

IASB, IFRS Standards and Research Opportunities

AASB Research Forum
30 November 2020

Ann Tarca
IASB Member

- IASB is required to undertake evidence-based standard setting
- We collect evidence from:
 - Outreach with stakeholders
 - Meetings with consultative groups and national standard setters
 - Staff research
 - Focus groups, field testing
 - Public reports eg accounting firms, security market regulators
 - External research eg academic research

- Evidence feeds into the standard setting process from the beginning
 - What is the problem to be solved?
 - Nature, extent, pervasiveness, importance, impact.
- Staff prepare a literature review as part of the project
 - Eg Primary financial statements, Goodwill and impairment, Extractive activities
- Academic evidence is included in the post-implementation of Standards
 - Is the Standard working as intended?
 - IFRS 8, IFRS 13, IFRS 3.
 - Open PIRS: IFRS 10/11/12; IFRS 9 Classification and Measurement

- Consultation
 - 2020 Primary Financial Statements, Goodwill, Review IFRS for SMEs
 - 2021 Business Combinations under Common Control, Rate-regulated activities, Management Commentary, Targeted standards-level Review of Disclosure, Subsidiaries that are SMEs
 - 2021 AGENDA CONSULTATION
- On-going
 - Dynamic risk management, Financial Instruments with Characteristics of Equity, Extractive Activities
- Research
 - Equity Method

- New Standards bring many changes to accounting and financial reporting
 - IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases*.
 - See webinars for academics January 2021
- Studies that provide evidence about the impact of these changes will be helpful. Studies may use a range of methods.
- Pre and post application: what changes in accounting practice are observed. What are the financial impacts of the changes.
- What are the effects for market participants of the changes. What market outcomes are observed.
- For specific issues and research questions – see following slides

- New expected credit loss model
 - What is impact on reported numbers and financial ratios.
 - How do entities, industries and countries compare in their application of the model.
 - In the long term, how does better measurement of impairment contribute to goals such as financial stability.
- There is no available for sale category
 - How many entities are affected by this change. What new policies are used.
 - How many entities make use of the FVOCI election. What are the characteristics of these entities.
 - How do investors respond to choices made.
- What is the impact of new hedging requirements
 - What are investor or market impacts.
 - What is extent of adoption of new requirements compared to continuing to use IAS 39 requirements.

Research Opportunities IFRS 9 (2)

- What transition arrangements have entities adopted
 - Consider ECL and hedge/accounting risk management separately.
 - What are characteristics of entities making various choices.
 - Are any market impacts observable in relation to choices.

- More disclosures are provided under IFRS 7
 - More objective based disclosure requirements.
 - Can researchers observe changes in entities' disclosures because the drafting of disclosure requirements are different.
 - What factors are associated with better disclosures under IFRS 7.
 - Are costs or benefits of better disclosure observable.

Research opportunities IFRS 15 (1)

- What are the financial impacts of the new standard. How do industries and countries differ.
- How does point in time and over time revenue recognition change pre/post application. Do companies use the same or different patterns of revenue recognition.
- New guidance related to many issues. eg licences of intellectual property. What is the impact. Is diversity reduced.

- What choices were made on transition.
 - How many entities used the modified retrospective approach. Was this beneficial for investors.
- What was the impact when entities used the modified retrospective approach with an overlay of practical expediciencies.
- How have IFRS 15 disclosures (which are different to IAS 11, IAS 18) benefited analysts and investors.
 - Are disclosures more specific and more useful.
- Does the standard get the right balance of disclosure objectives and disclosure requirements.

- What are investor reactions/capital market benefits of the changes to recognition and disclosure.
- In what ways has the comparability of lease accounting improved for IFRS adopting entities in different industries and countries.
- Is there any evidence of behavioural change, eg given greater comparability between leasing and buying, have companies decided to buy assets rather than lease them
- Long term: do investors benefit from more capitalisation of leases.

- On transition:
 - What is the financial impact, observable in the financial statements, of the capitalisation of leases. What are the impacts on financial ratios.
 - How do observed effects compare with expected effects (based on previous operating lease note disclosures).
- What is observed about choices on transition and the usefulness of transition disclosures.
 - What are the attributes of entities making various choices and providing more useful disclosures.
- In what ways are IFRS 16 disclosures useful for investors.
 - How are companies meeting the disclosure *objectives* of the Standard.

- IASB seeks consistent application of Standards, which reflect economic fundamentals
- IASB is seeking evidence of impact
 - For preparers, auditors, investors, regulators
 - Capital market impact; also application issues
 - Post implementation reviews around 3 years after implementation
 - Range of research methods will be useful
- Researchers can benefit from the experience of investigating 2005 adoption effects

- *IFRS 9*
- Overview: <https://www.ifrs.org/issued-standards/list-of-standards/ifrs-9-financial-instruments/>
- List of supporting materials: <https://www.ifrs.org/supporting-implementation/supporting-materials-by-ifrs-standard/ifrs-9/#webcasts>
 - Project Summary: <https://www.ifrs.org/-/media/project/financial-instruments/project-summaries/ifrs-9-project-summary-july-2014.pdf>
 - Articles: <https://www.ifrs.org/-/media/feature/resources-for/investors/investor-perspectives/investor-perspective-jul-2014.pdf>
- <https://www.ifrs.org/-/media/project/financial-instruments/features/article-by-sue-lloyd-big-changes-ahead-march-2015.pdf>
-

- *IFRS 15*
- Overview: <https://www.ifrs.org/issued-standards/list-of-standards/ifrs-15-revenue-from-contracts-with-customers/>
- List of supporting materials: <https://www.ifrs.org/supporting-implementation/supporting-materials-by-ifrs-standard/ifrs-15/#education>
 - Project Summary and Feedback Statement: <https://www.ifrs.org/supporting-implementation/supporting-materials-by-ifrs-standard/ifrs-15/#education>
 - Articles: <https://www.ifrs.org/-/media/feature/resources-for/investors/investor-perspectives/investor-perspective-jun-2014-1.pdf>
- <https://www.ifrs.org/news-and-events/2016/04/ian-mackintosh-amendments-revenue-standard/>
-

Relevant materials

- *IFRS 16*
- Overview: <https://www.ifrs.org/issued-standards/list-of-standards/ifrs-16-leases/>
- List of supporting materials: <https://www.ifrs.org/supporting-implementation/supporting-materials-by-ifrs-standard/ifrs-16/>
 - Effects Analysis: <https://www.ifrs.org/-/media/project/leases/ifrs/published-documents/ifrs16-effects-analysis.pdf>
 - Project Summary and Feedback Statement: <https://www.ifrs.org/-/media/project/leases/ifrs/published-documents/ifrs16-project-summary.pdf>
 - Articles: <https://www.ifrs.org/-/media/feature/resources-for/investors/investor-perspectives/investor-perspective-jan-2016.pdf>
- <https://www.ifrs.org/news-and-events/2016/03/hans-hoogervorst-article-shining-the-light-on-leases>
- <https://www.ifrs.org/-/media/project/leases/ifrs/educational-materials/ifrs16-leases-article-jan2017.pdf>
- <https://www.ifrs.org/news-and-events/2016/01/gary-kabureck-article-little-to-fear-in-new-world-of-lease-accounting/>
-

Find us online



www.ifrs.org



IFRS Foundation | International Accounting Standards Board



@IFRSFoundation



IFRS Foundation



IFRS Foundation

Join our team: go.ifrs.org/careers