

Regulators

Call for action on new accounting standards

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IOSCO stresses importance of implementation and disclosure on IFRSs 9, 15 and 16

Highlights

- Engage with and focus on the new standards as soon as possible
- Maintain a strong grip on your implementation projects
- Provide qualitative and quantitative disclosures of the impact of the new standards
- Key matters – Allocate sufficient time and resources to ensure high-quality implementation

“In less than a year, the new financial instruments and revenue standards will become effective. The new leases standard will follow shortly afterwards. IOSCO expects issuers to provide full, accurate and timely information about the impact of these new standards.”

Focus on the new standards

Over the past few months, the European regulator, ESMA, has urged companies to push their implementation projects forward and outlined its [expectations](#) for disclosures on the [impact of IFRSs 9 and 15](#) in two detailed statements¹.

IOSCO, the international association of securities market regulators, has now issued its own [statement](#) on IFRSs 9, 15 and 16. As these standards are likely to have a significant impact on many companies globally, IOSCO stresses the importance of taking time *as soon as possible* to assess:

- the impact of the new standards on your financial reporting; and
- the quality and status of your company’s implementation plans.

IOSCO’s guidance contains helpful considerations for issuers, their audit committees and auditors (see [‘Key matters to consider’](#) below). It may be further supplemented by national or other (e.g. European) regulatory requirements or laws, which companies would need to comply with.

Maintain a strong grip on implementation projects

To achieve a high-quality implementation of the new standards, IOSCO strongly advises companies, and their audit committees, to be on top of their implementation plans, including:

- review of existing contracts and arrangements;
- changes to systems and processes;

1. [Issues for consideration in implementing IFRS 15 Revenue from Contracts with Customers](#) issued in July 2016; [Issues for consideration in implementing IFRS 9 Financial instruments](#) issued in November 2016.

- new estimates and judgements; and
- assessment of the alternatives.

Setting an appropriate tone is also important to ensure that all relevant resources throughout the organisation work towards the common goal.

Quantitative and qualitative disclosures

Investors expect and need decision-useful information. To achieve this, IOSCO recommends providing disclosures that are timely, company-specific and sufficiently robust and detailed about the expected impact of the new standards.

Although IOSCO has not explicitly defined its expectations with respect to the timing of disclosures, they appear similar to ESMA's: disclosures are expected to be qualitative in the early stages of implementation, with progressively more quantitative disclosure expected as new accounting policies are defined, estimation uncertainty reduces and the effective date approaches.

Key matters to consider

The table below summarises the matters that IOSCO recommends companies and their audit committees consider while implementing the new standards and auditors consider while performing their related audit procedures.

The key point is that sufficient time and resources are allocated to support a high-quality implementation of the new standards.

Matters	Points to consider (not meant to be an exhaustive list)
Implementation	<ul style="list-style-type: none"> – Changes to systems, processes and internal controls needed to produce the newly required information – Impact on covenants, employee incentive schemes and regulatory and statutory requirements (e.g. tax and dividends) – Development and documentation of significant accounting judgements and estimates
Disclosure	<ul style="list-style-type: none"> – Disclosures about the expected financial impact in the notes to the financial statements – Disclosures about the effects on business practices and key performance metrics (e.g. dividend payments and liquidity metrics) in the front section of the annual report (e.g. MD&A, management commentary) – Further disclosures about the expected impact in public disclosure documents (e.g. offering documents), analyst presentations etc
Audit	<ul style="list-style-type: none"> – Impact of new processes and controls on audit scope and approach – Audit of significant accounting judgements and estimates, changes in accounting policies and disclosures about the impact of the new standards both before the effective date and in the year of adoption

Our website contains helpful information for issuers and their audit committees. Visit our [Revenue](#), [Financial Instruments](#), [Leases](#) and [Disclosures](#) hot topics pages to find out more. Our [Illustrative disclosures](#) give examples of how your IFRS 9 and IFRS 15 disclosures could look in 2016.