

REPORT ON INTERNATIONAL FORUM OF ACCOUNTING STANDARD SETTERS (IFASS) — 4-5 April 2016

IFASS met in Toronto on 4-5 April 2016 and discussed the agenda items set out below.

Background

IFASS is an informal network of national accounting standard setters 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 chaired by Tricia O'Malley (until the conclusion of this meeting). Ms. O'Malley is a former Chair of the Canadian Accounting Standards Board and former member of the International Accounting Standards Board.

The public meeting was attended by representatives of standard setters from, Australia, Austria, Belgium, Canada, Colombia, France, Germany, Hong Kong, India, Indonesia, Italy, Japan, Kenya, Malaysia, Mexico, Netherlands, Nepal, Norway, Pakistan, Republic of Korea, Sierra Leone, Singapore, South Africa, Spain, Taiwan, United Kingdom and United States of America. The European Financial Reporting Advisory Group (EFRAG), International Accounting Standards Board (IASB), 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.

Welcome

Tricia O'Malley welcomed participants to Toronto and thanked the Canadian Accounting Standards Board for hosting the meeting. She congratulated the incoming Chairman (and former President of the German Standard Setter), Liesel Knorr. Ms. Knorr assumed the chair at the conclusion of the current meeting. The meeting commenced with a short video presentation, introduced by Doris Yi-Hsin Wang, Chairman, Accounting Research & Development Foundation, Taiwan, about Taiwan, the location of IFASS's meeting in March 2017.

1. IASB Workplan and Foundation Developments

IASB project update

- 1.1 Michelle Sansom from the IASB staff referred representatives to Paper 1A, which provided an update on the IASB's current agenda projects.
- 1.2 The IASB Vice-Chairman, Ian Mackintosh, said that decisions on the insurance contracts standard have been finalized, and at this time the IASB is calling for input on fatal flaws only.
- 1.3 The Chairman commented that the discount rate research project needed to address the negative interest rate problem. She said that in some jurisdictions the stochastic modelling required to implement the insurance contracts standard does not allow for the inclusion of negative interest rates.
- 1.4 A representative from Malaysia did not favour the new presentation format of the IASB's work plan (denoting "within 3 months", within "6 months" etc.) and noted that it would be

easier to track projects if the work plan was presented on a quarterly basis in each calendar year.

2015 agenda consultation

- 1.5 Mr. Mackintosh provided an update on the IASB's 2015 agenda consultation (see PowerPoint presentation marked Paper 1B).
- 1.6 Representatives' comments included the following:
 - A representative from Germany questioned whether financial statements are reporting information that risks losing the link with economic reality. Mr. Mackintosh said that this might be a fair point in relation to the IASB's older standards. He said that the IASB would try to build "economic reality" into the conceptual framework.
 - The Chairman commented that she was concerned about suggestions that the IASB Foundation Trustees should involve themselves in setting the IASB's technical agenda. The ultimate decision on the technical agenda should be the IASB's alone.
 - A representative from the U.K. said good governance consisted of a number of factors, including that of independence. He questioned whether independence is an inalienable right of a standard setter or whether a balanced approach is required.
 - A representative from the FASB said that the FASB does not view independence as being separate from accountability. The FASB is open to and listens to the views of its stakeholders so there is a balance in its system. Pure technical decisions are made solely by the FASB.
 - The representative from Australia said that the Trustees should restrict themselves to looking at the "big picture". Formulating the technical content of standards requires that the standard setter be truly independent.
 - Regarding the conceptual framework project, a representative from Germany suggested that the IASB should maintain the momentum on all the issues. He said that the disclosure initiative is a very interesting project and that the IASB should consult the regulatory authorities. Mr. Mackintosh said that the regulators are being consulted, and they favour formal disclosure requirements rather than permitting enterprises to decide what to disclose.
 - A representative from Japan said that the conceptual framework should not be regarded as a living document. Its primary use should be to assist the IASB in developing standards. Mr. Mackintosh commented that sometimes standards are not in accordance with the conceptual framework, and this should be explained when it occurs.
 - A representative from the FASB said that data providers favour receiving information in a standard way to enable them to populate their models efficiently.
 - Regarding rate-regulated activities, the representative from South Africa said that clarity is required regarding what the standard setter is trying to achieve. Mr. Mackintosh stated that the principle is that items reflecting the effects of rate regulation must meet the definition of an asset or a liability. A representative from the FASB said that he was concerned that this project will evolve into a situation of "one size fits all" and this is not the case.

- Regarding the disclosure initiative, a representative from the U.K. said that maybe there are two sets of user needs and possibly work should be refocused once the problem is understood.
- A representative from Germany said that preparers are often left in limbo when the IFRIC issues a rejection notice (some rejections are outright, others result in differing answers). He asked if the national standard setters should then step in and offer an interim solution.
- The Chairman said that the IFRIC should not issue a rejection notice just because the topic is the subject of a research project. By not providing answers, the IFRIC is encouraging diversity in practice.
- Regarding the IFRIC's work, a representative from Pakistan said that timeliness is a problem.
- A representative from South Africa said that at this time the IASB should focus on assisting in the interpretation of new standards.
- The representative from Australia said that the treatment of intangible assets is a "major black hole" and something needs to be done even if only to address disclosures. Mr. Mackintosh said this would be a major undertaking. He noted that many topics do not affect all jurisdictions (for example, topics such as rate-regulated activities and accounting for the effects of hyper-inflation), and it was difficult to obtain consensus on how to address some of these topics.

1.7 In reply to questions, Mr. Mackintosh commented as follows:

- The question of the IASB developing standards for not-for-profit entities will be discussed by the Trustees in May 2016. He was not optimistic that the Trustees would favour such a move.
- The discount rate would be a very difficult project. Good research has been done and an answer should be forthcoming by the calendar year end as to whether the IASB will take on the project.

1.8 Mr. Mackintosh commented on the huge amount of consultation involved in completing a project (discussion paper, exposure draft, second exposure draft), and that the amount learned was often very small, compared with the effort involved. A representative from Canada said that maybe the national standard setters could be of some assistance and that this might be a topic for discussion at a future meeting.

2. Professional Judgement on "Terms of Likelihood" in IFRS

2.1 Kala Kandiah from Australia and Won-hee Han from Korea delivered a presentation on this topic (see PowerPoint presentation marked Paper 2). The key recommendations are detailed on slides 21 and 22. These included that the IASB should consider:

- how terms of likelihood might be interpreted and translated in different jurisdictions; and
- reducing the number of different terms of likelihood used in standards.

2.2 Many representatives congratulated the research team from Korea and Australia. Their comments included the following:

- A representative from Germany emphasised the importance of the precise use of language. The IASB must always be aware of how its requirements (in English) will be translated and understood by non-English speakers.
- The representative from the Netherlands said that the IASB should use unambiguous terms. He noted that his jurisdiction uses the English version of a standard, but court cases are carried on in Dutch, and this sometimes results in a judge reaching a different conclusion from what the IASB intended.
- The representative from Nepal commented that the Nepalese translation of a standard includes the English version in brackets.
- A representative from the U.K. commented that the English version of a standard needs to be explicit. Connotations hidden in an author's mind will not be translated. Some of the terms used to modify "probability" are quite bizarre in English common law.
- The representatives from Mexico said there is no problem in translating the term "probable" into Spanish. He noted it is not always easy to fully convey a message once it is translated into another language.
- A representative from the FASB was not in favour of the suggestion to have percentage ranges or numerical guidance in standards on the terms of likelihood (see key finding number 5). He said that precision is not possible.
- The representative from Norway said it is necessary to reduce the number of alternative expressions for "terms of likelihood". He noted that standards are prepared in English and that it is difficult to consider potential problems in translating the original into a host of languages.
- A representative from Canada said that her standard setter works closely with those who translate standards from English into French and that sometimes enquiries from the translator results in the English narrative being clarified.
- The Chairman commented that if certain terms are a problem to non-English speakers, they should notify the IASB as soon as possible after the project's inception.
- A representative from France said some terms such as "fair value" are very difficult to translate into some languages. A glossary of terms might help in translating material. He noted that there were even sometimes differences in the English language (for example, the differences between U.K. and American English).

2.3 The Chairman commented that many of the academic studies examined by the research team were pre-IFRS adoption and it might be worthwhile to update them. It might also be interesting to replicate this in other jurisdictions. She noted that reducing the number of alternative expressions is undoubtedly the answer. Ms. O'Malley also suggested a similar project on terms of size/importance (such as material, significant, major, etc.) would be useful.

3. Use of Financial Information by Investors – Final Report on Academic Study

3.1 Beatriz Garcia Osma from the Universidad Carlos III de Madrid presented the results of a large pan-European academic study of professional investors' financial information usage,

jointly supported by The Institute of Chartered Accountants of Scotland and EFRAG (see PowerPoint presentation and Paper marked Paper 3).

3.2 Professor Osma commented on the overall findings as follows:

- Different objectives require different forms of reporting.
- Financial information is key, particularly for stewardship.
- Investors focus much more on the income statement than the balance sheet.

3.3 In reply to questions, Professor Osma said the following:

- Not many investors look at OCI (not included in the study).
- Although investors were dissatisfied with the state of financial reporting, they did not categorize it as unimportant.
- Regarding the leases project, if depreciation is shown below the EBITDA line, investors will make the necessary adjustment in their models.

3.4 Representatives' comments included the following:

- The chairman commented that when investors have a number of sources to obtain information, they invariably allocate a lot of time and money to financial reporting.
- Regarding perceptions about preparers manipulating valuation inputs, the representative from Australia asked if that was due to concerns about methodology or assumptions made by management. She was concerned about the conclusion that different results are obtained because of the use of different measurement models for the income statement and the balance sheet.
- A representative from Japan commented that the study might have implications for the definition of an asset in the conceptual framework.
- A representative from Hong Kong stated that many analysts are asking for better quality financial reporting. She asked if anyone had requested more background information on the valuation experts. Professor Osma said that participants did not mention this point and no one from Asia was asked to participate in the study.
- A representative from the FASB said that the conclusion that financial reporting is not a substitute for stewardship versus valuation and something should be done, is not an outcome of the data. If stewardship is less relevant, it is not clear that financial reporting at the entity level could be improved. The balance sheet might be more relevant for an unhealthy company than for a healthy one.

3.5 In reply to questions as to what she would recommend to the IASB, Professor Osma said that she did not have a precise answer, but:

- one size does not fit all;
- corporate governance is important; and
- stewardship requires different standards.

3.6 The Chairman closed the session by asking participants to provide any additional comments directly to Professor Osma (Beatriz.garcia@uam.es).

4. Reports from Regional Groups

Update on activities of the Asian-Oceanian Standard-Setters Group (AOSSG)

- 4.1 The AOSSG Chairman, Jee In Jang, provided an update on the Group's activities (see PowerPoint presentation marked Paper 4.1).

Update on EFRAG activities

- 4.2 Filippo Poli, Research Director, EFRAG, provided an overview of EFRAG's recent activities (see PowerPoint presentation marked Paper 4.2).
- 4.3 The representative from Norway commented that the European Union will provide its expectations regarding the effects analysis for IFRS 16. The national standard setters should assist the IASB but not duplicate work. The work should be completed by the close of 2016.

Update on the activities of the Group of Latin American Accounting Standard Setters (GLASS)

- 4.4 Felipe Perez-Cervantes, President of GLASS, commented on GLASS's activities (see PowerPoint presentation marked Paper 4.3). He said that Nicaragua is the only Latin American Spanish-speaking country that has not yet joined GLASS.
- 4.5 On the topic of recognising the effects of inflation, Mr. Perez-Cervantes said that Latin American countries were uncertain when it is appropriate to apply IAS 29 and asked the IASB to undertake research on this matter.

Update on the activities of the Pan African Federation of Accountants (PAFA)

- 4.6 Thuli Bamuza, Director, Strategy and Operations of PAFA, commented on PAFA and its activities (see Paper 4.4).
- 4.7 Ms. Bamuza noted that PAFA has 46 member countries, of which 20 have adopted IFRSs. A technical director will soon join the group.

5. Discussion of European Federation of Accountants' (FEE) paper *The Future of Corporate Reporting – Creating the dynamics for change*

- 5.1 Andreas Barckow, President of the German Standard Setter, discussed the Federation of European Accountants (FEE) Paper on this topic (see PowerPoint presentation and Paper marked Paper 5). He noted that he is not affiliated with the FEE and the views expressed in the paper are those of the FEE.
- 5.2 Professor Barckow said there is a huge demand for information regarding corporate accountability and stewardship and that technology plays an important role in the evolution of corporate reporting.

5.3 Representatives' comments included the following:

- A representative from Italy said that the suggestions in the paper are very interesting and provocative, but a big hurdle is that in almost all countries financial statements are legal documents. There can be no progress until the legal requirements are divorced from the process.
- A representative from the U.K. stated that steps can be taken to balance the legal requirements with the suggestions in the paper. He said that the CORE report is a common-interest document. Investors require that document but they have an interest in matters beyond the financial statements. Those that have a deeper interest in other areas could be catered for by providing links to other sources of information. Something a little less ambitious than the suggestions in the paper could be achievable.
- A representative from the FASB said that the challenges are not that large. The suggestions in the paper are more or less happening in the U.S. in a paper-based environment. In the U.S. preliminary earnings releases are made timely with management emphasizing matters of importance. Voluminous GAAP-based preliminary earnings reports are then issued. This information is then replicated in regulatory filings. It would be desirable if the bare minimum could be disclosed in preliminary reports (with the agreement of the auditor).
- The representative from the Netherlands stated that many companies are experimenting with integrated reporting. Many companies actively engage stakeholders in a structured fashion. There is a need to engage stakeholders and technology need not be the driving force.
- A representative from the FASB said that there are diverse groups of stakeholders in the U.S. and that many sophisticated stakeholders do not care about the format of the financial statements, they just want data. For large companies and sophisticated investors providing information via XBRL, tags may be sufficient at some point in the distant future. For small companies and unsophisticated investors, standards are the way forward.
- The representative from Austria commended the FEE for initiating the debate on this topic. He commented that the SAP website allows users to create discrete reports, including being advised if the information has been audited. Possibly CORE reports could be paper-based, with additional information available via a website.
- The representative from Australia agreed that technology is not the driving force. She noted the following:
 - This needs to be user-driven.
 - She disagreed that financial statements should be part of the CORE report.
 - Standard setters have a framework to establish CORE and should be involved in the debate.
 - This could entail a fundamental change in the skill set of accountants. They will need more education and training in valuation and technical skills.
 - The legal environment in Australia is restraining integrated reporting.
- A representative from Malaysia commented that the proposal was a very noble attempt, but in reality different groups of audience generally require different types of information. She then enquired how “a single, easy to understand report” would be able to meet everyone’s needs. She then quoted an example of information on

Shariah-compliance, which in her mind might not be of interest to all stakeholders, but would be important and relevant to those involved with Islamic finance reporting.

- A representative from the U.K. said that it is a radical idea that detailed financial information should not be included in the CORE report. He stated that data should not be confused with information. Accountants will need training in how to turn data into useful information. This is a packaging exercise that requires judgement.
- A representative from Hong Kong welcomed the CORE concept. Regarding 40/50 page reports, she said that the exclusion of boiler plate information would shorten these reports considerably. She said it is necessary to work with the auditing profession on this matter.
- A representative from Korea said that an integrated report should show how a company creates value. It should show the business model and discuss strategy and risks. Would the CORE report provide a holistic view of a company?
- A representative from the FASB stated that there could be major problems if the CORE report is not based on the financial statements. He commented that there is a huge proliferation of non-GAAP financial numbers in the U.S. and that there is real danger of the GAAP numbers becoming irrelevant. This is so even if the non-GAAP numbers are reconciled the GAAP numbers.

5.4 In replying to questions, Professor Barckow's comments included the following:

- The dividing line between the CORE report and other information needs to be discussed top down. Each entity would need to sort this out with its stakeholders. The biggest concern is that what's left in the CORE report is of no interest to anyone. He noted that there is a big debate among blue chip companies in Germany as to the future of corporate reporting. About half of these companies believe that the CORE report and a more integrated approach is the way forward, while the balance wish to pare back information not related to financial reporting, such as photographs and graphs (this can cut the size of the report by 40 per cent).
- He struggled with the IASB's recent practice statement on materiality and this could be a concern if its requirements were to be applied to non-financial information in the CORE report.
- XBRL could be a means of facilitating CORE reporting. Companies in Germany have shied away from XBRL because of the heavy costs associated with mapping the taxonomy of accounting standards and XBRL.
- A company's stakeholder base changes constantly. Society at large is a big stakeholder base.
- The matter of positive assurance of information in the CORE report is an issue. Information that lacks assurance is a problem.
- To ensure that the concept works, it is necessary to involve legislators and regulators.

5.5 Professor Barckow and the IASB Vice-Chairman agreed that national standard setters should be involved in the project, but not lead it.

- 5.6 Professor Barckow asked meeting participants to provide any comments on the FEE paper via the designated website <http://bit.ly/15futurecorprep> before 30 June 2016.

6. Administrative Matters

IFASS meeting assessment – London, 29-30 September 2015

- 6.1 The Chairman thanked Felipe Perez-Cervantes (Mexican Financial Reporting Standards Board), Bee Leng Tan (Malaysian Accounting Standards Board) and Didrik Thrane-Nielsen (Norwegian Accounting Standards Board) for analysing and summarizing participants' responses.
- 6.2 Mr. Perez-Cervantes provided an overview of the analysis of the views of participants who attended the above meeting (see Paper 6).
- 6.3 The Chairman said that the results of the latest and previous assessments indicate that IFASS and its procedures have improved over the years. She asked meeting participants to consider the following:
- Please provide the new secretariat, Thomas Schmotz from the German Standard Setter (schmotz@drsc.de), with potential agenda items for the next meeting as soon as possible so that they can be included in the first draft of the agenda.
 - Meeting presenters should endeavour to send their papers to the secretariat in good time prior to the meeting.
 - Suggestions to modify the assessment form should be sent to the new Chairman (Liesel Knorr) via schmotz@drsc.de until a new IFASS e-mail address becomes operative.
- 6.4 The Chairman asked that the next assessment report include a three-part comparison (Toronto meeting versus the two meetings preceding Toronto).
- 6.5 The Chairman thanked Mr. Perez-Cervantes who will be stepping down as the Chairman of the assessment trio. Bee Leng Tan has kindly agreed to lead the assessment team (Malaysia, Didrik Thrane-Nielsen from Norway and possibly one other jurisdiction).

Process and Timetable for Transfer of Secretariat

- 6.6 Ms. O'Malley asked participants to review the IFASS e-mail listing and advise Harry Klompas or Mr. Schmotz of addresses that should be deleted.
- 6.7 The incoming Chairman thanked those that had voted for, and placed their confidence in, her. Her comments included the following:
- She will contact the IASB's Michelle Sansom regarding potential agenda items for the next IFASS meeting (try to avoid duplicating agenda items for IFASS, WSS and ASAF). She would try to have clear view of the agenda by the end of June 2016.
 - She might contact the group to obtain views on topics that are best considered at either the IFASS or WSS meeting (to minimise duplication).

- She will try and settle the date for the initial 2017 IFASS meeting in Taiwan.¹
- Harry Klompas has offered any assistance and support that Thomas Schmotz might require.

6.8 Alberto Giussani congratulated Ms. Knorr on her appointment as Chairman and thanked Ms. O'Malley for her dedicated efforts as Chairman.

7. Not-for-Profit Organisation Issues

7.1 The Chairman thanked Ian Carruthers, Chair of Standards for the Chartered Institute of Public Finance and Accounting (CIPFA), and the Chair of the International Public Sector Accounting Board for organizing this extensive session on not-for-profit (NFP) organisation issues in his CIPFA role.

Consultative Committee of Accountancy Bodies (CCAB) Research and 5 October 2015 Seminar

7.2 In his capacity as CIPFA Standards Chair, Mr. Carruthers provided an overview of the CCAB's research and a summary of CIPFA's 5 October 2015 seminar (see PowerPoint presentation marked Paper 7). He said that accounting for NFPs is critically important for some jurisdictions. Seventy-two per cent of respondents to a CCAB survey advised that international standards for NFPs would be useful.

7.3 The IASB Vice-Chairman commented that at their January 2016 meeting, the IASB Foundation Trustees had a preliminary meeting on whether the IASB should develop standards for not-for-profit organisations NFPs. The Trustees asked the staff to do more work on this topic so that the issue could be discussed again at their next meeting in May 2016. He was not optimistic that the Trustees would decide on a positive course of action. He said that even if this topic was put on the research agenda, it would take an inordinate amount of time before standards were issued.

NFP Organisation Accounting in Korea

7.4 Jae-Ho Kim, Technical Director, Korea Accounting Standards Board (KASB), provided an overview of NFP accounting in Korea, including various initiatives undertaken by the KASB and the challenges that it faces (see PowerPoint presentation marked Paper 7.1).

7.5 In reply to questions, Mr. Kim said that the Financial Services Commission (a government agency that supervises the KASB), is seeking to establish a law that would mandate the KASB to set NFP standards for general purpose financial statements, which could be audited and trusted.

7.6 A representative from the U.K. said that his jurisdiction uses a tiered approach for the financial statements of different sizes of entities. This might be a good system for Korea to adopt, given the size and complexity of the NFP sector in that country.

¹ Subsequent to the meeting, the dates for the Taiwan meeting were confirmed to be 2-3 March 2017.

NFP Financial Reporting in the U.S.

- 7.7 Tom Linsmeier, Daryl Buck and Jeffrey Mechanick from the FASB provided feedback on the FASB's decisions in Phase 1 of its NFP Financial Statements project and discussed the challenges in the accounting for grants and contracts in the U.S. (see PowerPoint presentation marked Paper 7.2).
- 7.8 On an informal show of hands, very few representatives indicated that it was important that NFP financial statements be presented in a similar fashion to for-profit financial statements.
- 7.9 Comments from representatives included the following:
- The representative from the Netherlands said that his jurisdiction has sector-specific standards. The Netherlands also requires segmented reporting within the financial statements.
 - A representative from the U.K. said that there were issues regarding charitable shops in the U.K. For example, is the receipt of donated goods a business or a fund-raising activity?
 - A representative from Canada said that:
 - the Canadian Accounting Standards Board is in the midst of a major initiative regarding standards for NFPs – this is not a simple matter;
 - in Canada, NFPs are able to apply three different sets of standards, depending on their circumstances;
 - Canada is also wrestling with revenue recognition regarding philanthropy; and
 - sometimes foundations for not-for-profit entities make funds available for projects that become commercial operations. Accordingly, NFP standards need to take into account that they might also have to cover for-profit situations.
 - A representative from France said that his jurisdiction is revisiting its NFP standards. France is thinking about segmented reporting. An important issue is how to account for non-monetary transactions (for example, volunteer costs). Mr. Mechanick noted that in the U.S. measurable volunteer services are recorded at fair value.
- 7.10 Mr. Mechanick commented that the FASB is not alone in struggling with how to account for grants and contracts.

NFP Reporting in Australia

- 7.11 Kris Peach provided details of Australia's position and approach to reporting for NFPs (see PowerPoint presentation marked Paper 7.3). She noted that practitioners in Australia found the exchange/non-exchange boundary arbitrary and confusing.
- 7.12 A representative from the FASB said that his jurisdiction uses conditions which are similar to the performance obligations approach regarding revenue recognition in Australia. The Australian literature does not include conditions.

- 7.13 Regarding disclosures, Ms. Peach said that most NFPs are doing reduced disclosures and there is no indication that this is a concern.
- 7.14 Mr. Carruthers commented that IPSASB has conditions in its literature. IPSASB is revisiting its revenue standards in the context of how far the performance obligation approach in IFRS 15 can be used in the public sector. However, because it is already clear that there are limits on this, it will require some sort of “residual” standard on non-exchange revenue, which is likely to be based on its existing standard.

Development of the NFP Reporting Framework in New Zealand

- 7.15 Ian Carruthers commented on NFP financial reporting in New Zealand (see PowerPoint presentation marked Paper 7.4). He said that New Zealand uses International Public Sector Accounting Standards (IPSAS) as the starting point for Tiers 1 and 2 NFP accounting (compared with Australia, which uses IFRSs as the starting point for NFP accounting).
- 7.16 Regarding revenue recognition for non-exchange transactions, Mr. Carruthers said there needs to be an explicit obligation to return future economic benefits or service potential when goods or services have not been delivered. The right of return is a very gray area.

Alternative Approaches

- 7.17 The Chairman commented that the common issues in all the presentations are revenue recognition and presentation in the income statement.
- 7.18 Comments from representatives included the following:
- A representative from Canada said that in her jurisdiction some NFPs are directed to use the standards for publicly accountable enterprises or accounting standards for private enterprises (developed by the Canadian Accounting Standards Board), while government entities are directed to use the standards of the Canadian Public Sector Accounting Board. The problem is that for some entities there is no hard and fast line as to which set of standards they should use.
 - A representative from the FASB said that in some ways the situation in the U.S. is a complicated mess. Some entities fall under the FASB and others are directed to use the standards of the U.S. Government Accounting Standards Board. He said that the FASB has Concepts Statement No. 4, which details the Objectives of Financial Reporting by Nonbusiness Organizations.
 - The representative from India commented that the situation in India is complicated because there are so many regulators.
 - A representative from Colombia stated that in his jurisdiction the government sets standards for NFPs (which are used to avoid taxes). He was in favour of an international set of standards for NFPs.
 - The Chairman commented that there are no recognition and measurement differences between standards for NFPs and profit-oriented entities. The differences relate to presentation and disclosure.

- The representative from Sierra Leone said that his jurisdiction, in common with other developing countries, is of the view that international standards for NFPs are an urgent requirement and called for immediate action.
- The Chairman commented that she had been advised that a very large world-wide NFP was in the midst of preparing its own set of standards to be used by all of its constituent bodies. These standards are based on IFRSs.
- A representative from the FASB said that the FASB's approach is that donations and grants do not fit under IFRS 15 because there is no reciprocal transfer of value. The approach is that if you have a unique situation, unique guidance is required.
- Mr. Carruthers agreed with the previous point, stating that accountability is what drives the split between accounting for NFPs and other entities. References to exchange or non-exchange transactions are not helpful. Some transactions have elements of both.
- Regarding the assertion that it is difficult for NFPs to prepare cash flow statements, the Chairman said that many small NFPs are operated on a cash basis. Because no accruals are recorded, it should be easy for them to prepare a direct method cash flow statement.

International NFP Guidance – Potential Options

7.19 Mr. Carruthers said that there seems to be a need and demand for guidance. He presented a number of alternative options for discussion, such as whether the basis for such guidance should be:

- IFRS;
- International Public Sector Accounting Standards (IPSAS);
- National GAAP-based; or
- “Bespoke”.

Also, should the IASB develop such guidance or should it be developed by another existing or new group?

7.20 Comments from representatives included the following:

- The representative from Australia commented that the main sources of guidance are either IFRSs or IPSASs. She asked how national standard setters could assist the IASB if it were to start a project. The IASB Vice-Chairman reiterated that the decision was up to the Trustees and that he was not hopeful that the IASB's mandate would be expanded to include standards for NFPs. He suggested that developing a paper for the Trustees' consideration might be useful. It would also be helpful if the paper were to conclude that a potential project would not be too onerous. He said he did not favour a two-board approach (as in the U.S.).
- The Chairman stated that many NFP issues are addressed by IPSASs and that national standard setters' contribution to that process might help to resolve the NFP problem more quickly. Also, many jurisdictions have active NFP projects and a collaborative approach might be useful, including a co-ordinated approach for the private and public sectors.

- The Chairman stated that it will be difficult to provide guidance that works in all sectors. It is necessary to assess if there is a common demand for information.
- The representative from Nepal said that developing countries should harmonize their accounting systems. He noted that many NFPs are spending their resources on administrative requirements rather than delivering funds to where they are needed. Possibly a start could be made by developing some international guidelines for these countries.
- A representative from Canada said that the concept of control and who should consolidate NFP entities is a problem in Canada.

Working Group

- 7.21 The IASB Vice-Chairman said that all jurisdictions seem to be struggling with similar issues and some form of leadership is required. He suggested that a group be formed that could gather and understand the issues.
- 7.22 The representative from Australia said that a framework is required for the development of NFP standards; either an existing one or a new one.
- 7.23 The Chairman said that the IASB and IPSASB standards were not that different and either would be suitable as starting point. She said it should be decided whether the most urgent issue is (i) presentation and disclosure, or (ii) recognition and measurement issues.
- 7.24 A representative from the FASB said that if a group is formed its scope, mandate and role should be clear before it commences its work.
- 7.25 Following a call from Mr. Carruthers for volunteers to form a working group (with limited resources and without a new framework) to take the initial steps to try to determine the way forward, participants from Australia, Canada, Colombia, FASB, France, Netherlands, PAFA and Sierra Leone volunteered their services. Mr. Carruthers said he would contact these volunteers as soon as possible in his CIPFA capacity.
- 7.26 The Chairman closed the session by stating that break-out groups might be useful for NFP discussions at future IFASS meetings.

8. Cash Flow Information

Cash Flows

- 8.1 Andrew Lennard from the U.K. Financial Reporting Council (FRC) provided an update on the FRC's work on the statement of cash flows (discussed by IFASS on two previous occasions). (See PowerPoint presentation and Paper marked Paper 8.)
- 8.2 Comments from representatives included the following:
- A representative from Germany said there is an ongoing debate regarding how liquid a liquid asset should be; provided the price is right, anything can be

liquidated. He questioned how important the management of liquid assets is in a group context. He said there is a need to know where the cash is in a group and how it's managed. Mr. Lennard said that the principle is that the asset can be converted to cash quickly. Regarding groups, the key issue is to disclose cash that is restricted by factors such as exchange controls or tax requirements. He commented that the netting of cash outflow against a cash inflow would only occur in the operating section of the statement of cash flows. Netting would be applicable to liabilities also.

- The representative from the Netherlands said that the proposed starting point that highly liquid investments with a maturity of three months or less are equivalent to cash or its equivalent is totally arbitrary. It is necessary to come to a more reasoned cut-off proposal that is embedded in the enterprise's cash management policies. He saw merit in the proposal to include a section that includes cash flows relating to the management of liquid resources in the statement of cash flows.
- A representative from Malaysia commented that the proposal to report cash rather than cash and cash equivalents was worth considering in view of the mixed practices currently in operation, possibly as a result of the different requirements in IAS 1, IAS 7 and IAS 32. However, she believed further explanation might be required to clarify the meaning of deposits, and she suggested that due consideration to be given to items such as, restricted deposits, demand structured deposits, fixed deposits and bank overdrafts. She also enquired whether the proposed cash definition would be narrower than the current cash and cash equivalent definition.
- A representative from the FASB enquired how restrictions on cash would be dealt with. This could result in challenges for the liquid resources section in the statement of cash flows.

The Financial Reporting Lab

8.3 Anthony Appleton from the FRC provided members with information on the Financial Reporting Lab's purpose and current projects.

8.4 Comments from representatives included the following:

- Regarding the management of liquidity, the Chairman suggested that it might be preferable to condense the requirements of IAS 7, rather than adding to that standard.
- The policy regarding the disclosure of dividends could be useful; however, this might be replicating information that is already present in the market. Mr. Appleton said that the purpose is not to change policy; it is to bring together preparers and investors. The information might be somewhere in the annual report, but not necessarily in the financial statement disclosures.
- A representative from Hong Kong questioned whether the dividend disclosure policy should not be in IAS 7. Mr. Appleton said that the proposal indicates what investors want to see and how they want to see that the requirements are best met.

9. International Public Sector Accounting Standards Board (IPSASB)

- 9.1 Ian Carruthers, the IPSASB Chair, provided an update on IPSASB's strategic objective, its recent activities and its new governance arrangements. John Stanford, IPSASB Acting Technical Director, discussed IPSASB's key projects (see PowerPoint presentation marked Paper 9).
- 9.2 In reply to a question from the representative from Kenya, Mr. Sanford said that under the Cash Basis IPSAS there is not a statement of assets and liabilities, which is a requirement of accrual-based financial reporting. The project on the Cash Basis IPSAS is limited in scope and deals with three issues only – consolidation, disclosure of external assistance and disclosure of third party payment – which have been highlighted as the main impediments to adoption. He noted that one criticism of the Cash Basis IPSAS is that a number of jurisdictions may be on a modified variant of the cash basis, in which case they do recognise some assets and liabilities.
- 9.3 In reply to a question from the representative from Sierra Leone, Mr. Carruthers said that all IPSASB's consultations are public. IPSASB's challenge is to build a standard-setting community, which is one of the reasons that it met for the first time in Norwalk in the U.S.

10. IFRS Implementation Issues

- 10.1 Ian Mackintosh and Michelle Sansom from the IASB delivered a presentation on the IASB's approach to working with national standard setters to foster consistent application of IFRSs.
- 10.2 Comments from representatives included the following:
- The Chairman suggested that national standard setters should consider getting initial feedback from other jurisdictions (using the IFASS mailing list) before sending anything to the IFRIC to see if the concern in question is widespread. She suggested that matters that are not fairly common should not be forwarded to the IFRIC. She commented that jurisdictions issuing their own interpretations (thus setting a precedent) could cause big problems for other jurisdictions that have a similar issue.
 - A representative from Germany said that he would like the IFRIC to advise the national standard setters of issues referred to it so that all could be made aware of common issues. He also raised the matter of how burning issues that are not common to other jurisdictions should be dealt with.
 - A representative from Malaysia observed that although it would be good to present issues for submission to the IFRIC for discussion at ASAF (slide 9), she expressed concern whether this additional step would delay further the time required to resolve the concern, particularly for urgent implementation issues. As it is, some issues take between one to two years for the IFRIC to come to a decision. Mr. Mackintosh noted that problems submitted to the IFRIC were difficult in nature and take time to deal with.
 - The representative from South Africa commented on the inordinate length of time taken by the IFRIC to deal with issues. Mr. Mackintosh noted that it is the process that takes the time; it is not a resource issue. He stated that the process is tried and

tested and is not cumbersome. The objective is to achieve consistent application of IFRSs.

- Ms. Sansom commented that a national standard setter should advise the IASB staff if it has done research on an issue that it sends to the IFRIC, so that efforts are not duplicated.
- A representative from France said that researching problems within an acceptable time frame could create a burden for some national standard setters.
- A representative from Malaysia suggested that the IASB should meet regularly with the major accounting firms so that any disagreements among the firms could be brought to the IASB's attention for resolution. She emphasised the importance of having all the firms in attendance at each meeting, because views from the global desks are disseminated via their respective worldwide networks. If agreements are reached at the global desks, it would help to minimise any significant disagreements in jurisdictions – outside the global office – where IFRSs are applied. Mr. Mackintosh said that the IASB meets with the major firms every two months or so.
- A representative from Japan suggested that the IASB's drafting process should be more transparent. Mr. Mackintosh said that drafts are posted to SharePoint and it is not clear how more could be done.
- In reply to a question from a representative from Hong Kong, Mr. Mackintosh said that response letters, including cover letters, are analysed very carefully.
- A representative from Germany suggested that once the agenda consultation process is complete and if research items are placed on the back burner, possibly national standard setters could undertake research on some of those items.

10.3 In reply to a question from the representative from Australia, Mr. Mackintosh said that thoughts on how the IASB and the national standard setters can work together should be submitted to Michelle Sansom.

11. Conclusion

- 11.1 Linda Mezon, Chair of the Canadian Accounting Standards Board commented on the AcSB's 2016-2021 Strategic Plan, which was distributed to meeting participants. She stated that the document is more in the nature of a communications document rather than a technical document and asked attendees to provide her with their comments on the document.
- 11.2 The Chairman asked members to complete and hand their assessments of the current meeting to Bee Leng Tan (Malaysia). She also handed over the meeting bell (a gift from the Swiss standard setter) to the incoming Chairman, Liesel Knorr.
- 11.3 Ms. Knorr, concluded the meeting by thanking the Canadian Accounting Standards Board, its Chair – Linda Mezon, CPA Canada and all the individuals involved for hosting this successful event and the dinner on 4 April. She also thanked the Canadian Accounting Standards Board for providing the secretariat since 2011, and Tricia O'Malley and Harry Klompas for their dedicated services over the years.

Appendix A

IFASS – 4-5 April 2016, Toronto – LIST OF PARTICIPANTS

	Name	Organisation
1	Kris Peach	Australian Accounting Standards Board
2	Gerhard Prachner	Austrian Financial Reporting and Auditing Committee
3	Sadi Podevijn	Belgian Accounting Standards Board
4	Linda Mezon	Canadian Accounting Standards Board
5	Rebecca Villmann	Canadian Accounting Standards Board
6	Daniel Sarmiento Parvas	Public Accounting Technical Council of Colombia
7	Peter Sampers	Dutch Accounting Standards Board
8	Filippo Poli	EFRAG
9	Patrick de Cambourg	French Accounting Standards Authority
10	Gerald Gil	French Accounting Standards Authority
11	Andreas Barckow	Accounting Standards Committee of Germany
12	Liesel Knorr	Accounting Standards Committee of Germany
13	Peter Missler	Accounting Standards Committee of Germany
14	Christina Ahuja Ng	Hong Kong Institute of Certified Public Accountants
15	Shelley So	Hong Kong Institute of Certified Public Accountants
16	Ian Mackintosh	IASB
17	Michelle Sansom	IASB
18	Tricia O'Malley	IFASS
19	Harry Klompas	IFASS
20	Ian Carruthers	IPSASB
21	John Stanford	IPSASB
22	Shiwaji Bhikaji Zaware	Institute of Chartered Accountants of India
24	Singgih Wijayana	Indonesian Financial Accounting Standard Board
25	Alberto Giussani	Italian Standard Setter
26	Tommaso Fabi	Italian Standard Setter
27	Leonardo Mario Piombino	Italian Standard Setter
28	Nobu Kawanishi	Accounting Standards Board of Japan
29	Atsushi Kogasaka	Accounting Standards Board of Japan
30	Yukio Ono	Accounting Standards Board of Japan
31	Edwin N Makori	Institute of Certified Public Accountants of Kenya
32	Wonhee Han	Korea Accounting Standards Board
33	Jee In Jang	Korea Accounting Standards Board
34	Jae-Ho Kim	Korea Accounting Standards Board
35	Mohamed Raslan Abdul Rahman	Malaysian Accounting Standards Board
36	Bee Leng Tan	Malaysian Accounting Standards Board
37	Felipe Pérez Cervantes	Mexican Financial Reporting Standards Board
38	Narendra Bhattarai	Accounting Standards Board Nepal
39	Didrik Thrane-Nielsen	Norwegian Accounting Standards Board
40	Nokuthula (Thuli) Bamuza	Pan African Federation of Accountants
41	Muhammad Maqbool	Institute of Chartered Accountants of Pakistan
42	Hafiz M. Yousaf	Institute of Chartered Accountants of Pakistan

43	Tamba Momoh	Council for Standards of Accounting, Auditing, Corporate & Institutional Governance (Sierra Leone)
44	Suat Cheng Goh	Singapore Accounting Standards Council
45	Siok Mun Leong	Singapore Accounting Standards Council
46	Khaya Dlodla	Financial Reporting Standards Council (South Africa)
47	María D Urrea Sandoval	Accounting and Auditing Institute (Spain)
48	Louise Wu	Taiwan Financial Reporting Standards Committee
49	Doris Yi-Hsin Wang	Taiwan Financial Reporting Standards Committee
50	Anthony Appleton	Financial Reporting Council (U.K.)
51	Andrew Lennard	Financial Reporting Council (U.K.)
52	Daryl Buck	Financial Accounting Standards Board (U.S.)
53	Tom Linsmeier	Financial Accounting Standards Board (U.S.)
54	Jeffrey Mechanick	Financial Accounting Standards Board (U.S.)

ACTION LIST – Ex 4-5 April 2016 MEETING

Action
IASB Consultation Process
<ul style="list-style-type: none"> • Could the national standard setters be of assistance to the IASB – a possible topic for discussion at a future meeting?
Professional Judgement on “Terms of Likelihood” in IFRS
<ul style="list-style-type: none"> • A research project recommended that the IASB should consider: <ul style="list-style-type: none"> ○ how terms of likelihood might be interpreted and translated in different jurisdictions; and ○ reducing the number of different terms of likelihood used in standards. • Comments suggested a similar project on terms of size/importance would also be useful.
Use of Financial Information by Investors
<ul style="list-style-type: none"> • Provide any comments on the academic study directly to Professor Osma (Beatriz.garcia@uam.es).
The Future of Corporate Reporting
<ul style="list-style-type: none"> • Provide any comments on the FEE paper via the designated website http://bit.ly/15futurecorprep before June 30, 2016.
Not-for-Profit Organisations
<ul style="list-style-type: none"> • Accounting for NFPs is critically important for some jurisdictions. Seventy-two per cent of respondents to a CCAB survey advised that international standards for NFPs would be useful. • The IASB Vice-Chairman suggested that the development of a paper by national standard setters for the IASB Foundation Trustees’ consideration as to why the IASB’s mandate should be changed specifically to encompass NFPs might be useful. It would also be helpful if the paper were to conclude that a potential project would not be too onerous. • A working group consisting of participants from Australia, Canada, Colombia, FASB, France, IPSASB, Netherlands, PAFA and Sierra Leone will try to suggest next steps. • Break-out groups might be useful for NFP discussions at future IFASS meetings.
IFRS Implementation Issues
<ul style="list-style-type: none"> • Submit thoughts on how the IASB and the national standard setters can work together to Michelle Sansom (The IASB is keen to formulate a process).
Composition of IFASS Group
<ul style="list-style-type: none"> • Participants are asked to review the IFASS e-mail listing and advise Harry Klompas or the new Secretariat [Thomas Schmotz from the German Standard Setter (schmotz@drsc.de)] of addresses that should be deleted.

Assessment of Toronto Meeting
<ul style="list-style-type: none">• Malaysia (Chair) and Norway have kindly agreed to prepare the summary evaluation.• The assessment report should include a three-part comparison (Toronto meeting versus the two meetings preceding Toronto).• Suggestions to modify the assessment form should be sent to the new Chairman, (Liesel Knorr) via schmoltz@drsc.de until a new IFASS e-mail address becomes operative.
Agenda – London – 27-28 September 2016
<ul style="list-style-type: none">• Participants to advise Thomas Schmoltz of potential agenda items for the above meeting so that they can be included in the first draft of the agenda (end of June 2016 is the target for the initial draft).• Ms. Knorr will contact the IASB’s Michelle Sansom regarding potential agenda items (try to avoid duplicating agenda items for IFASS, WSS and ASAF).• Ms. Knorr might contact the group to obtain views on topics that are best considered at either the IFASS or WSS meeting (to minimise duplication).• Meeting presenters should endeavour to send their papers to the secretariat in good time prior to the meeting.
IFASS Meeting in Taiwan
<ul style="list-style-type: none">• Next year’s initial meeting will be held on 2-3 March 2017.