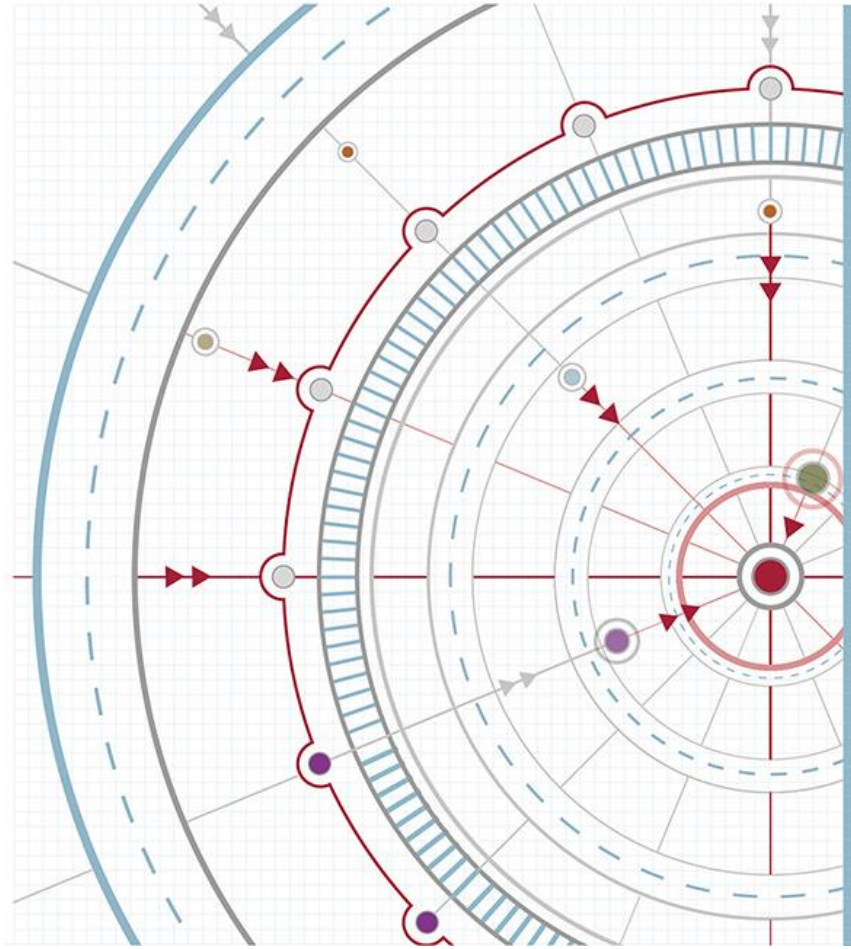

IASB Update

Sue Lloyd
Vice-Chair, International Accounting Standards Board

Wellington November 2017

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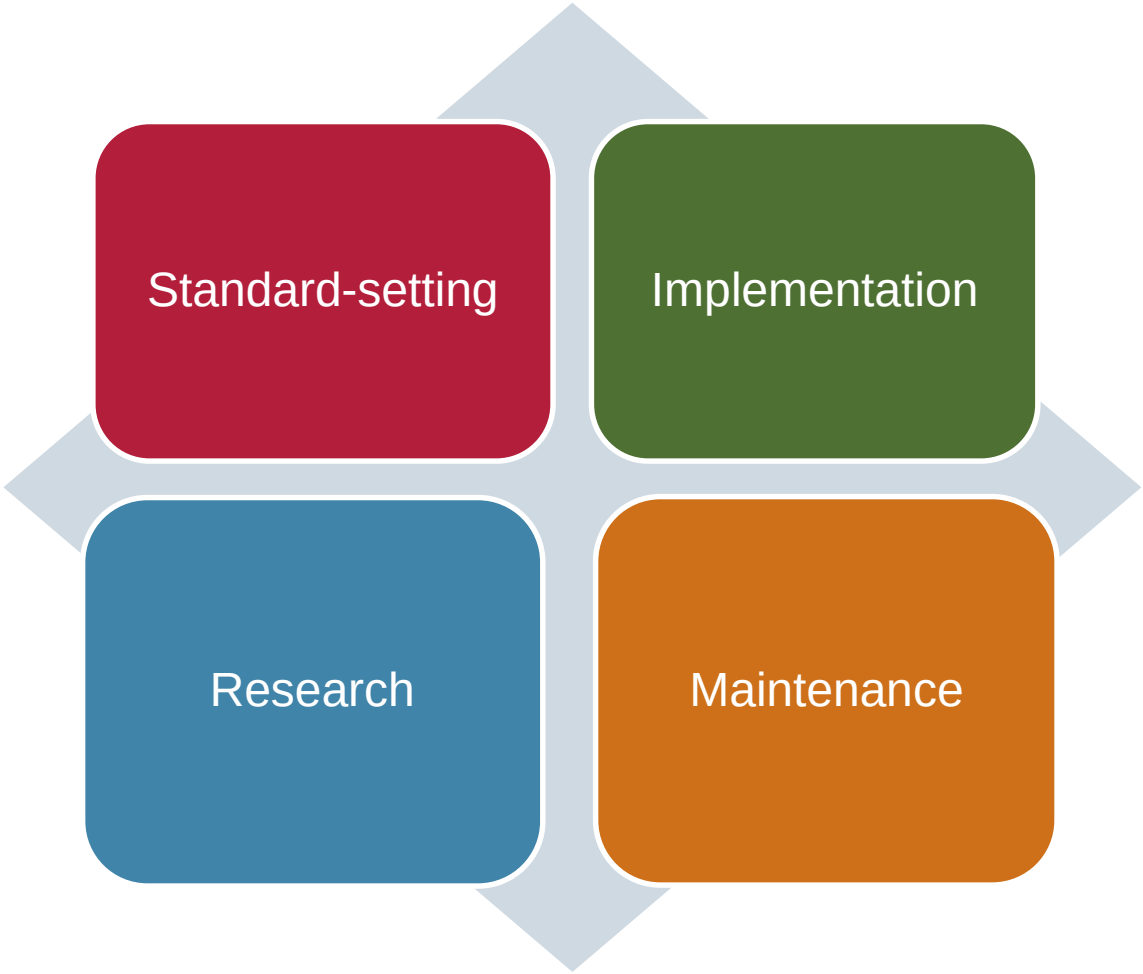
The Board's work



Overview of 2017 activities to date

18 addressed

- **13** agenda decisions with explanatory material
- **5** amendments or additions to IFRS Standards

4 too broad for Committee

- **2** picked up in research projects/PIRs
- **1** considered by Board as part of another narrow-scope amendment
- **1** still to be considered by Board

1 Committee provided input on Board project

4 meetings held to date in 2017 (March, May, June and September)

IFRS

Agenda Decisions

- Point to principles and requirements in the Standards
- Where relevant:

Point to disclosure requirements	→ eg interest and penalties on income taxes
Include examples	→ eg EPS question
Narrow possible ways of reading the requirements	→ eg acquisition of a group of assets

Focus on:
IFRS 16 *Leases; and*
IFRS 17 *Insurance Contracts*

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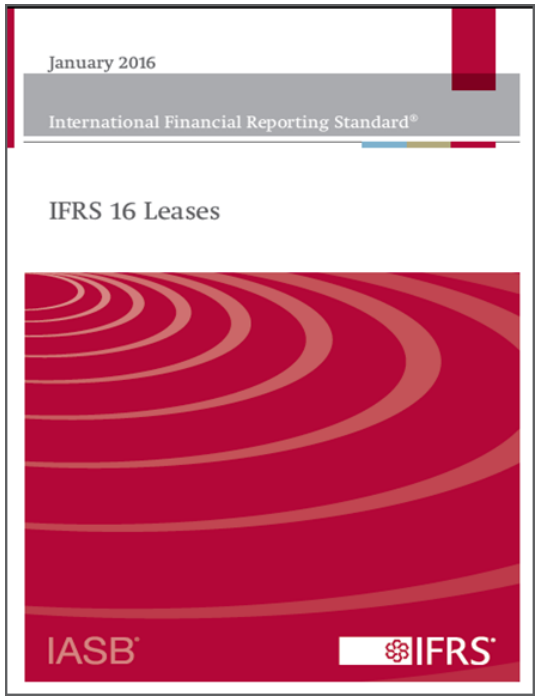
IFRS 16 at a glance



- IFRS 16 *Leases* published in January 2016
  - Replaces IAS 17 and related interpretations
  - Changes lessee accounting substantially
  - Little change for lessors
- Effective date 01 January 2019
  - Early application permitted (only with application of IFRS 15 *Revenue from Contracts with Customers*)

IFRS

Supporting implementation of IFRS 16

IFRS 16 – Some Implementation Questions

What are stakeholders talking about?

- **Lease term**, for example:
  - Applying the ‘reasonably certain’ assessment to long leases or rolling leases
- **Discount rate**, for example:
  - Determining incremental borrowing rate for a long lease
- **Definition of a lease**, for example:
  - Assessing whether there is an identified asset, or who has control, when this requires judgement

IFRS

Introduction: what is IFRS 17?

One

accounting model for all insurance contracts in all IFRS jurisdictions—replaces IFRS 4

Who is affected?

When?

What changes?

450
listed insurers using IFRS Standards

$13 trillion
total assets of those listed insurers

2021
mandatory effective date of IFRS 17

More
useful and transparent information

Better
information about profitability

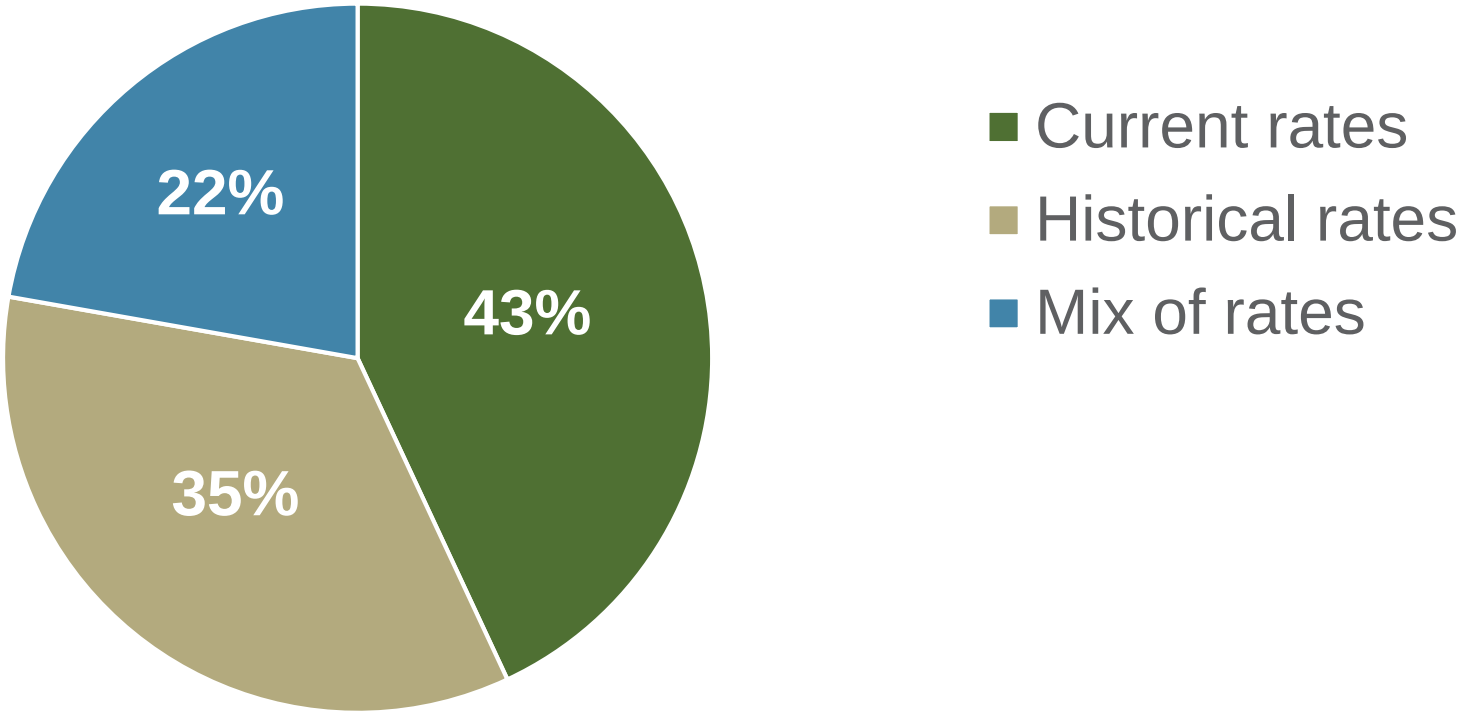
IFRS

Insurance accounting today

- Same insurer – two different GAAP

($ millions)	GAAP 1	GAAP 2	Difference	
Revenue	9,010	11,244	(2,234)	*-25%*
Operating income	1,606	748	858	*53%*
Total equity	10,375	4,567	5,808	*56%*

Insurance accounting using IFRS today



Discount rates used for a sample of life insurers (2015)

Changes to performance presentation

IFRS 4*	IFRS 17	Key changes
Premiums	Insurance revenue	- Two drivers of profit presented separately - Insurance revenue excludes deposits [written premiums disclosed in the notes] - Revenue and expense are recognised as earned or incurred - Insurance finance expenses are excluded from insurance service result and are presented (i) fully in P&L or (ii) in P&L and OCI, depending on accounting policy
Investment income	Incurred claims and expenses	
Incurred claims and expenses	**Insurance service result**	
Change in insurance contract liabilities	Investment income	
Profit or loss	Insurance finance expenses	
	Net financial result	
	Profit or loss	
	Insurance finance expenses *(optional)*	
	Total comprehensive income	

(*) Common presentation in the statement of comprehensive income in applying IFRS 4

IFRS

IASB implementation support for IFRS 17

Webinars

Articles and other materials

Conferences

Transition Resource Group

Education for

- investors
- regulators
- standard-setters

Board and IFRS Interpretations Committee discussions

Informal technical discussions with

- regulators
- standard-setters
- audit firms

Dedicated website page

Looking forward

Central theme of the Board's work

Better Communication in Financial Reporting

Primary Financial Statements

Disclosure Initiative

IFRS Taxonomy

Content and its organisation

Content delivery

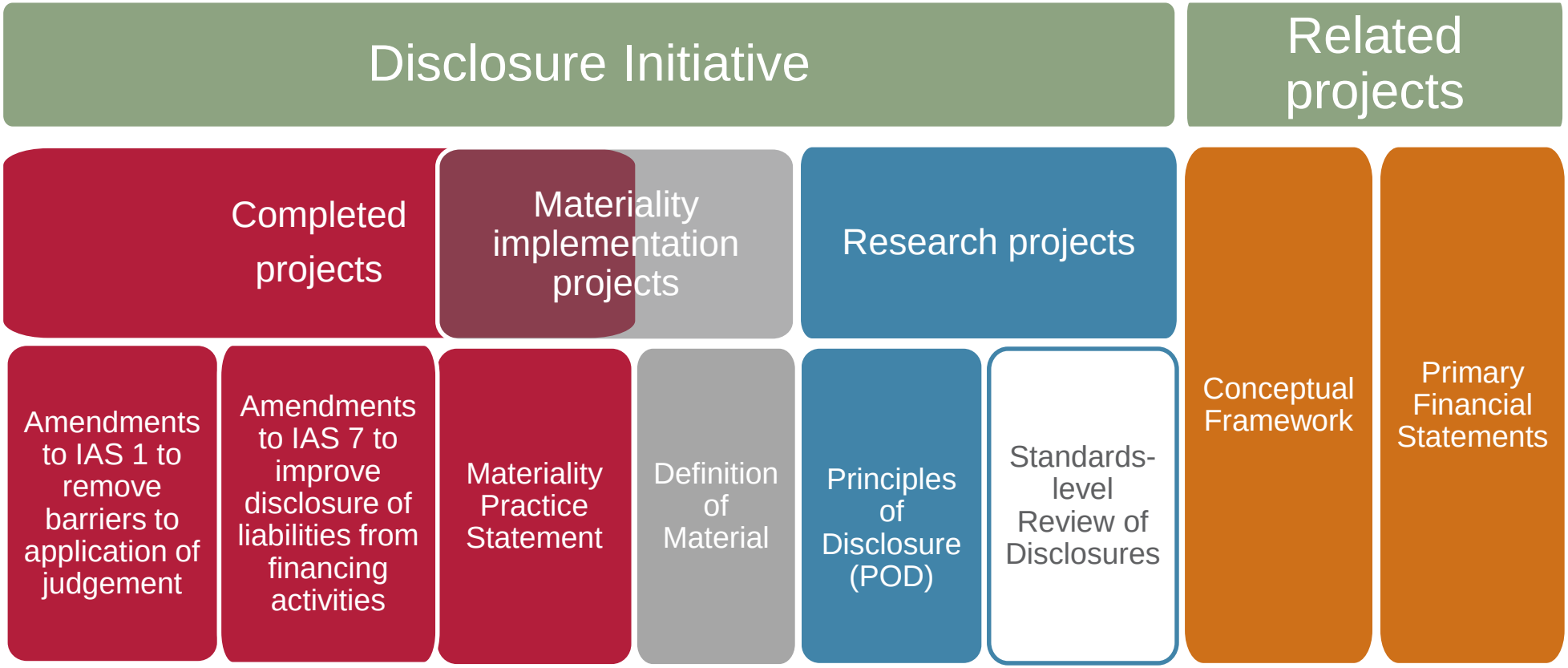
Primary Financial Statements – scope

Statement(s) of financial performance	Statement of cash flows	Statement of financial position	Statement of changes in equity
Requiring additional EBIT subtotal	Eliminating options (interest/dividends)	No planned change – except possible development of template for primary financial statements and greater disaggregation	
Providing guidance on presentation of management operation performance and alternative EPS	Aligning the operating section between the statements of cash flows and financial performance		
Better ways to communicate OCI	Requiring a consistent starting point for the reconciliation		

- Developing a template for primary financial statements
- Achieving greater disaggregation

IFRS

Disclosure Initiative and related projects



Making Materiality Judgements

‘One-stop materiality shop’

↓

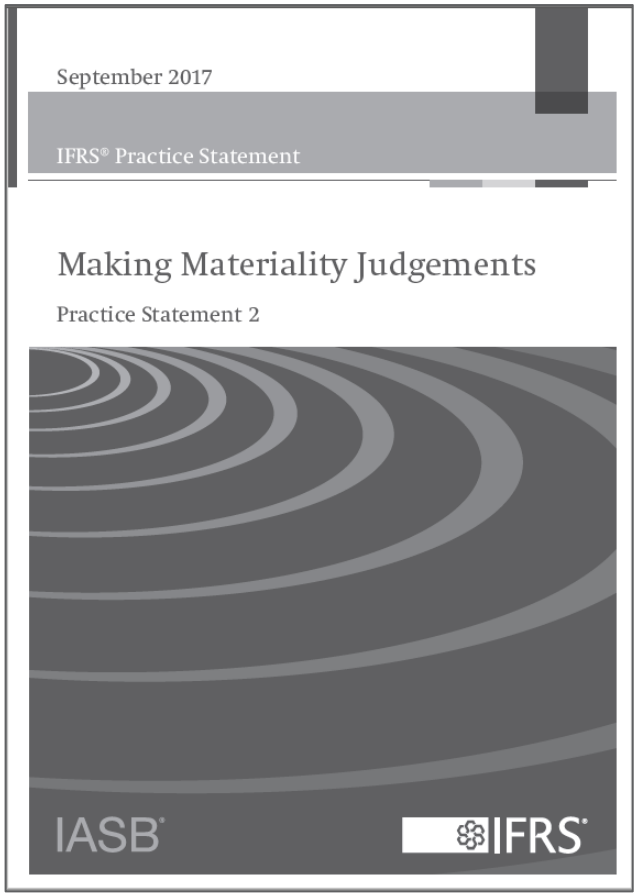
All IFRS materiality requirements

+

Practical guidance

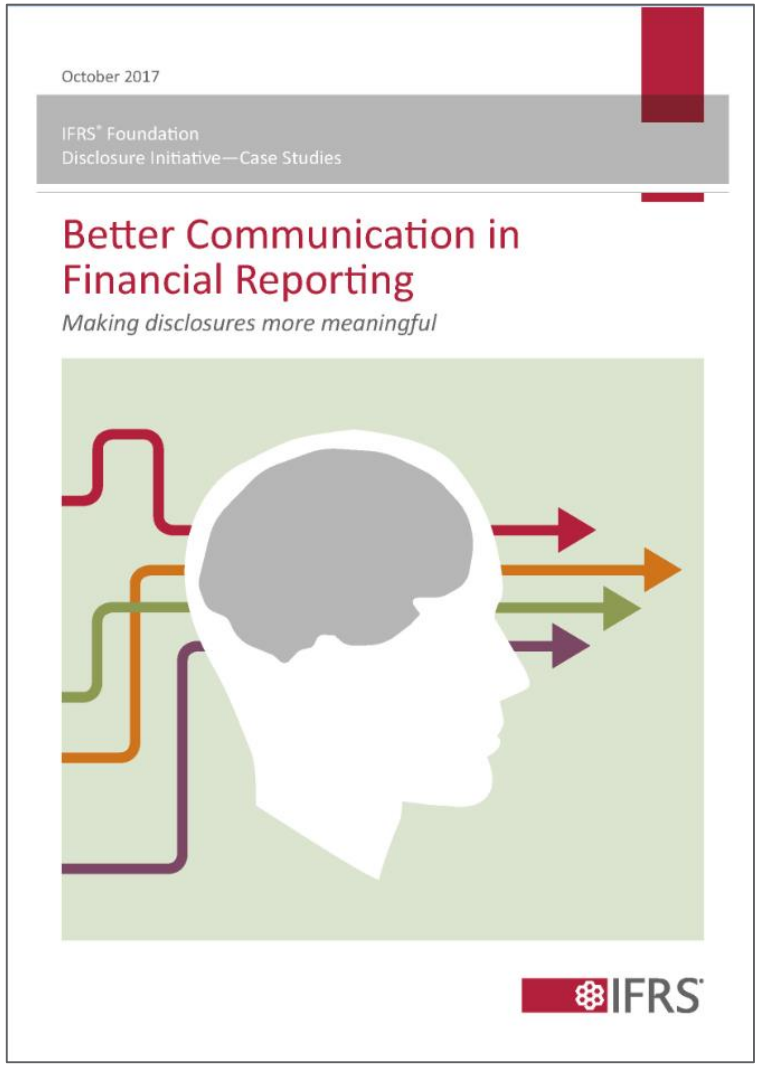
+

Examples



IFRS

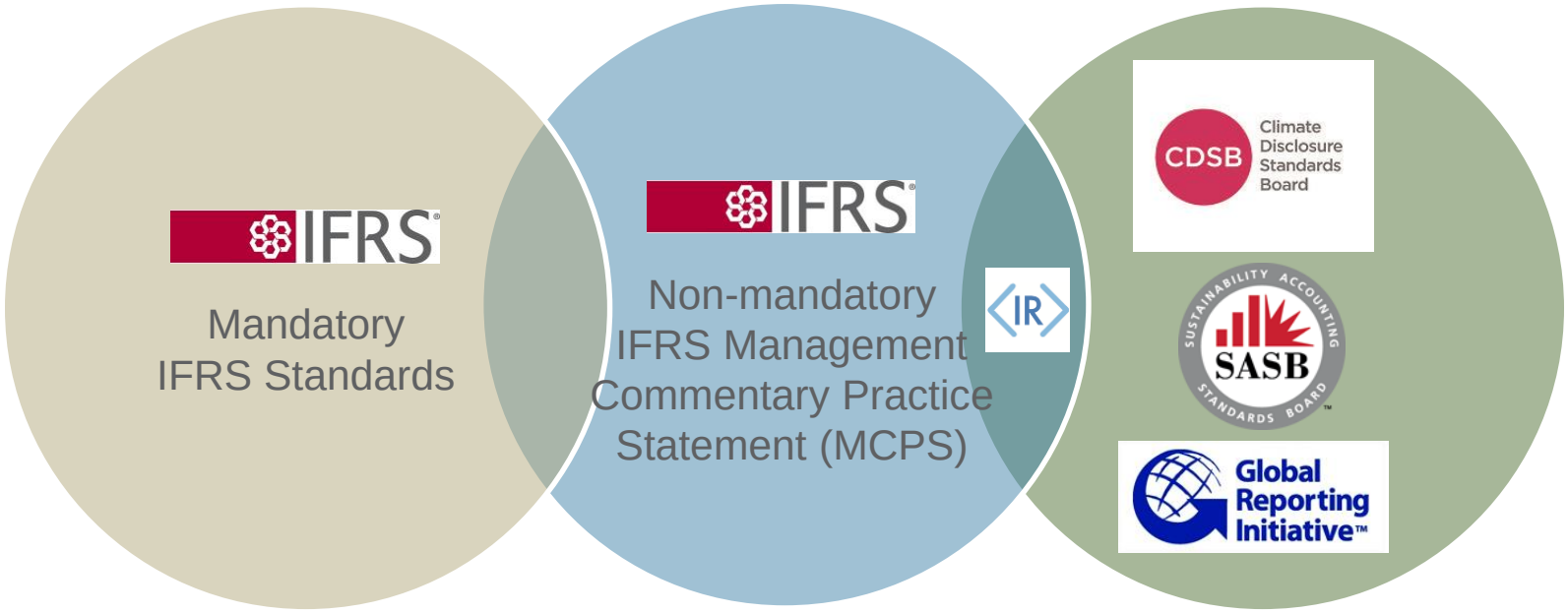
Meaningful disclosures



- 6 case studies
- Before and after illustrations
- Shows companies' journeys
- Inspire others

IFRS

Wider corporate reporting



Financial reporting

Other financial reporting*/ Integrated reporting

Sustainability reporting

* 'Other financial reporting' comprises information provided outside financial statements that assists in the interpretation of a complete set of financial statements or improves users' ability to make efficient economic decisions.

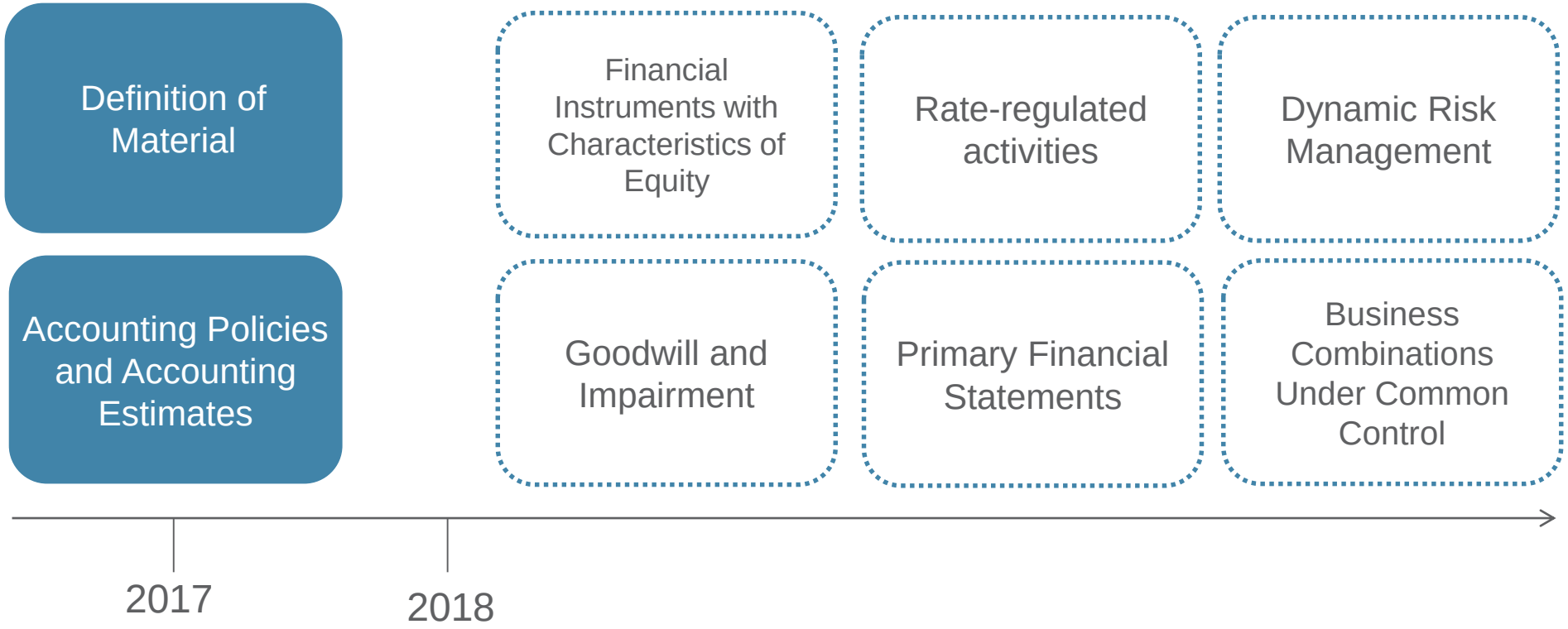
Active research projects*

Project	Target
Financial Instruments with Characteristics of Equity	DP H1 2018
Business Combinations Under Common Control	DP H2 2018
Dynamic Risk Management	DP H2 2018
Goodwill and Impairment	DP H1 2018

* Also see slides on Better Communication. Primary Financial Statements and Principles of Disclosure are research projects.

IFRS

Consultation



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