

IFRS on point.

Financial Reporting Developments and Information: March 2015

Contents

International headlines

Deloitte IFRS communications and publications

IASB and IFRS Interpretations Committee meetings

Hot topics on IFRS

Comment letters

International headlines

IASB Chairman discusses non-GAAP measures

In a speech given in Seoul, Korea, Hans Hoogervorst, Chairman of the International Accounting Standards Board (IASB), stressed that 'greater discipline' was needed in the use of non-GAAP measures.

Mr Hoogervorst touched on several topics during his speech; including the *Disclosure Initiative* and the IFRS Taxonomy, but the main focus of his remarks were non-GAAP measures and their relation to IFRS financial statements.

In his speech, he admitted that alternative performance measures (or 'non-GAAP measures') could be very helpful as IFRSs did not cater to individual sectors but aimed at creating comparability across sectors. This made them comparatively generic, and alternative performance measures could be used to provide investors with additional, more tailored insight into how a company was being run. Yet he also warned that alternative measures were not free of bias as even seemingly common measures such as EBITDA were often presented in an 'adjusted' or 'normalised' or otherwise modified form. In addition, non-GAAP measures were often presented with a prominence that obscured IFRS numbers.

The basic rules Mr Hoogervorst referred to were that alternative performance measures should not present information that was misleading and that this information should not be given greater prominence in the financial statements than the IFRS numbers. He also stressed that the IASB was aware that this might be an area where more action was needed. He said: "We are also open to the idea of learning from the use of non-GAAP measures. Where the use of such measures is widespread and many companies are systematically adjusting the IFRS numbers, then maybe there is a vacuum in IFRS that we need to look at." However, he also pointed out that the IASB had already begun to act. Mr Hoogervorst cited the December 2014 amendments to IAS 1 as a case in point and also mentioned that a Discussion Paper on the principles of disclosure was expected to be published by the end of 2015.

Click [here](#) to view the full text of Mr Hoogervorst's speech from the IASB website.

For more useful information please see the following websites:

www.iasplus.com

www.deloitte.com

Report on the February 2015 IFRS Advisory Council meeting

A report on the IFRS Advisory Council meeting held in London on 23-24 February 2015 has been posted to the IASB's website. The main non-standing topics for discussion were the 2015 Agenda Consultation, a consideration of the opportunities for the IFRS Foundation arising from the risks identified in the October 2014 meeting, the Accounting Standards Advisory Forum (ASAF) review and further discussion on the future of Corporate Reporting, in particular the Global Reporting Initiative. The Council also considered the latest developments on the Revenue Transition Resource Group, the strategy for IFRS Foundation MOUs and the Education Initiative strategy. Click [here](#) for more information.

Second issue of the IASB's new publication series for investors

The IASB has issued the second edition of its newsletter '*The Essentials*' that aims at increasing investors' awareness of IFRS and enhancing the insights they obtain when analysing information produced by IFRS financial statements.

The series was introduced in the latest *Investor Update* the IASB published. The second issue of this series deals with the presentation of financial statements and addresses reporting principles and the differences between IFRSs and US GAAP in the reporting of extraordinary items. Click [here](#) for more information.

IASB issues work plan update

Following its March meeting, the IASB has published a new work plan. Most notable changes are delays in the *Conceptual Framework* project and in the *Principles of Disclosure* project as well as a new project on clarifications to IFRS 15. Click [here](#) for the updated work plan.

IASB issues '*Investor Perspectives*' on cash flows

The IASB has released a new edition in its '*Investor Perspectives*' series. In this edition, guest contributors Nick Anderson, Gunnar Miller and Tanya Branwhite discuss the proposed debt amendments to IAS 7 *Statement of Cash Flows*.

The newsletter discusses the "modest" changes proposed to IAS 7 for additional disclosure requirements.

The proposed changes will require companies to reconcile the movement in debt from one period to another. Combining this with the existing information from the cash flow statement will facilitate a net debt reconciliation. Click [here](#) for more information on the March 2015 edition of the *Investor Perspectives* newsletter on the IASB's website.

IASB's Financial Instruments Guide 2015 coming soon

The IFRS Foundation has announced that the 'Financial Instruments 2015 Guide' will shortly be available. The guide offers the complete text, with extensive cross-references, of the Standards on financial instruments issued by the IASB.

The guide comprises two volumes:

- Volume 1 is a guide through the official text of IAS 39 and the other financial instruments Standards as it assumes no early application.
- Volume 2 is a guide through the official text of IFRS 9 and the other financial instruments Standards assuming early application.

Click [here](#) for more information.

European Commission decides on EFRAG Chair

The European Commission decided to nominate Mr Wolf Klinz as President of the Board of the European Financial Reporting Advisory Group (EFRAG).

Mr Klinz is a former member of the European Parliament. He was Chairman of the Special Committee on the Financial, Economic and Social Crisis (CRIS) and sat on the European Parliament's Committee on Economic and Monetary Affairs (ECON). He is due to take office after his nomination is submitted to the European Parliament and Council and after appointment by the General Assembly of EFRAG. Click [here](#) for more information.

EFRAG recommends adoption of IFRS 15 without deferral of the 2017 effective date

The EFRAG has submitted to the European Commission (EC) its endorsement advice letter on IFRS 15 *Revenue from Contracts with Customers*. As part of its assessment EFRAG considered whether it would recommend a deferral of the 1 January 2017 effective date included in IFRS 15 but decided against doing so. Click [here](#) for more information and [here](#) for the press release. Click [here](#) to access the Endorsement Advice Letter to the EC (including Basis for Conclusions and evaluation of costs and benefits) available on the EFRAG website.

Latest IASB 'Investor Update' with Interview with a Trustee of the IFRS Foundation issued

The IASB has issued the fourth edition of its newsletter 'IASB *Investor Update*' to provide investors with quick access to information on current accounting and financial reporting issues. The newsletter aims to keep investors informed on new and changing guidance.

This issue features:

- Current projects that need input from the investment community
- Spotlight: Are you getting *The Essentials*? (introducing a new publication series for investors that aims to provide an overview of how a specific accounting Standard (or aspect of it) is relevant to financial statement analysis)
- In profile: An interview with an IFRS Foundation Trustee, Dick Sluimers, who shares his views on the merits of joining the Investors in Financial Reporting programme and contributing to the standard-setting process
- Stay up-to-date: current events calendar

Click [here](#) for more information. The IASB *Investor Update* newsletter is available on the IASB's website. Click [here](#) for the interview with Dick Sluimers published on the IASB website.

IASB issues update on the insurance contracts project

The IASB has published a document that provides an overview of the general model for insurance contracts without participation features. The document also includes the tentative decisions reached during deliberations, as well as the reasoning behind those decisions.

On 20 June 2013, the IASB issued a revised Exposure Draft that establishes the principles that insurers should apply to report the nature, amount, timing and uncertainty of cash flows from insurance contracts. The IASB has substantially completed all issues related to the accounting for insurance contracts without participation features. It will review the accounting for insurance contracts with participation features to determine whether additional modifications are needed before it completes the project. A new Standard is expected after 2015. Click [here](#) to access the document on the IASB's website.

Document setting out the likely practical effects of the forthcoming Standard on leases

The IASB has published a document that provides an overview of (1) the likely practical effects of the new Standard on leases and (2) the similarities and differences between the IASB's requirements and those of the US Financial Accounting Standards Board (FASB).

On 16 May 2013, the IASB and FASB issued a revised Exposure Draft to improve the accounting for leases. The Boards worked closely together on this project, however, the final conclusions are not converged although the Boards have reached the same decisions in many areas. Both Boards will be ending their redeliberations soon and will be deciding on an effective date within the next few months. The IASB's new leases Standard is expected to be issued before the end of 2015. Click [here](#) to access the document on the IASB's website.

Hans Hoogervorst speaks about pension accounting

In a speech given at a conference of the UK National Association of Pension Funds (NAPF), Hans Hoogervorst, Chairman of the IASB, went into detail on three aspects of pension accounting. He first visited the question of whether the IASB relied too much on fair value measurement in its standards and whether this would lead to too much market volatility, which would not serve the long-term perspective of long-term investors.

Secondly, Mr Hoogervorst then turned to recent amendments of IAS 19 *Employee Benefits*. With reissuing IAS 19 in 2011, the IASB removed the so-called 'corridor method' of deferring the recognition of actuarial gains and losses effective 1 January 2013.

Thirdly, Mr Hoogervorst commented on the fact that pension schemes were currently being transformed in a very rapid fashion and hybrid pension schemes were on the rise. While these schemes might be more affordable to companies, they made the accounting for them more difficult. The binary approach of IAS 19 (defined benefit vs defined contribution) was difficult to uphold vis-à-vis "this new, infinitely variable pension landscape", Mr Hoogervorst said. He therefore pointed at the IASB's research project on pension accounting that aimed at developing an approach to pension accounting that worked for all types of schemes. Click [here](#) to download the full text of Mr Hoogervorst's speech from the IASB website.

2015 IFRS XBRL taxonomy issued

The IFRS Foundation has issued its 2015 IFRS Taxonomy. The IFRS Taxonomy is a translation of IFRSs into eXtensible Business Reporting Language (XBRL).

The 2015 taxonomy is consistent with IFRSs as issued by the IASB at 1 January 2015 and IFRS for Small and Medium-sized Entities as issued on 9 July 2009. The IFRS Taxonomy 2015 includes IFRS Taxonomy Interim Release 1 (issued May 2014) and Interim Release 2 (issued November 2014). In addition, the final changes in proposed Interim Release 3 (issued December 2014) have been incorporated into the 2015 taxonomy. Click [here](#) to see the press release and click [here](#) for the IFRS Taxonomy 2015 page on the IASB's website.

IASB publishes editorial corrections

The IASB has published a batch of editorial corrections that retract a previous correction and impact consequential amendments, stand-alone standards, and the IASB's "2014 IFRS (Red Book)", "A Guide Through IFRS 2014", and "2015 IFRS (Blue Book)". Click [here](#) for more information and click [here](#) for the full editorial corrections available on the IASB website.

IFRS 2015 'Red Book' now available

The 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.

Two papers regarding measurement aspects in the *Conceptual Framework*

Two papers regarding measurement aspects in the *Conceptual Framework* were discussed at the ASAF meeting, which was held at the IASB's offices in London on 26-27 March 2015. In the first paper, the Accounting Standards Board of Japan (ASBJ) provides its view on the IASB's tentative decisions regarding identification, description and categorisation of measurement bases. The ASBJ believes that the IASB's tentative decision to have a binary classification (classifying measurement bases into historical cost and current value) is insufficient.

In the second paper, the ASBJ underlines its view that the nature of an entity's business activities has a significant effect on various aspects of accounting standard-setting and that there should be an overarching description in the *Conceptual Framework* that should be applied consistently throughout the standard-setting process. The ASBJ thus disagrees with the IASB's tentative decision that the forthcoming Exposure Draft of possible changes to the *Conceptual Framework* should not provide a single overarching description of how the nature of an entity's business activities would affect standard-setting. In the paper, the ASBJ identifies questions that need to be answered in this context and suggests principles for classifying and describing the nature of an entity's business activity. Click [here](#) for more information.

[Back to top](#)

Deloitte IFRS communications and publications

Issuance date	Description
23 March 2015	IFRS Project Insights: Insurance contracts
3 March 2015	IFRS Project Insights: Leases

[Back to top](#)

IASB and IFRS Interpretations Committee meetings

Description	
ASAF meeting	Click here for the 26 – 27 March 2015 meeting notes
IFRS IC meeting	Click here for 24 March 2015 meeting notes
IASB meeting	Click here for the 17 – 19 March 2015 meeting notes
IFRS AC meeting	Click here for the 23 – 24 February 2015 meeting notes

[Back to top](#)

Hot topics on IFRS

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

[Back to top](#)

Comment letters

	Description	Receiving party	Date issued/ Comment deadline
Comment letters issued	Exposure Draft ED/2014/5: <i>Classification and Measurement of Share-based Payment Transactions (Proposed amendments to IFRS 2)</i>	IASB	25 March 2015
	Tentative agenda decision on IAS 12: <i>Deferred tax on associates</i>	IFRS Interpretations Committee	25 March 2015
Comment letters pending	Exposure Draft ED/2015/1: <i>Classification of Liabilities (Proposed amendments to IAS 1)</i>	IASB	10 June 2015
		EFRAG	3 June 2015
	Exposure Draft ED/2014/6: <i>Disclosure Initiative (Proposed amendments to IAS 7)</i>	IASB	17 April 2015
		EFRAG	16 April 2015

[Back to top](#)

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[Back to top](#)

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