

4 March 2013

## International Financial Reporting Standards



# IFRS Update

OECD Accrual Accounting Symposium

7 March 2013

The views expressed in this presentation are those of the presenter, not necessarily those of the IASB or IFRS Foundation.

- New IFRSs
- Current activities  
(focus on particular projects that may be of interest to the public sector)
  - Leases
  - Rate-regulated activities
  - Conceptual Framework

See comprehensive IASB work plan here:

<http://www.ifrs.org/Current-Projects/IASB-Projects/Documents/2013/Work-plan-February-2013.pdf>

- Investment entities
  - Exception for some entities from consolidation, but measured at fair value
  - Amendment to IFRS 10 *Consolidated Financial Statements*

# Current activities

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## Research Programme

### Research Proposal

- Business combinations under common control
- Discount rates
- Emissions trading schemes
- Equity method of accounting
- Extractive activities
- Financial instruments with characteristics of equity
- Financial reporting in high inflationary economies
- Foreign currency translation
- Income taxes
- Intangible assets
- Liabilities—amendments to IAS 37
- Post-employment benefits (including pensions)
- Share-based payments

### Discussion Paper

- Accounting for macro hedges (Q2 2013)
- **Conceptual Framework (Q2 2013)**
- Rate-regulated activities comprehensive project (Q4 2013)

### Project Proposal

(will be implemented once work begins on new research projects)

## Standards Programme

### Exposure Draft

- Leases (Q2 2013)
- Insurance (Q2 2013)
- Financial instruments-Impairment (Q1 2013)
- Rate-regulated activities interim IFRS (Q2 2013)

### IFRS

- Hedge Accounting (Q2 2013)
- Revenue (Q2 2013)
- IFRS 9 limited amendments (2013)

### Post-implementation reviews

- Segment disclosures
- Business combinations

Implementation activities

- Why leases?
  - Existing lease accounting does not meet users' needs
    - assets and liabilities are off-balance sheet
    - users adjust financial statements
      - estimates can vary significantly
  - Structuring opportunities
    - current lease classification often based on bright lines
    - significant difference in accounting on either side of operating/finance lease line
  - Strong support for a new standard

# What's changing—lessee accounting?

- All leases over 12 months on balance sheet
- Operating leases
  - Equipment and vehicle leases
    - Change to the balance sheet
    - Change to the income statement
    - Change to the cash flow statement
  - Property (real estate) leases
    - Change only to the balance sheet
- Finance leases
  - little change (ie asset and liability on balance sheet and treated as financing in the income statement)

# What's changing—lessor accounting?

- Operating leases—  
equipment and vehicle  
leases
  - Change to the balance  
sheet
  - Change to the income  
statement
- Finance leases
  - little change (ie treated  
as financed sale of the  
asset being leased)
- Operating leases—  
property leases
  - little change (ie retain  
the asset on balance  
sheet and report rental  
income)

# Leases timeline



# Rate-regulated activities

- A restriction in the setting of prices that can be charged to customers for (usually essential) goods or services
- Objectives of the rate regulator usually involve
  - setting ‘just and reasonable rates’ for consumers;
  - ensuring the financial viability of suppliers; and
  - protecting the availability and stability of supply
- Usually requires suppliers to increase the selling price (rate) to recover ‘allowable’ costs, or lower the rate to eliminate excess profits
- Rate changes usually apply prospectively and are often designed to ‘smooth’ the impact of rate changes over time

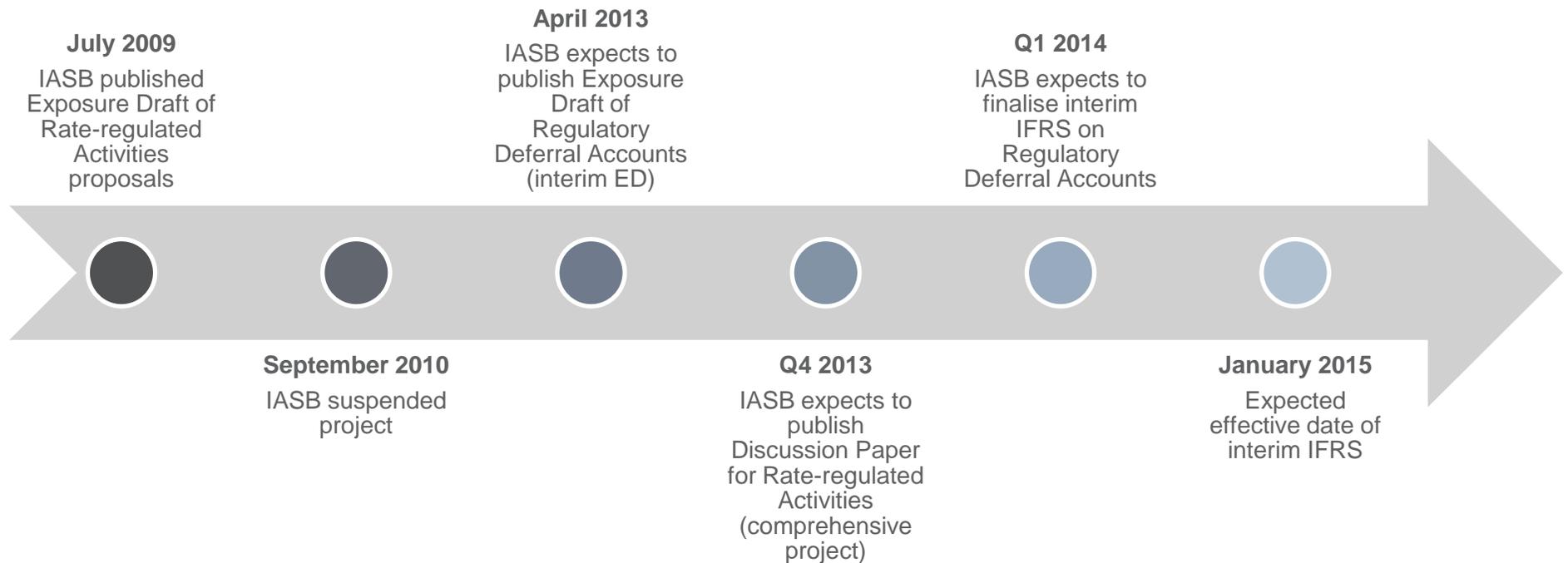
## Interim

- Grandfathering of some existing practices by first-time adopters
- ED *Regulatory Deferral Accounts* expected in 2Q 2013 (120 days comment period)

## Comprehensive

- Develop a comprehensive IFRS
- Develop Request for Views (2Q 2013)
  - Fact-finding to help define the scope of the project
- Consultative group (12-20 person)
- Develop DP (4Q 2013)

# Rate-regulated activities project timeline



- Why are we revising it?
  - Some aspects of existing Conceptual Framework:
    - Out of date
    - Unclear (eg asset definition)
  - Gaps in existing framework:
    - Presentation (especially use of OCI)
    - Disclosures
    - Reporting entity
  - Identified as priority project during agenda consultation

# What will we cover?

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Section	Key issues
Purpose and status of conceptual Framework	What is the purpose of the Conceptual Framework? What is its status?
Elements of financial statements	Definitions of assets, liabilities, income, expense and equity Boundary between liabilities and equity
Recognition and derecognition	When should assets and liabilities be recognised? When should they be derecognised?
Measurement	When should we use fair value and when should we use cost?

# What will we cover?

Section	Key issues
Presentation and disclosure	How can we make disclosures more effective? When should amounts be presented in OCI?
Reporting entity	What is a reporting entity?

- We do not plan major revisions to:
  - Objective of financial reporting
  - Qualitative characteristics of useful financial information

# Conceptual Framework timeline

