

Briefing on IASB Agenda consultation 2011

1 Background

- 1.1 The International Accounting Standards Board's (IASB) remit is the development in the public interest of a 'single set of high quality global accounting standards that require transparent and comparable information in general purpose financial statements'. The IASB's intention is that 'these standards should require high quality, transparent and comparable information in financial statements and other financial reporting to help investors, other participants in the various capital markets of the world and other users of financial information make economic decisions'.
- 1.2 The IASB is developing a Conceptual Framework for Financial Reporting (the Framework). The purpose of the framework is to assist the IASB:
 - in the development of future IFRS and in its review of existing IFRSs;
 - in promoting the harmonisation of regulations, accounting standards and procedures relating to the presentation of financial statements by providing a basis for reducing the number of alternative accounting treatments permitted by IFRSs; and
 - in addition the IASB anticipates that it will assist prepares of financial statements in applying IFRSs and in dealing with topics that have yet to form the subject of an IFRS.
- 1.3 The IASB has had in its work plan for some time Phase G: Application of the framework to not-for profit entities but as yet no start date has been assigned to this work stream. There is therefore no framework guidance in place to assist not-for profit entities to apply IFRS or deal with sector specific issues not covered by IFRSs.
- 1.4 Whilst the focus of the IASB since its beginning its work in 2001 has been on publicly accountable for-profit entities, the International Federation of Accounts established the International Public Sector Accounting Standards Board (IPSASB). IPSASB was established to 'develop high quality accounting standards for use by public sector entities around the world in the preparation of general purpose financial statements'. The term public sector refers to all forms of central and local government and related government entities. The remit of IPSASB does not extend to 'private' not-for profits such as charities, mutuals, co-operatives and associations.
- 1.5 At its September meeting the Committee reviewed proposals by the Financial Reporting Council (FRC) and the Accounting Standards Board (ASB) '*Cutting Clutter – Combating Clutter in the Annual Report*' to reduce the 'clutter' that they see as undermining the usefulness of annual reports and accounts (financial statements). The principle of 'cutting clutter' may also have application to IFRS and this was a discussion point with Paul Pacter at the Committee's October meeting.

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Briefing on IASB Agenda consultation 2011**The IASB Agenda Consultation 2011**

- 2.1 The IASB Agenda Consultation 2011 (the Consultation) document was previously circulated with papers for the October SORP Committee meeting. The consultation invites comment on the 'strategic direction and overall balance' of the IASB's work plan. It invites comment on the 'priority of individual projects or agenda areas over the next three years'. It is intended to repeat these three-yearly public consultations.
- 2.2 The Consultation does not cover the IFRS for Small and Medium-sized Entities (SMEs). Paul Pacter advised the Committee at its October meeting of the separate process for reviewing and updating that standard.
- 2.3 The IASB think that there are three key aspects to address:
 - a more diverse IFRS community as more nations adopt IFRS resulting in new financial reporting issues for consideration;
 - increasingly complex financial markets and
 - the amount of work and pressure on users and preparers alike and the effort required in the implementation of IFRSs over the next few years.
- 2.4 The Consultation two categories of work: developing financial reporting, including updating the conceptual framework, and maintaining existing IFRSs. It also identifies five strategic areas that cut across the two categories of work:
 - Conceptual framework, including a presentation and disclosure framework;
 - Researching strategic issues for financial reporting;
 - Standards level projects;
 - Post implementation reviews; and
 - Responding to implementation needs.
- 2.5 The consultation invites responses to two main questions and it closes on 30 November 2011.

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Briefing on IASB Agenda consultation 2011**The draft submission on the Agenda Consultation**

- 3.1 The draft response is made up of a letter and annex. The annex sets out the IASB's consultation questions and a suggested response. The letter highlights two main themes, the importance of developing an international solution for not-for profit accounting and the importance of reducing the amount of disclosures made under IFRS.
- 3.2 The IFRS for SMEs is the basis for the new Financial Reporting Standard for Medium-sized Entities (FRSME). However the Consultation does not consider the IFRS for SMEs as its focus is on the main body of IFRSs. IFRSs are designed for listed for-profit entities and international banks with public accountability and therefore are not designed with not-for profit entities in mind.
- 3.3 Since the Consultation does not cover the IFRS for SMEs it is recommended that the Committee's submission be at a high level and focused on raising the profile and priority of not-for profit in the IASB's work plan.

Questions:

- Does the SORP have any comment on or amendments to the draft letter to the IASB?
- Does the Committee agree with the response to the IASB consultation questions set out in the annex, if not what changes should be made?

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