

What's next for standard-setters?

By MASB Staff

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“All you need is the plan, the road map and the courage to press on to your destination.”

Earl Nightingale

The mission of the Malaysian Accounting Standards Board (MASB) is to develop and promote high quality financial reporting standards that are consistent with international best practice by contributing to the International Accounting Standards Board's (IASB) standard-setting and development of international standards. MASB's goal for 2017 and beyond is to enhance Malaysia's influence in international standard-setting.

In November 2016, the IASB revealed its standard-setting destination, 'Better Communication', and its work plan for 2017 to 2021.

For the Malaysian standard-setting community and MASB, it is pertinent that we equip ourselves with the IASB's plan and road map so that we remain effective in our contribution to development of international standards.

This article provides an overview of the IASB's strategic direction and work plan for 2017 to 2021.

How the IASB's work plan was derived

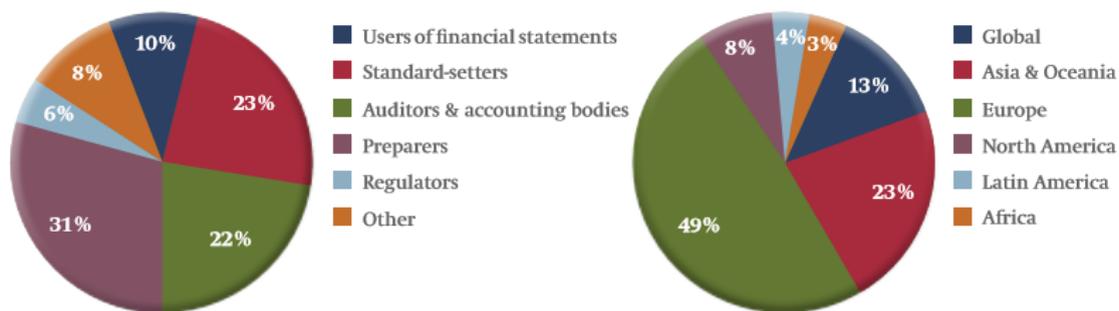
In 2015, through the 2015 Agenda Consultation process, the IASB had requested for public feedback on its strategic direction and future work plan.

“What should the IASB do in the future?”
“What should the IASB's priority projects be in the future?”

These were some of the questions asked of which their answers would help the IASB shape the future of international financial reporting.



In the 2015 Agenda Consultation process, the IASB received 119 comment letters from various stakeholders in various jurisdictions.



(Source: IASB Work Plan 2017-2021 - Feedback Statement on the 2015 Agenda Consultation published in November 2016)

Feedback from respondents shaped the IASB's work plan

The IASB's work plan was developed based on key messages that it had received during the 2015 Agenda Consultation process. The work plan revolves around four themes of which 'Better Communication' will be the key theme underlying much of the work plan.

1. Complete remaining standard-setting projects

Key messages received include:

Completion of standard-setting project such as Insurance Contracts should be a high priority.

Complete Conceptual Framework as it is fundamental to developing high-quality and consistent principle-based Standards.

The IASB agreed with the messages and had placed the *Insurance Contracts* and *Conceptual Framework* as high priority projects. Both projects are at the advanced stage of completion and are expected to be issued in the first half of 2017.

2. Better communication in financial reporting

These were some comments made by users of financial statements about presentation of financial information and disclosures in the financial statements:

How does the company perform without the effects of non-recurring items?

'Income from core operations' and 'EBIT' are useful measures of a company's financial performance.

It is frustrating and time consuming to identify relevant information in the maze of all the information disclosed in the financial statement.

What the IASB intends to do to improve financial reporting

The IASB noted that non-GAAP or alternative performance measures (APMs) such as earnings from core business operations and EBIT (earnings before interest and tax) are widely used by preparers and financial analysts in explaining a company's performance. The IASB acknowledged that the pervasive use of APMs by the financial reporting community may be an indication of their relevance.

As the current IFRS Standards do not contain any guidance on APMs, the IASB had decided to add into its work plan a major research project called 'Primary Financial Statements', which aims to provide guidance around the reporting of financial performance.

"Should APMs be defined?"

"Should APMs be required or permitted on the face of the income statement?"

"Should the composition of APMs be determined by the standard-setter or preparer?"

These are amongst the questions that the IASB will consider in the 'Primary Financial Statements' research project, which is still in its early stages.

In order to achieve the objective of better communication in financial reporting, the IASB had decided to focus on these projects:

Primary Financial Statements

Consider the structure and content of the statement(s) of financial performance, including line item subtotals and alternative performance measures.

Develop disclosure principles that could be applied across all IFRS Standards, help the IASB in setting better disclosure requirements and enable preparers to make better judgements about disclosures.

Disclosure Initiative: Principles of Disclosure

Disclosure Initiative: Materiality Practice Statement

Provide guidance on the use of judgement when applying the concept of materiality. The final Practice Statement is expected in the first half of 2017.

Support the electronic reporting of information prepared using IFRS Standards.

IFRS Taxonomy

3. A more focused research programme



“Progress is too slow.”

“Too many research projects to follow.”

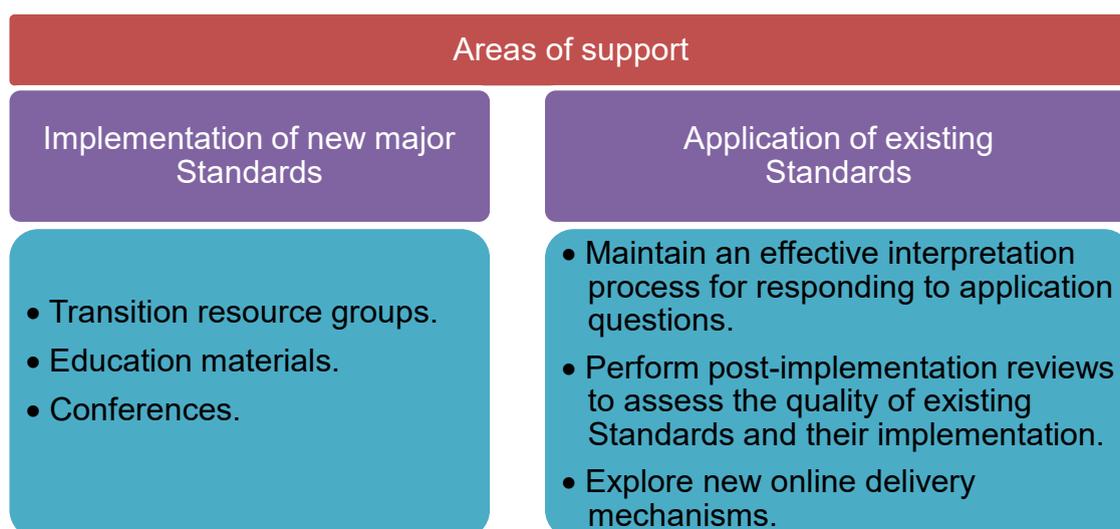
It was against the backdrop of these criticisms that the IASB decided that it should limit the number of active research projects so that faster progress could be made and stakeholders would not be burdened with too many projects. In addition, before starting a project, the IASB will adopt an evidence-based approach i.e. gather sufficient evidence that an accounting problem indeed exists, the problem is important enough to justify standard-setting efforts and a feasible solution could be identified.

In line with this objective, the research programme had been streamlined. A complete list of projects with a brief description is set out in Appendix 1.

4. Continued development of implementation support

Some respondents had commented, *“Development of five major projects (IFRS 9, IFRS 15, IFRS 16, Insurance Contracts, Conceptual Framework) had resulted in consultation fatigue to stakeholders. Now that these projects are either issued or nearing completion, the IASB should focus on activities that support implementation i.e. consistent application and less burdensome implementation.”*

In response, the IASB had committed that it will continue to support the implementation and application of Standards. To improve the effectiveness of this support, the implementation and education initiatives had been combined into a single team. Other initiatives that will be undertaken include:



To destination Better Communication

Now that we have a clear picture of the IASB's areas of focus in the coming five years, let's adjust our sails and press on to destination 'Better Communication', Bon Voyage!



Projects on the research programme are:

Project	Description
Disclosure Initiative: Principles of Disclosure	Key topic to improve communication in financial reporting.
Primary Financial Statements	Key topic under the IASB's theme of better communication.
Business Combinations under Common Control (BCUCC)	Currently, IFRS Standards do not specify how to account for BCUCC. These transactions may be significant to capital markets, for example when undertaken in anticipation of initial public offerings. This project is looking to identify method of accounting which would provide the most useful information.
Dynamic Risk Management	Some aspects of hedge accounting in IAS 39 would need to be replaced as they were inconsistent with the new requirements in IFRS 9. This project is assessing whether the IASB should develop an approach to reporting dynamic risk management.
Financial Instruments with Characteristics of Equity	Some financial instruments have characteristics of both liabilities and equity. This project is investigating whether improvements can be made to how these instruments are classified, and to the presentation and disclosure requirements for such instruments.
Goodwill and Impairment	<p>This project resulted from the post-implementation review of IFRS 3 <i>Business Combinations</i>. This project is assessing:</p> <ul style="list-style-type: none"> (a) whether changes should be made to the impairment test for goodwill and other non-current, non-financial assets; (b) the relative merits of an impairment-only approach and an amortisation and impairment approach to goodwill; and (c) which other intangible assets should be separated from goodwill.
Discount Rates	This project is reviewing discount-rate requirements, in IFRS Standards, for inconsistencies that need to be addressed.
Share-based Payment	The objectives of this project are to identify the most common areas of complexity in accounting for share-based payment transactions, their main causes and to assess whether the IASB need to address them.

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