determine how much individual jurisdictions should contribute towards the funding of the IASB organisation. The organisation is currently properly funded, but there remain some gaps regarding funding from some jurisdictions.
- Regarding the strategic direction of the IASB, it is necessary to wait for stakeholders' comments on the Trustees' latest review of the structure and effectiveness of the organisation (comments are due by 30 November 2015).

1.3 The Chairman said that the resources for global standard setting are not infinite, so national standard setters can help to leverage resources.

1.4 Commenting on a remark by a participant from Germany that prudential regulators in some jurisdictions issue regulations as to how certain standards should be applied, the Chairman

said that the issuance of differing requirements in different jurisdictions results in de-convergence. She observed that the Trustees could be helpful in this regard by helping to explain the purpose of accounting standards. She noted that in Asia, regulators and standard setters meet regularly to obviate problems.

- 1.5 The Chairman thanked Mr. Prada, stating that his remarks were exceptionally informative. She said that his presentation helped to define the meaning of the public interest and how accounting standard setters serve it.

2. Reports from Regional Groups

Update on activities of the Asian-Oceanian Standard-Setters Group (AOSSG)

- 2.1 The AOSSG Chairman, Clement Chan, provided an update on the Group's activities (see PowerPoint presentation marked Paper 2.1).

Update on EFRAG activities

- 2.2 Françoise Flores, Chairman of EFRAG, provided an overview of EFRAG's recent activities (see PowerPoint presentation marked Paper 2.2). In particular, she stated that work on the accounting implications of negative and low interest rates would be on the agenda for IFASS's next meeting.

Update on the activities of the Group of Latin American Accounting Standard Setters (GLASS)

- 2.3 Felipe Perez-Cervantes, Chairman of the Mexican Financial Reporting Standards Board and member of the Board of GLASS, commented on GLASS's activities (see PowerPoint presentation marked Paper 2.3). He said that Nicaragua would soon be joining GLASS, and that the organisation would then have the full participation of all Spanish- and Portuguese-speaking countries in Latin America.

Update on the activities of the Pan African Federation of Accountants (PAFA)

- 2.4 Thuli Bamuza, Director, Strategy and Operations of PAFA, commented on PAFA and its activities (see Paper 2.4). In particular, she noted the following:
 - PAFA has 43 members from 37 countries.
 - The PAFA Board has delegated its authority on international standards and best practice to the PAFA Technical and Standard Setters Forum. This organisation will send a representative to future IFASS meetings

3. International Public Sector Accounting Standards Board (IPSASB)

- 3.1 John Stanford, IPSASB Acting Technical Director, was accompanied by Ian Carruthers, Chair, Chartered Institute of Public Finance and Accountancy Standards in the U.K., who will be assuming the Chairmanship of IPSASB on January 1, 2016. Mr. Stanford provided an update on IPSASB's recent activities and, in particular, discussed IPSASB's social benefits project, the

- biggest gap in IPSASB's literature (see PowerPoint presentation marked Paper 3.1 and Papers 3.1, 3.2 and 3.3).
- 3.2 Among his comments, Mr. Stanford said that Andreas Bergmann, IPSASB's current Chair, had done a huge amount of work to raise the awareness of IPSASB's standards in Latin America, Asia and Africa and the benefits of adopting them. He also noted that stakeholders had previously identified a serious defect in IPSASB's operations, in that it had not had a governance system. This is now being rectified with the creation of an oversight body – the Public Interest Committee.
 - 3.3 Mr. Carruthers said that IPSASB is keen to run a series of events for the public sector accounting community. The U.S Governmental Accounting Standards Board is helping IPSASB to organize a forum in Norwalk in the U.S. on 14-15 March 2016. Mr. Carruthers asked participants to advise him if they or other relevant boards in their jurisdictions had public sector standards responsibilities so that they can be invited to the forum. He stated that IPSASB would be issuing an invitation letter for the Norwalk event very shortly.
 - 3.4 The Chairman suggested to Mr. Carruthers that he send the invitation to the IFASS Secretary so that he could send it to those on his IFASS email listing. She also urged participants to pass on the invitation to representatives of other relevant boards in their respective jurisdictions.
 - 3.5 In reply to a question from a representative from the FASB as to whether problems had been raised on IPSASB's standard on non-exchange revenue, Mr. Stanford responded that the main issue is the requirement and guidance on timing provisions in multi-year funding agreements. IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)*, distinguishes conditions and requirements. Both are stipulations, but only conditions on transfers of resources give rise to liabilities. IPSAS 23 specifies that time requirements are restrictions. Therefore, in the absence of performance obligations and return obligations, they do not, of themselves, give rise to present obligations. He said that many users argue that recognizing all the resources from multi-year funding as a day-one gain does not give a faithful representation of an entity's financial performance.
 - 3.6 Mr. Carruthers added that there was also an issue on the recognition of revenue related to services in-kind. Currently, IPSAS 23 permits the recognition of revenue from services in-kind. Conceptually, it can be argued that there should be a firm requirement to recognize revenue from, for example, the provision of voluntary services, provided recognition criteria are met.
 - 3.7 In reply to a comment from a representative from the South Africa, that the first-time adoption standard does not appear to address what should happen if an entity adopts the cash-basis standard for the first time, Mr. Carruthers said IPSASB is reviewing the relevant standard because of challenges in its implementation. He commented that IPSASB wishes to encourage adopters to move to full accrual accounting. He noted that IPSASB is not entirely sure how many jurisdictions have adopted its standards.

- 3.8 Mr. Stanford thanked South Africa for leading the work on IPSAS 33, *First-time Adoption of Accrual Basis IPSASs*.

4. Administrative Matters

IFASS meeting assessment – Dubai, 23-24 March 2015

- 4.1 The Chairman referred representatives to Paper 4.1, which provided an analysis of the views of participants who attended the above meeting. She thanked Felipe Perez-Cervantes (Mexican Financial Reporting Standards Board), Bee Leng Tan (Malaysian Accounting Standards Board) and Didrik Thrane-Nielsen (Norwegian Accounting Standards Board) for analysing and summarizing participants' responses.
- 4.2 The Chairman said that respondents appeared to like the way the agenda was focused on the Conceptual Framework project. She asked participants to advise her of any other big projects that could form the focus of future meetings.
- 4.3 Mr. Perez-Cervantes noted that, in general, the ratings for the Dubai meeting exceeded those for the September/October 2014 meeting.

Process and Timetable for Election of New Chairman

- 4.4 The Chairman referred representatives to Paper 4.2, which laid out the nomination and appointment process of the next IFASS Chairman, including a proposed timetable. She noted that the Asian-Oceania Standard-Setters Group had requested that the date for the receipt of nominations by the secretariat be extended to mid-December 2015. Participants agreed to the extension.
- 4.5 The Chairman commented that some attendees at the World Standard Setters (WSS) conference were under the impression that it is necessary to be invited to attend IFASS meetings. This is not so and WSS participants are welcome to attend IFASS meetings. She asked the Chairs and Vice-Chairs of the regional groups to advise their respective jurisdictions that they are welcome to send representatives to IFASS meetings. Interested parties should send their email addresses to the secretariat. She reminded participants that that it is a requisite that the bodies meeting attendees represent, have either standard-setting or -endorsing authority for their respective jurisdictions.
- 4.6 A representative from the German standard setter advised that his jurisdiction would be nominating Liesel Knorr, Past President of the Accounting Standards Committee of Germany, as a candidate for the position of IFASS Chairman.

5. IASB Work and Research Programmes

- 5.1 Hugh Shields and Peter Clark from the IASB staff referred representatives to Paper 5, which provided an update on the IASB's current agenda projects and identified activities that representatives could undertake to support the IASB's project activities and the development of IFRSs.

General Discussion on Status of Projects

- 5.2 The German standard-setter asked, given IASB budget constraints, what role national standard-setters could take in the research projects. The IASB Vice-Chairman said that while there are some budgetary constraints, the IASB is not scrimping in its efforts. The IASB is very keen to make use of national setters' knowledge and experience. Mr. Shields commented that some national standard setters are already working with the IASB; viz, New Zealand on disclosures, Italy on IAS 8 and the U.K. on the cash flow statement. He said that the role of technology and its interaction with financial reporting is an important matter and asked participants to advise the IASB if they have any particular perceptions or insights in this field. Mr. Clark noted that pensions and primary financial statements require a lot of research work to be done and the IASB welcomes assistance from national standard setters. In general he called on national standard setters to advise the IASB of projects that they might like to work on.
- 5.3 Mr. Shields said that Financial Instruments with Characteristics of Equity is a challenging project because of the plethora of differing kinds of financial instruments being issued by banks. The IASB does not intend to rewrite IAS 32 but to make limited amendments.
- 5.4 Mr. Clark noted that the IASB's main constraint is the ability of jurisdictions to keep pace with it. Stakeholders have asked for a period of calm.
- 5.5 The presenters offered the following comments on various projects:
- The IASB continues to expect to issue the final insurance contracts standard in 2016 and has indicated that it is considering an effective date of January 1, 2020 or 2021.
 - In response to concerns raised about the interaction between IFRS 9 *Financial Instruments* and the new insurance standard, the IASB has decided to issue an exposure draft seeking to address concerns about the different effective dates of the new accounting requirements for financial instruments and insurance contracts. These proposals would:
 - permit all insurers to adjust profit or loss to remove any additional volatility (the Overlay Approach); and
 - permit some insurers to defer the application of the new accounting requirements for financial instruments (the Deferral approach).
 - While all IASB members present agreed with the Overlay Approach, an equal number of members agreed and disagreed with permitting the Deferral Approach. In accordance with the IASB Due Process Handbook, the Chairman cast a deciding vote to approve for exposure the Deferral Approach. The exposure draft will be issued by the end of the calendar year.
 - The definition of a business project might be completed quickly, while income tax is on the slow burner. The IASB's website details a list of topics that the IASB might ask members of academe to examine. An important one is the use of language (he said that terms such as "true and fair" are often mis-translated into other languages).

- Mr. Shields commented that the IASB is aware that, while its standards are principles based, many of them are very long. The staff is thinking how to simplify the IASB's guidance and is examining FASB's simplification project.
- Mr. Clark said that attempting to answer potential questions in standards results in complexity. He said that standards written over a 20/30 year period are not consistent in quality and style and are difficult to use and to amend for consistency. He commented that he was not in favour of a codification project, which would be very difficult for stakeholders to respond to and to carry out.
- Mr. Clark noted that some standards do not have a clear objective. He agreed that this is not desirable, but said that to examine all the IASB's standards for their objectives would be an enormous task.

5.6 Representatives' comments included the following:

- The Chairman commented that actuaries are likely to have expertise on hybrid pension schemes and could assist the IASB in this matter.
- A representative from EFRAG said that how best to contribute goes beyond possible projects. She said that EFRAG is looking at the following two objectives:
 - The need to contribute to the IASB's due process.
 - The need to engage stakeholders in Europe and help them form views.
- The Chairman commented that Australia and Korea have embarked on a joint project on "Professional Judgement and the 'Terms of Likelihood' under IFRS". The representative from Australia said this project would be on the agenda for the next IFASS meeting.
- The Chairman commented that wording in a standard that is shortened further on in the text leads preparers to think that a different meaning is attributed to the shortened phrase. This also causes translation problems. She suggested that terms be defined so that the lengthier verbiage is not repeated.
- A representative from the FASB said that simplification is not a simple matter. He suggested guidance be written in similar styles and that "patching" be avoided. His colleague said that the FASB found that areas that could be simplified were quickly exhausted without importing other guidance.
- A representative from Germany said that simplification is harder for the IASB to accomplish versus the FASB, because of the translation problem.
- A representative from Canada, which operates in English and French, said that the translation aspects of simplification must be carefully considered. She said that the adoption of IFRS 15 resulted in a host of modifications to related standards and translation considerations.
- Representatives suggested that guidance should be expressed more clearly and in a consistent manner.

6. Report back on IFASS member projects

Goodwill impairment and amortisation

- 6.1 Tomo Sekiguchi from the Japanese standard setter and Filippo Poli from EFRAG provided an update on the goodwill project being conducted by EFRAG, the Italian standard setter and the Japanese standard setter (see Papers 6.1 and 6.2). They also asked for input on the next steps to be undertaken.
- 6.2 Representatives' comments included the following:
- A representative from South Africa commented that a goodwill number remaining in the statement of financial position in perpetuity does not seem right. He suggested that research be undertaken on whether there is a methodical way to amortise goodwill. Further, he was not in favour of an arbitrary amortisation period. It should be ascertained what led to goodwill at the first place.
 - A representative from the Netherlands stated that the discrepancy between actual and expected performance is the impairment trigger. He suggested that the questions in the questionnaire that ask for information in total on an entity's five largest business acquisitions should ask for disaggregated information. He said that question 9 in the draft questionnaire appeared to be subjective and that consideration should be given to changing the wording.
 - Referring to question 9, a representative from Hong Kong said it is necessary to know why an acquirer paid more than market value and how long it would take for benefits to accrue. She said that the question should be carefully worded to elicit useful information. In addition, question 6 is confusing and should be reworded.
 - A representative from India referred to the definition of an asset in the new conceptual framework and asked what sort of a right is goodwill. Mr. Poli said that the presenters were in favour of a practical approach to goodwill amortisation.
 - A representative from the FASB said that the project is focused on preparers and suggested that the research group examine the benefits to users. He said that users often add back goodwill and he questioned the need for change. Both preparers and users have strong feelings on the treatment of goodwill. Both parties say that impairment tests are too complicated. The representative did not favour straight line amortisation.
 - A representative from France said that his jurisdiction favoured stability. Change is always difficult and the standard setter should be sure that potential changes are an improvement over the present treatment and useful to users. He stated that that an improved impairment system is required. Those responsible for ensuring proper governance in corporations are spending a lot of time on these issues.
 - A representative from South Africa said that if a survey is done it should include questions on impairment. She said that many preparers in her jurisdiction favoured amortisation, possibly over an arbitrary period. She stated that maybe there is no perfect answer and that standard setters should think carefully if change would improve matters.

- The representative from Denmark said some were concerned that goodwill continues to build up and is never removed from the statement of financial position. For this reason, users disregard goodwill.
- 6.3 The IASB Vice-Chairman commented that the issue is being discussed with the FASB and a paper suggesting the way forward has been prepared and will be discussed jointly by the IASB and FASB next month.
- 6.4 On an informal show of hands most participants appeared to prefer the amortisation approach.

7. IFRS Implementation Issues

- 7.1 Michael Stewart, IASB Director of Implementation Activities, initiated a discussion on ways of improving the IASB's knowledge of application issues at the local-jurisdiction level (see Paper 7).
- 7.2 Representatives' comments included the following:
- A representative from Malaysia enquired how other national standard setters dealt with the situation when there are mixed views among the major accounting firms; for example, if three of the major firms were to allow an accounting policy choice and one major firm insisted on a particular accounting treatment. In such a situation, would the matter be brought to the attention of IFRIC or should the practitioners agree to disagree. She suggested that the IFRIC staff should consider having face-to-face meetings with all the major firms periodically to hear their views on emerging issues.
 - A representative from Hong Kong said that her standard-setting committee meets with regulators and representatives from local firms to discuss issues. If consensus is reached, an article is published; otherwise the issue in question is forwarded to IFRIC.
 - A representative from Germany was doubtful that completely consistent application is possible on each and every issue. Differing tax and other legislation is a hindrance. It is the role of national standard setters to raise issues (preparers are reluctant to raise issues in a public forum).
 - The Chairman suggested that helpful hints on contentious issues emanating from local jurisdictions, such as the consensus articles published by Hong Kong, should be shared with IFRIC and the IASB staff.
 - A representative from Canada said that her Board has established an IFRS Discussion Group and that most of the issues discussed by this group emanate from the audit firms. Preparers are reluctant to raise issues. She said that participants in every meeting are advised that the objective is not to reach a consensus or issue any guidance. All the discussions are publicly available and the objective is to assist medium and smaller preparers who use IFRS. She supported the notion that the IASB and IFRIC should monitor application issues, particularly substantial emerging issues.

- A representative from Japan said that how the IASB can make use of the resources of national standard setters depends on the roles of national standard setters regarding IFRS implementation and the mechanism operating in local environments. He added that Canada's IFRS Discussion Group could be a role model because that system assists a national standard setter to be informed about implementation challenges in a timely manner. He suggested that the IASB should encourage national standard setters to initiate a similar exercise so that interaction between the IASB and national standard setters becomes more meaningful.
- Referring to IAS 19 issues, a representative from South Africa said that her jurisdiction felt that actuaries were pushing the boundaries of existing standards. She felt that the process of sharing of information needed to be formalized and that it should be clear what IFRIC would do with such information.
- The Chairman reminded participants that the IFASS Charter provides that if local guidance on a particular matter is contemplated, it should be shared with other national standard setters and IFRIC; preferably before it is issued. This could avoid potentially serious or embarrassing problems in other jurisdictions. She averred that in most cases no particular situation is unique to a particular jurisdiction.
- A representative from the Netherlands said that his jurisdiction has multiple working groups dealing with technical issues. If there is consensus on an issue it is applied in practice. If there is no consensus the issue is referred to IFRIC. Positions taken are not made public.
- A representative from Australia said that her jurisdiction could share interpretations (which are limited). Occasionally rejection notices are issued. These could be shared with IFRIC (she asked if they should they be shared). The Chairman suggested that the crux of definitive issues should be shared to avoid causing problems in other jurisdictions.
- A representative from Korea said that, by law, his Board is required to provide an answer to enquirers. These answers are not made public. If consensus is not arrived at, the matter is referred to a committee. If that committee is unable to arrive at a consensus, the issue is referred to a committee of regulators, auditors and preparers. If that committee cannot arrive at a consensus the issue is sent to the standard-setting board, which decides if the matter should be referred to IFRIC. Thereafter, depending on IFRIC's answer, the Board decides if local guidance should be issued. The representative said that his jurisdiction would be happy to elaborate on the way the system operates at IFASS's next meeting.

7.3 The IASB Vice-Chairman commented that an ongoing problem is that some do not wish to think about the solution to issues and are looking for explicit guidance.

7.4 The Chairman concluded the session by suggesting that local jurisdictions could hold education and discussion sessions on issues and send those on which there is no consensus to IFRIC. If IFRIC receives concerns about similar issues from multiple jurisdictions, this would indicate the need for it to take action. She asked participants to send additional suggestions to Mr. Stewart.

8. FASB Proposals to Revise Financial Statement Presentation of Not-for-Profit Organisations (NFPO)

- 8.1 FASB members Tom Linsmeier and Daryl Buck; and FASB Assistant Director Jeffrey Mechanick provided an overview of the FASB's April 2015 Exposure Draft proposing several improvements to the financial statement presentation requirements for not-for-profit organisations (see PowerPoint presentation and Paper marked Paper 8.1).

NFPO sector, demand for GAAP-complaint financial statements and international standards

- 8.2 On a show of hands, representatives from a few jurisdictions indicated that the composition of the NFPO sector in their jurisdictions was similar to that of the U.S.
- 8.3 Regarding whether there is a demand for GAAP-compliant financial statements in representatives' jurisdictions, comments included the following:
- Quite a few representatives indicated that NFPOs were required to file their financial statements with local authorities. Many representatives indicated that NFPOs in their jurisdictions were required to prepare GAAP-based financial statements and that the local standard setter wrote appropriate standards for that sector. In many instances the starting point for NFPO standards were international standards such as IFRS, the IFRS for SMEs, or IPSASB's standards.
 - A number of jurisdictions indicated that they used more than one set of standards for NFPOs, using a size measurement. For example, New Zealand employed a system of four tiers, the top two of which were based on IPSASB's standards.
- 8.4 On an informal show of hands, participants appeared to indicate that there is a need for international standards for reporting by NFPOs. Many indicated that they favoured customization of international standards to deal with local situations. The IPSASB incoming Chair said that IPSASB would consider this issue further and report back to the group.

Standards for NFPOs

- 8.5 On an informal show of hands, a few participants said that the setting of reporting standards for NFPOs versus business entities was similar to the FASB's approach, while some said their approaches were similar to that of the U.S Governmental Accounting Standards Board.
- 8.6 Some participants said that their respective jurisdictions use local GAAP as a starting point (Netherlands, U.K.), while others said that their base standard is IFRS (Hong Kong, Australia). Some of New Zealand's NFPO standards are based on IPSASB's standards, while others are based on IFRSs. A representative from Malaysia said there was no separate accounting framework for NFPOs in her jurisdiction. NFPOs are required to use Malaysian Financial Reporting Standards (identical to IFRS) if they lodge their financial statements with the Registrar of Companies.

- 8.7 A representative from South Africa suggested that the outcome of any research should be compared with IPSASB's research on social policy benefits obligations, because the issues being addressed are similar, even though the stakeholders may be different.
- 8.8 A representative from France said that his jurisdiction is conducting research on the following matters:
- How to value non-financial contributions.
 - The willingness to be more transparent. There is strong pressure to increase transparency.
 - Disclosure of the amounts spent to collect contributions and to achieve the organisation's dedicated goals.

Regular financial statements are inadequate for the forgoing.

- 8.9 The IPSASB incoming Chair said that IPSASB struggled with non-exchange transaction issues in working on IPSASB's conceptual framework. The objective was to achieve accountability and enhance decision making.
- 8.10 Mr. Mechanick noted that the discussion appeared to indicate that many jurisdictions were in a similar position to that of the U.S. regarding the setting of standards for NFPOs.

Proposed changes

- 8.11 Mr. Buck referred participants to slides 8 and 9.
- 8.12 Representatives' comments included the following:
- A representative from France said that he struggled with the definition of "transfers".
 - Regarding presentation in the financial statements, the IPSASB incoming Chair said that in the U.K. legal restrictions on incoming funds must be disclosed. Mr. Buck said that in the U.S., restrictions are limited to those that emanate from donors.
 - Referring to the statement of cash flows, the Chairman stated that in Canada almost all smaller NFPOs start with direct cash flows. They are focused on how funds were utilised.
- 8.13 The Chairman summarised the discussion by stating that it is evident that participants have an interest in NFPO financial reporting and asked the representatives from the FASB to update the group on the FASB's activities on NFPOs at the next IFASS meeting.

9. Topical Issues

Issue 1 — Core Inventories

- 9.1 Manish Iyer from the The Institute of Chartered Accountants of India delivered a presentation asking if core inventories should be accounted for in accordance with IAS 2,

Inventories, or IAS 16, Property, Plant and Equipment (see PowerPoint presentation and Paper marked Paper 9.1)

9.2 Representatives' comments included the following:

- Referring to the example in the presentation, a representative from South Africa suggested that if the pipeline's lining requires replacement, the cost should be expensed if it is less than the period expenses. If the lining is indistinguishable from the pipeline, its cost should be regarded and treated as part of the plant. The lining is a part of the cost incurred to get the pipeline working. Therefore, a possible approach is to treat the lining as an inextricable part of the plant. The IASB Vice-Chairman expressed agreement and said that he would amortise the cost of the lining in a similar way to that of the pipeline.
- The Chairman suggested that the lining should be recorded as part of the original cost to get the plant in operation and it would therefore be amortised.
- A representative from Hong Kong said that the treatment of core inventories depends on the individual facts and circumstances.
- A representative from South Africa commented that there is an IASB staff discussion paper which addresses this issue and seems to argue that treatment as property, plant and equipment is appropriate. He suggested that IFRIC should be asked to comment on the status of this issue.
- A representative from Germany said that if the price of gas is volatile, can it be said that as the original gas in the pipeline is replaced by new gas, an average is created, which could be used rather than the original cost.

Issue 2 — U.K. GAAP: Adapting IFRS for domestic needs

9.3 Anthony Appleton, Director, Accounting and Reporting Policy, U.K. Financial Reporting Council, delivered a presentation on this topic, stating that all the current standards in the U.K. are being replaced with new standards for years ending 31 December 2015 (see PowerPoint presentation marked Paper 9.2). He said that there has been a lot of outreach about the use of financial statements and the proposals are the culmination of 10 years' consultations.

9.4 Representatives' comments included the following:

- The IASB Vice-Chairman noted that in some instances very large companies are able to use IFRS for SMEs.
- A representative from Japan asked if entities using FRS 101 and FRS 102 were required to produce financial statements in accordance with IFRSs. Mr. Appleton said that the U.K. tax authority makes specific adjustments to financial statements to arrive at taxable income. Accounting financial statements are filed, including a statement reconciling accounting profit with taxable income.
- A representative from India said that his jurisdiction is changing its accounting standards to converge with IFRSs. Common control transactions, for which there is no guidance in IFRSs, are as challenge. India uses push down accounting. Mr.

Appleton said the U.K. addressed this problem in standards for groups. Merger accounting is required, not push down accounting as in the U.S.

- A representative from New Zealand said that the use of IFRS for SMEs gets one closer to full IFRS. Mr. Appleton said that FRS 102 often requires or permits accounting even closer to full IFRS, adding it was very well received in the U.K. as it is an easy and accessible read and allows flexibility.
- In reply to a question from a representative from France, Mr. Appleton said that FRS 102 requires goodwill to be amortised but, in effectively applying IFRS accounting policies, FRS 101 does not.
- A representative from South Africa commented that the proposals resemble IFRS with exemptions.
- A representative from Malaysia enquired if major implementation issues had been identified by the FRC Technical Advisory Group on FRS 102, and also whether any issues were raised on the application of the “undue cost or benefit” concept. Mr. Appleton said that there are some issues and they are being dealt with. There will be a triennial review.
- The representative from Norway commented that his jurisdiction is going through a similar process. He said that the scope of the financial instruments standard in chapters 11 and 12 of the SMES standards is too narrow.
- Replying to a question from the representative from Denmark regarding the reaction of users, Mr. Appleton said all the new standards are based on the same set of IFRS principles.
- Replying to a question from a representative from EFRAG as to whether flexibility makes the application of standards simpler, Mr. Appleton said that the U.K. is not looking for absolute uniformity in the application of its standards. Practitioners are well-versed in the use of professional judgement that allows preparers to “tell their story”.

Issue 3 — Types of Reporting Frameworks Used by Entities Raising Capital in Non-Traditional Markets

9.5 Rebecca Villmann, Director, Accounting Standards, Canadian Accounting Standards Board, discussed an evolving issue in Canada regarding the types of financial reporting frameworks being used, or that should be used, by entities raising capital in non-traditional markets (see PowerPoint presentation and Paper marked Paper 9.3).

9.6 Representatives’ comments included the following:

- An informal show of hands indicated that these transactions are evolving in quite a few jurisdictions. A representative from New Zealand said that her jurisdiction’s framework uses the IASB’s definition of a publicly accountable enterprise. The regulator is able to deem which tier of standards the entity should use.
- A representative from Australia stated that her jurisdiction’s regulator is just starting to consider this issue. She was of the view that if over-the-counter trading is involved (i.e. a secondary market situation) then the transaction is caught under the definition of a publicly accountable enterprise. Exemptions may be provided for transactions under a certain size.

- A representative from the U.K. said these transactions were of growing importance in the U.K. Although there are no current plans to consider the effect on accounting standards, it has been identified as an area to consider over the medium term
- A representative from Korea said this is not a big issue in his jurisdiction. Legislation specifies which enterprises should use IFRS.
- A representative from the FASB said that the Securities and Exchange Commission is currently gathering information on this issue.
- A representative from Hong Kong said that her jurisdiction's experience is restricted to banks promoting peer-to-peer lending.
- A representative from South Africa said that there seem to be different versions of IFRS for SMEs and as result it does not seem to address the demand for a third tier (one man shop entities). This is currently being demanded in some constituencies, especially in Africa. He suggested that the merit of a third-tier framework should be discussed.

10. New IFASS member projects

Reporting Income and Expense in Profit or Loss or OCI

10.1 Françoise Flores, EFRAG Chairman, discussed whether the Conceptual Framework Exposure Draft provides clear guidance on performance reporting. She noted that EFRAG has not yet taken a position and her remarks were meant to stimulate discussion (see PowerPoint presentation and Paper marked Paper 10.2).

10.2 Representatives' comments included the following:

- A representative from the FASB raised concerns that the business model concept in Paper 10.2 would appear to be an entity-wide concept that would suggest the same accounting for all assets and liabilities of the entity. However, the Paper makes clear that different assets and liabilities could get differing accounting treatments within the same entity, suggesting that the underlying construct is not the business model of the entity. Instead, the underlying construct would appear to be how individual assets and liabilities create value for the entity. Is value created directly or indirectly? If indirectly it is the cost model, if directly it is the fair value model. His perspective is that the income statement is the most important document. He said he is not enamoured with OCI and is more interested in distinguishing between operating and non-operating items, which should be separated more consistently.
- The Chairman said that OCI should be used for changes in the measurement of assets and liabilities. Transactions should be measured based on their purpose of use. It is easier to deal with individual assets and liabilities than to separate operating and non-operating items; so maybe that's the way to make progress.
- The IASB Vice Chairman said the situation is confusing and difficult to operationalise. He said that long-term investors invest to receive both earnings from dividends and an increase in the value of their investments. Does this mean that dividends should be reported in profit and loss and the unrealised increase in the value of investments in OCI?

- The representative from Denmark said the Paper is a good starting point and that a conceptual basis is required for OCI.
- The Chairman noted that the Paper attempts to explain the informational context of decisions to record certain items in OCI.
- A representative from the FASB said that the concern in OCI is the treatment of recycling. The issue is that the user is advised to ignore items in OCI until they are recycled to profit and loss.
- A representative from South Africa welcomed the discussion, stating that it was long overdue. However, he observed that the proposed model seemed to confuse the business model and the nature of the asset. He preferred the business model, which means any movements that arise from operating activities of the entity should be in profit or loss. OCI should deal with all other issues that are not part of the normal course of business.

10.3 The Chairman stated that this being Françoise Flores's last IFASS meeting, she wished to acknowledge her many contributions to the discussions at numerous IFASS meetings and wished her well in her post-EFRAG life.

The Statement of Cash Flows – Issues for Financial Institutions

10.4 Filippo Poli, Research Director, EFRAG presented some arguments against the relevance of the statement of cash flows for financial institutions markets (see PowerPoint presentation and Paper marked Paper 10.1).

10.5 Representatives' comments included the following:

- A representative from Mexico said this is a headache for banks in his jurisdiction. The banks indicate that they do not see much benefit from preparing cash flow statements.
- The representative from Norway said that not using the direct method is a big impediment for banks in his jurisdiction.
- A representative from Germany agreed with the presenter who criticised the IASB for not listing the cash flow statement in the Conceptual Framework Exposure Draft as a primary statement.
- A representative from Japan questioned if some alternative approaches identified in the Paper (for example, expanding information about liquidity) may not be fully consistent with the objective of IAS 7, which is to provide information for users to evaluate the ability of an entity to generate cash and cash equivalents, and their timing and certainty. He suggested that EFRAG consider which alternative would be most appropriate in line with the objective of IAS 7.
- A representative from Malaysia advised that Malaysia's Central Bank already requires information regarding liquidity risks, maturity profile and mismatches to be presented in the cash flow statements of financial institutions.
- A representative from South Africa asked whether the issue was cash flows or the consistent application of the standard. He commented that a cash flow statement for a financial institution is as important as it is in other entities, if not more. He

stated that a financial institution is in the business of receiving, investing and disbursing cash. He also asked if the analyst community had been consulted and, if so, what was their response.

- A representative from the FASB said that the cash flow statement should be retained for banks as it is difficult to say that cash is unimportant for these institutions. However, the statement needs to be amended. The direct method makes a lot of sense. More flexibility should be introduced into the area of classification, which should be examined carefully.
- A representative from Canada said that the Paper captures the typical complaints regarding cash flow statements in Canada. She stated that she had forwarded the Paper to the major banks in Canada.
- A representative from the IASB commented that understanding the relationship between the operating and financing categories is important.
- The Chairman noted that the solvency question is also very important.

10.6 Mr. Poli responded as follows:

- There are not many studies on the issue of comparability and not many inconsistencies in the way banks prepare cash flow statements.
- The paper did not address the direct method.
- Solvency could be improved by providing information on:
 - highly liquid assets;
 - maturities; and
 - encumbered assets.
- There is no suggestion that the IASB should “cut and paste” information used by the regulators.

Use of Financial Information by Investors

10.7 Filippo Poli discussed the results of an academic study on the use of financial information by users. Those conducting the study presented different scenarios and alternatives to users and asked how they assess management performance. They asked about users’ perceptions about changing factors and how they relate to the statement of financial position, statement of profit and loss and about specific items. Users were asked about the relative importance of the statements and how much they spend to obtain financial and other information.

10.8 Very preliminary results indicate that the financial statements are very important, and more importance is attached to assessing value rather than stewardship. Also, there appears to be more interest in the statement of profit and loss than the statement of financial position.

10.9 Mr. Poli stated that the final results will be presented to IFASS at its next meeting in April 2016.

11. Wrap Up

- 11.1 The Chairman asked members to complete and hand in their assessments of the current meeting (representatives from Mexico and Malaysia have again kindly agreed to analyse and summarize participants' responses).
- 11.2 Based on the discussion at this meeting, the Chairman listed the following expected agenda items for the next IFASS meeting in Toronto on 4-5 April 2016:
- Australia and Korea joint project on “Professional Judgement and the ‘Terms of Likelihood’ under IFRS”.
 - The accounting implications of negative and low interest rates.
 - There is significant interest in accounting for NFPOs and a number of jurisdictions have active projects. The Chair stated that she would consider asking some of those working on NFPOs to prepare papers and present them at breakout sessions.
 - Final results of the academic study on the use of financial information by investors.
 - Cash flow information (per the U.K.'s Andrew Lennard).
 - Elaborate on the way the IFRS implementation-issues system operates in Korea. A representative from Korea suggested that participants come prepared to discuss how they each deal with local implementation issues.
- 11.3 She asked participants to advise the Secretary of other potential agenda items so that they can be included in the first draft of the agenda for the Toronto meeting.

12. Conclusion

- 12.1 The Chairman noted that she would send out a call for nominations for a new Chairman for the group to get the election process started in accordance with the agreed-upon timetable. She reminded the group that jurisdictions eligible to vote are entitled to one vote per delegation.
- 12.2 She concluded the meeting by thanking the IASB and all the individuals involved for their efforts in making this a very successful meeting.

Appendix A

IFASS – 29-30 September 2015, London – LIST OF PARTICIPANTS

	Name	Organization
1	Kris Peach	Australian Accounting Standards Board
2	Gerhard Prachner	Austrian Financial Reporting and Auditing Committee
3	Alfred Wagenhofer	Austrian Financial Reporting and Auditing Committee
4	Sadi Podevijn	Belgian Accounting Standards Board
5	Ahmed Sameer El Khatib	Brazilian Accounting Pronouncement Committee
6	Linda Mezon	Canadian Accounting Standards Board
7	Rebecca Villmann	Canadian Accounting Standards Board
8	Stig Enevoldsen	Danish Accounting Standards Board
9	Prof. dr. Peter Sampers RA	Dutch Accounting Standards Board
10	Françoise Flores,	EFRAG
11	Patricia McBride	EFRAG
12	Filippo Poli	EFRAG
13	Patrick de Cambourg	French Accounting Standards Authority
14	Cédric Tonnerre	French Accounting Standards Authority
15	Valérie Viard	French Accounting Standards Authority
16	Andreas Barckow	Accounting Standards Committee of Germany
17	Peter Missler	Accounting Standards Committee of Germany
18	Clement Chan	Hong Kong Institute of Certified Public Accountants
19	Catherine Morley	Hong Kong Institute of Certified Public Accountants
20	Christina Ahuja Ng	Hong Kong Institute of Certified Public Accountants
21	Ian Mackintosh	IASB
22	Michelle Sansom	IASB
23	Tricia O'Malley	IFASS
24	Harry Klompas	IFASS
25	Manish Iyer	The Institute of Chartered Accountants of India
26	Sanjeev Maheshwari,	The Institute of Chartered Accountants of India
27	Devaraja Reddy Mosali	The Institute of Chartered Accountants of India
28	Djohan Pinnarwan	Indonesian Financial Accounting Standard Board
29	Ersa Tri Wahyuni	Indonesian Financial Accounting Standard Board
30	Oussama Tabbara	International Arab Society of Certified Accountants
31	Ian Carruthers	IPSASB
32	John Stanford	IPSASB
33	Dr Rafid Al Nawas	Union of Accountants and Auditors – Republic of Iraq
34	Leonardo Piombino	Italian Standard Setter
35	Marco Venuti	Italian Standard Setter
36	Atsushi Kogasaka	Accounting Standards Board of Japan
37	Yukio Ono	Accounting Standards Board of Japan
38	Tomo Sekiguchi	Accounting Standards Board of Japan
39	Edwin Makori	Certified Public Accountants of Kenya
40	Jee In Jang	Korea Accounting Standards Board
41	Won-Hee Han	Korea Accounting Standards Board

42	Nabil Choujaa	Lebanese Association of Certified Public Accountants
43	Mosbah Majzoub	Lebanese Association of Certified Public Accountants
44	Tan Bee Leng	Malaysian Accounting Standards Board
45	Mohamed Raslan Abdul Rahman	Malaysian Accounting Standards Board
46	Felipe Pérez-Cervantes	Mexican Financial Reporting Standards Board
47	Juan Gras	Mexican Financial Reporting Standards Board
48	Todd Beardsworth	New Zealand External Reporting Board
49	Kimberley Crook	New Zealand External Reporting Board
50	Didrik Thrane-Nielsen	Norwegian Accounting Standards Board
51	Nokuthula (Thuli) Bamuza	Pan African Federation of Accountants
52	Vickson Ncube	Pan African Federation of Accountants
53	Muhammad Maqbool	Institute of Chartered Accountants of Pakistan
54	Hafiz M Yousaf	Institute of Chartered Accountants of Pakistan
55	Tamba Momoh	Council for Standards of Accounting, Auditing, Corporate & Institutional Governance (Sierra Leone)
56	Leslie Williams	Council for Standards of Accounting, Auditing, Corporate & Institutional Governance (Sierra Leone)
57	Suat Cheng Goh	Singapore Accounting Standards Council.
58	Siok Mun Leong	Singapore Accounting Standards Council.
59	Khaya Dlodla	Financial Reporting Standards Council (South Africa)
60	Kim Bromfield	South African Institute of Chartered Accountants
61	María D Urrea Sandoval	Accounting and Auditing Institute (Spain)
62	Zein El Abdin Ahmed Mohd	Sudanese Association of Certified Accountants
63	Claes Janzon	The Swedish Financial Reporting Board
64	Chi-Chun Liu	Taiwan Financial Reporting Standards Committee
65	Anthony Appleton	Financial Reporting Council (U.K.)
66	Andrew Lennard	Financial Reporting Council (U.K.)
67	Daryl Buck	Financial Accounting Standards Board (U.S.)
68	Tom Linsmeier	Financial Accounting Standards Board (U.S.)
69	Jeffrey Mechanick	Financial Accounting Standards Board (U.S.)
70	Admire Ndurunduru	Public Accountants and Auditors Board (Zimbabwe)
71	Brian Njikizana	Public Accountants and Auditors Board (Zimbabwe)

ACTION LIST – Ex 29-30 September 2015 MEETING

Action
IPSASB
<ul style="list-style-type: none"> IFASS participants to advise Ian Carruthers, incoming IPSASB Chair, if they have public sector responsibilities so that they can be invited to the forum in Norwalk in the U.S. on 14-15 March 2016. The IFASS Chairman suggested to Mr. Carruthers that he send the invitation to the IFASS Secretary so that he could send it to those on his IFASS email listing.
Election of Next IFASS Chairman
<ul style="list-style-type: none"> Nominations to be sent to the IFASS secretariat in writing by 15 December 2015.
Prospective Attendees at IFASS Meetings
<ul style="list-style-type: none"> WSS attendees who have not attended an IFASS meeting are invited to send their email addresses to the secretariat.
The Role of Technology and its Interaction with Financial Reporting
<ul style="list-style-type: none"> IFASS participants to advise the IASB if they have any particular perceptions or insights in this field.
IASB Projects
<ul style="list-style-type: none"> National standard setters to advise the IASB of projects that they might like to work on in collaboration with the IASB.
IFRS Implementation Issues
<ul style="list-style-type: none"> The Chairman reminded participants that the IFASS Charter provides that if local guidance on a particular matter is contemplated, it should be shared with other national standard setters and IFRIC; preferably before it is issued. National standard setters should send details of emerging issues to IFRIC. If IFRIC receives concerns about similar issues from multiple jurisdictions, this would indicate the need for it to take action. Participants to send any suggestions re this topic to the IASB’s Michael Stewart.
Assessment of London Meeting
<ul style="list-style-type: none"> Mexico and Malaysia have kindly agreed to prepare the summary evaluation.
Agenda – Toronto – April 2016
<ul style="list-style-type: none"> The Chairman asked participants to advise her of any big projects that could form the focus of future meetings (similar to the way the March 2015 meeting agenda was focused on the Conceptual Framework project). Participants to advise the Secretary of potential agenda items for the above meeting so that they can be included in the first draft of the agenda.