

Sender: Maybin Katherine <kmaybin@ifrs.org>  
Date: Tue 1/3/11  
Subject: Post-implementation reviews of IFRSs  
Attachment: NSS Mar 2011 PIR AP4.doc NSS Mar 2011 PIR AP4A.doc

**Sent on behalf of Michael Stewart and Joanna Yeoh**

Dear national standard-setter

We are writing to you about our plans for conducting post-implementation reviews of IFRSs. We have developed a draft general work plan for a post-implementation review of an IFRS and we would like to ask for your views on what we have developed so far. Please note that our plans so far represent staff proposals and have not yet been discussed by the full Board of the IASB (although they have been discussed with a small group of IASB Board members).

We attach two papers. The first (identified as paper number 4) provides a general overview of our approach to post-implementation reviews in the context of the IASB's Due Process Handbook, which sets out the basic requirements for such reviews. The second paper (identified as paper number 4A) describes our draft general work plan for such reviews.

We would like to receive your views on our proposed approach, including our draft general work plan. When you provide your views, we would particularly appreciate learning about your experiences with the performance of post-implementation reviews (*Question 1 in paper 4A*).

We would also like to receive your views on the role that you think local organisations, such as national standard-setters, should have in conducting a postimplementation review. If you agree that they should be involved, how do you think this can best be achieved? (*Question 2 in paper 4A*)

The attached papers will also be discussed at a meeting of national standard-setters in New York on 24-25 March 2011. Those attending that meeting may prefer to provide feedback at the meeting itself.

We would appreciate your comments, if any, by 31 March 2011. Please forward your comments to me and to Joanna Yeoh ([jyeoh@ifrs.org](mailto:jyeoh@ifrs.org)). We thank you in advance for your assistance with this, and if you should have any questions, please do not hesitate to contact us.

**Michael Stewart** | Director of Implementation Activities  
International Accounting Standards Board (IASB)  
30 Cannon Street | London EC4M 6XH | UK  
Switchboard: +44 (0) 20 7246 6410 | Direct: +44 (0) 20 7246 6922  
[mstewart@ifrs.org](mailto:mstewart@ifrs.org) | [www.ifrs.org](http://www.ifrs.org)

The IASB is the independent standard-setting body of the IFRS Foundation.

-----  
**Katherine Maybin** | Project Administrator

International Accounting Standards Board (IASB)  
30 Cannon Street | London EC4M 6XH | UK

Switchboard: +44 (0) 20 7246 6410 | Direct: +44 (0) 20 7246 6445  
[kmaybin@ifrs.org](mailto:kmaybin@ifrs.org) | [www.ifrs.org](http://www.ifrs.org)

The IASB is the independent standard-setting body of the IFRS Foundation.

*Please consider the environment before printing this email*

This email and any files transmitted with it are confidential and intended solely for the use of the individual or entity to whom they are addressed. If you have received this email in error please notify the system manager or telephone +44 (0) 20 7246 6410

**Offices :** 30 Cannon Street | London EC4M 6XH | UK | Telephone: +44 (0)20 7246 6410 | Fax: +44 (0)20 7246 6411 | email: [info@ifrs.org](mailto:info@ifrs.org) | [www.ifrs.org](http://www.ifrs.org)

The International Financial Reporting Standards Foundation (IFRS Foundation) is a not-for-profit organisation under the General Corporation Law of the State of Delaware, United States of America

**Registered Office:** 1208 Orange Street, Wilmington, New Castle County, Delaware 19801, United States of America. Company no: FC023235

---

---

|            |                        |  |                     |
|------------|------------------------|--|---------------------|
| Contact(s) | <b>Joanna Yeoh</b>     | <a href="mailto:jyeoh@ifrs.org">jyeoh@ifrs.org</a>       | +44 (0)20 7246 6481 |
|            | <b>Michael Stewart</b> | <a href="mailto:mstewart@ifrs.org">mstewart@ifrs.org</a> | +44 (0)20 7246 6922 |

---

|         |   |
|---------|---|
| Project | <b>Post-Implementation Reviews</b>            |
| Topic   | <b>The IASB's post-implementation reviews</b> |

---

## Introduction

1. We are seeking advice on a draft general work plan for a post-implementation review, which is discussed in Agenda paper 4A.
2. We plan to seek feedback in the next few months on the draft general work plan, as discussed in agenda paper 4A, from the IFRS Advisory Council, the IFRS Interpretations Committee, a meeting of a group of national standard-setters, the IASB's Global Preparers Forum and Analyst Representative Group. We intend to bring the feedback received on the draft general work plan for a post-implementation review to a Board meeting in the second quarter of 2011. Both papers tabled at this meeting reflect only the views of the authors and have yet to be considered by the Board. (The authors have been developing those views in part by discussing ideas with a small group of Board members.)
3. This paper is provided for information purposes and provides background to the discussion on the draft general work plan in Agenda paper 4A. This paper provides an overview of the IASB's post-implementation review process, specifically on the:
  - (a) objectives;
  - (b) scope;
  - (c) timing; and
  - (d) assignment of who is to conduct that review.

---

This paper has been prepared to solicit feedback from national standard-setters.

The views expressed in this paper are those of the staff preparing the paper. They do not purport to represent the views of any individual members of the IASB.

Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS—only the IFRS Interpretations Committee or the IASB can make such a determination.

The tentative decisions made by the IASB at its public meetings are reported in IASB *Update*. Official pronouncements of the IASB, including Discussion Papers, Exposure Drafts, IFRSs and Interpretations are published only after it has completed its full due process, including appropriate public consultation and formal voting procedures.

## IASB Staff paper

**Background*****The IASB's Due Process requirements***

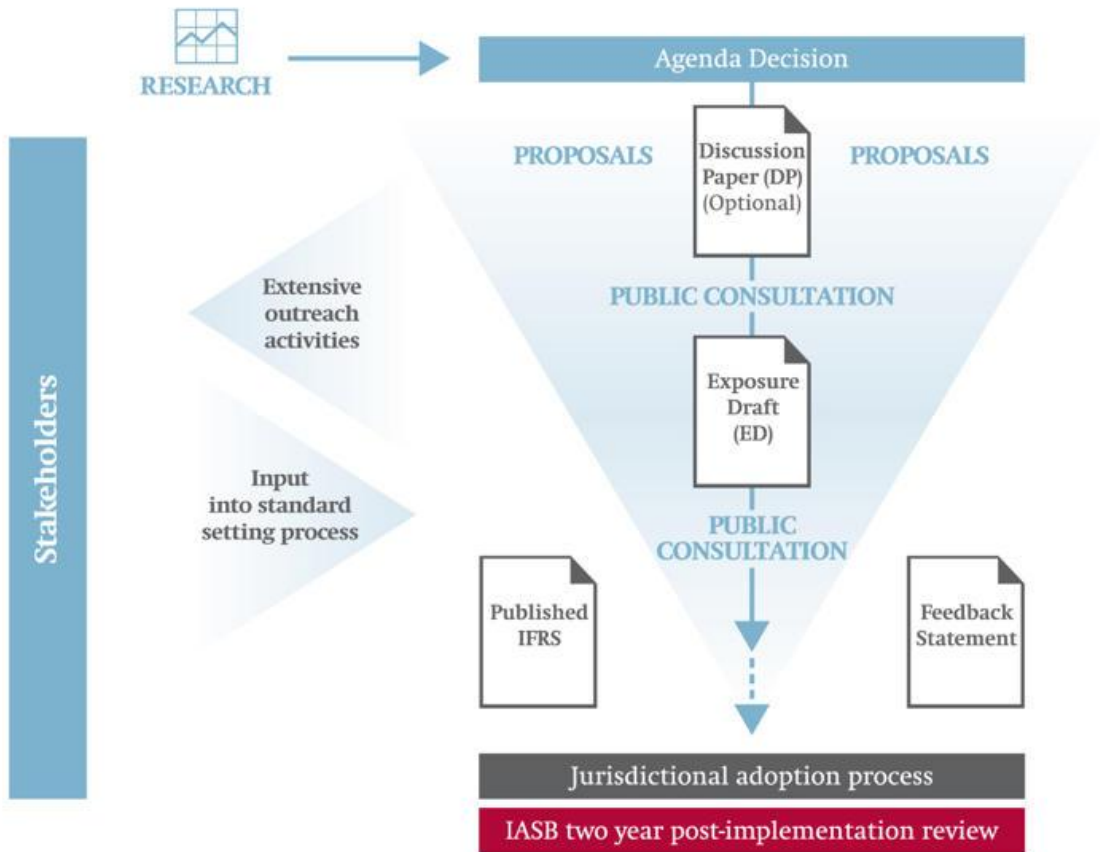
4. The objectives, scope, timing of, and assigned responsibility for, a post-implementation review are set out in the *Due Process Handbook for the International Accounting Standards Board* (the Handbook) paragraph 53 (reproduced in Appendix A).
5. The *Handbook*:
  - (a) describes the Board's consultative arrangements;
  - (b) is based on the Framework of due process laid out in the Constitution of the IFRS Foundation; and
  - (c) reflects public consultation.
6. The Trustees approved the amended the *Handbook* on 9 October 2008. The Trustees' Due Process Oversight Committee is responsible for regularly reviewing and, if necessary, amending those due process procedures in the light of experience and of comments from the IASB and constituents.<sup>1</sup> One of the 2008 amendments to the *Handbook* was to formalise the process of conducting post-implementation reviews as part of the life cycle for the Board's major projects.
7. Prior to 2008 the IASB's due process requirements in the Handbook included informal processes for understanding how an IFRS is implemented or the impact of an IFRS. Those processes allowed the IASB to initiate studies, in light of certain circumstances, after an IFRS has been issued.
8. When IFRS 8 *Operating Segments* was issued in November 2006, the IASB committed itself to undertaking a post-implementation review of that IFRS. The Board did so in response to concerns raised on the application of the management approach in IFRS 8.

---

<sup>1</sup> The Trustees' Due Process Oversight Committee is conducting a benchmarking exercise to assess the effectiveness of the organisation's due process activities. This exercise is estimated to be completed by the end of 2011.

IASB Staff paper

9. The 2008 amendment to the *Handbook* formalised post-implementation reviews as part of the life cycle of a project. The diagram below illustrates a project’s life cycle.



## IASB Staff paper

**Objectives**

10. A post-implementation review's objectives, according to the *Handbook*, are:
- (a) to review the important issues that had been identified as contentious during the development of the pronouncement<sup>2</sup>; and
  - (b) to consider any unexpected costs or implementation problems that have been encountered.
11. For the first objective, a post-implementation review provides for a review of:
- (a) how the Board responded to those contentious issues;
  - (b) the implementation consequences of how the Board finalised those contentious issues; and
  - (c) the bases of the Board's decisions when deciding on a contentious issue and consideration of whether those bases remain valid.

The reasoning used by the Board in reaching conclusions on contentious matters when finalising a pronouncement may have been based on certain expectations. For example, the Board may decide that a specific requirement is appropriate because the concerns raised might have been thought to relate to transactions that, although significant in size, were expected to be rare. Understanding this reasoning will be relevant for assessing the continuing validity of the bases for those decisions.

12. On the second objective, the review will provide a specific opportunity for the Board to learn about and consider any unexpected costs or implementation problems that have been encountered. The Board already has mechanisms to consider individual implementation problems through its interpretative and annual improvements processes. The post-implementation review process embeds a broader review of the implementation problems arising, compared

---

<sup>2</sup> We think that a contentious issue in this context is an aspect of a proposal:

- that elicited a wide range of views from those that responded to the exposure draft with no clear consensus; or
- that many disagreed with but which the Board proceeded with.

How the Board responded to contentious issues arising in the development of a pronouncement is normally described in the basis for conclusions to an IFRS and the feedback statement.

## IASB Staff paper

with the narrower, discrete review associated with Board's other implementation processes. A by-product of a post-implementation review may be the referral of items to the Interpretations Committee or the development of an agenda proposal, to for example, amend an IFRS.

13. Both objectives reflect the fact that the post-implementation review is part of the project life cycle and is conducted by the Board. The next section elaborates upon the scope, timing and responsibility for a post-implementation review.

**Scope and timing for a post-implementation review**

14. According to the *Handbook*, a post-implementation review should normally be conducted two years after the new requirements have been implemented (see Appendix A). This allows a study of the implementation of the IFRS in a 'business as usual' context without being clouded by issues specific to the year of change. However, the following circumstances may prompt an earlier review:
  - (a) changes in the financial reporting environment or in regulatory requirements; or
  - (b) comments received about the quality of a specific IFRS.
15. According to the *Handbook*, a post-implementation review is part of a project's life cycle and is carried out for each new IFRS or major amendment. Implementation issues arising from narrower-scope amendments (ie amendments that are not major) are by their nature likely to be narrower in scope and therefore to be more suitable for being handled through other parts of the IASB's implementation activities, such as IFRIC interpretations and annual improvements. It is the more significant, broader projects, ie the new IFRSs and major amendments, that will need the broader approach that a post-implementation review can bring.

## IASB Staff paper

**Schedule for and subject of post-implementation reviews**

16. The first two IFRSs or amendments for which the IASB is scheduled to begin post-implementation reviews are IFRS 8 and Business Combinations: Phase II (the revised IFRS 3 *Business Combinations* and the amended IAS 27 *Consolidated and Separate Financial Statements*).
17. It is noted above that the performance of post-implementation reviews was included in the IASB's due process procedures following the commitments that the Board gave to review IFRS 8. We think that focusing post-implementation reviews on new IFRSs and major amendments that are issued after this date, rather than on older standards, is a more efficient use of both the Board's and constituents' resources. Several of the older standards are currently subject to revision or replacement by main Board projects. The new IFRSs or major amendments that are issued following completion of these projects (for example IFRS 9 *Financial Instruments*) will be the subject of post-implementation reviews after two years of implementation. Those that are not scheduled for revision or replacement, but with which there are implementation issues (for example IFRS 2 *Share-based Payment*), are expected to feature in the responses to the Board's consultation on the future agenda. We think that undertaking a post-implementation review is of greatest benefit within a few years of the pronouncement becoming effective, and that the agenda consultation will provide a more efficient way of learning about implementation problems with older standards, and a more direct route to developing an agenda proposal, where applicable.

**The timing of the first reviews**

18. The first two IFRSs or amendments for which the IASB is scheduled to begin post-implementation reviews are IFRS 8 and Business Combinations: Phase II.
19. The effective dates for IFRS 8 and Business Combinations: Phase II are as follows:
  - (a) IFRS 8: annual periods beginning on or after 1 January 2009.



IASB Staff paper

- (b) Business combinations: Phase II: annual periods beginning on or after 1 July 2009.
20. The first sets of financial statements in which IFRS 8 will have been applied for two years will be those for the year ended 31 December 2010, and are likely to become available from March 2011. However, there are many entities preparing IFRS financial statements that have reporting dates other than 31 December. This is particularly the case in the southern hemisphere where June reporting dates are common. The broadest geographical population of financial statements and implementation experience with at least two years of application since IFRS 8 was issued will be available from the second half of 2011.
21. A similar analysis would suggest that the broadest geographical population of IFRS financial statements and implementation experience since Business Combinations: Phase II was issued will be available from March 2012.
22. Accordingly, the reviews for IFRS 8 and Business Combinations: Phase II are expected to start in 2011 and 2012 respectively.
23. From then on, a post-implementation review of an eligible pronouncement will be added to the agenda after the appropriate application period. A pronouncement will be subject to review only once. Any additional reviews of the same pronouncement are unlikely to be an efficient use of resources. If implementation issues arise after a post-implementation review, it may be better to address the issues by developing an agenda proposal. If this leads to a major amendment to the IFRS, then the amendment would itself be subject to a post-implementation review after an implementation period of two years.

**Responsibility for the review**

24. As set out in the *Handbook*, a post-implementation review is conducted by the Board. This is consistent with the view that a post-implementation review:
- (a) is part of a project's life cycle and the objectives of the review appropriately reflect this; and

IASB Staff paper

- (b) considers technical issues, and our Constitution places responsibility for technical issues on the Board.
25. Consistent with the Board's principles of operating, which involves transparency, objectivity and extensive consultation, the post-implementation review will be conducted as follows:
- (a) staff (including senior staff) allocated to the review must not have been involved in the development of that pronouncement;
  - (b) information will be available on our website regarding the review;
  - (c) the results of the review will be discussed in the Board's public meetings;
  - (d) the Board will invite public comment on a draft report of the findings, thereby subjecting the Board's findings to public scrutiny before finalisation; and
  - (e) the finalised report will be available to the public.

Agenda paper 4A discusses this further in its discussion on the draft general work plan for a post-implementation review.

**Summary**

26. In summary, a post-implementation review, as set out in the *Handbook*:
- (a) focuses on:
    - (i) a review of the important issues that had been identified as contentious at the time of developing the pronouncement; and
    - (ii) consideration of any unexpected costs or implementation problems that have been encountered;
  - (b) is performed for new IFRSs and major amendments;
  - (c) is normally performed after two years of implementation unless circumstances arise that indicate that an earlier review should be conducted; and

**IASB Staff paper**

(d) is conducted by the Board.

27. The reviews for IFRS 8 and Business Combinations: Phase II will commence in 2011 and 2012, respectively.

IASB Staff paper

**Appendix A: Paragraph 53 of the *Due Process Handbook for the International Accounting Standards Board* (amended October 2008 and updated December 2010)**

53 The IASB carries out a post-implementation review of each new IFRS or major amendment. This is normally carried out two years after the new requirements have become mandatory and been implemented. Such reviews are normally limited to important issues identified as contentious during the development of the pronouncement and consideration of any unexpected costs or implementation problems encountered. A review may also be prompted by:

- changes in the financial reporting environment and regulatory requirements
- comments made by the IFRS Advisory Council, the IFRS Interpretations Committee, standard-setters and constituents about the quality of the IFRS.

The review may lead to items being added to the IASB's agenda. The IASB may also continue informal consultations throughout the implementation of the IFRS or amendment.

---

|            |   |                     |
|------------|---|---------------------|
| Contact(s) | <b>Joanna Yeoh</b> <a href="mailto:jyeoh@ifrs.org">jyeoh@ifrs.org</a>           | +44 (0)20 7246 6481 |
|            | <b>Michael Stewart</b> <a href="mailto:mstewart@ifrs.org">mstewart@ifrs.org</a> | +44 (0)20 7246 6922 |

---

|         |   |
|---------|---|
| Project | <b>Post-Implementation Reviews</b>  |
| Topic   | <b>Consultation on the draft work plan for a post-implementation review</b> |

---

## Introduction

1. We are seeking advice on a draft general work plan for post-implementation reviews. Agenda paper 4 provides, as background, an overview of the IASB's post-implementation review processes.
2. We plan to seek feedback on the draft general work plan in the next few months from the IFRS Advisory Council, the IFRS Interpretations Committee, the IASB's Global Preparers Forum and Analyst Representative Group, and a meeting of national standard-setters. We intend to bring the feedback received on the draft general work plan for a post-implementation review to a Board meeting in the second quarter of 2011. Both papers tabled at this meeting reflect the views of the authors and have yet to be considered by the Board. (The authors have been developing those views in part by discussing ideas with a small group of Board members.)
3. The draft general work plan will be included in a draft Framework that will provide the structure for future post-implementation reviews. Appendix A provides a summary of the draft Framework based on the draft general work plan in this paper. The draft Framework for post-implementation reviews includes the objectives, scope, timing, and assignment of responsibility for a post-implementation according to the *Due Process Handbook for the*

---

This paper has been prepared to solicit feedback from national standard-setters.

The views expressed in this paper are those of the staff preparing the paper. They do not purport to represent the views of any individual members of the IASB.

Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS—only the IFRS Interpretations Committee or the IASB can make such a determination.

The tentative decisions made by the IASB at its public meetings are reported in IASB *Update*. Official pronouncements of the IASB, including Discussion Papers, Exposure Drafts, IFRSs and Interpretations are published only after it has completed its full due process, including appropriate public consultation and formal voting procedures.

**IASB Staff paper**

*International Accounting Standards Board* paragraph 53 (set out in Agenda paper 4).

**Proposed general work plan**

4. The following is a proposed general work plan for a post-implementation review. We believe that the specific details for each of the items will need to be tailored according to the pronouncement being reviewed and that there should be flexibility to do so.

***Information gathering and outreach***

5. The following are expected to be the primary research sources to be considered during the initial phase of the post-implementation review (in no particular order):
  - (a) a study of annual reports of issuers;
  - (b) a review of regulators' statements about the implementation of the IFRS;
  - (c) an analysis of relevant public information (eg surveys conducted and reports issued by analysts and large accounting firms, and academic research);
  - (d) a review of issues not taken onto the IFRS Interpretations Committee's agenda;
  - (e) the basis for conclusions and dissenting opinions, if any, of the pronouncement being reviewed; and
  - (f) consultation with users, preparers, auditors, regulators, standard-setters and other interested parties.
6. We see benefits in liaising with local organisations, for example standard-setters, on the collection and analysis of facts and views on how a pronouncement has been applied in practice in their jurisdictions (where appropriate). Local organisations are aware of the implementation issues in

**IASB Staff paper**

their jurisdictions and of any particular environmental factors that may affect how a pronouncement is applied. In addition, other interested parties may be more comfortable communicating their views to a local organisation, which is closer to them and with which they are more familiar with, instead of to the IASB. Some IFRS Advisory Council members believe that national standard-setters (or in the absence of national standard-setters, regulators) should have a significant role in a post-implementation review.

7. The sources identified above should be used:
  - (a) to review how a requirement that was identified as a contentious issue during its development, is applied in practice, from the perspective of all those involved in the financial reporting supply chain (for example, preparers, auditors, users and regulators); and
  - (b) to identify any unexpected costs or implementation problems that have been encountered.

***Preliminary report on the post-implementation review***

8. The tentative conclusions of the review and analysis described in paragraph 7 will be included in a preliminary report for the post-implementation review on the pronouncement.
9. The preliminary report will be published by the Board for public comment. This public consultation will allow interested parties to comment on any preliminary views reached by the Board.
10. After receiving and considering those comments, the report will be finalised and published. An agenda proposal will be developed or proposals for amendments will be recommended for inclusion in annual improvements (if applicable).

IASB Staff paper

**Content of the report**

11. We believe that the report on the post-implementation review should:

*objective 1: review the important issues identified as contentious during the development of the pronouncement*

- (a) contain a discussion on the contentious issues raised and on how the Board addressed those issues in the development of the pronouncement;
- (b) describe how the pronouncement is being applied in practice in respect of the contentious issues, and compare these observations with the concerns that had been expressed at the time of developing the pronouncement; and
- (c) assess whether those original concerns remain valid.

*objective 2: consider any unexpected costs or implementation problems encountered.*

- (d) contain a description of any unexpected costs or implementation problems that have been identified; and

*summary of findings*

- (e) include an indication of the Board's preliminary assessment of how it should respond to each issue reviewed, as appropriate. For example, the report should indicate whether the issue may be considered for inclusion on the Board's agenda or referred to the annual improvements project.



## IASB Staff paper

***Length of a post-implementation review***

12. The review of IFRS 8 will be the Board's first post-implementation review. At this stage, it is difficult to estimate the time (and resources) needed to complete the project, particularly because part of the initial phase is to study various information sources, and the extent of those sources is not yet known. There is also likely to be a learning phase for the first post-implementation review. After the learning phase is over, we believe that it would be beneficial to complete a post-implementation review within approximately twelve months from the commencement of the project in order to produce a report on a timely basis.

**Question 1**

What are your views on the draft general work plan for a post-implementation review (discussed in paragraphs 4-12)? In providing your views, we would particularly appreciate learning about your experiences with the performance of post-implementation reviews.

**Question 2**

What involvement do you think that national standard-setters should have in a post-implementation review?

IASB Staff paper

## Appendix A: Draft framework for post-implementation reviews

### Introduction

A1. A post-implementation review, as set out in the *Due Process Handbook for the International Accounting Standards Board* (amended October 2008):

- (a) is part of the IASB project's life cycle and is carried out for each new IFRS or major amendment;<sup>1</sup> and
- (b) is normally carried out two years after the new requirements become mandatory and have been implemented. However, the following circumstances may prompt an earlier review:
  - (i) changes in the financial reporting environment or in the regulatory requirements, or both; or
  - (ii) comments received about the quality of a specific IFRS.

### Objectives

A2. As set out in the *Due Process Handbook for the International Accounting Standards Board* (amended October 2008), a post-implementation review's objective is:

- (a) to reassess the important issues that were identified as contentious during the development of the pronouncement; and
- (b) to consider any unexpected costs or implementation problems that have been encountered.

---

<sup>1</sup> Post-implementation reviews for two projects will be starting when sufficient implementation time has elapsed. They are:

- (a) IFRS 8 *Operating Segments*, to start in 2011; and
- (b) Business Combinations Phase II (revised IFRS 3 and amended IAS 27), to start in 2012.

IASB Staff paper

**General work plan**

- A3. The general work plan for a post-implementation review is as follows:
- (a) Publish information about the post-implementation review on the IASB's website.
  - (b) Identify significant contentious issues that arose in the development of the pronouncement (and, where available, identify what the Board expected on application of the requirement) from analysing the relevant effects analysis, feedback statement, basis for conclusions and dissenting opinions, if any (as appropriate).
  - (c) Information is gathered through (in no particular order):
    - (i) analysing relevant published reports, surveys and research;
    - (ii) consultation with users, preparers, auditors, regulators, standard-setters and other interested parties;
    - (iii) when relevant, consulting working groups, the IFRS Advisory Council and the IFRS Interpretations Committee; and
    - (iv) requesting the help of local organisations (for example standard-setters) in identifying those issues in their jurisdictions.
  - (d) Using the information gathered:
    - (i) when a contentious issue had arisen in the development of a pronouncement;
      - (a) review how the requirements of the pronouncement relating to that issue are applied in practice, from the perspective of all those involved in the financial reporting supply chain (for example, preparers, auditors, users and regulators);
      - (b) assess the results of this review to determine whether the original concerns remain valid; and

**IASB Staff paper**

- (ii) identify whether any unexpected costs or implementation problems were encountered.
- (e) Develop a preliminary report on the results of the review. The preliminary findings will be discussed during a Board meeting, or meetings.
- (f) Publish the preliminary report on the results of the review and formally invite comments on the report for an appropriate comment period.
- (g) Finalise and issue the report after considering the comments received on the preliminary report during Board meetings.
- (h) In finalising the report, the Board will consider what further work is required, for example whether an agenda proposal should be developed in response to the matters identified, or whether some of the matters arising from the review should be referred to the IFRS Interpretations Committee for consideration as part of annual improvements.