BOARD DECISIONS ON INTERNATIONAL ACCOUNTING STANDARDS

IASB UPDATE

February 2002

The International Accounting Standards Board met the Standards Advisory Council in London, UK, on 18 and 19 February 2002. The SAC discussed issues related to the following IASB agenda topics:

- Business combinations
- First-time application of IFRSs
- Improvements to existing IASB Standards
- Amendments to IAS 32 *Financial Instruments: Disclosure and Presentation*, and IAS 39 *Financial Instruments: Recognition and Measurement*

This meeting will be reported in full in the next issue of *IASB Insight*.

The IASB met in technical session on 19 – 22 February, when it discussed:

- Business combinations
- First-time application of IFRSs
- Improvements to existing IASB Standards
- IAS 19 *Employee Benefits*
- Insurance contracts
- Reporting performance
- Share-based payment

IAS 19 *Employee Benefits*

The Board confirmed its decision at the January 2002 meeting to issue an exposure draft of a limited amendment to IAS 19 *Employee Benefits*. The purpose of the amendment is to prevent the interaction of the deferred recognition option and the asset ceiling giving rise to amounts reported as gains on the occurrence of actuarial losses and past service cost, and to amounts reported as losses on the occurrence of actuarial gains.

The Board agreed that the exposure draft should include a number of examples to assist readers in understanding the issue and the proposed amendment.

The Board instructed the Staff to prepare a ballot draft.

The exposure draft was published on 25 February 2002.

Business combinations – Phase I

Business combinations involving entities under common control

The Board reconsidered the definition of, and guidance on identifying, business combinations involving entities under common control that it had tentatively agreed at the July and September 2001 meetings. The Board tentatively agreed that:

- the definition of a business combination involving entities under common control should be modified to require that the same party (or parties) control all of the entities participating in the business combination for a significant period before and after the business combination.
- a group of individuals should be regarded as controlling an entity when, as a result of a contractual arrangement, they collectively have the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Minority interests

The Board considered whether its earlier tentative decision to require minority interests to be presented within equity, separately from the parent shareholders' equity, prejudges the outcome of the IASB/FASB phase II joint project on the accounting for changes in minority interests. The Board concluded that arguments could be mounted in support of either of the two approaches of accounting for such changes (applying the purchase method or treating the changes as transactions with owners in their capacity as owners), notwithstanding a decision to present minority interests within equity. Therefore, the Board reconfirmed its previous tentative decisions to:

- amend IAS 27 *Consolidated Financial Statements and Accounting for Investments in Subsidiaries* to require minority interests to be presented in the consolidated balance sheet within equity, separately from the parent shareholders' equity, and
- note in the Basis for Conclusions to IAS 27 that this amendment does not prejudice further consideration of issues regarding minority interest transactions and should not cause entities to change their current practices for the recognition and measurement of minority interests.

Disclosures – IAS 22 Business Combinations

The Board considered possible amendments to the disclosure requirements in IAS 22 *Business Combinations*. The Board tentatively agreed to:

- incorporate into the revised Standard the disclosure requirements in SIC-22 *Business Combinations – Subsequent Adjustment of Fair Values and Goodwill Initially Reported* and SIC-28 *Business Combinations –"Date of Exchange" and Fair Value of Equity Instruments Quoted in an Active Market,* and
- make other amendments to the disclosure requirements in IAS 22 necessary to reflect the Board's tentative decisions in phase I of the business combinations project (such as the decisions to prohibit the uniting of interests method or the amortisation of goodwill).

(continued…)

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The Board tentatively agreed to include the following additional disclosure requirements in the revised Standard:

- for each business combination that occurs during the reporting period:
  - the number of equity instruments issued or issuable as purchase consideration and the fair value of those instruments
  - the amount recognised as at the date of acquisition for each class of the acquiree's assets and liabilities
  - the carrying amount of each class of the acquiree's assets and liabilities immediately before the business combination
  - the amount of any excess of the fair value of the acquiree's identifiable net assets over the cost of acquisition, and the line item in the income statement in which the excess is recognised
  - a description of the factors that contributed to a cost of acquisition that results in the recognition of goodwill, or a description of the nature of any excess of the fair value of the acquiree's identifiable net assets over the cost of acquisition
  - the amount of the acquiree's profit or loss included in the profit or loss of the reporting entity for the period.
- the information required to be disclosed for each business combination, for those business combinations that are individually immaterial but material in aggregate, and
- the profit or loss and revenue of the combined entity for the reporting period as though the date of acquisition for all of the business combinations during the reporting period had been the beginning of the reporting period.

The Board also tentatively agreed:

- to exclude from the revised Standard the requirement in IAS 22 paragraph 96 for all of the information required to be disclosed under IAS 22 paragraphs 86 – 94 to be disclosed also for each business combination effected after the balance sheet date if practicable. Instead, only the information required to be disclosed for each business combination should also be disclosed for business combinations effected after the balance sheet date but before the financial statements are authorised for issue, unless such disclosure involves undue cost and effort. If disclosure of any of this information would involve undue cost and effort, that fact should be disclosed
- that IAS 22 paragraphs 97 and 98 should not be included in the revised Standard
- that the exemptions from having to disclose comparative information for goodwill should not be carried forward from IAS 22 to the revised Standard, and
- the reconciliation of the carrying amount of goodwill required under IAS 22 paragraph 88 should be amended to require net exchange differences arising on the translation of the financial statements of a foreign entity also to be shown separately.

Disclosures – IAS 38 Intangible Assets

The Board considered possible amendments to the disclosure requirements in IAS 38 Intangible Assets. The Board tentatively agreed that the exemption in IAS 38 from having to disclose comparative information for each class of intangible asset should not be carried forward to the revised Standard.

The Board tentatively agreed that the only other amendments to the disclosure requirements in IAS 38 should be those necessary to reflect the Board's tentative decisions in phase I of the business combinations project (such as the decision to require an intangible asset with an indefinite useful life to be tested for impairment at each financial year-end rather than being subjected to the amortisation requirements in IAS 38).

Disclosures – IAS 36 Impairment of Assets

The Board considered possible amendments to the disclosure requirements in IAS 36 *Impairment of Assets*, excluding those disclosure requirements tentatively agreed by the Board in January 2002 for the recoverable amounts of goodwill and identifiable intangible assets with indefinite useful lives. The Board tentatively agreed to include the following additional disclosure requirements in the revised Standard:

- if an impairment loss recognised in respect of goodwill is an estimate that has not yet been finalised, that fact should be disclosed together with the reasons why the amount of the impairment loss has not been finalised. In subsequent reporting periods, the nature and amount of any significant adjustments to the initial estimate should be disclosed, and
- if any portion of goodwill has not, as at the reporting date, been allocated to a cash-generating unit or group of cash-generating units for the purpose of impairment testing of that goodwill, the amount of the unallocated goodwill should be disclosed together with the reasons why that amount remains unallocated.

First-time application of IFRSs

The Board discussed the project on first-time application of International Financial Reporting Standards (IFRSs). This is a joint project with the French standard-setter (Conseil National de la Comptabilité (CNC)).

The Board reaffirmed that the proposed standard applies to the first annual financial statements in which an entity adopts IFRS as its primary basis of accounting, making an explicit statement of full compliance with all IFRSs.

The starting point for an entity's accounting under IFRSs is an opening IFRS balance sheet at the beginning of the earliest period presented in its first IFRS financial statements. In November 2001, the Board tentatively agreed the following general principles:

- the opening IFRS balance sheet includes all assets and liabilities whose recognition is required by IFRS, and excludes items that do not qualify under IFRS for recognition as assets and liabilities, and
- in its opening IFRS balance sheet, an entity applies IFRS in measuring its assets and liabilities.

In February 2002, the Board reached the following tentative conclusions:

- The Board considered and rejected permitting an exception from the general principles for the following items: decommissioning or site restoration costs, borrowing costs, and internally generated intangible assets
- The Board agreed in November 2001 that an entity would measure an asset or liability at fair value as a deemed cost if determining a cost-based IFRS measure for that asset or liability would involve undue cost or effort. The Board agreed to narrow the scope of this proposal so that it applies

only to those cases in which reconstructing cost data would be particularly onerous – property, plant and equipment and investment property, when an entity elects to use the cost method in IAS 40 *Investment Property*

- A one-time remeasurement to fair value under the entity's previous primary basis of accounting ("previous GAAP") in the context of, for example, a past privatisation or initial public offering, establishes a deemed cost for IFRSs. However, occasional ad hoc revaluations made in the past does not establish a deemed cost for IFRSs
- As agreed tentatively in November 2001, the amount an entity assigned under previous GAAP to assets and liabilities in a past business combination is their deemed cost for subsequent accounting. This principle applies not only for acquisitions but also for unitings of interests
- An entity does not recognise negative goodwill in its opening IFRS balance sheet
- In preparing its opening IFRS balance sheet (and also comparative information in its first IFRS financial statements)
  - an entity does not adjust those estimates made for the same date under its previous GAAP that were made using the same criteria as in IFRSs
  - an entity adjusts the estimates made for the same date under its previous GAAP to reflect any differences in methodology between previous GAAP and IFRSs
  - if similar estimates were not required for the same date under previous GAAP, the estimates under IFRSs reflect the information available when the entity prepares its first IFRS financial statements, without considering events that are indicative of conditions that arose after the date of its opening IFRS balance sheet (for comparative information, the date to which that information relates)
- The Board will consider when it develops each IFRS whether that IFRS will apply retrospectively or prospectively, giving separate consideration to entities that already apply IFRSs and first-time adopters. The Standing Interpretations Committee/ International Financial Reporting Interpretations Committee should follow a similar procedure. Some existing standards (IASs) and Interpretations refer to their initial "adoption". Such references do not apply to first-time adopters
- An entity provides the following in its first (annual) IFRS financial statements, as well as in its first interim financial report (if any) for part of the period covered by the first IFRS financial statements:
  - a reconciliation of the closing equity in its most recent previous GAAP financial statements to the equity at the same date under IFRSs
  - a reconciliation of the net profit or loss for the period in its most recent previous GAAP financial statements to the net profit or loss for the same period under IFRSs
  - for impairment losses, and reversals of impairment losses, recognised in preparing the opening IFRS balance sheet, the disclosures that IAS 36 *Impairment of Assets* requires for impairment losses (and reversals) that occurred during the current period.
- In some cases, determining IFRS-compliant cumulative translation adjustments (CTA) for an investment in a foreign entity would require undue cost or effort. In such cases, existing previous GAAP CTA amounts are deemed to be properly determined under IFRSs

In March, the Board plans to discuss the treatment of financial instruments by first-time adopters. The discussion in March is planned to be the last before the Board is asked to approve an exposure draft.

Improvements to existing IASs

IAS 1 *Presentation of Financial Statements*

The Board agreed:

- to specify that, in the extremely rare circumstances in which management concludes that compliance with a requirement in an International Financial Reporting Standard or an Interpretation of a Standard would be so misleading that it would conflict with the objective of financial statements set out in the *Framework*:
  - if the relevant regulatory framework requires or otherwise does not prohibit a departure from the requirement, the entity makes that departure and disclosures information about the departure
  - if the relevant regulatory framework prohibits departure from the requirement, the entity, to the maximum extent possible, reduces the perceived misleading aspects of compliance by disclosing information about the nature and amounts of the items involved
- to exempt an entity from restating comparative information under IAS 1 and IAS 8 *Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies* when the restatement would cause undue cost or effort
- to require, in the summary of significant accounting policies or in other notes, disclosure of the judgements made by management in applying accounting policies that have the most significant effect on the amounts of items recognised in the financial statements.

IAS 8 *Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies*

The Board agreed to require that when an entity has not adopted a new Standard that has not yet come into effect, the entity discloses the nature of the future change or changes in accounting policy; the date as at which the entity plans to adopt the Standard; and an estimate of the effect of the change(s) on its financial position or, if such an estimate cannot be made without undue cost or effort, a statement to that effect.

IAS 24 *Related Party Disclosures*

The Board agreed:

- to exclude from the scope of the Standard financial statements of a parent or a wholly-owned subsidiary that are made available or published with consolidated financial statements for the group to which the entity belongs
- to require separate disclosure of related party transactions and outstanding balances for key management personnel.

IAS 27 *Consolidated Financial Statements and Accounting for Investments in Subsidiaries* and IAS 28 *Accounting for Investments in Associates*

The Board agreed the following:

Measurement in separate financial statements

- investments in subsidiaries, associates and jointly controlled entities that are consolidated, proportionately consolidated or accounted for using the equity method in the consolidated financial statements should be either carried at cost or accounted for under IAS 39 *Financial Instruments: Recognition and Measurement*, in an investor's separate financial statements when such financial statements are presented with the consolidated financial statements. An entity chooses and applies the same method for each of those categories of investments

- investments in subsidiaries, associates and jointly controlled entities that are accounted for in accordance with IAS 39 in the consolidated financial statements should be accounted for in the same way in the separate financial statements
- when an investor does not prepare consolidated financial statements because it does not have any subsidiaries, investments in associates should be accounted for using the equity method. An investor is permitted to use cost or IAS 39 to account for associates only in separate financial statements. The same approach applies to jointly controlled entities
- disclosure would be required of:
  - reasons why separate financial statements are prepared
  - a reference to the consolidated or equity method financial statements
  - a description of the method used to account for investments in subsidiaries, associates and jointly controlled entities.

Exemption for wholly owned subsidiaries from preparing consolidated financial statements

- A parent need not present consolidated financial statements if and only if:
  - it is a wholly owned subsidiary or the owners of the minority interest, including those not otherwise entitled to vote, unanimously agree that the parent does not present consolidated financial statements
  - its securities are not publicly traded
  - it is not in the process of issuing securities in public securities markets
  - the immediate or ultimate parent publishes consolidated financial statements that comply with International Financial Reporting Standards.
- Disclosure should be required of:
  - reasons why consolidated financial statements have not been presented
  - the name of the parent that publishes consolidated financial statements that comply with International Financial Reporting Standards.

Venture capital investments

IAS 28 and IAS 31 *Financial Reporting of Interests in Joint Ventures* do not apply to investments in associates or joint ventures held by venture capital organisations, mutual funds, unit trusts and similar entities that are measured at fair value in accordance with IAS 39, when such measurement is a well established practice in those industries. When investments are measured at fair value, changes in fair value are included in profit or loss in the period of the change. When an investee is controlled, it is consolidated in all circumstances.

Exceptions to consolidation

- A subsidiary should be excluded from consolidation when control is intended to be temporary because the subsidiary is acquired and held exclusively with a view to its subsequent disposal within twelve months of acquisition. Such subsidiaries would be measured at fair value with changes in fair value included in profit or loss of the period of the change in accordance with IAS 39.
- IAS 27.13(b) excludes a subsidiary from consolidation "when it operates under severe long-term restrictions which significantly impair its ability to transfer funds to the parent." This exception should be deleted and IAS 27 should indicate that severe long-term restrictions on the ability to transfer funds might preclude control. Similar changes will be made to IAS 28 and IAS 31.

Recognition of losses under the equity method

- If an investor's share of losses of an associate equals or exceeds the carrying amount of the investment, the base to be reduced should be the carrying amount of an investment in equity shares plus other interests such as long-term receivables. Other interests should be consistent with "net investment" in IAS 21 *The Effects of Changes in Foreign Exchange Rates*, which treats long-term advances as part of the net investment. SIC-20 *Equity Accounting Method – Recognition of Losses*, should be withdrawn. IAS 28 will indicate that the carrying amount of other interests is adjusted for the losses under the equity method, then the investor recognises any additional impairment losses in accordance with IAS 39. This is consistent with EITF 98-13 *Accounting by an Equity Method Investor for Investee Losses When the Investor Has Loans to and Investments in Other Securities of the Investee*.

IAS 32 *Financial Instruments: Disclosure and Presentation* and IAS 39 *Financial Instruments: Recognition and Measurement*

The Board agreed to the following:

- to conform the scope of IAS 32 to the scope of IAS 39 and then add items at present within the scope of IAS 32 but not within the scope of IAS 39 (such as certain financial guarantee contracts)
- to delete the example in IAS 32 (paragraph 22) about preferred shares that do not provide for mandatory redemption or redemption at the option of the holder and that have a contractually accelerating dividend yield that is scheduled to be so high that the issuer will be economically compelled to redeem the instrument
- to require disclosure of:
  - the extent to which valuations using valuation techniques are based on assumptions that are not supported by observable market prices
  - the sensitivity of the estimated fair value to changes in those assumptions based on a range of reasonably possible alternative assumptions
  - changes in the estimated fair value recognised during the reporting period based on those valuations.
- to eliminate paragraph 94 of IAS 32, which encourages disclosures about changes in fair value that have been recognised as income or expenses and average balance sheets
- to require financial guarantee contracts to be initially recognised and measured at fair value in accordance with IAS 39. Subsequently, such contracts are remeasured at the amount the entity would rationally pay to settle the obligation at the balance sheet date or transfer it to a third party at that time (see IAS 37 *Provisions, Contingent Liabilities, and Contingent Assets*)
- to require contracts to buy or sell non-financial items to be accounted for as derivatives if the entity has a practice of taking delivery of the underlying and selling it within a short period after delivery for the purpose of generating a profit from short-term fluctuations in price or dealer's margin
- to permit an entity to designate a financial asset that would otherwise be classified as a loan or receivable originated by the entity as an available-for-sale financial asset

- not to make a fixed maturity a precondition for classification of a financial asset as a loan or receivable originated by the entity
- to clarify that in the case of transfers of financial assets that are measured at fair value and that do not qualify for derecognition because of a retained call or a written put option, the measurement of the asset at fair value should be limited by the option exercise price
- when a transferor retains a portion of a financial asset (such as 20 out of 100) and that portion is subordinated for any losses that might occur in the portion sold, then the transferor has a continuing involvement in the portion sold (in this case, the transferor has a continuing involvement in the portion sold of 20 and a total asset of 40)
- to expand the guidance about how to determine fair values and to add a question in the invitation for comment asking for additional suggestions
- to preclude the reversal of impairment losses for investments in debt and equity instruments that are classified as available for sale
- not to permit a choice of classifying a hedge of a firm commitment in a foreign currency as either a cash flow hedge or fair value hedge. All hedges of firm commitments are treated as fair value hedges
- not to grandfather the derecognition of financial assets that took place before the effective date of the improved IAS 39 and to add a question in the invitation for comment about whether an alternative to this approach would be to require disclosure
- to preclude offsetting of asset and liability balances when transfers of financial assets do not qualify for derecognition.

The Board directed staff to prepare a ballot draft.

Insurance contracts

The Board discussed chapters 6 and 8 – 12 of the Draft Statement of Principles (DSOP) prepared by the former IASC Insurance Steering Committee (available on the IASB's Website www.iasb.org.uk). As a working hypothesis to guide its further work, the Board agreed in broad terms with the following principles in those chapters:

- The starting point for determining the discount rate for insurance liabilities and insurance assets would be the pre-tax market yield at the balance sheet date on risk-free assets. That starting point would be adjusted to reflect risks not reflected in the cash flows from the insurance contracts. The currency and timing of the cash flows from the risk-free assets would be consistent with the currency and timing of the cash flows from the insurance contracts. Risk-free assets are those assets with readily observable market prices whose cash flows are least variable for a given maturity and currency
- Estimated cash flows in foreign currency are discounted using the appropriate discount rate for the foreign currency. The resulting present value would be translated into the measurement currency using the spot rate at the reporting date
- Reinsurers and cedants would apply all the recognition, derecognition and measurement requirements in chapters 2 – 7 of the DSOP to all reinsurance contracts. A reinsurance contract is an insurance contract issued by one insurer (the reinsurer) to indemnify another insurer (the cedant) against losses on an insurance contract issued by the cedant
- If a reinsurance transaction does not qualify for derecognition of the related direct insurance liability under principle 2.3 in chapter 2 of the DSOP, a cedant would present:
  - an insurance asset arising under reinsurance contracts as an asset, rather than as a deduction in measuring the related direct insurance liability, and
  - reinsurance premiums as an expense and the reinsurer's share of claims expense as income.
- The standard should not prescribe whether a horizontal group that includes an insurer would prepare combined financial statements covering all the entities under unified management
- The standard on insurance contracts should not contain specific guidance on the application of IAS 34 *Interim Financial Reporting*, to insurance contracts

Chapter 9 of the DSOP proposes that a policyholder would apply the principles in chapters 3 – 7 of the DSOP in measuring its contractual rights and obligations under a direct insurance contract. However, the Board agreed that a policyholder would measure those contractual rights and obligations broadly as follows:

- pre-paid insurance premiums at amortised cost. The amortised cost of a direct insurance contract is the amount of premiums paid, minus cumulative amortisation, and minus any write-down (directly or through the use of an allowance account) for impairment or uncollectability. Amortisation would be determined on a straight-line basis, unless another basis is more representative of the time pattern of the risks covered by the contract
- any readily identifiable investment component at fair value
- virtually certain reimbursements of expenditure required to settle a recognised provision at the present value of the reimbursement, but not more than the amount of the recognised provision (consistent with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* paragraph 53)
- valid claims for an insured event that has already occurred at the present value of the expected future receipts under the claim. If it is not virtually certain that the insurer will accept the claim, the claim is a contingent asset and would, under IAS 37, not be recognised as an asset.

Chapter 10 of the DSOP proposes that an entity whose primary business is issuing insurance contracts would:

- measure its investment property using the fair value model in IAS 40 *Investment Property*
- measure its owner-occupied property using the allowed alternative treatment in IAS 16 *Property, Plant and Equipment*
- use discounting in measuring its deferred tax assets and deferred tax liabilities.

However, the Board agreed that the project should not prohibit such entities from using the cost model in IAS 40 or the benchmark treatment (depreciated cost) in IAS 16 and should not introduce discounting of deferred taxes.

Chapter 11 of the DSOP proposes that the insurer, comprising both policyholder and shareholder interests, is a single reporting entity, which would prepare a single set of financial statements. The Board will discuss this proposal further at a future meeting in the context of performance-linked contracts.

When an insurer acquires a block of insurance contracts in a transaction that is not a business combination as defined in IAS 22, *Business Combinations*, the entity-specific value or fair value of the block of contracts may exceed the amount received. The Board agreed that the insurer would recognise that excess not as an expense (as chapter 11 of the DSOP proposes), but as an intangible asset.

The Board will continue its discussion of the DSOP in March 2002.

Reporting performance

The Board continued its discussion of the principles contained in a concepts paper on reporting performance presented in January 2002. In particular, it reviewed alternative reporting formats in the specific context of pension costs, using an illustration from the UK standard, FRS 17 *Retirement Benefits*. This project is a joint project with the UK Accounting Standards Board.

Reporting performance principles

The Board agreed the following structural relationship between the principles:

- there should be a single ‘primary principle’ that provides a unifying purpose to all aspects of the performance statement format:

  The investors’ perspective suggests that information that financial statement users can employ in predicting the rate of change in financial statement items should be the primary differentiator between performance statement components

- in addition, there should be five ‘secondary principles’ designed to offer conceptual guidance in implementing the primary principle, and
- finally, three ‘practical limitation principles’ effectively constrain the format of the performance statement.

The Board discussed the wording of some of the principles and agreed modifications to some of them.

Board members also emphasised the need for clearer definition and consistent usage of terms such as ‘income’, ‘profit’, ‘capital gain’ and ‘performance’ within the concepts paper.

Performance statement formats

The Board reviewed alternative reporting formats. These were:

- an unstructured format, in which line items are presented without categorisation
- alternatives A and C presented in the IASC Steering Committee’s Draft Statement of Principles
- the UK ASB’s FRED 22 (revised), and
- the IASB Staff’s concepts paper.

The Board was asked to agree, in the context of pension costs, an order of preference among the formats. The Board stated a preference for structure in the categorisation of income components and in the order in which such categories are presented, though without subtotals. The Board was unanimously in favour of the concepts paper format. There were mixed views on whether or not sub-totals are desirable. Views on the other formats were:

- *Unstructured format.* There was no support for a format that is entirely without structure. Some Board members argued that although categories of income components should be defined, sub-totals should not be created
- *Draft Statement of Principles (alternatives A and C).* The Board stated a preference for alternative C, and
- *FRED 22 (revised)*. Some Board members expressed reservations about splitting the reporting of management estimates between ‘operating and financing income’ and ‘other gains and losses’. It was also noted, however, that some form of split was needed to accommodate large and volatile value changes.

Share-based payment

The Board considered an analysis of the additional comments received on the IASC/G4+1 Discussion Paper *Accounting for Share-based Payment*. A summary of the comments received is available in the share-based payment project summary on the IASB Website (www.iasb.org.uk).

The Board also discussed a conceptual issue raised by some respondents. This issue concerns whether recognition of an expense in respect of certain share-based payment transactions is consistent with the definition of an expense in the conceptual frameworks used by standard-setters, in particular, the IASB *Framework for the Preparation and Presentation of Financial Statements* (the Framework). The Board concluded that the recognition of an expense was consistent with the Framework.

The Board agreed that it should publicly explain the reasoning for this conclusion: on the project summary page, in the next issue of *IASB Insight*, and in the Basis for Conclusions in the ED. The Board also agreed that some clarification of the *Framework* would be helpful. The Board asked the sub-committee looking at project planning for Framework issues to add this issue to its list.

The Board noted that an Advisory Group has now been assembled to help with the project. The Advisory Group consists of individuals from various countries and with a range of backgrounds, including people from the investment, corporate, audit, academic, compensation consultancy, valuation, and regulatory communities. The Group will function as consultants, to give advice on various issues to be considered by the Board.

Meeting dates: March – July 2002

The IASB will meet in public session on the following dates. Meetings take place in London, UK, unless otherwise noted.

20 – 22 March – Tokyo, Japan

17 – 19 April

20 – 24 May‡

17 – 21 June – Berlin, Germany†

17 – 19 July

† Includes a meeting with the Standards Advisory Council

‡ Includes a meeting with partner national standard-setters

