

# IFRS on point.

## Financial Reporting Developments and Information: February 2015

### Contents

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International headlines

Deloitte IFRS communications and publications

IASB and IFRS Interpretations Committee meetings

Hot topics on IFRS

Comment letters

Effective dates

---

### International headlines

#### Assessment of the FASB's Private Company Council

The US Financial Accounting Foundation (FAF) has issued a request for comment asking stakeholders for their assessment of the Private Company Council's (PCC) effectiveness and accomplishments as well as its future role in setting standards for private companies. Please click [here](#) for access to the press release and [here](#) the request for comment on the FASB website. Comments are requested by 11 May 2015

#### IASB member writes about the use of IFRSs around the world

IASB member Philippe Danjou has written an article for 'Finance & Gestion' analysing the use of IFRS around the world.

Based on the jurisdiction profiles the IFRS Foundation has compiled, the article describes developments in the adoption of IFRSs since the European Union adopted IFRS in 2005. Mr Danjou writes about the many jurisdictions that have adopted IFRS since then as well as about the jurisdictions that have not – amongst them China and the United States. He lists three lessons that are to be learned from this analysis:

- IFRS now play a preeminent role throughout the world – the majority of jurisdictions have made a commitment to IFRS and the jurisdictions that apply them represent more than half of the world's wealth.
- The European Union continues to be a major user of IFRS but it is no longer the dominant one.
- IFRS are applied by 52 per cent of the Fortune 500 companies; US GAAP is applied by 29 per cent of these companies.

Please click [here](#) to access Mr Danjou's article (English translation) on the IASB website.

#### IASB issues 'Investor Perspectives' on insurance

The International Accounting Standards Board (IASB) has released a new edition in its 'Investor Perspectives' series. In this edition, Stephen Cooper (member of the IASB) provided an update on the IASB's *Insurance Contracts* project.

Mr Cooper described four key advances made during deliberation concerning issues in practice. These key advances include:

- current, updated measure of insurance contract liabilities;
- using an asset-based discount rate only where relevant;
- recognising profit as services are delivered; and
- recognising that in many respects insurance is not that different from other industries.

In addition, he stated that one of the next steps for the IASB was to resolve issues concerning the pattern of profit recognition for participating contracts. Click [here](#) for more information.

For more useful information please see the following websites:

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

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

### **Paper on the use of OCI for the presentation of unearned profits**

For the upcoming meeting of the Accounting Standards Advisory Forum (ASAF), which is to be held at the IASB's offices in London on 26-27 March 2015, the Accounting Standards Board of Japan (ASBJ) has submitted a paper '*Insurance Contracts: Use of OCI for Presentation of Unearned Profits*'. In the paper, the ASBJ proposes that the contractual service margin (CSM) could be presented as accumulated other comprehensive income (AOCI) as opposed to being presented in the liability section of the statement of financial position.

The ASBJ stresses that it very much appreciated the IASB's long-term efforts in developing an accounting standard for insurance contracts. Yet the ASBJ believes that there were still controversies that reflected technical aspects as well as significant impact on insurers' financial reporting. Amongst these, the ASBJ has come to believe that the presentation of the CSM warranted further consideration.

The proposal to present the CSM as AOCI aims at promoting consistency between the presentation requirement of the CSM and the definition of a liability under the *Conceptual Framework*. The ASBJ also believes that this AOCI presentation could be applied irrespective of whether insurance contracts contained non-participating or participating features as the CSM would not significantly differ between participating contracts and non-participating contracts.

The paper was prepared by the ASBJ to stimulate discussions at the next ASAF meeting as well as globally. Its overall aim is to contribute to the IASB's ongoing deliberations and thus to support the Board in developing an insurance contract accounting standard that will be accepted globally. Click [here](#) to access the paper on the ASBJ's website

### **IASB issues work plan update**

Following its February meeting, the IASB has published a new work plan. The revised plan moves the target date for the Exposure Draft of the *Conceptual Framework* to the second quarter of 2015. The only other change to note is a change of scope and name of a research project. Click [here](#) for more information.

### **Summary of joint outreach event on rate-regulated activities**

The European Financial Reporting Advisory Group (EFRAG), the European Federation of Financial Analysts Societies (EFFAS) and the Association Belge des Analystes Financiers (ABAF), and the International Accounting Standards Board (IASB) have made available a report that summarises the discussions held during their outreach event held on 18 December 2014, which discussed how to achieve the objectives proposed in the IASB's Discussion Paper '*Reporting the Financial Effects of Rate Regulation*'. Click [here](#) for more information, see the press release and report on EFRAG's website.

### **IASB staff publishes update on the leases project**

The IASB staff has published a document that provides an overview of the definition of a lease as it would be defined in the upcoming leases standard as well as (1) accompanying guidance to assess whether a contract is a lease, (2) a summary of decisions, and (3) examples portraying hypothetical situations.

On 16 May 2013, the IASB and FASB issued a revised exposure draft to improve the accounting for leases. The Boards will be ending their redeliberations soon and will be deciding on an effective date within the next few months. According to this update, the new leases Standard is expected to be issued by the IASB before the end of 2015, which is slightly different than the IASB's current work plan of an expected issuance in the second half of 2015. Click [here](#) to access the IASB website and [here](#) for the Deloitte project page.

### **IFRS Foundation appoints two new Vice-Chairs to the Advisory Council**

The IFRS Foundation has announced the appointments of Gavin Francis and Goro Kumagai as Vice-Chairs to the IFRS Advisory Council. Mr Francis represents the Institute of International Finance and is the Deputy Group Chief Accounting Officer at HSBC Holdings plc. Mr Kumagai represents the Securities Analysts Association of Japan on the IFRS Advisory Council and is a Senior Fellow of the Strategic Research Department at Mizuho Securities Co. Ltd. Click [here](#) to see the press release on the IASB's website.

### **IASB and FASB discuss potential clarifications to joint revenue recognition guidance**

At their meeting on Wednesday, 18 February, the IASB and FASB discussed issues that their joint revenue Transition Resource Group (TRG) has identified in connection with implementation of their converged Standard, *Revenue From Contracts With Customers* (issued as IFRS 15 by the IASB and as ASU 2014-09 by the FASB). Specifically, the Boards addressed whether to clarify certain aspects of the Standard that seem to be causing implementation problems for some preparers.

Topics that one or both Boards may consider revising or clarifying include determining the nature of an entity's promise in granting a license of intellectual property, identifying performance obligations related to the level at which promised goods or services are identified in a contract with a customer, evaluating whether promised goods and services are distinct, and determining whether shipping and handling services are promised services in the contract or a fulfillment cost. Click [here](#) for more information and [here](#) for the tentative Boards' decisions on the FASB's website.

### **EFRAG recommends postponing the endorsement process on IAS 28/IFRS 10 amendments due to an identified conflict with IAS 28**

The European Financial Reporting Advisory Group (EFRAG) has recommended to the European Commission to postpone the endorsement process on the amendments to IFRS 10 and IAS 28 regarding the *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* until the IASB has addressed an identified conflict with IAS 28. Click [here](#) for more information.

### **IASB responds to EU Green Paper and states that the Capital Market Union would benefit from IFRS**

The European Commission has launched a project to boost growth in the EU with the creation of a single market for capital. The 'Capital Markets Union' aims to break down the barriers that are blocking cross-border investments in the EU and preventing businesses from getting access to finance. Click [here](#) for additional information

### **2015 IFRS 'Red Book' coming in March**

The International Accounting Standards Board (IASB) has announced that the 2015 edition of the Bound Volume of International Financial Reporting Standards (the 'Red Book') is now available. Click [here](#) for more information.

### **IASB member Darrel Scott reappointed**

The Trustees of the IFRS Foundation have announced the reappointment of Darrel Scott for a second term as IASB member beginning 1 July 2015. Darrel Scott was formerly CFO of the FirstRand Banking Group, one of the largest financial institutions in South Africa. Mr Scott was also a member of the IASB's International Financial Reporting Interpretations Committee (now IFRS Interpretations Committee), a position from which he resigned to become an IASB member in October 2010. In January 2013, Mr Scott became the new Chairman of the SME Implementation Group (SMEIG), a position that he will continue to hold during his second term as IASB member. Click [here](#) for more information available on the IASB website.

### **Death of Harvey Goldschmid, Vice-Chairman of the IFRS Foundation Trustees**

The Trustees and Monitoring Board of the IFRS Foundation have released condolences on the sudden death of Harvey Goldschmid, Vice-Chair of the Trustees of the IFRS Foundation.

The death of the former Commissioner of the US Securities and Exchange Commission (SEC) was announced by Columbia Law School where he was Dwight Professor of Law. Harvey Goldschmid was initially appointed Trustee of the IFRS Foundation in January 2010 and was subsequently reappointed for a second term. Since January 2015 he had been Vice-Chairman of the Trustees and Chairman of the Trustees' Due Process Oversight Committee (DPOC). Prior to contributing to the success of the IFRS Foundation as a Trustee, Mr Goldschmid chaired the joint IASB and FASB Financial Crisis Advisory Group (FCAG) together with the present IASB Chairman Hans Hoogervorst. Click [here](#) for the statement by the Trustees of the IFRS Foundation and [here](#) for the statement by the Monitoring Board of the IFRS Foundation linked to IASB website.

### **Feedback statement on outreach activities on rate regulation**

The European Financial Reporting Advisory Group (EFRAG) has published a feedback statement on input received during outreach activities conducted with European users on the IASB's Discussion Paper '*Reporting the Financial Effects of Rate Regulation*'.

The IASB issued its Discussion Paper in September 2014. To respond to the Discussion Paper, EFRAG has conducted interviews with investors and analysts to understand users' information needs in respect of an entity's rate-regulated activities.

Of the 19 users that were interviewed, a majority broadly favoured the inclusion of the financial effects of rate-regulated activities in the primary financial statements as this would enhance the usefulness of the information provided. They believed that recognising the economic effects of rate regulation in the primary statements would:

- result in a measure of performance that reflects what an entity is entitled to earn;
- result in useful financial information to assess prospects of future cash flows; and
- portray the economic reality of entities operating rate-regulated activities.

These users supported separate presentation of the effects of rate regulation on rate-regulated activities as they assess different risk profiles when entities also operate in areas that are not rate-regulated.

They also supported note disclosure that includes a qualitative description of the rate-regulated regimes in which the entity operates, information regarding the regulatory asset base and the factors affecting the rate-regulated revenue requirement agreed by the rate regulator.

However, some users interviewed noted that there are drawbacks to the recognition of the effects of rate regulation because most rate-regulated regimes are very complex and continually changing. In the view of these users, recognition of the effects of rate regulation at the expense of reliability and relevance would increase complexity and therefore reduce the understandability of financial statements. Click [here](#) to access the full feedback statement on the EFRAG website

#### **IFRS Foundation conference in Paris announced**

The IFRS Foundation announced the dates for its conference in Europe, which will be held in Paris on Monday 29 June 2015 and Tuesday 30 June 2015. The conference will feature presentations by Hans Hoogervorst, Chairman of the IASB, and Michel Prada, Chairman of the Trustees of the IFRS Foundation. Substantial break-out sessions will focus on implementing major new IFRSs – IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*. Click [here](#) for more information and [here](#) to access the IASB website.

#### **IASB proposes amendments to IAS 1 to clarify the classification of liabilities**

The International Accounting Standards Board (IASB) has published an Exposure Draft (ED) of proposed amendments to IAS 1 *Presentation of Financial Statements*. The amendments aim at a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. Comments are requested by 10 June 2015. Click [here](#) for more information.

#### **IASB podcast on progress in the insurance project**

The IASB has published a podcast that summarises the IASB's tentative decisions on transition reliefs in the IFRS on Insurance Contracts that is currently being developed. The earliest possible mandatory effective date of this new standard will be after 1 January 2018, the mandatory effective date of IFRS 9 *Financial Instruments*.

The tentative IASB decisions discussed in the podcast are:

- to confirm the transition relief proposals in the 2013 ED;
- to consider providing further transition relief to permit or require an entity to reassess the business model for financial assets at the date of initial application of the new Standard; and
- not to consider deferring the mandatory effective date of IFRS 9 for entities that issue Insurance Contracts.

Click [here](#) to listen to the podcast (link to IASB website).

#### **IFRS Foundation publishes update on the *Conceptual Framework* project**

The IFRS Foundation staff has published a document setting out the key tentative decisions made by the IASB up to the end of January 2015 that affect the proposals in the Discussion Paper on the *Conceptual Framework*. On 18 July 2013, the IASB issued Discussion Paper *A Review of the Conceptual Framework for Financial Reporting* to consider areas where revisions and amendments of the existing *Conceptual Framework* was needed. This project update summarises the effects of the redeliberations on various topics which have been substantially completed. An Exposure Draft is expected in the second quarter of 2015. Click [here](#) to access the document on the IASB's website. Deloitte has followed the redeliberations of the IASB and all tentative decisions to date; click [here](#) to see our *Conceptual Framework* project page for details.

#### **'EFRAG Update' for January**

The European Financial Reporting Advisory Group (EFRAG) has published an *EFRAG Update* summarising public technical discussions held and decisions made during January 2015.

The Update reports on the meeting of the EFRAG Board on 14 January and the meeting of the EFRAG Technical Expert Group (EFRAG TEG) on 28 – 30 January as well as written procedures of the EFRAG Board in January and two EFRAG TEG conference calls. The Update also lists EFRAG publications issued in January. Click [here](#) to download the January EFRAG Update from the EFRAG website.

#### **Hans Hoogervorst speaks about Ind AS as a 'stepping stone towards full IFRS adoption'**

At an IFRS Foundation conference in Mumbai, IASB Chairman Hans Hoogervorst commended India for the progress with the new Indian Accounting Standards (Ind AS) that are converging with IFRS, but also pointed at the benefits of full IFRS adoption. Mr Hoogervorst called the Indian IFRS developments "impressive achievements" and commented that "the new Ind AS should be considered as a very important stepping-stone on the path to adoption of IFRS". He also listed the benefits of embracing IFRS:

- a public commitment to high standards in corporate governance and reporting;
- a most likely fall in the cost of capital;
- a passport to access almost every capital market in the world; and
- acquisition of a skill set that is internationally recognised and highly sought after.

Click [here](#) for the full transcript of Mr Hoogervorst's speech available on the IASB's website.

## EFRAG issues final endorsement advice on Annual Improvements 2012-2014

The European Financial Reporting Advisory Group (EFRAG) has submitted to the European Commission its endorsement advice letter on the amendments resulting from the 2012–2014 cycle of Annual Improvements. Click [here](#) for more information.

## Feedback statement on the Discussion Paper on the accounting treatment for goodwill

In July 2014, a research group of the Accounting Standards Board of Japan (ASBJ), the European Financial Reporting Advisory Group (EFRAG) and the Italian standard setter Organismo Italiano di Contabilità (OIC) published a Discussion Paper (DP) *Should Goodwill still not be Amortised? – Accounting and Disclosure for Goodwill* that argued that the reintroduction of amortisation of goodwill would be appropriate. A feedback statement summarising the comments received on the DP is now available. Click [here](#) for more information and [here](#) to access the EFRAG website.

## Hans Hoogervorst speaks about IFRSs at stakeholder event

At the IFRS Foundation trustees' stakeholder event in Zurich, Switzerland, IASB Chairman Hans Hoogervorst provided an update on IFRS progress, use of IFRS in Switzerland, and steps taken to address complexity and volatility. Click [here](#) for the full transcript and [here](#) for a video recording of Chairman Hoogervorst's speech are available on the IASB's website.

[Back to top](#)

## Deloitte IFRS communications and publications

Issuance date	Description
19 February 2015	<b>A Closer Look:</b> Fair value measurement of financial instruments under IFRS 13
10 February 2015	<b>IFRS in Focus:</b> IASB proposes amendments to IAS 1 to clarify the criteria for the classification of a liability as either current or non-current
9 February 2015	<b>IFRS in Focus:</b> Joint meeting on Revenue

[Back to top](#)

## IASB and IFRS Interpretations Committee meetings

Description	
IASB meeting	Click <a href="#">here</a> for the 18 – 20 February 2015 meeting notes

[Back to top](#)

## 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

[Back to top](#)

## Comment letters

	Description	Receiving party	Date issued/ Comment deadline
Comment letters issued	–	–	–
Comment letters pending	Exposure draft ED/2015/1: <b><i>Classification of Liabilities (Proposed amendments to IAS 1)</i></b>	IASB	10 June 2015
	Exposure Draft ED/2014/6: <b><i>Disclosure Initiative (Proposed amendments to IAS 7)</i></b>	IASB EFRAG	17 April 2015 16 April 2015
	Exposure Draft ED/2014/5: <b><i>Classification and Measurement of Share-based Payment Transactions (Proposed amendments to IFRS 2)</i></b>	IASB	25 March 2015

[Back to top](#)

## Effective dates

Click [here](#) for upcoming and recent effective dates.

[Back to top](#)

## Key contacts

*Global IFRS Leader*  
Veronica Poole  
ifrsglobalofficeuk@deloitte.co.uk

### IFRS Centres of Excellence

#### Americas

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

#### Asia-Pacific

<i>Australia</i>	Anna Crawford	ifrs@deloitte.com.au
<i>China</i>	Stephen Taylor	ifrs@deloitte.com.cn
<i>Japan</i>	Shinya Iwasaki	ifrs@tohatsu.co.jp
<i>Singapore</i>	Shariq Barmaky	ifrs-sg@deloitte.com

#### Europe-Africa

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

[Back to top](#)

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