

IFRS on point

Financial Reporting Developments and Information: May 2016

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International headlines

IASB updates work plan

Following its May 2016 meeting, the IASB has updated its work plan. Changes to the work plan include:

Major projects

- No changes made to major projects.

Implementation projects

- **Annual Improvements (2014-2016):** Updated to indicate that a decision on the direction of the project is now expected within 3 months; previously it was within 6 months;
- **Transfer of Investment Property:** Updated to indicate that a final Standard is expected within 6 months; and
- **Draft IFRIC Interpretation – Foreign Currency Transactions and Advance Consideration:** Updated to indicate that a final interpretation is expected after 6 months.

In addition, the work plan has updated the details of the primary financial statements, income taxes, and share-based payment research projects (where the IASB has decided not to perform any further research on this topic or to publish a formal consultation document) and indicated that a feedback statement on the 2015 agenda consultation is expected within 6 months.

The IASB has also confirmed that final amendments to IFRS 4 regarding the application of IFRS 9 with IFRS 4 are expected to be published in September 2016.

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

IASB publishes editorial corrections

The IASB has published editorial corrections to consequential amendments made by IFRS 16 'Leases'.

The editorial corrections affect the application guidance of the following Standards:

- IAS 32 *Financial Instruments*: Presentation; and
- IAS 39 *Financial Instruments*: Recognition and Measurement

Editorial corrections do not change the meaning or application of pronouncements, but instead correct inadvertent errors. The editorial corrections can be viewed on the editorial corrections page of the IASB's website.

Click [here](#) for more information.

For more useful information please see the following websites:

www.iasplus.com

www.deloitte.com

IFRS Foundation Annual Report 2015

The IFRS Foundation (IFRSF) has published its Annual Report for 2015, titled '*Focusing on the future*'.

The report for 2015 sets out the organisation's strategic priorities for 2015-2017, broken down into four strategic goals:

- Develop a single set of high quality, globally enforceable accounting Standards;
- Pursue the goal of global adoption of IFRS;
- Support consistent application and implementation of IFRS, and
- Ensure continued independence, stability and accountability of the IFRS Foundation.

Click [here](#) to download the report from the IASB's website.

Staff given permission to draft the final amendments regarding the application of IFRS 4 together with IFRS 9

The IASB voted in favor of the staff recommendations around (i) the requirement or option to reassess eligibility criteria for the deferral approach, (ii) the fixed expiry date and transition to IFRS 9, (iii) relief for investors in associates and joint ventures, and (iv) the applicability of the overlay approach and the deferral method for first time adopters of IFRS.

In our meeting summary, we outline the topics and recommendations discussed, which partly differ from the proposals in the ED, and offer a table explaining the option to reassess eligibility criteria for the deferral approach. The Board approved the individual staff recommendations either unanimously or with great majority.

The IASB has published a press release stating that after having voted to reconfirm the overlay and the deferral approach in April, it has concluded deliberations on this topic and has asked staff to draft the final amendments to IFRS 4 *Insurance Contracts*, which the Board expects to issue in September 2016.

One Board member intends to dissent from the publication of the amendments because she considers that information would be lost as a consequence of not implementing IFRS 9

Click [here](#) for more information.

Two appointments made to the IFRS Interpretations Committee

The IFRS Foundation has announced the appointment of two new members to the IFRS Interpretations Committee. The Interpretations Committee is the interpretative body of the IFRS Foundation.

The Trustees of the IFRS Foundation have appointed Yang Zheng, Vice President and Chief Financial Officer of China Life Insurance Company, and Bertrand Perrin, Director, Accounting Standards & Special Projects at Vivendi, to the IFRS Interpretations Committee for three-year terms beginning on 1 July 2016.

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

The IFRS Foundation has announced the reappointments of Maria Helena Santana and Lynn Wood as Trustees of the IFRS Foundation. Both will serve a second three-year term from 1 January 2017.

Mrs. Santana is a former Chair and President of the Brazilian Securities and Exchange Commission and Ms. Wood is a former Chairman of the Australian Financial Reporting Council and member of the Foreign Investment Review Board.

Click [here](#) to access the press release on the IASB website.

IASB Chairman discusses non-GAAP measures

At the annual conference of the European Accounting Association in Maastricht, the Netherlands, IASB Chairman Hans Hoogervorst gave a speech titled '*Performance reporting and the pitfalls of non-GAAP metrics*'. He discussed (1) how the academic community can continue to help improve IFRS and (2) performance reporting and non-GAAP measures.

Mr. Hoogervorst encouraged the academic community to continue providing the Board with its research. He noted that cooperation in the past has been very effective in helping the Board "separate out evidence from opinion." He cited lease accounting, the IFRS 8 post-implementation review, and comment letter submissions as examples of effective cooperation between academia and the IASB, and he invited academics to become even more involved in years to come.

In the second half of his speech, Mr. Hoogervorst discussed non-GAAP measures and explored “whether IFRS Standards provide sufficient criteria by which performance can be judged by users of financial statements.” He noted the increasing use of non-GAAP measures and research showing that these measures are becoming increasingly misleading. Mr. Hoogervorst said:

“The fact is that IFRS Standards prescribes very little in the way of formatting the income statement. Companies have considerable freedom in the way they present the components of income that make up profit or loss. As a result, there is little comparability above the bottom line, making it difficult for users to judge performance.”

He went on to say that securities regulators are primarily responsible for cutting back the use of non-GAAP measures but that the IASB “should also look at its own role in this matter.” He admitted that the IASB provides “too little guidance” in formatting the income statement. He also suggested “potential remedies” for IASB consideration:

- Defining more subtotals in the income statement;
- Providing a principle-based definition of operating income which does not allow for obfuscating restructuring or impairment charges;
- Creating a “rigorous definition” of earnings before interest and tax (EBIT);
- Looking for better solutions for some elements of income and expense that are currently parked in other comprehensive income;
- All of the above and more.

Mr. Hoogervorst concluded:

“Ultimately the number that counts most is the unadjusted bottom line, where all elements of income come together, both recurring items and exceptional items, whatever those may be. No-one can predict the extent to which seemingly extraordinary elements of income are recurring and not. That is why it is important that the bottom line is as inclusive as possible and that it shows everything, warts and all.”

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

IFRS Foundation updates its pocket guide to IFRS

The IFRS Foundation has published the 2016 version of ‘*Pocket Guide to IFRS Standards: the global financial reporting language*’. The guide provides an overview of the adoption of IFRS in 143 countries and other jurisdictions around the world.

The summaries on the use of IFRS are derived from information obtained by national standard-setters and other organisations that have responded to a survey by former IASB member, Paul Pacter.

Pocket Guide to IFRS Standards: the global financial reporting language can be downloaded on the IASB’s website. It is accompanied by *The Global Financial Reporting Language*, an analysis of what can be learned from the jurisdiction profiles that form the basis for the pocket guide.

Click [here](#) for more information, see the press release on the IASB’s website.

IASB posts a series of webinar on insurance contracts standard

The IASB has posted the final instalment of its weekly webinar series on the upcoming insurance contracts standard.

The series, hosted by IASB member Darrel Scott, will discuss the following topics related to the upcoming insurance contracts standard:

- The need for change and the history of the project. (issued 1 April);
- What is an insurance contract? (issued 8 April);
- Initial measurement of insurance contracts. (issued 15 April);
- Subsequent measurement of insurance contracts. (issued 22 April);
- Modifications to the general model: variable fee contracts. (issued 29 April);
- Other modifications to the general model. (issued 6 May);

- Presentation and disclosure. (issued 13 May); and
- Applying the Standard for the first time. (issued 20 May)

For more information as well as presentation slides click [here](#) to see the webinar page on the IASB's website.

IASB posts webcast featuring Sue Lloyd on IFRS 16 exemptions

As part of the IASB's webcast series on IFRS 16 implementation, the IASB staff has made available a webcast on recognition exemptions for lessees, featuring IASB board member Sue Lloyd.

The webcast discusses the IFRS 16 requirements relating to the recognition exemptions and provides Ms. Lloyd's insight on the scope exemptions, practical examples, and implementation information.

The new webcast and all previous webcasts of the series available on the IFRS 16 implementation page on the IASB's website.

Click [here](#) for more information.

FASB clarifies revenue guidance on practical expedients

The US Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (ASU) No. 2016-12 '*Narrow-Scope Improvements and Practical Expedients*', which amends certain aspects of the Board's new revenue standard, ASU 2014-09 '*Revenue From Contracts With Customers*'.

The amendments, which were issued in response to feedback received by the FASB–IASB joint revenue recognition transition resource group (TRG), include the following:

- *Collectibility* – ASU 2016-12 clarifies the objective of the entity's collectibility assessment and contains new guidance on when an entity would recognise as revenue consideration it receives if the entity concludes that collectibility is not probable;
- *Presentation of sales tax collected from customers* – Entities are permitted to present revenue net of sales taxes collected on behalf of governmental authorities (i.e., to exclude from the transaction price sales taxes that meet certain criteria). A similar policy election does not exist under the IASB's new revenue Standard, IFRS 15 Revenue from Contracts with Customers;
- *Noncash consideration* – An entity's calculation of the transaction price for contracts containing noncash consideration would include the fair value of the noncash consideration to be received as of the contract inception date. Further, subsequent changes in the fair value of noncash consideration after contract inception would be subject to the variable consideration constraint only if the fair value varies for reasons other than its form. IFRS 15 does not prescribe the measurement date;
- *Contract modifications at transition* – The ASU establishes a practical expedient for contract modifications at transition and defines completed contracts as those for which all (or substantially all) revenue was recognised under the applicable revenue guidance before the new revenue standard was initially applied; and
- *Transition technical correction* – Entities that elect to use the full retrospective transition method to adopt the new revenue Standard would no longer be required to disclose the effect of the change in accounting principle on the period of adoption (as is currently required by ASC 250-10-50-1(b)(2)); however, entities would still be required to disclose the effects on preadoption periods that were retrospectively adjusted. IFRS 15 defines a completed contract as one for which an entity has transferred all goods or services identified in accordance with existing IFRS. IFRS 15 also provides an additional practical expedient that permits an entity electing the full retrospective method to apply IFRS 15 retrospectively only to contracts that are not completed contracts as of the beginning of the earliest period presented. No such expedient is included in Topic 606.

Last month, the IASB published final clarifications to its revenue Standard, IFRS 15. The FASB's ASU states:

"Although the amendments in this Update are not identical, and some are incremental, to the amendments the IASB decided to make to its final standard, Clarifications to IFRS 15, the FASB expects that the amendments generally will maintain the convergence that was achieved with the issuance of Update 2014-09 and IFRS 15 by reducing the potential for diversity arising in practice. Significant diversity in application could substantially reduce the benefits achieved by converged guidance.

The amendments in this Update do not change the core principle for revenue recognition in Topic 606. Instead, the amendments provide clarifying guidance in a few narrow areas and add some practical expedients to the guidance. The amendments are expected to reduce the degree of judgment necessary to comply with Topic 606, which the FASB expects will reduce the potential for diversity arising in practice and reduce the cost and complexity of applying the guidance."

The ASU's effective date and transition provisions are aligned with the requirements in the new revenue Standard, which is not yet effective.

Click [here](#) for more information, see the ASU on the FASB's website.

ECON votes to confirm EC proposal for role of EFRAG president

The Committee on Economic and Monetary Affairs (ECON) of the European Parliament (EP) agreed with the candidate proposed by the European Commission for the role of President of the European Financial Reporting Advisory Group (EFRAG).

In his opening remarks, the candidate, Mr. Jean-Paul Gauzès, described the role as EFRAG president as he saw it as one of liaison and reflection. He stressed that the European Union does not have its own standard-setter and therefore has to make its voice heard directly and prominently with the IASB to make sure IASB Standards do not conflict with European regulations and needs.

Mr. Gauzès hearing was rather a home game – he is a former member of the ECON and stressed that the EP voice needs to be given more consideration. He offered regular meetings with ECON to discuss technical matters and praised the ECON report on current accounting standard-setting. He stated that the new EFRAG leadership "won't be held captive by previous practice" and admitted that while EFRAG is a body to advise the European Commission "the institution close to my heart is the EU Parliament". In response, the ECON congratulated itself that the fact that a former ECON member was proposed as EFRAG president showed the wisdom the European commission and growing influence of the EP and asked the candidate to reverse the role where EFRAG was an advocate of the IASB standard-setting to one where the IASB would listen to EFRAG.

On technical issues, the hearing briefly touched on IFRS 9, prudence, simplifications for SMEs, and the financial crisis. However, Mr. Gauzès stressed that technical matters should be discussed in the regular meetings he offered.

In the final vote, 36 ECON members voted for the candidate, 5 against and 2 abstained.

Click [here](#) to access the European Parliament press release and [here](#) for the recording of the session.

ECON report on current accounting standard-setting now in the public domain

The report that the Committee on Economic and Monetary Affairs (ECON) of the European Parliament (EP) voted at the end of April on the activities of the IFRS Foundation, EFRAG and the PIOB is now publicly available.

As explained before, the report will not be legally binding but has been submitted as motion for an EP resolution and would serve as guidance and reference in future EU law-making processes.

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

Frequently asked questions on the ESMA APM Guidelines

In June 2015, the European Securities and Markets Authority (ESMA) published its final Guidelines on Alternative Performance Measures (APMs) for listed issuers that are effective from 3 July 2016.

The UK Financial Reporting Council (FRC), has developed a set of responses "frequently asked questions" to respond to questions received on the application of these guidelines.

The publication is aimed at a UK audience; however, with the exception of the last question the answers are relevant to all EU issuers that are required to apply the ESMA guidelines:

- What is an APM?
- Are APMs prohibited or required?
- Do the Guidelines apply to all APMs?
- What APMs should be provided?
- How should APMs be presented?
- What disclosures should be given about APMs?
- How will the FRC monitor compliance with the Guidelines?

Click [here](#) to access the questions and answers on the FRC website.

Recent sustainability and integrated reporting developments

A summary of recent developments at the GRI, the UNEP, the FSB/TCFD, and the IIRC.

The Global Reporting Initiative (GRI) held its 5th GRI Global Conference last week. Quite a few developments were announced, discussed and commented on. Among other things, the UN Global Compact and GRI announced a renewed Memorandum of Understanding outlining continued collaboration over the next three years and GRI announced the launch of a Digital Reporting Alliance.

There is a dedicated GRI website with all press releases issued in connection with and during the three day conference.

The United Nations Environment Programme (UNEP) and GRI have jointly published their annual report on regulation on sustainability reporting offering an overview of global trends and developments.

Click [here](#) to access the 2016 edition of *Carrots & Sticks* (external link).

The Financial Stability Board (FSB) has announced the names of additional members of its Task Force on Climate-related Financial Disclosures (TCFD) for the second phase of the work of the task force. Among the new members is Eric Dugelay, Global Leader of Sustainability Services at Deloitte.

Click [here](#) for more information of the FSB website.

On 6 April, the Federation of European Accountants (Fédération des Experts-comptables Européens, FEE) and the International Integrated Reporting Council (IIRC) held a joint event "*Enhancing transparency and value: From the Non-Financial Information Directive to Integrated Reporting*". A report from that event is available on the IIRC website.

Click [here](#) for more information.

EFRAG, EFFAS and ABAF/BVFA joint investor outreach on leases

The European Financial Reporting Advisory Group (EFRAG), the European Federation of Financial Analysts Societies (EFFAS), and the Association Belge des Analystes Financiers (ABAF/BVFA) will host a joint event on 5 July in Brussels on new leases Standard, IFRS 16.

The event will feature discussions related to the main differences between the new leases Standard (IFRS 16) and the existing standard (IAS 17). In addition, participants will have a chance to express their views concerning the implementation of the new Standard. Views expressed will be considered by the EFRAG as it develops its endorsement status advice.

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

EDTF disbanded

The Financial Stability Board (FSB) has announced that its Enhanced Disclosure Task Force (EDTF) has completed its work.

The EDTF was formed in May 2012 at the initiative of the FSB as a consequence of the global financial crisis in a move to improve the risk disclosures made by banks. In October 2012, the EDTF published a report recommending key enhancements and identifying seven fundamental principles for enhancing risk disclosure. In three subsequent reports the EDTF measured the banks' progress against the recommendations in the report; the last one was published in December 2015. The FSB now believes that a further survey is unlikely to deliver significant increases and has therefore formally disbanded the task force.

Click [here](#) for the press release on the FSB website.

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Deloitte IFRS communications and publications

Issuance Date	Description
24 May 2016	Surveys on financial reporting topics – Sixth Global IFRS Banking Survey – No time like the present
10 May 2016	iGAAP – iGAAP 2016 – Volume A: A guide to IFRS reporting
10 May 2016	iGAAP – iGAAP 2016 – Volume B: Financial Instruments – IFRS 9 and related Standards
10 May 2016	iGAAP – iGAAP 2016 – Volume C: Financial Instruments – IAS 39 and related Standards
10 May 2016	iGAAP – iGAAP 2016 – Volume D: IFRS disclosures in practice

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IASB and IFRS Interpretations Committee meetings

Description	
IASB meeting	Click here for the 17 – 19 May 2016 meeting notes.
IFRS IC	Click here for the 10 May 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	–	–	–
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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