

Shaping the future of IFRS

Shifting the focus and revising
the approach

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IN THE HEADLINES

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“A new agenda and a new approach – the plan is clear, now it’s all about execution.”

Mark Vaessen,
KPMG global IFRS network leader

Shifting the focus

In response to an appeal for a period of relative calm, the IASB is shifting its focus from developing new standards to revising the conceptual framework and addressing matters related to the practical application of existing IFRSs.

The Conceptual Framework project no longer aims at convergence with the US GAAP, and focuses on five topics. The IASB plans to release a discussion paper (DP) covering all five topics in June 2013:

- the reporting entity
- presentation (including other comprehensive income)
- disclosure
- elements (including the definitions of an asset and a liability)
- measurement.

The IASB will continue its post-implementation reviews of existing standards; the next project in the pipeline is the business combinations standard.

Shaping the future of IFRS

On 18 December 2012, the IASB issued a feedback statement on its agenda consultation launched in July 2011. The feedback statement outlines a new approach to developing new standards, sets out priorities for the IASB’s work programme and reports on input received from constituents.

Setting the research priorities

The IASB has identified the following priority research projects to investigate issues causing practical challenges in application of existing standards. It plans to start work on them over the next 18 months.

Research project	Problem to be investigated	Industry affected
Emission trading schemes	How to account for allowances awarded by a scheme administrator When, and how, to account for liabilities associated with the related emission of greenhouse gases	Diversified Industrials, Energy and Natural Resources
Business combinations under common control	When to apply carry-over basis accounting and when to apply fresh-start basis accounting for business combinations under common control	All
Discount rates	Reasons for using different discount rates for estimating future cash flows under different standards	All
Equity method of accounting	Whether the equity method results in useful information to users, and what difficulties it causes for preparers	All
Intangible assets, extractive activities, and research and development activities	Whether it is feasible to develop one set of financial reporting requirements for investigative, exploratory and developmental activities across a wide range of activities	Mining, Oil and Gas, and companies with R&D activities
Financial instruments with the characteristics of equity	Which financial instruments are difficult to classify as a liability or as equity under the current requirements For which instruments preparers or users question the classification	All, but mainly Financial Services
Foreign currency translation	What causes volatility of reported income on long-term construction contracts that are associated with movements in foreign currency exchange rates	Building and Construction and Diversified Industrials
Non-financial liabilities (amendments to provisions standard)	When and at what amount a liability should be recognised (focusing on cases that cause difficulty in practice)	All

Up-front research and assessment

Under the new approach, up-front research and a thorough initial assessment for new projects will play a more important role. A new project will go through two phases: research, and standard development. The research will focus on defining more clearly the problems that a new project is seeking to resolve, and on understanding the root causes for any issues identified. The results of the research phase will be published in a DP, which will be open for public comment.

Unlike the current process, the decision to take a project to the standard-development phase will be made only after considering the results of the research phase. Therefore, not every research project will lead to a standards-level project. To make this decision, the IASB will consider whether:

- the problem has been properly defined; and
- implementable solutions of a high quality have been identified.

In the past, the IASB has been criticised for performing its cost-benefit assessment for a new standard fairly late in the process. To respond to these concerns, the preliminary cost-benefit assessment will be performed earlier in the project.

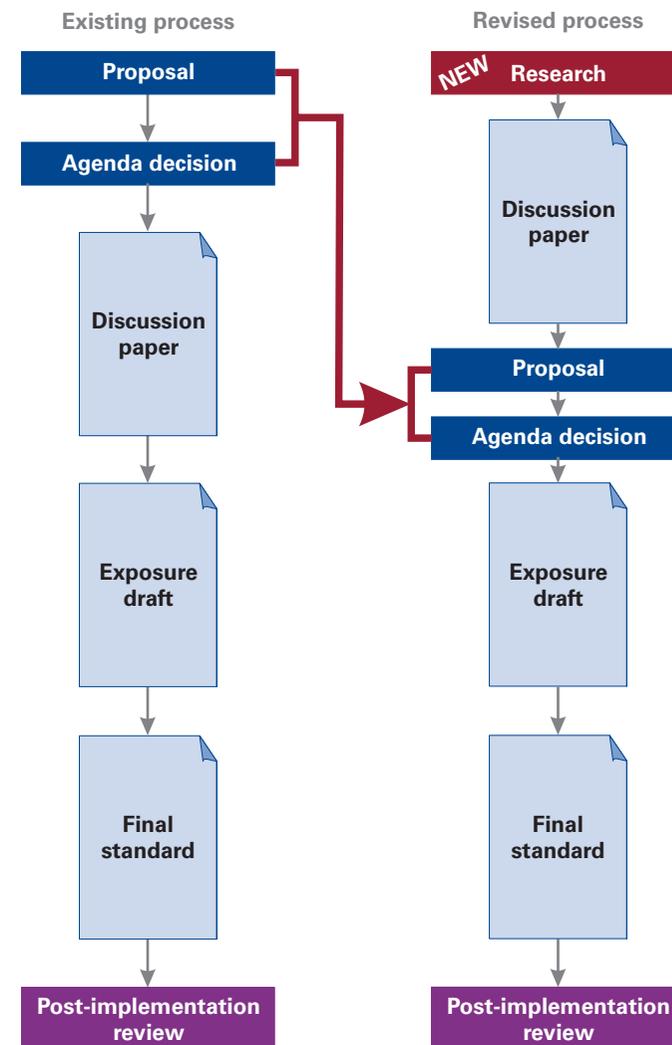
To improve efficiency and deliver high-quality global standards, the IASB plans to work closely with regional and national accounting standards bodies, which should help it to achieve general acceptance of its solutions.

Standards-level projects on the agenda

The IASB continues to work on four major projects, comprising revenue, leases, financial instruments and insurance.

Three new standards-level projects intended to address some application issues have been added to the agenda.

- Agriculture: bearer biological assets – an exposure draft of proposed amendments to IAS 41 *Agriculture* is expected in the first half of 2013.
- Rate-regulated activities – a DP will be developed. In addition, the IASB is considering an interim solution for jurisdictions moving to IFRS, pending the outcome of the main rate-regulated activities project. For more information about the IASB's decision to develop an interim standard, please refer to our publication [In the Headlines: Accounting for rate-regulated activities](#).
- Separate financial statements: use of the equity method – the IASB will consider restoring the option to apply the equity method for measuring investments in separate financial statements.



Background to the feedback statement

The IASB consults with the Trustees and the IFRS Advisory Council in developing and pursuing its technical agenda. It also carries out a public consultation every three years. The first formal public agenda consultation was launched in July 2011. The feedback statement reports on input received from constituents and sets out the priorities for the IASB's work programme.

Find out more

For more information about the feedback statement, please speak to your usual KPMG contact or go to the [IASB press release](#).

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