



The future direction of IFRS

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“The IASB is making progress, but there is still a lot to be done if it is to achieve the desired outcome.”

What should be the core principles for setting accounting standards under IFRS?

Highlights

- The foundation for IFRS – IASB consults on proposals for its Conceptual Framework
- Changes and challenges ahead – Some fundamental questions to consider
- Our opportunity to shape the future of IFRS
- Find out more

The foundation for IFRS

The *Conceptual Framework for Financial Reporting* is the IASB’s foundation for developing accounting standards. As such, the Board’s commitment to revise it could have major consequences for IFRS in the future.

The project is no small task, and stakeholder expectations are high. If the core underlying principles are robust, then they should lead to a set of internally consistent accounting standards that reduce complexity, improve comparability and lead to a faster, less controversial standard-setting process.

The Board has [previously sought input](#) on the direction of the project, but is [now consulting](#) on its proposals for the framework itself.

Changes and challenges ahead

The proposals cover *all* aspects of the revised framework, including topics that had been deemed ‘closed’ – e.g. prudence and stewardship.

In particular, the following proposals are likely to result in changes, and therefore challenges. Look out for our forthcoming articles on these areas.

Change	Challenge
New ‘bundles of rights’ approach to assets	How would a physical object be ‘sliced and diced’ from an accounting perspective – e.g. could one aircraft be recorded on two balance sheets, and to what extent could it be split into different rights?

Change	Challenge
New control-based approach to derecognition	Would the pure control model – rather than a risk-and-reward model – work, considering previous experience with the standards for revenue and financial instruments?
New ‘practical ability’ approach for recognising liabilities	How would a company determine which future actions/costs it has no ‘practical ability’ to avoid?
Limited guidance on the dividing line between profit and loss and other comprehensive income	Would this guidance help to codify the current approach, or provide a fresh approach to resolve the long-standing issue of performance reporting? Read more

Some areas of controversy in financial reporting – e.g. the distinction between liabilities and equity – have been removed from the project’s scope, and are being dealt with in separate projects.

Our opportunity to shape the future of IFRS

Stakeholders expect the Conceptual Framework project to resolve a number of long-standing issues. Read our [comment letter](#) to understand KPMG’s view of the proposals.

Find out more

Look out for our forthcoming articles on the challenges identified above, as well as our [insights](#) and [comment letter](#) on the 2013 consultation.