

Auf den .Punkt gebracht!

We have the responsibility to make sure that investors understand what is going on in a company

Interview with *Hans Hoogervorst*, Chairman of the IASB



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Hans Hoogervorst und Evelyn Teitler-Feinberg

We have a great opportunity to get straight answers from the Chairman of the IASB, Hans Hoogervorst, on burning issues concerning the future strategy of the IASB.

Mr Hoogervorst, what is your assessment of the Process of Convergence between the IASB and the FASB so far? Are you satisfied with the achievements made so far? Where do your frustrations lie, which is a natural emotion in such a long-drawn-out process? How do you assess the future of the convergence process? Do you expect that its outcomes will be satisfactory for the IASB?

The **convergence process** was a good way to get the IASB and the FASB working together to improve our respective standards and to bridge the major differences between IFRS and US GAAP. The process has had many successes, but also some challenges. For example, the boards were able to achieve converged standards in major areas, such as revenue recognition, fair value measurement, business combinations and segment reporting. In other areas we have not managed to achieve convergence, most notably in financial instruments accounting.

Although the convergence process is coming to an end, the IASB and the FASB will continue to work in close cooperation. It is important that we seek to maintain the current level of convergence. The FASB is an active participant in many of our various advisory bodies, such as the Accounting Standards Advisory Forum, and we greatly value their contribution to our work.

Let's dig a bit deeper. Why wasn't it possible, for instance, to get a 100 per cent converged leasing standard between the IASB and the FASB?

It is too early to prejudge the outcome of the **Leases project**, because we have yet to issue the final standard. Even now, the IASB and the FASB are already in agreement about the fundamental issue of bringing leases onto the balance sheet and the measurement of the lease liability. We are not converged on the income statement, but that was not the primary objective of the project.

How do you see the potential for reducing the complexity of IFRS? Is the IASB considering shifting some emphasis from the Standards themselves to the Conceptual Framework? Could that be an option for reducing the overwhelming volume of IFRS in future, or are the increasing demands of the real financial world preventing the implementation of such a strategy? Personally, I think that this would be an important step, because, for instance, we are observing in Switzerland more and more important issuers switching from IFRS to Swiss GAAP.

The last thing we want is accounting complexity. We know that business can be quite complex, but we have a responsibility to make sure that we have financial reporting requirements that allow investors to see through these complex transactions and understand what is going on in a company. We are always looking for ways **to improve the clarity of our requirements**. We do a lot of field testing to make sure that preparers can work with our standards and that investors understand, and support, the financial statements those standards produce. One of our projects that I think will have a big effect is the Disclosure Initia-

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- standard-setting process

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tive. We are challenging all aspects of our disclosure requirements. Financial reports are vital to well-functioning markets and we want to make sure that it is financial statements prepared using IFRS that investors value most.

XBRL is a useful device, though it is perhaps not easy enough to use for a non professional user. What is the particular nature of the link between the IASB and the XBRL bodies, in view of the fact that eXtensible Business Reporting Language has a prominent placement on the IFRS.org website?

The IFRS Foundation has for many years supported efforts to help make it easier for investors to access annual reports, by helping to establish **XBRL** as the accepted data exchange platform. To help with this, our main role is to develop a taxonomy (classification system) that can be used to electronically tag annual reports. Initially our electronic reporting team was separate from our technical standard-setting activities. However, in the last year or so we have fully integrated our Taxonomy and XBRL activities with the rest of our technical staff. That means challenges related to electronic filing are now considered throughout the life cycle of the standard-setting process, rather than as an adjunct at the end of the process. We are continuing to co-operate with other bodies and stakeholders in the evolution of this important technology.

I strongly believe that we have the most open, transparent and inclusive standard-setting process of any comparable international organisation.

It is an open secret that Intangible assets with indefinite useful lives, such as goodwill, are often not impaired by issuers until after a long delay. Such an approach is a violation of IAS 36, but it is difficult, if not impossible, to prevent it. Will the IASB tackle this crucial problem in the future or is it not feasible to design such an improvement?

We are currently concluding a review of our Business Combinations Standard, during which this issue came up. That review included an **assessment of good-**

will impairment and it is true that there is a widely held perception that goodwill write-downs happen well after the entity has suffered a major drop in economic performance. Nevertheless, our review also examined the independent academic research on this issue and the results suggest that the accounting write downs still contain useful information for investors. There seems to be a gap between how individuals and markets view impairment accounting. We will be doing more work in this area because it is clearly important to investors.

Preparers, users, auditors and enforcement bodies are all affected by the activities of the IASB. How does the IASB ensure that all those parties are involved in the process of standard-setting?

Stakeholder outreach and engagement is central to our standard-setting work, and we have various mechanisms for ensuring that all **stakeholders are deeply involved in the standard-setting process**. Our due process has been enhanced over many years to provide opportunities for stakeholders to contribute to our work, and for them to understand how that contribution has been dealt with by the IASB. We have numerous advisory bodies that we consult in the development of new standards, such as the IFRS Advisory Council, the Accounting Standards Advisory Forum, the Capital Markets Advisory Group and the Global Preparers Forum.

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Mr Hoogervorst, a great thank you for the analysis you accorded to IRZ. We do hope that the convergence process will lead to a sustainable result to the benefit of investors, issuers and enforcement authorities and that all relevant bodies keep in mind that major benefits can only be achieved through requirements that are both principle-based and as non-complex as possible.

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