



<b>Project:</b>	n/a	<b>Meeting</b>	AASB December 2015 (M149)
<b>Topic:</b>	Research Update	<b>Agenda Item:</b>	16.1
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		<b>Decision-Making:</b>	n/a
		<b>Project Status:</b>	Report to Board

## Objective of this paper

1. Report to Board on significant Research Centre and related activities since the October 2015 meeting and note the updated work program.

## Joint research with KASB

2. The AASB and KASB recently completed a preliminary analysis of survey information gathered as part of a joint research project. The objective of the joint research project is to compare the manner in which Australian and Korean preparers and auditors of financial statements interpret particular terms representing degrees of likelihood used in IFRS, such as 'probably' and 'virtually certain'. The preliminary results will be presented at the November 2015 AOSSG meeting and December 2015 ASAF meeting. The feedback received from these meetings will help in finalising the research report. The research is also planned to be presented at the April 2016 International Forum of Accounting Standard Setters meeting.
3. Overall, the key findings from the preliminary results include:
  - (a) apparent differences in interpretation of terms of likelihood between Australian and Korean accounting professionals when used in context and not in context;
  - (b) some terms could be interpreted differently in different contexts; for example, respondents tend to be more conservative when interpreting the term 'probable' in the context of liabilities compared with interpreting the term in the context of assets;
  - (c) some (different) terms of likelihood are not interpreted differently from each other, for example 'unlikely' and 'highly unlikely';
  - (d) some terms of likelihood are interpreted differently in different languages by Korean accounting professionals indicating that there may be translation issues that need to be addressed; and

- (e) there are difficulties in translating some terms of likelihood into Korean. For example, ‘probable’ and ‘likely’ are translated into a single Korean expression “가능성이 높다”, and the terms “virtually certain” and “reasonably certain” are both translated into a single Korean term “가능성이 거의 확실한”.
4. The key tentative recommendations include:
- (a) standard setters should give considerable attention to how terms of likelihood might be interpreted and translated in different jurisdictions when developing a standard;
  - (b) standard setters should narrow the number of different terms of likelihood used in standards and consider establishing a set of terms that can only be departed from in exceptional cases;
  - (c) consideration should be given to developing principles and guidance on terms of likelihood that could be applied consistently across the standards; and
  - (d) the IASB’s re-deliberations on revisions to the Conceptual Framework relating to neutrality (and prudence) and the asset and liability recognition criteria might be informed by the knowledge that many preparers and auditors factor in their own level of ‘conservatism’ when applying IFRS.

### ***IFRS PIR***

- 5. In November this year, in consultation with Ann Tarca, staff approached Dr Nicholas Pawsey and agreed to collaborate on the literature review stage of the post-implementation review of IFRS adoption in Australia. Dr Pawsey is a lecturer in Accounting at La Trobe University who completed a dissertation titled *IFRS Adoption: Costs and Benefits for Listed Australian Companies* in 2013.
- 6. Staff have also commenced working on the impact of IFRS adoption in Australia on the education sector and will be speaking at the 2015 *RMIT Accounting Educators’ Conference* to engage with academics and promote engagement with AASB research projects. In particular, staff will be discussing with accounting educators their views about IFRS adoption and the education sector.

### **Australian Financial Reporting Framework**

- 7. An extension of the database of lodged corporate financial statements developed for AASB Research Report No.1 (2014) is important to a number of aspects of the AASB’s work on the Framework. The academic researchers who are collaborating with the AASB on the extension of the database have been awarded a grant from the Centre for International Finance and Regulation (CIFR) to assist in that work. Both the AASB and the ASIC endorsed the application for the CIFR grant.

### **Academic Advisory Panel**

- 8. A Panel meeting is scheduled for 10 December 2015. Agenda items will include developing a schedule of possible events, including academics presenting at the AASB and high-priorities for academic engagement with AASB.