

The IASB's research activities

The International Accounting Standards Board (IASB) faces increasing demands to show that it adopts an evidence-based approach to setting its standards (International Financial Reporting Standards or IFRS). The IASB considered this issue recently during the public consultation on its future agenda, as did the Trustees of the IFRS Foundation in their review of the Foundation's strategy. In the light of those reviews, this article summarises:

- How the IASB intends to approach research
- What role academics can play in the IASB's research
- What topics the IASB is likely to research in the short, medium and longer terms

Approach to research

The use of research and gathering evidence is not new to the IASB, but the IASB now intends to place its research on a more structured footing to make it easier for the IASB to gain access to the wealth of expertise and information that exists in the research community.

When the IASB begins a research project, the initial aim will be to identify as clearly as possible:

- whether a significant financial reporting problem exists
- exactly what that problem is
- what possible solutions exist
- the benefits and costs of the possible solutions
- whether the IASB should begin an active project to develop one of those solutions.

The output of each research project will be a discussion paper or other report on which the IASB would seek public comment, either directly or as part of the three-yearly review of the technical programme. After considering the comments received, the IASB will decide whether to begin a project to develop proposals to change its standards, or alternatively to stop work in that area.

In developing proposals to change its standards, the IASB will seek further research and evidence to inform, test and support decisions made during the project. To provide IASB members with the information that they need to make decisions, the research will need to have a practical focus.

The IASB cannot do all of this alone. To make this plan work, it will need help from national standard-setters and other interested parties, including academics, and will need to develop its research capability. Such a research capability could draw upon some combination of internal and external intellectual resources, including a more active engagement of the academic community. The IASB will present a plan to the Trustees in early 2013 setting out how it plans to develop its research capability.

How can academics help the IASB?

Academics can help the IASB in many phases of its work. If they are aware of financial reporting problems, they can inform us of those problems, for example by contributing to our public agenda consultation, which we plan to conduct every three years.

When academics are researching an area of interest to the IASB, such as those identified above, we would welcome information about that research. Academics can find out information about the IASB's active agenda and its research programme from the IASB website www.ifrs.org.

In addition, the IASB will carry out or commission literature reviews as part of its research projects, particularly those on major topics. There may well be opportunities for academics to contribute to such reviews.

In considering how best to obtain input from the academic community, the IASB is well aware of two practical impediments:

- Much rigorous empirical research requires a long lead time. This can make it challenging to find or arrange for relevant research of this kind to provide input at the time when it is most needed. Researchers may be able to overcome this challenge by selecting research topics that are likely to move towards an agenda decision over the same time scale as the research. The next section of this article gives an indication of areas that are likely to interest the IASB over various timescales.
- Academics may be reluctant to research topics that do not provide adequate incentives, for example a reasonable prospect of being able to publish the output of the research in a form that will provide them sufficient credit.

The IASB will consult academics to seek ways of overcoming these impediments.

Research areas

The IASB has identified several areas for research:

- Immediate projects
- Conceptual framework
- Medium-term research
- Longer-term research
- Other research activities
- Post-implementation reviews

Immediate projects

The IASB has started, or will soon consider proposals to start, projects on the following three topics:

- Agriculture: bearer biological assets
- Rate-regulated activities
- Separate financial statements: use of the equity method

Conceptual framework

The IASB has restarted its project to update its conceptual framework, and aims to publish a discussion paper by mid 2013 and an exposure draft in 2014, and to finalise the updated framework by September 2015.

Medium-term research

The IASB has identified the following as priority research projects:

- Emissions trading schemes
- Business combinations under common control

- Discount rates
- Equity method of accounting
- Intangible assets, extractive activities and research & development activities
- Financial instruments with the characteristics of equity
- Financial reporting in high inflationary economies
- Foreign currency translation
- Non-financial liabilities (amendments to IAS 37)

The IASB expects to stagger the starting dates for these research projects, and to begin work progressively over the next 18 months as staff and IASB time become available. We also expect to involve other standard-setters in developing the research. As noted above, the aim of each of these research projects will be to assess whether the IASB should begin a project to develop new or amended standards in that topic area.

Longer-term research

We have also identified three topics that, because of their nature and complexity, cover matters for which the IASB does not plan to issue a discussion or research document within the next three years. However, we encourage other standard-setters, and others, to investigate these topics on our behalf. We will allocate staff to these projects to ensure that the information being gathered is likely to benefit the IASB when it does take a more active role in the project. Those projects are:

- Income taxes
- Post-employment benefits (including pensions)
- Share-based payment

Other research activities

The IASB also plans:

- to establish a consultative group to assess the relationship between Islamic (Shariah-compliant) transactions and instruments and IFRSs and to help educate the IASB, mainly through public education sessions
- to host in January 2013 a public forum bringing together securities regulators, auditors, investors and preparers, to assess strategies for improving the quality of financial reporting disclosures. (For more information about this forum, please see <http://www.ifrs.org/Current-Projects/IASB-Projects/Conceptual-Framework/Project-News/Pages/IASB-hosts-public-forum-on-disclosure-overload.aspx>)

In addition, the IASB is likely to be interested in information, not necessarily linked to specific areas of financial reporting, about how users use and process financial information.

Post-implementation reviews

In 2007 the Trustees introduced a formal post-implementation review (PIR) of each new IFRS or major amendment. The first such review will focus on IFRS 8 *Operating Segments* and was launched in early 2012. As part of that PIR the IASB has considered a review of empirical research, undertaken by a visiting academic. The IASB will consider the evidence it collects in the PIR and publish a report setting out its findings and identifying any actions it plans to take.

The next post-implementation review planned is of IFRS 3 *Business Combinations*. The IASB has started some preliminary work to help set the scope of the review, but the main work will start once we have determined how effective the processes have been for the review of IFRS 8. There are likely to be several areas of focus in that PIR for which will consider empirical research—such as the recognition of separate intangible assets, goodwill impairments and contingent consideration. We will endeavour to identify and communicate areas of special interest for researchers who may be considering undertaking research projects that will benefit the IASB.

Further information

For more information, please consult the IASB's web site www.ifrs.org or send me an e-mail.

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