

## Welcome to IASB Update

This IASB Update is a staff summary of the tentative decisions reached by the Board at a public meeting. As a project progresses, the Board can, and sometimes does, modify its earlier tentative decisions. Tentative decisions do not change existing requirements until those decisions are incorporated in a new or amended standard.

The International Accounting Standards Board (IASB) met with the US Financial Accounting Standards Board (FASB) in London on 8 December 2010 (the FASB participated via videoconference). The topic discussed was:

- Amortised cost and impairment

### Amortised cost and impairment

The boards continued their discussion on the following three methods of accounting for credit impairment presented at the 17 November 2010 Joint Meeting:

1. Immediate recognition of losses expected to occur over a period shorter than the expected life of the loan (for example, a reliable period in the future)
2. Recognition of lifetime expected credit losses using a time-proportionate approach for a good book and full recognition of lifetime expected losses for a bad book
3. Same as the second method but with a mechanism to accelerate recognition of expected losses in a good book to accommodate 'front loaded' expected loss recognition patterns.

The boards also discussed a variation of the second approach which would require entities to calculate a 12-month expected loss estimate for the good book. The higher of that 12-month expected loss estimate and the time proportionate allowance balance calculated for the good book would be recognised as the allowance amount for the good book. This would mean that the 12-month expected loss estimate would establish a floor for the good book allowance. The amount of credit impairment recognised on the bad book would not change.

The boards tentatively indicated support for that variation of the second approach but directed the staff to develop a principle for determining the estimation period for the expected losses to determine the good book floor rather than use a bright-line threshold such as 12 months. The boards directed their staff to perform additional outreach it could use to evaluate the operationality of that approach, which

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#### Future Board meetings

The IASB meets at least once a month for up to five days.

The next Board meetings in 2010 are:

13 - 17 December

To see all Board meetings for 2010, [click here](#).

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will be discussed at the next joint board meeting.

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