

IFRS on point

Financial Reporting Developments and Information: March 2016

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IFRS Foundation appoints new Trustee

The IFRS Foundation has announced the appointment of Guillermo Babatz as Trustee of the IFRS Foundation. The appointment will begin on 1 April 2016.

Mr Babatz is Managing Partner at Atik Capital, S.C., and was the former executive chairman of Comisión Nacional Bancaria y de Valores (CNBV), the Mexican banking and securities commission. Mr Babatz appointment fills one of the two vacancies to represent North America.

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

2016 IFRS XBRL taxonomy issued

The IFRS Foundation has issued its 2016 IFRS Taxonomy. The IFRS Taxonomy is a translation of IFRSs (International Financial Reporting Standards) into XBRL (eXtensible Business Reporting Language).

The *IFRS Taxonomy 2016* is consistent with IFRSs as issued by the IASB at 13 January 2016 and incorporates the finalised taxonomy update 1 and the finalised taxonomy update 2, both published by the IFRS Foundation in December 2015. Final changes resulting from the proposed taxonomy update 3 published in January 2016 have been incorporated directly into the *IFRS Taxonomy 2016*.

On 13 April 2016, the IFRS Taxonomy team is holding a webinar session to answer questions about the *IFRS Taxonomy 2016*.

Click [here](#) for more information to see the press release and [here](#) for the *IFRS Taxonomy 2016* page on the IASB's website.

IFRS 2016 'Red Book' now available

The International Accounting Standards Board (IASB) has announced that the 2016 edition of the Bound Volume of International Financial Reporting Standards (the 'Red Book') is now available.

The *Red Book* contains all official pronouncements that have an effective date after 1 January 2016. Accordingly, the 2016 edition includes the following changes made since 1 January 2015: IFRS 16 *Leases* as well as amendments to IFRS 15 (effective date) and IFRS 10/IAS 28 (effective date of amendments).

Click [here](#) for more information.

For more useful information please see the following websites:

www.iasplus.com

www.deloitte.com

IASB publishes editorial corrections

The IASB has published a batch of editorial corrections that retract a previous correction and impact stand-alone Standards and the IASB's "2015 IFRS (Red Book)", "A Guide Through IFRS 2015", and "2016 IFRS (Blue Book)".

The editorial corrections affect the following individual pronouncements:

- *Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)*;
- IFRS 16 *Leases*; and
- IFRS 9 *Financial Instruments*.

Editorial corrections to *A Guide through IFRS 2015*, *2015 IFRS (Red Book)* and *2016 IFRS (Blue Book)* affect the following Standard:

- IAS 39 *Financial Instruments: Recognition and Measurement*

Editorial corrections do not change the meaning or application of pronouncements, but instead correct inadvertent errors.

Click [here](#) to view the editorial corrections on the IASB's website.

IASB updates IFRS for SMEs guide

The IASB has updated *A Guide to the IFRS for SMEs*. The updated guide is designed to provide a briefing of the IFRS for SMEs for lenders, creditors, and other interested parties.

Click [here](#) to see *A Guide to the IFRS for SMEs* booklet on the IASB website.

IFRS Foundation adds 3 new jurisdiction profiles on the use of IFRS around the world

The IFRS Foundation (IFRSF) has added 3 new jurisdiction profiles on the use of IFRS, bringing the total number of profiles completed to 143 jurisdictions.

The three new jurisdiction profiles cover Gambia, Kuwait and Qatar.

The IFRSF has been using information from various sources to develop the profiles about the use of IFRSs in individual jurisdictions. We are proud that IAS Plus with the assistance of our Deloitte member firms has been able to help the IFRS Foundation with this ambitious project, which is led by Paul Pacter, former IASB member and former webmaster of IAS Plus who originally set up our popular table on the use of IFRSs around the world which is supplemented by the more detailed table on the use of IFRSs by the G20 jurisdictions.

Click [here](#) to view the profiles and analyses that are available through the press release on the IASB's website.

IASB issues *Investor Update* newsletter

The IASB has issued the ninth edition of its newsletter *Investor Update*, which provides investors with quick access to information about current accounting and financial reporting topics.

This issue features:

- an interview with the President of the Asian Infrastructure Investment Bank, Mr Jin Liqun;
- an overview of key features in the new leases standard, IFRS 16;
- current projects that need input from the investment community; and
- a calendar of current events.

Click [here](#) to access the *Investor Update* newsletter available on the IASB's website.

IASB updates work plan

Following its March 2016 meeting, the IASB has updated its work plan. As mentioned before, directly tracing the Board's progress on the individual projects has become impossible since the change of the work plan format in July 2015, unless the Board makes definite progress or has to make larger corrections. Of these, only a few can be identified since the previous work plan. However, the IASB has begun to indicate the month which issuance of exposure drafts or final standards may occur.

Updates regarding the implementation projects are as follows:

- Amendments to IFRS 4: Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts*: No longer has a comment to determine the direction of the project within 3 months, but now includes that a new Standard is expected within 6 months.
- Clarifications to IFRS 8 arising from the post-implementation review: The exposure draft is now expected within 6 months, previously it was within 3 months.
- Clarification of classification and measurement of share-based payment transactions: The new Standard is now expected within 6 months, previously it was within 3 months.
- Clarifications to IFRS 15 *Revenue from Contracts with Customers*: issues emerging from TRG discussions: previously indicated that a new Standard was expected in the March/April 2016 timeframe; now it's solely expected in April 2016.
- Classification of liabilities: The new Standard is now expected after 6 months; previously it was expected within 6 months.

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

IASB webcast on IFRS 16 transition now available

As part of the IASB webcast series on IFRS 16 implementation, the IASB staff has made available a webcast related to IFRS 16 transition requirements for lessees.

This webcast discusses the transition steps that a lessee is required to perform and includes highlights of available transition relief and the decisions that need to be made at each stage.

Click [here](#) to see the webcast available on the IFRS 16 implementation page on the IASB's website.

IASB member discusses the disclosure initiative

The IASB member Gary Kabureck has issued an article, "Footnotes of the Future – Reflections from the Disclosure Initiative". In his article, he discusses the progress the Board has made to improve disclosure effectiveness and looks at the next steps for this project.

The article features:

- examples of how the amendments to IAS 1 in December 2014 helped preparers improve their financial reporting;
- the importance of identifying the primary users;
- an assessment of disclosure materiality; and
- discussion on material and immaterial errors.

Click [here](#) to access the full article available on the IASB's website.

IASB Chairman encourages Vietnam to adopt IFRSs

At a workshop on '*Experiences of IFRS Implementation in Developing Countries*' in Hanoi, IASB Chairman Hans Hoogervorst discussed a possible IFRS adoption in Vietnam.

Mr Hoogervorst began his speech by stressing that IFRSs bring transparency, improve accountability, and help companies and markets to operate more efficiently. He also noted academic research that shows that most emerging economies adopting IFRSs see a reduction in their cost of capital. He therefore invited Vietnam to adopt IFRSs as a means to unlock the wealth of opportunity Vietnam has to offer and to make it an attractive place for international investors to invest.

Mr Hoogervorst then turned to the question of whether Vietnam should adopt IFRSs as they are or try to modify IFRSs to meet local requirements. He strongly recommended adopting.

"The big reason is economics. If a country adopts IFRS Standards to attract foreign capital, then developing a country-specific version of the Standards makes no sense. International investors just don't have the time to study local variations to IFRS Standards. Even small changes make them nervous about the quality of the standards. Investors have plenty of investment opportunities around the world. The benefits of adjusting IFRS Standards are tiny when compared to the international recognition that comes with full adoption."

Mr Hoogervorst also noted that adopting IFRSs as they are was much easier and quicker than trying to make one's own modifications. He also pointed out that Vietnam had a very young accountancy profession and developing the profession would be a lot easier when tapping into a wealth of IFRS materials, resources, training courses and people from around the world.

Mr Hoogervorst concluded his speech by briefly touching on two other topics. He commented on the use of IFRSs around the world and particularly pointed out developments in Japan, India and China. And he also explained how the IASB is trying to help overcome the transition challenges for emerging economies. In this context, he pointed at the IASB's Emerging Economies Group (EEG) and the IFRS for SMEs.

Click [here](#) to access the full text of the speech on the IASB's website. And [here](#) for the supporting slideshow.

IASB issues Education Initiative article

The IASB has issued an article, *"Supporting implementation through education,"* by financial journalist Liz Fisher. The article provides an overview of the IFRS Foundation's Education Initiative.

The Education Initiative was created by the IFRS Foundation in 2005 to support and promote consistent application of IFRS Standards throughout the world. The article discusses four areas of the initiative: (1) framework-based education, (2) supporting those using IFRSs, (3) supporting those using *IFRS for SMEs*, and (4) IFRS education for investors.

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

IFRS conference on implementing IFRS 16

The IFRS Foundation has announced an IFRS conference '*Implementing IFRS 16: Leases*' in London on 20 May 2016.

The conference will cover the following:

- Welcome by IASB Chairman Hans Hoogervorst;
- IFRS 16: an overview;
- transition – what are your options and how to make the right transition decisions;
- 4 months into 3 year implementation period: what should you be doing now?;
- implementation: hot topics;
- systems requirements;
- ratings and valuations; and
- panel discussion: implementation – a roadmap for change.

Click [here](#) for more details available on the conference website.

IFRS conference in Zurich announced

The IFRS Foundation has announced an IFRS conference in Zurich on 30 June and 1 July 2016.

The conference will include discussions on the implementation of IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases*. In addition, the conference will cover the following:

- speech by IASB Chairman Hans Hoogervorst on the future of financial reporting;
- key note address;
- IASB update;
- panel discussion on consistent application;
- panel discussion on the future of financial reporting; and
- workshops on:
 - goodwill and impairment;
 - disclosure initiative;
 - insurance contracts; and
 - *Conceptual Framework*

Click [here](#) for more details available on the conference website.

Constituents believe derecognition of modified financial assets needs to be addressed by the Board

In November 2015, the IFRS Interpretations Committee discussed a potential project to clarify the requirements in IFRS 9 and IAS 39 regarding the derecognition of modified financial assets and tentatively decided not to add the project to its agenda. Comment letters on the tentative agenda decision show that constituents believe that not dealing with the problem is not an option.

In coming to its tentative negative agenda decision, the Interpretations Committee had argued that the issue was too complex to deal with in a narrow-scope project and that informal feedback received from individual IASB members had indicated that there was *"little appetite to take on such a project"*.

Reactions from constituents (including ESMA, the Japanese standard-setter ASBJ, the German standard-setter ASCG, and Deloitte) were quite sharp in some cases given that (i) neither IAS 39 nor IFRS 9 include requirements that are sufficient regarding the modification of financial assets, which leads to a risk of diversity in accounting practice; (ii) the modification of financial assets is already an issue that arises in practice; (iii) such transactions are likely to increase given the current economic environment; and (iv) potential issues that could arise under IFRS 9. One comment letter states:

"We consider the decision being inappropriate given that there is an issue in practice. While the IFRS IC take the view that it is not appropriate to progress with the issue "at this time" and that it cannot be resolved "through an interpretation", we point to the fact that there are other means to address an issue, even in case it is a broad one."

And another adds:

"Indeed, this issue has been a contentious area for some years and has been discussed by the Committee in every year from 2012 to 2015."

The issue was set to be discussed at the IFRS Interpretations Committee meeting held on 22 March 2016. Despite the comments received (all but one advocate further action) the staff recommended finalising the agenda decision with only a few suggested editorial changes as the comment letters received did not reveal any new information.

Please click below for the following additional information:

- **agenda paper** including all comment letters received as Appendix B; and
- our **meeting summary** of the agenda item.

CRD releases materiality statement

The Corporate Reporting Dialogue (CRD), which brings together organisations that have significant international influence on the corporate reporting landscape, has issued a statement that compares the definitions and approaches to materiality by CRD participants.

The statement includes a comparison of materiality from the following organisations:

- CDP;
- Climate Disclosure Standards Board (CDSB);
- Financial Accounting Standards Board (FASB);
- Global Reporting Initiative (GRI);
- International Accounting Standards Board (IASB);
- International Integrated Reporting Council (IIRC);
- International Organization for Standardization (ISO); and
- Sustainability Accounting Standards Board (SASB).

In October 2015, the IASB published an exposure draft on the concept of materiality, which explains and illustrates the concept of materiality and helps preparers of financial statements when applying the concept.

Click **here** for more information to see the statement on the CRD's website.

ESMA publishes report on the activities of accounting enforcers and their findings within the EU in 2015

The report provides an overview of the activities of the European Securities and Markets Authority (ESMA) and the accounting enforcers in the European Economic Area (EEA) when examining compliance of financial information provided by issuers listed on regulated markets with the applicable financial reporting framework in 2015.

Overall, enforcement actions have been taken against a quarter of the issuers included in the sample of 189 issuers. In many cases, enforcement actions cover several areas of the same set of IFRS financial statements. In relation to the application of the new consolidation package, ESMA and the European enforcers acknowledge the good quality of application of IFRS requirements in the 2014 financial statements. ESMA believes that there is still room for improvement in the application of the IAS 12 requirements related to recognition, measurement and disclosures of deferred tax assets arising from tax losses. Therefore, in light of the economic environment as well as the fact that the examination is performed on a sample basis, where material, these areas will continue to be analysed in 2016.

Click [here](#) to access the full report on the ESMA website.

EFRAG questionnaire reveals different assessments of proposed definitions of assets and liabilities

In order to test whether the proposed new definitions in the IASB's exposure draft ED/2015/3 *Conceptual Framework for Financial Reporting* will be interpreted similarly by different persons, the European Financial Reporting Advisory Group (EFRAG) has published a questionnaire in October 2015.

The questionnaire presented nine arrangements and asks respondents to provide their assessment of whether different aspects of the definitions of assets and liabilities proposed in the May 2015 ED are met. Respondents are asked to provide their assessment solely based on the proposed definitions and the additional guidance included in the ED.

The main issues identified by the questionnaire were the following.

- The term '*present*' was interpreted differently by the respondents when the term was considered in relation to the definition of an asset.
- The respondents had different views of what and how many past events it was necessary to consider when assessing whether the control of an economic resource arose as result of past events.
- Respondents had different assessments about whether the economic resource related to a lottery ticket was controlled by the entity acquiring the lottery ticket.
- Respondents had different assessments about whether an improved market position had the potential to produce economic benefits.
- Respondents had different assessments about whether an assembled workforce resulted in a right of an entity.
- Respondents had different assessments about whether the costs of legal advisors related to a restructuring resulted in an obligation to transfer an economic resource.
- Although respondents generally thought that the economic resource related to a lease agreement was controlled by the entity, their arguments for this assessment were different.
- Respondents had different assessments about whether the deposit guarantee scheme resulted in an obligation to transfer an economic resource (for payments in future years).

Click [here](#) to access the summary of responses on the EFRAG website. EFRAG has provided the results of the test to the IASB staff.

EFRAG and ICAS issue financial reporting research report

EFRAG and ICAS have issued a research report, "*Professional investors and the decision usefulness of financial reporting*", which examines the use of financial reporting by professional investors and how the results of the research may have standard-setting implications.

The research report discovered that:

- "The objective of investors (valuation or stewardship) does matter;
- Investors are strongly anchored on the income statement;
- Investors have strong reservations about the representational faithfulness of bottom line figures;
- Regardless of its shortcomings, financial accounting information is a key input factor for investors' decision making; and
- The quality of corporate governance, including audit, influences investors' assessment of the representational faithfulness."

In addition, the research report noted that (1) different objectives for financial reporting need to be prioritised by standard-setters; (2) income statements were considered more useful than the balance sheet; (3) standardised performance measures for the income statement need to be enhanced; and (4) *“investors’ perceptions of corporate governance significantly affect their views of representational faithfulness.”*

Click [here](#) for more information to see the press release and report on the EFRAG website.

Chief Accountant of the SEC comments on revenue recognition

At an accounting and reporting congress in Philadelphia, Jim Schnurr, Chief Accountant of the US Securities and Exchange Commission (SEC), shared some of his thoughts and perspectives on the continuing transition activities for the new revenue Standard.

One of the aspects Mr Schnurr elaborated on was the status of the revenue transition resource group (TRG) formed jointly by the IASB and the FASB to keep the standard-setters informed on interpretive issues occurring during implementation of the converged revenue recognition Standard and to assist in determining what action may be needed to resolve diversity in practice.

In January this year, the IASB announced that it will no longer attend TRG meetings and stated: “The Board is now of the view that stakeholders need to know that they can continue their implementation process with the confidence that IFRS 15 will not be subject to further changes.” The FASB declared in February that it will continue to address implementation issues and has scheduled three TRG meetings for 2016.

On this development, Mr Schnurr commented:

“While I am optimistic that the key practice issues that require standard setting have been identified through the implementation activities of preparers, auditors and standard setters, I am concerned that there are still a number of questions that would benefit from the TRG process. [...] Without joint participation of the IASB’s TRG in the coming scheduled FASB TRG meetings, there is a concern that IFRS 15 may be interpreted through a U.S. GAAP lens without the perspective of IFRS preparers.”

He even went as far as suggesting that IFRS preparers could *“provide input to the FASB staff and the FASB TRG participants to the extent they believe they have important factors that should be considered for discussion by the FASB TRG”*. At a minimum, he noted, he expected SEC registrants to monitor the TRG discussions and meeting minutes to inform their selection and implementation of reasonable policies.

Click [here](#) to access the full text of Mr Schnurr’s speech on the SEC website.

ASBJ publishes ED of further ‘deletions or modifications’ to IFRSs

June 2015, the Accounting Standards Board of Japan (ASBJ) issued *Japan’s Modified International Standards (JMIS): Accounting Standards Comprising IFRSs and the ASBJ Modifications*, which covered Standards and Interpretations issued by the International Accounting Standards Board (IASB) as at 31 December 2012. The ASBJ has now completed consideration of IASB pronouncements as at 31 December 2013 and proposes additional ‘deletions or modifications’.

JMIS constitute the fourth set of accounting Standards for consolidated financial statements in Japan in addition to designated IFRSs, Japanese GAAP, and US GAAP and are part of the effort to promote the application of IFRS in Japan towards the ultimate goal of achieving a single set of high-quality global Standards. The ‘deletions or modifications’ to the Standards issued by the IASB may be resolved depending on future discussions in Japan and at the IASB and should, therefore, be viewed as transitional treatments. (Currently, no company applies JMIS yet.)

The exposure drafts published today propose ‘deletions or modifications’ for the following two items related to IFRS 9 (2013):

- (a) *Non-recycling of the hedging gain or loss on fair value hedges of investments in equity instruments measured at fair value through other comprehensive income*: The ASBJ proposes that the gain or loss on a hedging instrument arising from fair value hedges that are recognised in other comprehensive income is reclassified to profit or loss; and
- (b) *Basis adjustments in cash flow hedges*: The ASBJ proposes that when an amount is removed from the cash flow hedge reserve, which is a component of equity, a corresponding amount is included in other comprehensive income in the statement of comprehensive income.

Click [here](#) for access to all exposure documents as well as a press release on the ASBJ website (all documents available in the English language).

Research into the impact of IFRS adoption in Australia

The Australian Accounting Standards Board (AASB) is currently conducting a review of the published empirical research that has examined the impact of International Financial Reporting Standards (IFRS) adoption on publicly listed Australian companies and other capital market participants. First findings were discussed during the last AASB meeting.

Click [here](#) for more information.

We comment on the IASB's proposed amendments to IAS 40

We have responded to the IASB's Exposure Draft *Transfers of Investment Property (Proposed amendments to IAS 40)* that was published in November 2015.

As stated in the comment letter, we welcome the Board's initiative to addressing the issue; however, we believe that additional clarity needs to be provided on the application to properties under construction and the role of management intent in an assessment of whether a change in use has occurred.

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

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Deloitte IFRS communications and publications

Issuance Date	Description
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IASB and IFRS Interpretations Committee meetings

Description	
ASAF meeting	Click here for the 26 – 27 March 2016 meeting notes
IFRS IC meeting	Click here for the 22 March 2016 meeting notes
IASB meeting	Click here for the 15 – 16 March 2016 meeting notes

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Hot topics on IFRS

Topic	
Country by country reporting	Click here for more information on the developments related to proposals to require the publishing of financial information by country or jurisdiction
Differential reporting	Click here for more information dealing with the financial reporting needs and requirements of different categories of entities (listed, public, private).
Global financial crisis	Click here for more information on global financial crisis
Islamic accounting	Click here for more information responding to concerns that existing accounting Standards such as IFRSs or local GAAP may be perceived to be insufficient to account for and report Islamic financial transactions.
Use of IFRS by jurisdiction	Click here for more information on use of IFRS within different jurisdictions
IFRS in Europe	Click here for more information on IFRS in Europe
Research and education matters	Click here for more information on research and education matters

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Comment letters

	Description	Receiving party	Date issued/ Comment deadline
Comment letters issued	Exposure draft ED/2015/9: <i>Transfer of Investment property – Proposed amendments to IAS 40</i>	IASB	14 March 2016
Comment letters pending	–	–	–

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Effective dates

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

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Key contacts

Global IFRS Leader

Veronica Poole
ifrsglobalofficeuk@deloitte.co.uk

IFRS Centres of Excellence

Americas

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

Asia-Pacific

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

Europe-Africa

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

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