

# The Future of Financial Reporting

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The views expressed in this presentation are those of the presenter, not necessarily those of the International Accounting Standards Board or the IFRS Foundation.

# IFRS Foundation

- Headquartered in London, UK
- Regional Asia-Oceania office in Tokyo, Japan



# International organisation

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# Mission Statement

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To develop IFRS<sup>®</sup> Standards that bring **transparency**, **accountability** and **efficiency** to financial markets around the world.

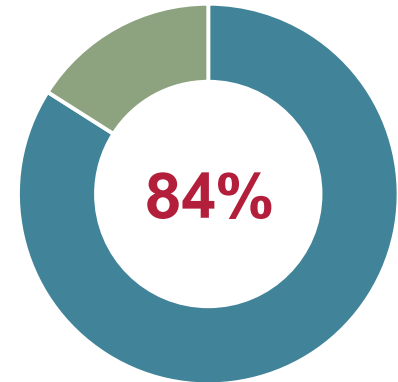
Our work serves the public interest by fostering **trust**, **growth** and **long-term financial stability** in the global economy.

# Adoption of IFRS Standards



 = IFRS Standards required

126 of 150 jurisdictions require IFRS Standards for all or most publicly accountable companies



# New IFRS Standards

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Standard	Big change	Effective date	EU endorsed?
IFRS 9 <i>Financial Instruments</i>	Expected loss model replaces incurred loss model	2018	✓
IFRS 15 <i>Revenue from Contracts with Customers</i>	Global Standard - IASB and FASB converged	2018	✓
IFRS 16 <i>Leases</i>	All leases onto balance sheet	2019	Scrutiny period
IFRS 17 <i>Insurance Contracts</i>	Truly international, current measurement	2021	Process not yet started

# Accounting for insurance contracts

One company, different results:

(In millions of USD)	GAAP 1	GAAP 2	Difference	
Revenue	9,010	11,244	(2,234)	-25%
Operating income	1,606	748	858	53%
Total equity	10,375	4,567	5,808	56%

# Challenges to financial reporting

Gap between book value and market value

Disclosure overload

Big data, artificial intelligence

Exploding sustainability reporting



# Keep calm and carry on

**Financial reporting  
will remain the main  
anchor for investors**

**Big data  
supplemental, rather  
than competitive**

**Period of calm needed**

**Improve what we have**

## Better Communication in Financial Reporting

Primary  
Financial  
Statements

Disclosure  
Initiative

IFRS  
Taxonomy

Content and its organisation

Content  
delivery

- Disclosure problem:
  - Not enough relevant information
  - Too much irrelevant information
  - Poor communication

Enabling  
preparer  
judgement

+

Improved  
disclosure  
requirements

=

Improved  
disclosures &  
better  
communication

## IFRS Practice Statement *Making Materiality Judgements*



**Gathers in one place all the requirements on materiality from IFRS Standards and adds practical guidance and examples**

### Objective



**Provides reporting entities with guidance on making materiality judgements when preparing financial statements in accordance with IFRS Standards**

### Form of the guidance



**The Practice Statement does not change any existing requirements nor introduce any new requirements; it is a non-mandatory document developed by the Board**

# Primary Financial Statements – scope

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Statement(s) of financial performance	Statement of cash flows	Statement of financial position	Statement of changes in equity
Requiring additional EBIT subtotal	Eliminating options (interest/dividends)	No planned change – except possible development of template for primary financial statements and greater disaggregation	
Providing guidance on presentation of management operation performance and alternative EPS	Aligning the operating section between the statements of cash flows and financial performance		
Better ways to communicate OCI	Requiring a consistent starting point for the reconciliation		

# What the IASB cannot do

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- Leadership in sustainability reporting
- Public authorities need to take the lead
- Reporting not the best catalyst for change

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