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Standard Setting under Macro-economic Uncertainty

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# Questions for Nick Anderson, IASB

## *Standard Setting under Macro-economic Uncertainty.*

Recent months have witnessed huge macroeconomic challenges on multiple fronts – uncertainty about pandemic recovery, inflation, supply chain challenges, the effects of war, and the dramatic manifestation of climate risk events.

- Q: We are entering a more challenging phase for many economies around the world, how does the IASB respond under these circumstances?

# Questions for Nick Anderson, IASB, continued

- Q: Is it fair then to describe the IASB as being indifferent to prevailing economic conditions?
- Q: What are recent examples of the IASB responding to urgent issues, and how long did the response to each take?
- Q: More broadly, how does the economy influence the work of the IASB?

# Questions for Nick Anderson, IASB, continued

- Q: What projects on the Board current work plan support long-term economic growth and, perhaps, help mitigate against cyclical downturns?
- Q: Given it can take several years for the IASB to develop a new standard, can any of the Board's current projects help improve financial reporting in the near term?
- Q: It's been 2 years since the IASB published its educational material on climate-related risks – what impact has there been on reporting by corporates?

# Questions for Nick Anderson, IASB, continued

- Q: The IASB is one of two standard setting boards of the IFRS Foundation, the other being the International Sustainability Standards Board (ISSB). Could you comment on the work of the ISSB and its Task Force for Climate-Related Financial Disclosures, and on how their work will affect corporate reporting?
- Q: How will the work of the ISSB and the TCFD be taken into account in developing financial reporting standards by the IASB?

# Questions for Nick Anderson, IASB, continued

- The IFRS Foundation currently oversees the work of the IASB, the ISSB, as well as the Integrated Reporting and Connectivity Council. Do you foresee the establishment of other reporting vector initiatives that might further disclosures of additional macroeconomic challenge factors?
- Q: The IASB maintains a research project pipeline, a maintenance project pipeline and a reserve list of projects. Which of the items in these pipelines do you see making a significant impact on the disclosure of macroeconomic challenges for investors?

# Questions for Nick Anderson, IASB, continued

- Q: Can the FASB be more responsive to the economic cycle than the international board?
- Q: You mentioned that economic conditions influence standard setting. Is there a risk of making standard setting too cyclical?

For example, after the GFC, both the FASB and IASB have issued new expected credit loss recognition standards that require significant forward-looking estimation. In times of macro-uncertainty such as this, is there a buyer's remorse of some sort -- is there a sense of nostalgia for the good old incurred loss model? Similarly, goodwill impairment involves a lot of judgment -- can the current uncertain environment reinvigorate demands for going back to deterministic amortization schedules as we had earlier?

# Questions for Nick Anderson, IASB, continued

- Q: You mentioned principle-based standards earlier. Could you comment on the concern that principle-based standards give managers too much discretion, especially when the economy is not doing well?
- Q: Finally, could you comment on how the Harmonization Model is working out? By that I mean, are you satisfied that IASB member organizations are harmonizing their standards ethical, accounting and auditing standards to new IASB pronouncements within a reasonable timeframe?