

*IASB Update is published as a convenience for the Board's constituents. All conclusions reported are tentative and may be changed or modified at future Board meetings.*

*Decisions become final only after completion of a formal ballot to issue a Standard or Interpretation or to publish an Exposure Draft.*

The International Accounting Standards Board met in London on 12 – 14 December, when it discussed:

- Financial instruments
- Conceptual framework
- Business combinations II
- Financial statement presentation
- IAS 1 *Presentation of Financial Statements*
- Annual improvements process
- IFRIC Due process handbook
- Short-term convergence: borrowing costs
- Consolidations (including special purpose entities)
- Accounting standards for small and medium-sized entities
- Post-employment benefits
- Technical plan
- Change to October Update

## Financial instruments

### Hedge Accounting under IAS 39

At its meeting in October, the Board discussed whether to provide additional guidance on what can be designated as a hedged portion of a financial instrument under IAS 39. The Board directed the staff to develop a proposal on the form and content of any additional guidance. At this meeting, the Board discussed the staff's proposals.

The Board first discussed whether IAS 39 should specify the risks that are eligible for designation as hedged risks. IAS 39 allows an entity to hedge all of the cash flows of a financial instrument for one or more specific risks. However, IAS 39 does not specify which risks are eligible to be designated for hedge accounting. The standard states only that the hedged risks must be identifiable and separately measurable.

The Board decided to propose an amendment to IAS 39 to specify the risks that qualify for designation as a hedged risk. The Board noted that the proposed amendment would not be intended to change existing practice. The risks eligible for hedge accounting would be those risks that are commonly hedged in practice and would include:

- market interest rate risk
- foreign currency risk
- credit risk
- prepayment risk
- risks associated with the cash flows of a financial instrument that are contractually specified and are independent of the other cash flows of the same financial instrument.

The Board directed the staff to carry out further research to determine whether there are any other risks that are commonly hedged and should be included in the list of eligible risks. In particular, the staff were asked to consult members of the Financial Instruments Working Group.

The Board then discussed whether to clarify which portions of a financial instrument are eligible for designation as a hedged item. A portion of a financial instrument is any situation in which the entity hedges anything other than:

- all of the cash flows of the entire instrument for all risks; or
- all of the cash flows of the entire instrument for changes attributable to one or more specific risks.

Portions that qualify for hedge accounting include partial term hedges, hedges of a proportion of the cash flows of an item and hedges of one-sided risks. These types of portions are clearly permitted by IAS 39 and the Board did not discuss them. The Board discussed the designation of 'other portions' of a financial instrument.

The Board considered four possible approaches to providing guidance on what can be designated as an 'other portion'. It decided that guidance should restrict the use of 'other portions' to specified situations. The eligible risks specified in the first issue would form the basis for the identification of the eligible 'other portions'.

The Board decided that the proposed amendment should be developed by the Board rather than requesting the IFRIC to develop it. The basis for conclusions on the proposed amendment would explain how the change contributes to the Board's long-term objectives for financial instruments. The Board also decided that the proposed amendment should be developed as a stand-alone amendment to IAS 39 rather than as part of the Annual Improvements process.

### Interest Margin Hedging

Representatives of the European Banking Federation (FBE) presented a summary of their proposal for an interest margin hedge accounting model. One of the reasons for the proposal was a view that some provisions of IFRSs prevent some banks from applying the existing hedge accounting models in IAS 39 *Financial Instruments: Recognition and Measurement*.

Board members asked why a new hedge accounting model was needed. Those Board members suggested that the IFRS provisions that some banks believe prevent them from qualifying for hedge accounting are not, in fact, impediments. The FBE representatives acknowledged that if such clarifications were made, perhaps the existing cash flow hedge accounting model in IAS 39 could be applied. Board members observed that the interest margin hedge accounting model proposed by the FBE would then be unnecessary.

(continued)

Copyright © IASB *Update* is published after every IASB meeting by the IASC Foundation, Publications Department, 30 Cannon Street, London EC4M 6XH United Kingdom  
 Tel: +44 (0)20 7332 2730  
 Fax: +44 (0)20 7332 2749  
 Website: [www.iasb.org](http://www.iasb.org)  
 Email: [publications@iasb.org](mailto:publications@iasb.org)  
 ISSN 1474-2675

## Financial instruments (continued)

The FBE representatives agreed with a number of points made by Board members, including that:

- any deferral of gains or losses on hedging instruments must be reported in equity.
- under any hedge accounting model only a gross amount of assets, liabilities, or forecasted transactions should be designated as the hedged item—although the gross designated amount could be arrived at by a risk-management analysis of net exposures in each time period.
- assets, liabilities, or forecast transactions that have no interest rate exposure cannot be designated as hedged items for any exposure to interest rates. Hence zero rate liabilities cannot be designated as a hedged item. Therefore, measurement of core deposits is irrelevant, except as needed in the risk-management analysis of net exposures.
- Ineffectiveness must be measured and recognized in profit or loss in any hedge accounting model.

One Board member also observed that the interest-margin hedging approach might be considerably more complex than a proper application of the cash flow hedge accounting model in IAS 39.

On the basis of the discussion and the points of apparent agreement, some Board members and FBE representatives suggested that another approach would be more constructive and consistent with both parties' objectives. Representatives of the FBE agreed to prepare a list of specific paragraphs that are perceived by some to prevent the use of cash flow hedge accounting. The IASB will then analyse the paragraphs determining whether any clarifications are necessary and appropriate.

### Due process document

At their joint meeting in April 2006, the IASB and the Financial Accounting Standards Board agreed to a goal of publishing a due process document on financial instruments (as envisaged in their Memorandum of Understanding) by January 2008. The boards agreed that this document would, as far as possible, include the preliminary views of each board. At this meeting the Board continued its discussions of recognition and measurement.

At its meeting in November, the Board discussed the measurement of contractual financial instruments whose cash flows depend upon whether the other party to the contract exercises an option that would be beneficial to the reporting entity. The example discussed was a credit card contract. At that meeting, the Board tentatively decided that transactions involving the transfer of credit card portfolios provide evidence that an asset exists for the credit card company. The Board did not discuss whether the credit card company's ability to benefit from such contracts is a financial asset or some other type of asset.

At this meeting, the Board considered a loan contract that includes the right for the borrower to repay the loan before its stated contractual maturity. The decision by the borrower about whether to prepay will be affected by the market level of interest rates of comparable loans as well as other factors. However, the holder of the loan instrument cannot force the borrower to prepay. Market participants who hold such loans consider all possible outcomes (including prepayments and non-prepayments because of factors other than interest rates) in reaching a fair value for the loan.

The Board discussed whether the holder of such a loan should recognise and report part of the value of the prepayable loan as a non-financial asset. That part would be the value to the holder of the loan that arises because borrowers do not always prepay when the market level of interest rates indicate that they should. The Board tentatively decided that the holder of such a loan should not report part of the value of the loan separately: most of the value of the loan arises from the amount payable, and separately reporting the rest of the value would not be worth the benefit to users of the financial statements.

The Board also continued its discussion of the credit card contract example. Such a contract gives the card holder an option to borrow money from the card company. Although the value of such a contract could be divided into a financial liability and a non-financial asset, the Board tentatively decided that the value of such contracts should not be divided. However, the Board made no decision on whether such contracts would be within the scope of the due process document.

The Board discussed whether bank deposit agreements should be included in the scope of the due process document. Given the uncertainty about whether a bank deposit agreement creates a contractual obligation for the bank to accept deposits from customers, the Board concluded that it is not clear whether a bank deposit agreement meets the definition of a financial instrument. Therefore, the Board tentatively decided that bank deposit agreements should not be included in the scope of the due process document. However, the Board tentatively decided that the due process document should include a full discussion of such agreements.

The Board also discussed the fair value measurement of recognised liabilities with a demand feature. A demand feature allows the holder of the instrument to demand repayment of the instrument, with little or no notice. Examples of such instruments include debt instruments that are puttable to the issuer at the option of the instrument holder and some types of bank deposit liabilities. The Board tentatively decided that such existing liabilities should be measured on the basis of the expected timing of cash outflows, with such amounts discounted at the interest rate used by market participants at the measurement date to price equivalent borrowings of similar risk and maturity. Incremental costs that market participants would expect to incur (such as incremental servicing or other costs) should also be taken into account.

The Board discussed how debtors should measure guaranteed liabilities but made no decisions. The Board will continue its discussion of such liabilities at a later meeting.

## Conceptual framework

The Board continued its discussion of the reporting entity phase of the Conceptual Framework project. The issues discussed and decisions reached are summarised below. Further details on these issues are contained in the observer notes.

### Parent/group entity views

This issue concerns the relationship between the parent entity and the group entity, including:

- whether the parent entity and the group entity are one and the same entity, or two different entities, and
- the implications for the general purpose external financial reports of the parent entity.

At their respective meetings in September, the IASB and FASB reached different preliminary views on the various parent/group entity views discussed. At this meeting, the Board discussed the issue again and several members indicated that as a result of the further clarifications, their earlier views on the issues might have changed. The Board asked the staff to develop material for the discussion paper that more clearly articulates the relevant issues, various viewpoints on those issues, and the rationale for supporting particular viewpoints. Once this work is completed, both the IASB and FASB will discuss the issue again, to determine whether the discussion paper is clear and whether the two boards have a common preliminary view.

### Parent company approach to the preparation of consolidated financial statements

The issue concerns the relationship between the parent company approach to the preparation of consolidated financial statements and the issues discussed to date in the reporting entity phase. The Board noted that the parent company approach raised issues that are related to several phases of the Conceptual Framework project and also to the Consolidations project. The Board tentatively decided that the Conceptual Framework project should include a discussion of the parent company approach and asked the staff to consider how best to accomplish that discussion. Alternatives include a separate discussion paper on the topic, a separate part of a discussion paper for the reporting entity phase, or as part of the redeliberations on the objectives of financial reporting (Phase A) and its next due process document.

### Consistency with the Consolidations project

This issue concerns the consistency of decisions reached in the reporting entity phase of the Conceptual Framework project and the Consolidations project. The staff noted that, in many respects, consistent decisions had been reached in both projects. Any differences relate to the parent/group entity views discussed above. The Board decided to defer its discussion on the consistency of decisions reached in the two projects until it makes further progress on the parent/group entity views in the Conceptual Framework project.

## Business combinations II

### Non-controlling interests and goodwill

The Board continued its deliberations on the measurement of non-controlling interests (NCI) and goodwill in a business combination.

Until now the Board's discussions have focused on what goodwill is and how it should be measured, with NCI being measured as its proportional share in the identifiable assets and liabilities plus its share of goodwill. The staff changed the focus of the discussion onto NCI in an attempt to reconcile the thinking between the views expressed in the comment letters and by the Board. The exposure draft did not identify a measurement attribute for NCI. Measuring NCI at fair value would be consistent with the way most components, including other components of equity, are accounted for in a business combination. The Board tentatively decided that the standard should state that the principle for the initial measurement of non-controlling interests in business combination is acquisition date fair value. In reaching this decision, the Board gave weight to its goal of ensuring that the underlying principles are clearly stated in the standard.

Having established the principle, the Board then discussed whether to make an exception to that principle. An exception to the principle might be justified because of practical difficulties associated with measuring the fair value of NCI. Although the discussion has shifted away from goodwill to NCI, it is likely that many of the concerns raised in the comment letters, and by Board members, in relation to goodwill are also relevant to measuring NCI.

The Board tentatively decided that the standard should include an exception to fair value measurement for NCI. The Board did not decide what that exception would be, but asked the staff to bring back to the Board an analysis of the consequences of allowing an exception. The analysis would include alternative measures and an assessment of the effect of an exception on other aspects of the proposals. The Board also asked the staff to consider whether it might be appropriate to allow an entity to measure NCI at fair value.

### Combinations between mutual entities

The Board tentatively affirmed the proposal in the exposure draft to include mutual entities in the scope of the revised business combinations standard. Thus, combinations between mutual entities would be accounted for by applying the acquisition method. The Board also tentatively affirmed that the proposed definition of a mutual entity includes co-operatives. A mutual entity is defined as an entity other than an investor-owned entity that provides dividends, lower costs, or other economic benefits directly and proportionately to its owners, members or participants.

### Business combinations achieved by contract alone or in the absence of a transaction involving the acquirer

The Board tentatively affirmed the proposal in the exposure draft to include in its scope business combinations that are effected by contract alone or in the absence of a transaction involving the acquirer. The Board concluded that all transactions or events in which an entity obtains control of a business are economically similar and should be accounted for by applying the acquisition method.

## Financial statement presentation

At joint meeting with the FASB in October, the boards agreed that the project should develop a financial statement presentation format that would accommodate their long term goal of other recognised income and expense items being classified in the same manner as all other changes in assets and liabilities (except for transactions with owners). However, the boards agreed that in the short term it might be necessary to keep other recognised income and expense items in a separate section of the statement of recognised income and expense. At its meeting in December, the Board discussed four alternatives for presenting other recognised income and expense items in the statement of recognised income and expense that could be used until the long-term goal can be achieved. The Board expressed mixed views on the alternatives and did not reach a consensus. The Board asked the staff to develop an alternative that would present other recognised income and expense items in short-term and long-term subcategories on the statement of recognised income and expense, to be discussed at a future meeting.

The Board discussed the objectives of the statement of cash flows that are included in paragraph 5 of FASB Statement No. 95 *Statement of Cash Flows*, some of which are embodied in IAS 7 *Cash Flow Statements*. The Board tentatively decided that those objectives should be carried forward (as modified below) as working principles for the financial statements as a whole, not just the statement of cash flows.

Information should be presented in the financial statements in a manner that will help investors, creditors, and others to assess:

- (a) an entity's ability to generate future cash inflows;
- (b) an entity's ability to meet its obligations, its ability to pay dividends, and its needs for external financing;
- (c) the differences between cash transactions and accrual accounting; and
- (d) the effects of non-cash activities during the period on an entity's financial position.

The Board expressed a leaning towards requiring (i) all categories in the statement of cash flows to be presented using the direct method and (ii) the information needed to reconcile operating income and cash flows from operating activities to be presented in the financial statements. The Board asked the staff to consider whether similar reconciling information should be provided for the financing and investing categories. The Board also expressed a leaning towards requiring information about all significant non-cash activities during a period to be disclosed in the notes to financial statements.

The Board discussed how the working format might be applied by financial institutions and what modifications, if any, might be necessary to address their presentation needs. On the basis of the results of the staff's consultation with the financial institutions subgroup of the project working group the Board tentatively decided that the overall working format—the categorisation scheme and criteria for classifying items in the financing, operating, and investing categories—should apply to financial institutions as well as non-financial institutions. The Board tentatively decided that cash and cash equivalents must be classified in a single category but would not be required to be classified in the financing asset category. However, the Board asked the staff to consider whether there are situations in which presenting cash and cash equivalents in more than one category would be more useful.

The Board also tentatively decided that the tentative decisions (i) to present information in the financial statements on a gross basis except when the additional information provided by a gross presentation (rather than a net presentation) provides no incremental value, and (ii) to include general guidance and not a bright line rule for when line items should be further disaggregated on the face of the financial statements should apply equally to financial institutions.

The Board tentatively decided that financial institutions should not be required to present short-term and long-term subcategories for each category on the statement of financial position and asked the staff to develop a principle for presenting liquidity information that would apply to both financial institutions and non-financial institutions. As a result of that discussion, the Board acknowledged that it might change its prior tentative decision to require non-financial institutions to include short-term and long-term subcategories for each category on the statement of financial position.

The Board agreed with the staff's plan to consider financial institutions in future discussions related to presenting information about remeasurements, displaying information in the statement of comprehensive income by function and then by nature, and issues related to presentation of other recognised income and expense items.

## IAS 1 Presentation of Financial Statements

The Board discussed respondents' comments on the exposure draft (ED) of Proposed Amendments to IAS 1 *Presentation of Financial Statements*.

The Board reaffirmed the titles proposed in the ED for the 'statement of financial position', 'statement of cash flows' and 'statement of changes in equity'. It tentatively decided to change the title of the 'statement of recognised income and expense' to 'statement of comprehensive income' to converge with the US terminology. The Board also reaffirmed that the titles of the financial statements will remain non-mandatory. The Board noted that although the *Framework* discusses the meaning of financial position, it does not define it. Thus, the Board tentatively decided to define the term 'financial position' in the *Framework*.

The Board tentatively decided that the presentation of a statement of financial position at the beginning of the comparative period should be required only when it contains a reclassification or restatement.

The Board reaffirmed the proposal in the ED to segregate owner and non-owner changes in equity. The Board directed the staff to replace the references to 'equity holder' with the term 'owner' and to clarify that the term 'owner' refers to a holder of an instrument or a portion thereof that is classified as equity. The Board noted that restatements arising from changes in accounting policy and corrections of errors are not transactions with owners acting in their capacity as owners, and reaffirmed its decision to present restatements as an adjustment to the opening balance of retained earnings in the statement of changes in equity.

The Board reaffirmed the ED proposal to allow either a single statement approach or a two-statement approach for presenting non-owner changes in equity. The Board also decided to continue to express a preference for a single statement approach.

The Board reaffirmed its proposal to require the disclosure of reclassification adjustments relating to each component of other recognised income and expense, either on the face of the statement or in the notes. In addition, the Board asked the staff to eliminate inconsistencies between the definition of 'reclassification adjustments' in paragraph 7 and paragraph 93 of the ED. The Board noted that these paragraphs apply to interim and annual periods. It directed the staff to refer to amounts recognised in both 'current' and 'previous' periods to be consistent with SFAS 130.

The Board tentatively decided to require the disclosure of the income tax relating to each component of other recognised income and expense and allow a gross or a net display of the tax effects, to converge with SFAS 130.

The Board reaffirmed its conclusion that earnings per share should be the only per share measure permitted on the face of the statement of recognised income and expense. The Board asked the staff to review the language in paragraph 73 of IAS 33 to avoid a possible misinterpretation of this requirement.

The Board also asked the staff to clarify the definition of 'general purpose financial statements'.

The Board asked the staff to draft the amended standard.

## Annual improvements process

The Board discussed three issues for the annual improvements process. This process is intended to eliminate inconsistencies between standards and to clarify wording. Proposed amendments to standards resulting from this process will be accumulated and published in a single exposure draft each year. The first exposure draft of proposed improvements will be published in October 2007.

### Reporting compliance with IFRSs

In some jurisdictions, financial statements are described as being 'based on' IFRSs, but are not fully compliant with IFRSs. Users of such financial statements may be misled into thinking that the statements comply, or comply in all but immaterial respects, with IFRSs and make decisions based on that assumption. The Board continued its discussion of a proposal to amend IAS 1 *Presentation of Financial Statements* to require in these circumstances disclosures that describe the differences between IFRSs and the basis on which the financial statements have been prepared. As a result, the Board decided to amend IAS 1 to require these disclosures.

### Point-of-sale costs

The IFRIC asked the Board to replace the term 'point-of-sale costs' in IAS 41 *Agriculture* with 'costs to sell'. 'Costs to sell' is a defined term used in IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* and IAS 36 *Impairment of Assets*. Replacing 'point-of-sale costs' would create consistency with those IFRSs. Both terms have identical meanings in the context of IAS 41. Therefore, the Board decided to replace 'point-of-sale costs' in IAS 41 with 'costs to sell'.

### Unit of production method of amortisation

Paragraph 98 of IAS 38 *Intangible Assets* states that there is 'rarely, if ever, persuasive evidence to support an amortisation method for intangible assets with finite useful lives that results in a lower amount of accumulated amortisation than under the straight-line method'. The Board has been informed that in practice, 'rarely, if ever' is interpreted as 'never'. The IFRIC project on service concessions highlighted situations in which

using the unit of production method of amortisation would be appropriate. However, even when the expected pattern of consumption of the future economic benefits in the asset is weighted to the end of the asset's life, entities perceive paragraph 98 as restricting them from using this method. As a result, the Board tentatively decided to delete the last sentence of paragraph 98 of IAS 38 to resolve the issue.

## IFRIC Due process handbook

The Board considered the comment letter analysis on the proposed IFRIC Due Process Handbook which was published by the Trustees in May 2006. The staff asked for the Board's views on the two main issues that had been the focus of respondents' comments: the role of the Agenda Committee and the status of IFRIC Agenda Decision notices.

The Board was asked whether the Agenda Committee

- should continue to operate as at present
- should be replaced by a working group of IFRIC members with no fixed membership, which would continue to meet in private or
- should be absorbed into the IFRIC.

The Board's view was that the third option was the only one that would satisfy the demands for transparency. The role of the Agenda Committee had never been to take technical decisions; rather, it was to assist the staff in structuring papers for the IFRIC. The staff could continue to obtain such assistance by consulting individual IFRIC members, IASB members and others. The IFRIC public meetings could include an initial discussion of issues raised as potential agenda items.

The issue regarding Agenda Decision notices was whether these should continue to include reasons for not adding an item to the agenda and whether such decisions were authoritative.

The Board's view was that giving reasons served a useful purpose, even though the publication of reasoned agenda decisions tends to encourage requests for guidance at increasingly detailed levels. Constituents seem to welcome the guidance given, although some stressed that the use of the phrase 'the standard is clear' in the wording of the agenda decision could generate a requirement for correction of an error in previous financial statements. The Board asked the IFRIC to be mindful of this concern. The Board noted there may be a need to extend the limited criteria for not taking items onto the agenda but acknowledged that in some cases it might be necessary to state that the standard is clear.

The Board noted that parts of its output, such as the Basis for Conclusions and Implementation Guidance, are not authoritative. Nevertheless, they provide useful guidance, which entities should not ignore. Similarly, a decision taken by the IFRIC after public discussion and consultation would inevitably carry weight in view of the knowledge and expertise of that body.

The IFRIC Chairman will report the Board's views to the Trustees.

## Short-term convergence: borrowing costs

---

The Board continued its discussion of comments received from constituents on the exposure draft of Proposed Amendments to IAS 23 *Borrowing Costs*. The Exposure Draft proposed to eliminate the option to recognise immediately as an expense borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. The Board discussed suggestions made by constituents on the direction of the project.

The Board decided that it would issue the Amendments to IAS 23, as exposed, with one change—inventories that are routinely manufactured or otherwise produced in large quantities on a repetitive basis will be excluded from the scope of IAS 23 for cost-benefit reasons. The wording for the scope exclusion will be taken from SFAS 34 *Capitalization of Interest Cost*. The Board also clarified that the scope of IAS 23 would exclude assets measured at fair value as proposed in the exposure draft, although it noted that entities were free to disclose information about borrowing costs that would have been capitalised if those assets had been measured at historical cost.

In addition, the Board acknowledged the need to consider the effective date of the amendment to minimise disruption for entities reporting in accordance with US GAAP.

## Consolidations (including special purpose entities)

---

The Board continued its deliberations on the consolidation of managed funds and investment companies.

### Managed funds

The Board discussed how the control definition might be applied when a fund manager has power over another entity as both a fiduciary and a direct investor (a dual role). The Board considered whether the staff should develop criteria to indicate when a fund manager with a dual role has control over the investee. These indicators would focus on the type and level of benefits to which the fund manager has access, together with the nature of the fund manager's power. The Board was not convinced that indicators could be developed but asked the staff to include in the proposed discussion paper a question on this issue.

### Investment companies

The Board affirmed that investment companies (such as private equity entities and venture capital organisations) should not be excluded from the scope of the proposed standard. The Board concluded that the information needs of users are best served by financial statements that consolidate investments under the control of the reporting entity.

## Accounting standards for small and medium sized entities

---

At its meeting in October 2006, the Board directed the staff to prepare a pre-ballot draft of an Exposure Draft of an IFRS for SMEs. In early November, the staff sent the pre-ballot draft to the Board for written comments. (This draft is also publicly available to download on the IASB's Website.)

Some Board members questioned whether paragraph 10.3 of the pre-ballot draft properly reflected a decision regarding the GAAP hierarchy in the IFRS for SMEs. Paragraph 10.3 said: In making the judgement described in paragraph 10.2, management shall refer to, and consider the applicability of, the following sources in descending order:

- (a) the requirements and guidance in this IFRS dealing with similar and related issues; and
- (b) the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses and the pervasive principles in Section 2 Concepts and Pervasive Principles; and
- (c) the requirements and guidance in full IFRSs and Interpretations of full IFRSs dealing with similar and related issues.

Several Board members recalled that in October, the Board had decided to move subparagraph (c) of paragraph 10.3 to paragraph 10.4. Paragraph 10.4 identifies other non-mandatory sources of guidance that entities may use. The Board's reasons for that decision were:

- SMEs are likely, in most cases, to conclude that they can find answers using (a) and (b), so (c) is unlikely to be invoked;
- requiring SMEs to look to full IFRSs imposes on an entity two sets of standards with some recognition and measurement differences; and
- leaving (c) in paragraph 10.3 creates a potential conflict between auditors—who are likely to be aware of the provisions of full IFRSs—and SME managers—who are responsible for preparing the financial statements and may have done so solely on the basis of the IFRS for SMEs.

The staff asked the Board to confirm its decision, so that paragraph 10.4 would then say:

In making the judgement described in paragraph 10.2, management may also consider the requirements and guidance in full IFRSs and Interpretations of full IFRSs dealing with similar and related issues. If additional guidance is needed to make the judgment described in paragraph 10.2, management may also consider the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards, other accounting literature and accepted industry practices, to the extent that these do not conflict with the sources in paragraph 10.3.

The Board concurred that paragraph 10.4 as revised reflected the decision reached in October 2006.

## Post-employment benefits

---

The Board held a preliminary discussion of the accounting for cash balance and similar plans. The staff presented a high level overview of some approaches that could be used to solve the problems that arise as a result of the measurement methodology in IAS 19 Employee Benefits. These were:

- The approach in the draft IFRIC Interpretation D9: Employee Benefits with a Promised Return on Contributions or Notional Contributions
- An embedded derivative approach; and
- A deconstruction approach.

A more detailed consideration of these approaches will be presented to the Board at a future meeting.

The Board asked the staff to clarify the definitions of relevant items, for example, the definitions of defined benefit and defined contribution plans in IAS 19 should be amended so that asset-based benefits are not treated in the same way as salary-based benefits.

## Technical plan

---

The Board made its quarterly review of its Technical Plan.

The Plan sets out the expected timetable over the coming 18-24 months for projects on the IASB's active agenda. The Board publishes the revised timetable on its Website following each review. Updated project summaries are available on the IASB Website at <http://www.iasb.org/Current+Projects>

## Change to October Update

---

The Board noted a change to the October issue of Update. In the discussion of the research project on intangible assets, the sentence:

The project will not encompass the requirements for the initial accounting for intangible assets acquired separately or in a business combination, or the initial and subsequent accounting for goodwill.

Should be changed to read:

The project will not encompass the requirements for the initial accounting for intangible assets acquired in a business combination, or the initial and subsequent accounting for goodwill.

### Meeting dates: 2006 and 2007

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

#### 2007

22—26 January

19—23 February

19—23 March

16—20 April

23—24 April (joint with FASB)

14—18 May

18—22 June

16—20 July

17—21 September

15—19 October

22—24 October (joint with FASB), Norwalk, Connecticut, USA

12—16 November

10—14 December