

# IFRS on point.

Financial Reporting Developments and Information: April 2014

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## International headlines

### IASB work plan update for April 2014

Following its recent meeting, the International Accounting Standards Board (IASB) released an updated work plan. Significant updates include

- i. The addition of the public consultation period for the macro hedge accounting discussion paper;
- ii. Extension of redeliberations on insurance contracts and leases to the second quarter of 2014;
- iii. Move of rate regulation project from a major project to a research project; and
- iv. Move of the disclosure initiative from a narrow-scope project to a major project with an exposure draft on net debt (now called 'reconciliation of liabilities from financing activities') expected in the fourth quarter of 2014 and redeliberations on the amendments to IAS 1 to begin in the third quarter of 2014.

The finalised standard for revenue recognition is expected to be issued in the second half of May 2014. Click [here](#) for the updated work plan.

### IASB announces members of new IFRS Taxonomy Consultative Group

The IASB has announced the membership and Chair/Vice-Chair for its IFRS Taxonomy Consultative Group. The newly-created group will provide an advisory and review forum for members to actively assist the IASB in the maintenance and development of the IFRS Taxonomy and related activities.

Due to the integration of XBRL into the IASB standard-setting process and the creation of a new IASB staff group for the Disclosure Initiative, the IASB conducted a review of the IFRS Taxonomy Due Process. As a result, IFRS Taxonomy Consultative Group was created. The group replaces the XBRL Advisory Council (XAC) and the XBRL Quality Review Team (XQRT). The XAC is no longer operational, while the XQRT will only remain in existence until the new IFRS Taxonomy Consultative Group is up and running. In addition, the IFRS Advisory Council has taken on some of the general strategic responsibility of the XAC that specifically relate to how technology may impact standard setting and future corporate reporting. Click [here](#) for the press release and overview of the membership.

For more useful information please see the following websites:

[www.iasplus.com](http://www.iasplus.com)

[www.deloitte.com](http://www.deloitte.com)

### **IASB launches Research Centre**

The IASB has announced the launch of a web-based IFRS Research Centre. The Research Centre is designed to facilitate communication between the IASB and the research community. Its main objectives are to increase awareness of the issues that the IASB will be considering in the coming two to three years, to encourage researchers to undertake targeted research projects in these areas, and to support the IASB in moving to more evidence-based standard-setting. Click [here](#) to access the press release on IASB website and [here](#) to access the home page of the IFRS Research Centre.

### **IASB staff paper on insurance contracts**

The IASB staff has prepared a staff paper discussing where and how the proposals in the Exposure Draft (ED) 'Insurance Contracts' would change as a result of the IASB's tentative decisions to date. It reflects tentative decisions of the IASB made through March 2014. So far, only three of the five points in the ED have been redeliberated. These include: adjusting the unearned profit from insurance contracts; presentation of insurance contract revenue and expenses; and presentation of interest expense between profit or loss and the other comprehensive income. Click [here](#) to access the IASB staff paper on insurance contracts.

### **IASB publishes Discussion Paper on macro hedging**

The IASB has published a Discussion Paper (DP) *Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging*. This DP is relevant to companies that hedge risks on dynamic portfolios of exposures using derivatives. Although the DP focusses on the example of portfolio interest rate hedging by banks, the concepts discussed can apply to any entity that hedges on a dynamic portfolio basis for any risks. The IASB's project on macro hedge accounting considers risk management that assesses risk exposures on a continuous basis and at a portfolio level i.e. dynamic portfolio hedging. This type of risk management strategy tends to have a time horizon over which exposures are hedged. Consequently, as time passes new exposures are continuously added to the hedged portfolio and other exposures are removed from it. This area of accounting is complex and currently only accommodated to a limited extent in IAS 39, which includes a macro fair value hedging model for interest rate risk. The IASB's objective is to consider an alternative macro hedging model that will ultimately replace the macro fair value model in IAS 39 and have wider applicability to other risks. The DP puts forward a 'revaluation approach', which is a simple concept of adjusting the measurement of the portfolio of exposures for changes in the hedged risk. The corresponding gain or loss is recorded in profit or loss to provide a natural offset against derivatives, measured at fair value through profit or loss, used to hedge those risks. The DP is available for comments until 17 October 2014. Click [here](#) for more information, [here](#) for the press release and [here](#) to access the DP.

### **Chairman Michel Prada discusses globalisation in keynote speech**

The Chairman of the IFRS Foundation Trustees, Michel Prada, gave the keynote speech at a stakeholder event in Sydney, Australia that was held in conjunction with CPA Australia and the Institute of Chartered Accountants Australia (ICAA) on 9 April 2014. In his speech, Michel Prada discussed the globalisation of IFRS. He promoted the IASB's heavily-researched jurisdiction profiles and provided insight into the transition to IFRS for several large economies such as Japan and the United States. Michel Prada expressed his optimism for the eventual globalisation of IFRS, noting that "IFRS has only recently reached its teenage years." He pointed to the benefits of a single set of global accounting standards. The stakeholder event also included an interactive panel discussion with senior financial reporting stakeholders. Click [here](#) for the full text of Michel Prada's speech and [here](#) to access the video recording of the panel discussions.

### **New jurisdiction profile for Yemen on the use of IFRS**

The IFRS Foundation has added a new jurisdiction profile on the use of IFRS for Yemen, to bring the total of profiles completed to 130 jurisdictions. Click [here](#) for the profile and analysis for Yemen.

### **Steve Lim appointed to the IFRS Advisory Council**

The Trustees of the IFRS Foundation have announced the appointment of Steve Lim to the IFRS Advisory Council. Steve Lim is an Advisor to the Korea Accounting Standards Board (KASB). He previously served as Chair and Vice-Chair of the KASB and Vice-Chair of the Asian-Oceanian Standard-Setters Group (AOSSG). Steve Lim is also Professor of Accounting at the University of Seoul. His appointment to the IFRS Advisory Council commenced on 1 April 2014. Click [here](#) for the press release.

### **Hans Hoogervorst speaks about 'Accounting and moral hazard'**

The IASB Chairman Hans Hoogervorst recently delivered the 2014 Ken Spencer Memorial Lecture, titled *Building trust in financial markets: Accounting and moral hazard*. In his speech, Hans Hoogervorst looked at the moral hazard that is always present wherever people work with other people's money and he explored the question of what the role of accounting standards is against this backdrop of moral hazard. According to the IFRS Foundation Constitution, the goal behind accounting standard-setting is to require entities to provide high quality, transparent and comparable information in their financial statements so that investors can make informed decisions. Hans Hoogervorst claimed, however, that the mission of the IFRS Foundation was much more far reaching. According to him, it was "building trust in financial markets" and one way to do so would be to minimise moral hazard through discipline and rigour and through eliminating information asymmetry. Click [here](#) for more information and [here](#) for the full text of Hans Hoogervorst's speech.

### **IASB publishes proposal for IFRS Taxonomy 2014**

The IFRS Foundation published 'Proposed Interim Release 1 to the IFRS Taxonomy 2014' for public comment. The proposed interim release contains additional taxonomy concepts that reflect new IFRSs and improvements to IFRSs published by the IASB and technical updates and corrections. It includes taxonomy elements for IFRS 14 *Regulatory Deferral Accounts*, which was issued in January 2014. Comments on the proposed interim release are requested by 2 May 2014. Click [here](#) for the press release.

### **FASB redefines discontinued operations**

The US Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-08 *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. Under the ASU, only disposals that represent a strategic shift that has or will have a major effect on the entity's results and operations would qualify as discontinued operations. In addition, the ASU expands the disclosure requirements for disposals that meet the definition of a discontinued operation, requires entities to disclose information about disposals of individually significant components, and defines "discontinued operations" similarly to how it is defined under IFRS 5. The new standard is effective in the first quarter of 2015 for public organisations with calendar year ends. For most nonpublic organisations, it is effective for annual financial statements with fiscal years beginning on or after 15 December 2014. Early adoption would be permitted for any annual or interim period for which an entity's financial statements have not yet been made available for issuance. Click [here](#) for the press release and [here](#) to access ASU 2014-08.

### **FASB and ASBJ hold biannual meeting**

The sixteenth meeting between representatives of the FASB and the Accounting Standards Board of Japan (ASBJ) was held in Norwalk in early April. The meeting saw updates on each board's respective standard-setting activities and an exchange of views on technical topics that are of interest to both boards. The FASB and the ASBJ also discussed some projects that IASB is currently deliberating including Conceptual Framework, Leases and Rate-regulated activities. They also discussed FASB projects on financial instruments, goodwill, and the disclosure framework. In addition, the FASB and the ASBJ also discussed the endorsement procedures of IFRS in Japan. The FASB and ASBJ will continue to meet, with another meeting to be scheduled for the second half of 2014 in Tokyo. Click [here](#) for the joint press release published on the ASBJ website.

### **Results of a limited survey on simplifications of the IASB proposals on leases**

The European Financial Reporting Advisory Group (EFRAG) and the national standard-setters of France (ANC), Germany (ASCG), Italy (OIC) and the United Kingdom (FRC) have conducted a limited survey on the proposed simplifications to the accounting for lessees under IASB's ED on leases. At the December meeting of ASAF, the IASB confirmed that in its redeliberations it would explore how to provide relief and alleviate complexities associated with the proposed guidance for leases. The European delegation offered to consult with European constituents to which areas needed to be simplified the most. Due to time constraints, the standard-setters just contacted respondents to the prior field-test and other preparers directly. 44 respondents from 10 countries took part in the survey, the majority of which were European listed groups. The industries mostly represented were retail, automotive, telecommunication, and transport and logistics. A majority of respondents supported additional recognition exemptions beyond the current short-term exemption; Also, a majority of respondents indicated their preference for a single type A model for all leases. However, some respondents would support a single model only if the distinction between leases and services was improved in the forthcoming standard. Click [here](#) to access the full report on the EFRAG website.

### **Latest edition of EFRAG Insider**

EFRAG has published a new edition of the publicly available newsletter *EFRAG Insider*. In addition to discussing IASB EDs, recent EFRAG publications and stakeholder liaison, the newsletter also highlights the issue on the ongoing EFRAG reforms. Click [here](#) to access the latest edition of the newsletter.

### EFRAG draft comment letter on disclosure initiative

EFRAG has issued a draft comment letter on the IASB's ED/2014/1 *Disclosure Initiative (Amendments to IAS 1)*. On the draft comment letter, EFRAG welcomes this initiative by the IASB, which aims to clarify IAS 1 by addressing perceived impediments to preparers when exercising their judgement in presenting their financial reports. EFRAG supports the changes to the definition of terms in IAS 1 that may have been misinterpreted and believe the changes would put companies in a position to exercise more discretion in the presentation and disclosure of information, and would lead to an improvement of the quality and relevance of information in the notes. However, EFRAG proposes some improvements to the drafting of the proposed changes and recommends consistent use of defined terms relative to the current IASB standards to avoid any future amendments. Comments are due by 12 May 2014. Click [here](#) for the press release and [here](#) to access the draft comment letter.

### EFRAG's recent activities

EFRAG has released a new issue of its *EFRAG Update* newsletter, summarising the discussions held on the EFRAG TEG conference calls of 11 and 21 March 2014 and at the EFRAG TEG meeting of 2 and 3 April 2014. Click [here](#) for the EFRAG update. International accounting manual updates.

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## Deloitte IFRS communications and publications

Issuance Date	Description
17 April 2014	<b>IFRS in Focus:</b> IASB issues macro hedging discussion paper
10 April 2014	<b>IFRS Project Insights:</b> Insurance contracts
01 April 2014	<b>IFRS in Focus:</b> Decisions reached on leases project at March 2014 joint IASB and FASB meeting

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## IASB and IFRS Interpretations Committee meetings

Description	
IASB meeting	Click <a href="#">here</a> for the 22 – 25 April 2014 meeting notes

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## Hot topics on IFRS

Topic	
Use of IFRS by jurisdiction	Click <a href="#">here</a> for more information on use of IFRS within different jurisdictions
IFRS in Europe	Click <a href="#">here</a> for more information on IFRS in Europe
Global financial crisis	Click <a href="#">here</a> for more information on global financial crisis
Research and education matters	Click <a href="#">here</a> for more information on research and education matters
eXtensible Business Reporting Language (XBRL)	Click <a href="#">here</a> for more information on XBRL

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## Comment letters

	Description	Receiving party	Date issued/ Comment deadline
Comment letters issued	Tentative agenda decision on IFRS 11: <b>Classification of joint arrangements</b>	IFRS Interpretations Committee	7 April 2014
	Tentative agenda decision on IFRS 3: <b>Identification of the acquirer in accordance with IFRS 3 and the parent in accordance with IFRS 10 in a stapling arrangement</b>	IFRS Interpretations Committee	7 April 2014
	Tentative agenda decision on IAS 37: <b>Measurement of liabilities arising from emission trading schemes</b>	IFRS Interpretations Committee	7 April 2014
	Tentative agenda decision on IAS 32: <b>Accounting for a financial instrument mandatorily convertible into a variable number of shares subject to a cap and a floor</b>	IFRS Interpretations Committee	7 April 2014
	Tentative agenda decision on IAS 19: <b>Employee benefit plans with a guaranteed return on contributions or notional contributions</b>	IFRS Interpretations Committee	7 April 2014
	Tentative agenda decision on IAS 16: <b>Disclosure of carrying amounts under the cost model</b>	IFRS Interpretations Committee	7 April 2014
	Tentative agenda decision on IAS 12: <b>Threshold of recognition of an asset in the situation in which the tax position is uncertain</b>	IFRS Interpretations Committee	7 April 2014
	Tentative agenda decision on IAS 12: <b>Impact of an internal reorganisation on deferred tax amounts related to goodwill</b>	IFRS Interpretations Committee	7 April 2014
	Tentative agenda decision on IAS 12: <b>Recognition and measurement of deferred tax assets when an entity is loss-making</b>	IFRS Interpretations Committee	7 April 2014
Tentative agenda decision on IAS 1: <b>Issues relating to the application of IAS 1</b>	IFRS Interpretations Committee	7 April 2014	
	Public consultation: <b>The future governance of the International Public Sector Accounting Standards Board</b>	IPSASB	30 April 2014
Comment letters pending	Exposure Draft ED/2014/1: <b>Disclosure Initiative (Proposed amendments to IAS 1)</b>	IASB	23 July 2014
	Request for Information: <b>Post Implementation Review on IFRS 3 Business Combinations</b>	IASB	30 May 2014
	Four tentative agenda decisions from the <b>March IFRIC Update</b>	IFRS Interpretations Committee	14 April 2014

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