



Australian Accounting Review **Special Issue**

Research on Application and Impact of IFRS 9 *Financial Instruments*

- *IASB begins the Post-implementation Review of IFRS 9*
- *Opportunity to meet with IASB members and staff - receive feedback on your work*
- *Chance to contribute to work of standard setters - show research impact of your work*
- *Participate in registration of research projects*

The *Australian Accounting Review* is pleased to announce a call for papers for a Special Issue of the Journal that will publish academic research related to the application and impact of IFRS 9 *Financial Instruments*. Research on all areas of IFRS 9, using a range of research methods, is welcome. The changes introduced by IFRS 9 include: (a) classification and measurement - a logical, single classification approach driven by cash flow characteristics and how financial instruments are managed; (b) impairment - forward-looking 'expected credit loss' impairment model; and (c) hedge accounting - requirements that better align with risk management activities. Changes to disclosure requirements were introduced in IFRS 7 *Financial Instruments: Disclosures*.

The International Accounting Standards Board (IASB) conducts a post-implementation review of new Standards a few years subsequent to their initial application. The post-implementation review assesses if the Standard is working as intended. It considers important or contentious issues, matters that have come to the attention of the IASB since the Standard was issued, and if unexpected costs or implementation issues have been encountered. The IASB will begin the post-implementation review of IFRS 9 by considering classification and measurement. However, papers on all matters related to IFRS 9 are welcome. Researchers may find sources of additional information on IFRS 9 listed in Appendix A helpful.

Papers submitted to the Special Issue offer authors the opportunity to contribute to the work of the IASB and to demonstrate the impact of their research. Papers may consider classification and measurement or any other topic relevant to the application and impact of IFRS 9. Authors should explain how their paper is relevant to the IASB and how the evidence they present is useful for the post-implementation review. The following list provides examples of research questions. However, research teams should not feel constrained by this list of examples – they may address other relevant topics:

- 1a. Classification and measurement - there is no 'available for sale' category for equity instruments (i.e., no impairment and recycling).
 - What is the significance and the characteristics of the investments affected by this change?

- How has this affected companies' investment decisions (i.e., nature and type of investment)?
- How prevalent is the use of the OCI presentation election?
- How do investors respond to choices made by companies?

1b. Classification and measurement – reclassification of financial assets due to changes in business model are expected to be rare.

- Under what circumstances have companies reclassified financial assets due to a change in business model?
- Is the information disclosed about a reclassification useful to investors?

1c. Classification and measurement – only financial assets with cash flows that are solely payments of principle and interest (SPPI) are eligible for amortised cost or fair value through other comprehensive income measurement (dependent on the business model).

- Do these two criteria (business model and SPPI) result in the most useful information being provided for particular financial assets?
- Do any financial assets that would generally have been considered as basic lending arrangements not meet SPPI? Why?

1d. Classification and measurement – for financial liabilities designated under the fair value option, changes in the fair value of a company's own credit risk are recognised in other comprehensive income rather than in profit or loss.

- Is the information provided about a company's own credit useful to investors?

1e. Classification and measurement – other questions.

- IFRS 9 is used by companies from the insurance sector in Australia and South Africa. What can be learned from these entities about application of IFRS 9?
- Companies in Japan and China have equity investments measured using fair value – other comprehensive income. How can their experience inform the debate about classification and measurement with no recycling for equity securities?
- Banks and insurance companies in the US measure equity securities at fair value through profit and loss, applying requirements similar to IFRS 9. What is the impact of the requirements for these entities and their investors?

2. Impairment - expected credit loss (ECL) model.

- What is the impact on reported numbers and financial ratios?
- How do companies' calculations relate to economic conditions?
- How do companies, industries and countries compare in their application of the model?
- In the long term, how does better measurement of impairment contribute to goals such as financial stability?

3. Transition choices – consider ECL and hedge/accounting risk management separately.

- What transition approaches have companies adopted?
- What are the characteristics of companies making various choices?

- Are any market impacts observable in relation to these choices?

4. Disclosure – IFRS 7 has new requirements for ECL and hedge accounting. The Standard introduces more objective-based disclosure requirements.

- Can researchers observe changes in companies’ disclosures, and the quality thereof, because the drafting of disclosure requirements is different?
- Do the new hedge accounting disclosures facilitate improved understanding of risk management or the impact of hedge accounting on the financial statements?
- What factors are associated with better ECL and hedge accounting disclosures? Are effects of regulatory supervision observed?
- Are costs or benefits of better disclosure observable?

Registered Report Process

Submissions for this special issue will follow a *Registered Report Process*, which will be divided into three stages.

		Date
Stage 1	Submit <i>Expression of Interest</i>	15 April 2021
	Authors notified of moving to second stage	30 April 2021
Stage 2	Submit a detailed <i>Proposal</i>	31 August 2021
	Reviewer allocated and review completed	30 September 2021
Stage 3	Submit paper to <i>virtual meeting</i>	1 March 2022
	Submit <i>Completed Paper</i>	30 April 2022

Further details of the *Registered Report Process* are provided in Appendix B.

Appendix A: Additional information about IFRS 9

- Overview: <https://www.ifrs.org/issued-standards/list-of-standards/ifrs-9-financial-instruments/>
- List of supporting materials: <https://www.ifrs.org/supporting-implementation/supporting-materials-by-ifrs-standard/ifrs-9/#webcasts>
 - Project Summary: <https://www.ifrs.org/-/media/project/financial-instruments/project-summaries/ifrs-9-project-summary-july-2014.pdf>
 - Articles: <https://www.ifrs.org/-/media/feature/resources-for/investors/investor-perspectives/investor-perspective-jul-2014.pdf>
- <https://www.ifrs.org/-/media/project/financial-instruments/features/article-by-sue-lloyd-big-changes-ahead-march-2015.pdf>
- Webinar: January 2021. See IFRS Foundation website for details.

Appendix B: Guidelines for Authors

Registered Reports are a form of study in which the methods and proposed analyses are pre-registered and reviewed prior to the empirical procedures being conducted. This process of publication seeks to neutralize a variety of inappropriate research practices, including inadequate statistical power, selective reporting of results, and publication bias, while also allowing flexibility to conduct *post hoc* exploratory (unregistered) analyses and report serendipitous findings.

The cornerstone of the Registered Reports format is that a significant part of the manuscript will be assessed prior to data collection, with the highest quality submissions accepted in advance. Initial submissions will include a description of the key research question and background literature, hypotheses, experimental procedures, and proposed analysis.

For this Special Issue the submission process will comprise three stages. In Stage 1, authors submit an *Expression of Interest* which is reviewed by an editorial panel. In Stage 2, authors submit a detailed *proposal*. Reviewers are assigned and assess the proposal **before** data is collected. Manuscripts passing Stage 2 will receive an in-principle acceptance (**IPA**). The authors will then proceed to conduct the study, adhering exactly to the peer-reviewed procedures. In Stage 3, the full study, including results and interpretation is submitted for review. Pending quality checks and a sensible interpretation of the findings, the manuscript will be published regardless of the results.

Stage 1: Expression of Interest

Authors are expected to submit a two to three-page *Expression of Interest*. This should include details on the research question, how the question is to be addressed (i.e., the research methods), the proposed data set, and the research team. The covering letter should also include:

- A statement confirming that all necessary support (e.g., funding, facilities) and approvals (e.g., ethics) are in place for the proposed research. Note that manuscripts will be generally considered only for studies that are able to commence immediately. However, authors with alternative plans are encouraged to contact the Editors for advice.
- An anticipated timeline for completing the study if the initial submission is accepted.
- A statement confirming that the authors agree to share their raw data, any digital study materials, and analysis code as appropriate.
- A statement confirming that if the authors later withdraw their paper, they agree to *Australian Accounting Review* publishing a short summary of the pre-registered study under a section *Withdrawn Registrations*.

Expressions of interest must be submitted by e-mail to Professor Michael Bradbury, M.E.Bradbury@massey.ac.nz by 15 April, 2021.

The outcome of Stage 1 is that an editorial committee will use the *Expression of Interest* to screen projects and either invite applicants to Stage 2, or decline interest in the project for publication in the Special Issue.

Stage 2 Proposal

The *Proposal* should only include an Introduction and Methods (including proposed analyses). Pilot Data may be provided (to show the study is tractable). More specifically, Stage 2 submissions should include the following sections:

Introduction

- A review of the relevant literature that motivates the research question and a full description of the experimental aims and hypotheses. Please note that following **IPA**, the Introduction section should remain substantially unaltered except for minor emendations (e.g., correction of factual errors, and typographic errors).

Methods

- Full description of proposed sample characteristics, including criteria for data inclusion and exclusion (e.g., outlier extraction). Procedures for objectively defining exclusion criteria due to technical errors or for any other reasons must be specified, including details of how and under what conditions data would be replaced.
- A description of experimental procedures in enough detail to allow another researcher to repeat the methodology exactly, without requiring further information. These procedures must be adhered to exactly in the subsequent experiments or any Stage 3 manuscript can be rejected.
- Proposed analysis, including a precise description of all planned analyses, including appropriate correction for multiple comparisons. Any covariates or regressors must be stated. Where analysis decisions are contingent on the outcome of prior analyses, these contingencies must be specified and adhered to. Only pre-planned analyses can be reported in the main results section of the *Completed Paper*. However, unplanned exploratory analyses will be admissible in a separate section of the Results.
- A timeline for completion of the study and proposed resubmission date if Stage 2 review is successful. Extensions to this deadline can be negotiated with the editors.
- Any description of prospective methods or analysis plans should be written in the future tense.

Pilot Data

- Optional. Can be included to establish proof of concept, effect size estimations, or feasibility of proposed methods. Any pilot experiments will be published with the final version of the manuscript and will be clearly distinguished from data obtained for the pre-registered experiment(s).

In considering papers at Stage 2, reviewers will be asked to assess:

1. The relevance of the research question(s) to the Special Issue theme.
2. The logic, rationale, and plausibility of the proposed hypotheses.
3. The soundness and feasibility of the data collection and analysis.
4. Whether the clarity and degree of detail is sufficient to exactly replicate the proposed procedures and analysis.
5. Whether the authors have pre-specified sufficient outcome-neutral tests for ensuring that the results obtained can test the stated hypotheses (or answer the research questions), including positive controls and quality checks.

The outcome of the Stage 2 peer review is that manuscripts will be accepted, offered the opportunity to revise, or rejected outright. Manuscripts that pass peer review will be issued IPA, indicating that the article will be published pending successful completion of the study according to the exact methods and analytic procedures outlined, as well as a defensible and evidence-bound interpretation of the results. Authors of manuscripts that pass peer review will have the opportunity to discuss their research proposals with IASB members and IFRS Foundation staff at a virtual meeting, to provide additional feedback on the study.

Stage 3: Completed Paper

Following completion of the study, authors will submit the completed manuscript, which will closely resemble a regular article format. Authors will be invited to present their findings in a virtual meeting with academics and practitioners, including IASB members and IFRS Foundation staff.

Background, Rationale and Methods

- Apart from minor emendations, the Introduction should not be altered from the approved Stage 2 submission. **In particular, the stated hypotheses cannot be amended.** At Stage 3, any description of the rationale or proposed methodology that was written in future tense within the Stage 2 manuscript should be changed to past tense. Any textual changes to the Introduction or Methods (e.g., correction of typographic errors) must be clearly marked in the Stage 3 submission. Any relevant literature that appeared following the date of the IPA should be covered in the Discussion.

Results and Discussion

- The outcome of all registered analyses must be reported in the manuscript, except in rare instances where a registered and approved analysis is subsequently shown to be logically flawed or unfounded. In such cases, the authors, reviewers, and editors must agree that a collective error of judgment was made, and that the analysis is inappropriate. In such cases the analysis would still be mentioned in the Methods but omitted with justification from the Results.
- It is reasonable that authors may wish to include additional analyses that were not included in the registered submission. For instance, the registered results might yield an unexpected and interesting results suggesting further analysis would enhance the explanation. Such analyses are admissible but must be clearly justified in the text, appropriately caveated, and reported in a separate section of the Results titled "*Post-registration analyses*". Authors should be careful not to base their conclusions entirely on the outcome of statistically significant *post hoc* analyses.
- Authors reporting null hypothesis significance tests are required to report exact *p* values and effect sizes for all inferential analyses.

The *Completed Paper* will then be returned to the reviewers, who will be asked to appraise:

1. Whether the introduction, rationale and stated hypotheses are the same as the approved Stage 2 submission.

2. Whether the authors adhered precisely to the registered experimental procedures.
3. Whether any unregistered *post hoc* analyses added by the authors are justified, methodologically sound, and informative.
4. Whether the authors' conclusions are justified given the data.

Please note that editorial decisions will not be based on the perceived importance, novelty, or 'direction' of the results. Reviewers at Stage 3 may suggest that authors report additional *post hoc* tests on their data.

Manuscript withdrawal and *Withdrawn Registrations*

- It is possible that authors with IPA may wish to withdraw their manuscript following or during data collection. Possible reasons could include major technical error, an inability to complete the study due to other unforeseen circumstances, or the desire to submit the results to a different journal.
- In all such cases, manuscripts can of course be withdrawn at the authors' discretion. However, the journal may publicly record each case in a section called *Withdrawn Registrations*. This section could include the authors, proposed title, the abstract from the approved Stage 1 submission, and brief reason(s) for the failure to complete the study. Partial withdrawals are not possible; i.e. authors cannot publish part of a registered study by selectively withdrawing one of the planned experiments. Such cases must lead to withdrawal of the entire paper. Studies that are not completed by the agreed Stage 3 submission deadline (which can be extended in negotiation with the editorial office) will be considered withdrawn and will be subject to a *Withdrawn Registration*.