# REPORT ON THE INTERNATIONAL FORUM OF ACCOUNTING STANDARD SETTERS (IFASS)

## 2/3 October 2018, London

IFASS is an informal network of national accounting standard setters (NSS) from around the world, plus other organisations that have a close involvement in financial reporting issues. It is a forum at which interested stakeholders can discuss matters of common interest. The group is currently chaired by Liesel Knorr, former President of the Accounting Standards Committee of Germany.

IFASS met in London, UK, on 2-3 October 2018 and discussed the agenda items set out below.

The public meeting was attended by representatives of standard setters from Australia, Austria, Brazil, Canada, China, Denmark, France, Germany, Hong Kong, India, Indonesia, Italy, Japan, Lebanon, Malaysia, Mexico, Nepal, Netherlands, New Zealand, Norway, Romania, Singapore, South Korea, Spain, Sudan, Sweden, Switzerland, Taiwan, United Kingdom, and the United States of America.

Representatives of the Chartered Institute of Public Finance and Accountancy (CIPFA), the European Financial Reporting Advisory Group (EFRAG), the International Accounting Standards Board and its staff, the International Arab Society of Certified Accountants (ASCA), the International Public Sector Accounting Standards Board (IPSASB), and the Pan African Federation of Accountants (PAFA) also attended. A complete list of participants is attached. A number of observers were present.

### Items 1. Opening remarks

The IFASS Chair Liesel Knorr welcomed participants to London and thanked the IFRS Foundation for hosting the meeting again. After some housekeeping remarks she opened the technical part of the first day of the meeting.

### Item 2. BCUCC: Hong Kong's and Italy's experience with the predecessor method

(paper ref: IFASS 1018 AP 2.1, IFASS 1018 AP 2.2)

Purpose of this agenda item was to follow up on the research activities performed jointly by OIC and HKICPA on BCUCC which IFASS had recently debated in London 2017 and in Mumbai 2018. In light of the IASB plans to consider predecessor values as an accounting method for business combinations under common control, Tommaso Fabi, Nadia di Santis (both OIC), and Eky Liu (HKICPA) shared the practical experience in applying the predecessor method in Hong Kong and in Italy. In both jurisdictions the predecessor method is widely applied in practice despite a number of application challenges. These challenges include the identification of the controlling party, the restatement of comparatives, and the perspective from which non-controlling interests (NCI) have to be reflected in the financial statement.

IFASS participants informed each other about the guidance provided and challenges faced in their jurisdictions. A varying relevance of BCUCC transactions across all jurisdictions present was observed. Most participants reported that BCUCC transactions happen quite often in their jurisdictions; only a few participants reported that they are not common. In respect of the accounting for BCUCC, most participants shared that the predecessor method is widely used in their jurisdictions—in some jurisdictions they are widely used in private group situations only. In some jurisdictions, such as Mainland China, India and Norway, the predecessor method is mandatory in the absence of a global standard, whereas in other jurisdictions both, the predecessor method or the acquisition method under IFRS 3 Business Combinations are acceptable under specific circumstances, either through an accounting policy choice (e.g. Australia, Hong Kong S.A.R., Italy, Korea, Sweden, South Africa) or based on certain conditions to be met for one or the other (e.g. Canada, New Zealand, Netherlands). It was doubted by some, however, that the predecessor method is the appropriate method for accounting for all BCUCC transactions.

Participants further shared the challenges faced in their jurisdictions in applying the predecessor method. Again, there was a diversity regarding the prevalence of the challenges that had been observed in Hong Kong and Italy. Some participants named the accounting for NCI, and the perspective to be taken with respect to the carrying amounts are issues lively discussed (e.g. Canada). In Australia, South Africa and the UK the NCI question does not seem to be a big issue because that usually relates to public listed company situations, and in those situations the acquisition method is applied.

Another issue discussed was whether restating comparatives is meaningful in every case. Kris Peach (AASB) noted that the Australian regulator has in the past had a strong preference for the view that in many BCUCC a new entity is created that does not have a history for which reportable comparatives exist.

In wrapping up the session, Mr. Fabi concluded that OIC and HKICPA would like to share the insights gained by the project and the IFASS discussion with the IASB.

### Item 3. Hybrid pension plans

(paper ref: IFASS 1018 AP 3)

As item 2, this was a further follow up session on a discussion IFASS had already held several times in recent meetings. Rebecca Villmann (AcSB, Canada) made a quick recap on these discussions at IFASS and reported about the development since including the deliberations at the Accounting Standards Advisory Forum (ASAF). She shared that the research was going to be expanded to include insights gained / research made by academics. The activities ahead include completing the outreach and providing it to the IASB accompanied by ideas on possible amendments to IAS 19 *Employee benefits*.

### Item 4. Accounting for stamp duties and other costs relating to property, plant and equipment acquired in a business combination

(paper ref: IFASS 1018 AP 4)

Dhinal Shah, and M.P. Vijay Kumar (both ICAI, India) presented a case prevalent in India, whether a stamp duty and other such costs relating to property, plant and equipment (PPE) acquired in a business combination should be recognised as an expense (view 1) or should be capitalised as part of the cost of PPE acquired (view 2). They analysed the issue against the background of relevant paragraphs of IFRS 3 *Business combinations* and the standard's Basis for conclusions.

The participants discussed both alternatives given in the presentation. Although some participants expressed an appetite for view 2 (capitalising the costs); the predominant view, however, was that these costs should be expensed (view 1). Arguments brought forward to that conclusion included that IFRS 3 is a Fair Value model and if there were subsequent costs, it needed to be asked whether these costs will bring any enhancement to the asset acquired. As the payment for the stamp duty will not enhance the asset, this payment should be expensed in any case. During the discussion it was questioned if – as an argument for view 2 – the case could be analogised to IFRS 9 *Financial Instruments: Recognition and measurement* (Fair Value adjusted by the stamp duty). Participants did not support that idea, as the PPE in question are not in the scope of IFRS 9.

The Chair concluded that there were strong arguments for view 1, and Mr. Kumar confirmed they had expected that.

**Optional Session A: Public-Sector-Accounting / IPSASB Update**

(paper ref: IFASS 1018 AP 5)

Ian Carruthers (IPSASB), and John Stanford (IPSASB) presented an update on the IPSASB current work plan and development of a strategy and work plan for 2019-2023

This included the finalisation of a standard on social benefits and continuing work on revenue, collective and individual services, grants and other transfers, measurement, public sector financial instruments and lease accounting. The approval of a standard on social benefits would be a major landmark for the IPSASB. On leases, there had been strong support for the proposals on lessee accounting, but more diverse views on lessor accounting and concessionary leases.

During the year, IPSASB undertook work on the development of a new strategy and work plan. The presentation outlined the IPSASB's proposed strategic objective and supporting themes, and its approach taken to consulting on these during 2018, which included four regional roundtables in Africa, Asia, Europe and South America.

**Optional session B: A Revisit to the Definition of Accounting Estimates**

(paper ref: IFASS 1018 AP 6, IFASS 1018 AP 6.1)

Youngmi Seo (KASB, South Korea) presented the line of arguments of the KASB for their conclusion on what makes the difference between an accounting estimation and an accounting estimate. First, an accounting estimation is to measure an item in financial statements using measurement techniques when, in the presence of measurement uncertainty, monetary amounts cannot be observed directly. Second, an accounting estimate is an output of an accounting estimation. Furthermore, Ms Seo explained the typology of measurement uncertainty as considered by the KASB. Concluding, they had developed two recommendations for the long term: First, the IASB should thoroughly reconsider the retrospective application or the prospective application of changes in accounting; and, second, the term "accounting estimation" in light of measurement uncertainty should be explicitly defined in the Conceptual Framework.

Participants welcomed the ideas brought forward by the KASB, in particular the long term recommendations as these were a provocative new thinking. However, some concerns were raised whether the typology developed in the paper was really convincing. For example, Andrew Lennard (FRC, UK) expressed his reservation on putting depreciation into the type 3: Other than stipulated in the paper, depreciation can indeed be verified ex post. When the asset is sold, the entity will know if the depreciation charge was appropriate or not. It was further questioned that the use of cost formulas based on averages or on the assumed turnover of goods (such as FiFo) is a matter of uncertainty. For example, Sven Morich (ASCG, Germany) expressed the view that an entity will certainly know the single price paid for each and every good; however, the certain amounts will very often not be the most relevant amounts; thus entities measure such goods in applying averaging methods.

A further discussion evolved on whether the differentiation between a change in accounting policies and a change in an accounting estimate is meaningful. The strong focus on that single type of change was questioned, given the fact that other changes such as a change in the entity's business model and the disclosure on that will be of significantly higher importance for users. It was suggested, that there might not be any need to report changes retrospectively. Users were assumed to look for information about the sensitivity of the change happened; therefore, disclosure giving insights about the sensitivity of the change might be the best way to inform; in addition, every accounting change should be reported prospectively.

That position was, however, not shared by other participants. They noted that one important proposition would be that all users are properly skilled to use the "instead disclosures" appropriately. This was doubted to be the case. A further observation was that the requirement to show accounting changes retrospectively is designed to ensure the numbers' comparability over time. Furthermore, it acts as a deterrent to entities changing their accounting policies opportunistically.

**Optional Session C: Meeting of the NFP-Working Group**

(paper ref: IFASS 1018 AP 7.2, IFASS 1018 AP 7.4)

The session focused on a proposal to develop formal guidance on reporting for the not for profit (NFP) sector. A draft proposal for this guidance was presented by the chair of the Working Group, Ian Carruthers (CIPFA). He explained that the proposal had originated from the group's previous work on the development of a web based 'International NFP Platform', which brought together different approaches to accounting and reporting for commonly encountered issues and areas of difficulty particular to NFP entities.

The group's work had attracted the interest of the organisation Humentum, a member association of international nongovernmental organisations that includes bilateral and multilateral funders. Humentum are interested in supporting initiatives in this area of financial reporting due to the issues being encountered by funders as a consequence of the lack of bespoke standards and guidance specific to the NFP sector. The proposal for guidance included Humentum as a key stakeholder and link to the international funder community.

Participants welcomed the proposal and offered suggestions which should be considered in the development of the guidance. It was felt appropriate that guidance would be initially developed for small and medium-sized NFP entities, based on the profile of the sector and the absence of sector specific guidance amongst national standard setters for this grouping. Participants expressed mixed views on using IFRS for SMEs as a starting point for guidance. It was noted that guidance which draws on the UK's experience currently exists for NFP entities applying IFRS for SMEs. However some participants were unsure if the standard provides a sufficiently simplified approach which is suitable for small and medium-sized NFP entities.

Participants acknowledged the value of utilising the expertise of the current Working Group members by forming a Technical Advisory Group which will input into the development of the guidance. It was agreed that, given the guidance's non-mandatory status, members would provide independent advice as individuals rather than on behalf of their organisations,

Ian Carruthers informed participants of the intention to progress the proposal in partnership with Humentum following this session. The members of the Working Group would be kept informed of progress. He noted that new members who wished to be involved in the project or contribute to the Not for Profit Platform would be welcomed.

Working group member Nathalie Nicolas (ANC) also gave an overview of the reporting standard for not-for-profit companies recently issued in France. Participants observed that many of the issues in the standard were the same as those identified by the group and included in the current web-based international NFP Platform.

**Optional session D: Implementation of IFRS 17**

(paper ref: IFASS 1018 AP 8.1, IFASS 1018 AP 8.2)

The purpose of this session was sharing views on certain issues arising on the implementation of IFRS 17 *Insurance contracts* as well as the status of implementation in the jurisdictions present at this session. The issue was introduced by Shelley So (HKICPA, Hong Kong), Katharine Christopoulos (AcSB, Canada), and Jeong-hyeok Park (KASB, South Korea) who presented jointly various issues prevalent in their jurisdictions including coverage units for multiple risks, release of the contractual service margin, reinsurance etc.

Participants observed that most of the jurisdictions present at this session were in the process of endorsing IFRS 17 or had already endorsed it.

Initially, the discussion was about several technical issues with regard to IFRS 17, in particular the six items raised recently by EFRAG. Participants observed, that some, but not all, of these items where under discussion in non-European countries as well. For example, Linda Mezon (AcSB, Canada) shared the views of the Canadian insurance industry, that some new requirements for the accounting for reinsurance contracts might indeed be worth to be reconsidered, whereas the 'annual cohorts' item does not seem to be an issue. Daryl Scott (IASB) informed the forum that 81 issues had been submitted to the Transition Resource Group to date and that the IASB had not yet decided upon the number of future TRG meetings.

The discussion turned to the question if all issues raised across jurisdictions might justify reconsidering the standard's effective date. The presenters at this session noted their stakeholders are making an effort to implement the standard by the effective date but constraints on the availability of system solutions and specialists could potentially prevent insurers from completing implementation on time. Some European constituents including insurance companies had voiced loudly that a postponement of the effective date was unavoidable given the problems that have arisen. However, the discussion at this IFASS session showed that none of the national standard setters present in the session were in favour of a delay. Some participants reported that their local constituency would not agree to a delay at all, whereas in other countries a delay would not be deemed to be problematic. For example, Linda Mezon shared that the Canadian insurance industry was concerned about the same issues raised here, including system issues. However, there would be no intention to change the effective date as it would – in addition – not be in the interest of most National Standard Setters. She suggested continuing to share facts and to focus on real facts instead of 'making noise'. NSS should re-focus their capacities on constructive discussions supporting global implementation. Similar views were raised by other participants. Vidhyadhar Kulkarni (ICAI, India) added that the messages coming from a number of NSS are confusing as all parties involved in the current debate were involved in the standard setting process already and should have taken the opportunity to raise issues much earlier.

**Item 9. Administrative matters**

(paper ref: IFASS 1018 AP 9.1)

At the start of this session, IFASS Chair Liesel Knorr advised on the dates of future IFASS and WSS meetings. The next IFASS meeting will take place in Argentina, 28 & 29 March 2019, presumably in Buenos Aires, within a series of meetings including the meeting of the Emerging Economies Group before and the ASAF meeting after the IFASS meeting. She informed the forum that the IFASS secretariat will contact the colleagues in Argentina very soon to ensure awareness of organisational and visa issues. Ms Knorr asked all participants to raise any visa issues (requirements for the visa application etc.) as early as possible in order to let the Argentine colleagues know.

The next WSS meeting will take place on 30 September & 1 October 2019, followed by IFASS (1 & 2 October) at the Hilton Hotel in Canary Wharf, London, close to the new offices of the IFRS Foundation.

Then she turned to the paper outlining the procedure and timeline for the appointment of the next IFASS chairman. She asked the forum if there were any objections to the procedure described and proposed in that paper. As there were no comments she concluded to proceed as proposed by the IFASS secretariat in the aforementioned paper.

**Item 10. Fitness Check of the EU Commission on the requirements for public reporting by companies**

(paper ref: IFASS 1018 AP 10)

Peter Sampers, Chairman of the Dutch Accounting Standards Board (DASB, Netherlands), introduced the topic. He had coordinated the response of eleven European accounting standard-setters to the consultation. Mr. Sampers briefly explained the historical background of the fitness check from the EU IAS Regulation to the Maystadt report, the evaluation of the IAS Regulation, the report of the HLEG on sustainable finance, the EC action plan on sustainable finance followed by the Fitness check itself.

For special consideration by the forum he referred to question 19 of that consultation asking constituents whether they think that it is still appropriate that the IAS Regulation prevents the Commission from modifying the content of IFRS. The EU commission based this question on the different levels of commitment to require IFRS as issued by the IASB around the globe. Most of the responses and views known to Mr. Sampers (coming from standard-setters and the oversight bodies) so far indicated that the EU endorsement process should continue with its current requirements. Furthermore, the vast majority of views heard by Mr. Sampers deems IFRS standards as essentially fine.

The IFASS debate following Mr. Sampers's introduction was very lively and showed a broad mix of views. Many participants shared Mr. Sampers's concerns about the lack of neutrality of the Fitness check consultation paper. Those in favour of providing for the EU’s ability of carve-outs and carve-ins expressed the view that the question was strongly connected with sovereignty issues. Furthermore, establishing the option for carve-outs and carve-ins would not necessarily mean exercising that option but it should be viewed as the last resort. Other participants replied that the current adoption process in the EU was designed (and approved by the member states) to keep the possibility of political influence to a minimum. Linda Mezon stated that if there ever would be changes to IFRS issued by the IASB, it should be the standard-setter's decision and not a political one. Political decisions in other parts of the world that would have an effect on the international accounting community would be viewed with great concern. She informed the participants that Canada has never changed IASB pronouncement in spite of having the theoretical possibility to do so. The EU does not exist in a bubble, but trades with the rest of the world and the rest of the world with Europe.

IASB Chairman Hans Hoogervorst explained that the IASB listens very carefully to concerns brought to its attention and many adjustments are made during the process of development of a standard. Why, he asked, should the IASB continue to listen to European concerns if in the end the EU would change the final standards during endorsement according to their own wishes anyway.

With his final comment, Mr. Sampers supported the EU in making the economy more sustainable; however, that should not be at the expense of efficient capital markets and of the transparency of financial information.

### Item 11.1 Extractive industries

(paper ref: IFASS 1018 AP 11.1)

As the IASB's research activities on extractive industries had become active again recently, Tim Craig (IASB staff) presented a brief recap on the project's history, the IASB's 2010 Discussion paper on that topic, and the feedback received by the Board. He further informed the forum of the work performed since the restart of the project and the next steps envisaged by the IASB. Mr. Craig raised the question if there were any significant changes in the participants' jurisdictions regarding extractive industries.

IFASS participants welcomed the subject having become an active research project again and shared some initial views. One question raised was whether the IASB were planning to develop an industry specific standard. The IASB should consider that extractive activities may come in various forms of business activities or transactions. Mining, as a typical proxy for extractive activities might be seen in a broader sense, i.e. including, for example, mining of cryptocurrencies, or intellectual capital including licensing. As, in addition, respondents to the 2010 Discussion Paper had mostly declined exceptions to the impairment model, the question is, what issues still need clarification with respect to recognition and measurement, or if the standard should focus on disclosure, instead. Sven Morich suggested the IASB should, therefore, rather think about a transaction based standard (as IFRS 16, or IFRS 17). Liesel Knorr agreed; however, she acknowledged that an industry focus was a starting point for transaction based thinking.

Mr. Craig encouraged participants to get in touch with him for further views; Ms Knorr pointed to the existing IFASS communication channels as a further means for participants to gather and share views and information.

### Item 11.2 New IFRS Standards: Improvements and outcomes

(paper ref: IFASS 1018 AP 11.2)

The second session sponsored by IASB representatives dealt with the major new IFRS standards IFRSs 9, 15, and 16 and their initial application. Patrina Buchanan (IASB staff) introduced the purpose of this session: to obtain information about the outcomes of their initial application, i.e. what information companies provide when applying the new Standards for the first time.

IFASS participants shared information about implementation activities and observations made with regard to disclosure on transition. Examples are mentioned below:

Andreas Barckow (ASCG, Germany) reported they had two preparers' fora on IFRS 15 and IFRS 16 in Germany; however, not on IFRS 9. Disclosure requirements on IFRS 9 transition in Europe are mostly driven by regulatory requirements. Therefore, it appears hard to distinguish disclosures required by IFRS 7 from regulatory disclosures.

In Hong Kong, two advisory panels on IFRSs 15 and 16 are established, Shelley So (HKICPA, Hong Kong) reported. In general, Hong Kong entities tend to limit the disclosure to an acceptable minimum. In terms of transition many companies provide quantitative reconciliations, but qualitative information with few numbers is also seen. As Hong Kong has a large IPO market, the regulator has strong influence on disclosures around the transition of new standards.

Anthony Appleton (FRC, UK) reported that the FRC will publish recommendations on interim disclosure on IFRSs 9, and 15 within the next couple of months.

**Item 12. IASB Discussion paper Financial Instruments with Characteristics of Equity**

(paper ref: IFASS 1018 AP 12.1, IFASS 1018 AP 12.1 pres, IFASS 1018 AP 12.2)

The next issue on the agenda was a discussion of the IASB's recently published Discussion paper *Financial Instruments with Characteristics of Equity*. EFRAG and the FRC jointly introduced the topic including the project's history, first consultation activities, and the key elements of the IASB DP, namely the project's scope, the classification model, practical classification outcomes, derivatives on own equity, the use of OCI as well as the attribution requirements for equity instruments. The presenters, Andrew Watchman, Filipe Alves (both EFRAG), and Andrew Lennard (FRC, UK) assigned these elements to the groups in the forum and asked them to report back the group's discussion results.

Participants expressed concerns regarding the approach taken by the IASB, which the presenters had described as ‚middle way approach', a compromise between a fundamental review of IAS 32 *Financial instruments: Presentation* and a narrow-scope review on which the IASB had originally intended to base its discussion paper. It was stated, that a fundamental review would probably be the better way to address the issues to be dealt with. The forum further observed that the 'middle way approach' might be seen as conceptually problematic as, for example, the critical points will be solved at standard level, instead of addressing them in the Conceptual Framework. In addition, participants said they were confused by the DP's language as it introduces new terminology not consistent with the terminology used in the Conceptual Framework. Other conceptual concerns expressed related to the exemptions that will continue to be necessary under the IASBs preferred approach to classification (i.e. puttable instruments). The need for exemptions would indicate a significant weakness of the preferred approach, as it justifies that the approach does not lead to the intended outcome in all cases. In addition, some participants were under the impression that the IASB was searching for a convincing rationale to maintain current accounting conventions.

Sue Lloyd responded that the outcome in the DP might look like retrofitting; however, that was not what the IASB had intended. The Board rather went through all different approaches (Alpha, Beta, Gamma) and mirrored them against the users/investors' information needs and then concluded that the preferred approach (formerly known as Gamma) was the concept that best met the information needs.

With regard to the cost benefit aspect, participants noted that the new terminology will result in additional work for preparers and other parties, even if the IASB did not intend to introduce major changes to current requirements. Participants voiced their doubts that the benefits will justify the efforts; in any event, not all problems arising from IAS 32 will be solved by the IASBs preferred approach.

The concerns mentioned above were not shared by all participants. Vidhyardar Kulkarny welcomed the document in general and informed the forum that the DP would be supported by the Indian accounting community.

Comments on the IASB's preferred approach to classification included the observation that the distinction between equity and liability does not mean anything to users/analysts. They assess liquidity and solvency on the basis of measures other than claims' classification in financial statements. In addition, the concept of income and expense being changes in assets and liabilities other than transactions with owners, implies a notion of ownership that does not equal the equity notion discussed in the DP. The IASB concept seems to be incomplete.

The forum further discussed the practical outcomes of the preferred approach with regard to certain types of claims. There were mixed views about the outcome for irredeemable cumulative preference shares. IAS 32 classifies such claims as equity; whereas they would be a liability under the preferred approach due to the amount feature. Some participants favoured a classification based on the timing feature exclusively, resulting in the claim being classified as an equity instrument. Others preferred the approach of FRS 4 *Capital instruments* (a standard issued by the FRC UK) that introduces the notion of shareholder's funds that consist of equity interests and non-equity interests, the latter of which would be the right bucket for the irredeemable cumulative preference shares. Other participants expressed their sympathy for the solution of the DP.

Net share settled derivatives would be classified as equity according to the DP. Views expressed were supportive of this solution; however, this type of claims was not deemed commonly used in most jurisdictions.

Views expressed on the proposed classification of foreign currency rights issues were not supportive of the IASB proposal to classify these claims as liabilities. Two alternative ideas were discussed; first, separation of the equity leg and the liability leg, and, second, classification as a whole with continuation of the exception as per IAS 32. However, the forum did not conclude which of the alternatives is preferable.

The DP's proposals on derivatives over own equity were supported by the majority of participants. However, they asked for more clarification on the gross measurement of certain claims. The IASB may put more emphasis on economic compulsion.

Split views were expressed with regard to the use of OCI. One group of participants were of the opinion that all effects should be recognised in P/L, as OCI should only be used in limited exceptional circumstances. The IASB should not add another exception to that principle. Another group of participants supported the IASB's approach. The reason for putting value changes of claims, that might require transfer of economic resources before liquidation, into OCI is, that these effects are no indicators of performance of the entity. Consequently, they should never go through P/L, and recycling would not be appropriate.

The last issue debated on the FICE DP was the IASB's proposals of attributing profit or loss to equity instruments other than ordinary shares. The forum noted that mainly banks are affected by the requirements suggested by the IASB as most corporates do not issue such complex claims. The discussion did not go much into detail; however, participants preferred the disclosure solution over the attribution requirements described in the DP.

**Item 13. Management Commentary: The FRC's Approach**

(paper ref: IFASS 1018 AP 13)

In light of recent developments on wider corporate reporting Anthony Appleton introduced the FRC's approach to dealing with that important topic. His presentation covered the FRC's framework for the strategic report and its key elements, reporting principles such as materiality as well as the amendments the FRC had made recently to this guidance.

Participants discussed whether or not certain information should indeed be placed in an entity's annual report or whether it should be placed outside, e.g. on the company's website. In this context it was noted that the annual report might serve as signposts to certain reports required by national legislation such as directors' remuneration reports or gender policies.

The following discussion covered several aspects for consideration. For example, Stig Enevoldsen (DASB, Denmark) cautioned not to decide on the question mentioned above before having clarified who receives the information. Andreas Barckow commented that standard setters should avoid creating a big database for the sake of hypothetical readers/users.

Another issue mentioned was the auditability of the strategic report, how underlying reporting principles such as "clear and concise" or "fair and understandable" are to be understood against the background of audit. Mr. Appleton acknowledged that those principles are difficult to enforce and, currently, there is just a negative type of assurance addressing consistency with the financial statements. However, there are discussions whether the same level of assurance should be given as for the financial statements. Paul George (FRC, UK) added that many fund managers were looking for information on how the directors deal with the emerging issues.

**Item 14. Towards a framework for reporting performance measures**

(paper ref: IFASS 1018 AP 14)

Rebecca Villmann (AcSB, Canada) informed the forum about a new initiative of the Canadian Accounting Standards Board aiming at developing a Framework to improve the reporting of performance measures. They had recently exposed the draft of that framework, the comment period ended mid September. Before asking groups to put together feedback on the draft framework and to answer further questions, Ms Villmann presented some highlights of the exposure draft and the AcSB's rationale for taking action on that topic. As an example for the relevance of performance measures she presented a case in which a product output number published monthly by a car manufacturer significantly influenced that company's share price from one month to another.

Participants welcomed the AcSB's efforts. In developed markets, additional measures tend to be published more often because users would like to see more numbers to assess the entities' performance. The project in general was seen as a good starting point to re-intensify the dialogue with users and preparers about information gaps and how to bridge those gaps. Thus, the users' perspective was considered highly important in this context; and, therefore many participants recommended having users intensively engaged in the project.

Furthermore, participants supported the guidance proposed; it will assist entities to select measures for their reporting as guidelines currently existing vary from jurisdiction to jurisdiction on how to present the measures selected. The framework would help when choosing measures and understanding why entities report them. In this context, Mikael Scheja (SFRB, Sweden) shared the results of an academic study he had performed: The preparers under review could be divided into three groups. The first group attempted to portray their performance fairly; they used the framework in IFRSs to build their measures. The second group attempted to manipulate the user groups by presenting different items. And the preparers of the 3rd group were not aware that they were not required to present certain measures; they presented them because entities who reported them had been chosen as a benchmark.

Participants further observed that some regulators had already stepped in setting certain requirements, such as the European Securities and Markets Authority. This creates a trade-off: more detailed internationally accepted guidance risks conflicting with local regulations.

Ms Villmann announced that a revised document would be published probably in December 2018.

### Item 15: Concluding remarks and vote of thanks

The chair warmly thanked the staff of the IFRS Foundation for all their administrative support, the IASB members joining the debate and the IFRS Foundation for hosting this meeting and the one in October in 2019. She also thanked all participants and closed the meeting.

## Action List

| IFASS Chair/Secretariat |
|---|
| • To prepare the online meeting survey and invite participants to respond<br>• To call for agenda proposals for the IFASS meeting in March 2019<br>• To send out a call for candidates for the next IFASS Chairman and launch the appointment/election procedure as set out in agenda paper 9.1<br>• To liaise with the NSS in Argentina to organise the IFASS meeting in March 2019 |
| **All IFASS participants** |
| • To advise the IFASS secretariat (secretariat@ifass.net or chair@ifass.net) of potential agenda items for the meeting in March 2019 so that they can be included in the first draft of the agenda<br>• To raise any visa issues (specific requirements for the visa application for Argentina) as early as possible in order to let the Argentine colleagues know |

## List of participants

| | Name | Organisation |
|---|---|---|
| 1 | Kris Peach | AASB (Australia) |
| 2 | Kala Kandiah | AASB (Australia) |
| 3 | Linda Mezon | AcSB (Canada) |
| 4 | Lester Cheng | AcSB (Canada) |
| 5 | Katharine Christopoulos | AcSB (Canada) |
| 6 | Rebecca Villmann | AcSB (Canada) |
| 7 | Alfred Wagenhofer | AFRAC (Austria) |
| 8 | Gerhard Prachner | AFRAC (Austria) |
| 9 | Patrick de Cambourg | ANC (France) |
| 10 | Cédric Tonnerre | ANC (France) |
| 11 | Michel Barbet-Massin | ANC (France) |
| 12 | Oussama Tabbara | Arab Society of Certified Accountants |
| 13 | Doris Yi Hsin Wang | ARDF (Taiwan) |
| 14 | Chi-Chun Liu | ARDF (Taiwan) |
| 15 | Narendra Bhattarai | ASB (Nepal) |
| 16 | Satish Chandra Lal | ASB (Nepal) |
| 17 | Atsushi Kogasaka | ASBJ (Japan) |
| 18 | Yasunobu Kawanishi | ASBJ (Japan) |
| 19 | Cheung Pui Yuen | ASC (Singapore) |
| 20 | Goh Suat Cheng | ASC (Singapore) |
| 21 | Leong Siok Mun | ASC (Singapore) |
| 22 | Andreas Barckow | ASCG (Germany) |
| 23 | Sven Morich | ASCG (Germany) |
| 24 | Huaxin Xu | CASC (China) |
| 25 | Marcel Vulpoi | CECCAR (Romania) |
| 26 | Felipe Pérez Cervantes | CINIF (Mexico) |
| 27 | Rogério Mota | CPC (Brazil) |
| 28 | Peter Sampers | DASB (Netherlands) |
| 29 | Stig Enevoldsen | DASC (Denmark) |
| 30 | Jan Peter Larsen | DASC (Denmark) |
| 31 | Djohan Pinnarwan | DSAK IAI (Indonesia) |
| 32 | Andrew Watchman | EFRAG |
| 33 | Patricia McBride | EFRAG |
| 34 | Filipe Alves | EFRAG |
| 35 | Jeffrey Mechanick | FASB (USA) |

| | Name | Organisation |
|---|---|---|
| 36 | Marsha Hunt | FASB (USA) |
| 37 | Gary Buesser | FASB (USA) |
| 38 | Anthony Appleton | FRC (UK) |
| 39 | Andrew Lennard | FRC (UK) |
| 40 | Paul George | FRC (UK) |
| 41 | Christina Ng | HKICPA (Hong Kong) |
| 42 | Shelley So | HKICPA (Hong Kong) |
| 43 | Eky Liu | HKICPA (Hong Kong) |
| 44 | Michelle Sansom | IASB |
| 45 | Sue Lloyd | IASB |
| 46 | Hans Hoogervorst | IASB |
| 47 | Françoise Flores | IASB |
| 48 | Darrel Scott | IASB |
| 49 | Mary Tokar | IASB |
| 50 | Amaro Gomes | IASB |
| 51 | Nick Anderson | IASB |
| 52 | Henry Rees | IASB |
| 53 | Patrina Buchanan | IASB |
| 54 | Tim Craig | IASB |
| 55 | Nili Shah | IASB |
| 56 | Maria D Urrea Sandoval | ICAC (Spain) |
| 57 | Carlos Moreno Saiz | ICAC (Spain) |
| 58 | Shiwaji B. Zaware | ICAI (India) |
| 59 | Vijay Kumar | ICAI (India) |
| 60 | Vidhyadhar Kulkarni | ICAI (India) |
| 61 | Liesel Knorr | IFASS |
| 62 | Thomas Schmotz | IFASS |
| 63 | Ian Carruthers | IPSASB |
| 64 | John Stanford | IPSASB |
| 65 | Sungsoo Kwon | KASB (Korea) |
| 66 | Won-Hee Han | KASB (Korea) |
| 67 | Youngmi Seo | KASB (Korea) |
| 68 | Hicham el Moukammal | LACPA (Lebanon) |
| 69 | Mohamed Raslan Abdul Rahman | MASB (Malaysia) |
| 70 | Bee Leng TAN | MASB (Malaysia) |
| 71 | Karina Vasstveit Hestås | NASB (Norway) |

| | Name | Organisation |
|---|---|---|
| 72 | Kimberley Crook | NZASB (New Zealand) |
| 73 | David Bassett | NZASB (New Zealand) |
| 74 | Tommaso Fabi | OIC (Italy) |
| 75 | Nadia De Santis | OIC (Italy) |
| 76 | Lebogang Senne | Pan African Federation of Accountants |
| 77 | Zein Borai | SACA (Sudan) |
| 78 | Mikael Scheja | SFRB (Sweden) |
| 79 | Reto Zemp | Swiss GAAP FER (Switzerland) |