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**International
Accounting Standards
Board**

This document is provided as a convenience to observers at IASB meetings, to assist them in following the Board's discussion. It does not represent an official position of the IASB. Board positions are set out in Standards.

These notes are based on the staff papers prepared for the IASB. Paragraph numbers correspond to paragraph numbers used in the IASB papers. However, because these notes are less detailed, some paragraph numbers are not used.

INFORMATION FOR OBSERVERS

Board Meeting: 22 June 2006, London

Project: IFRIC Draft Interpretation D18

Subject: Interim Financial Reporting and Impairment
(Agenda Paper 5B)

Introduction

1. At the December 2005 Board meeting, the IFRIC reported its intention to publish IFRIC Draft Interpretation D18 *Interim Financial Reporting and Impairment*. The draft was published for comment on 12 January 2006 with comments requested by 31 March 2006.
2. 57 comment letters were received and these were discussed by the IFRIC at its May meeting. During that meeting, the IFRIC agreed that certain changes should be made to D18, and that a revised draft Interpretation should be presented at the June Board meeting for the Board's approval.
3. [Paragraph omitted from observer notes]
4. The purpose of this paper is to set out a brief summary of the comments received and the changes made from D18, and to ask the Board to approve the draft Interpretation for publication.

Comment letter analysis

5. 57 comment letters on D18 were received. These are available at <http://www.iasb.org/> and were considered in full at the May IFRIC meeting. A summary of the most significant or recurring comments is set out below.
6. Opinion was divided as to whether the reversal of impairments booked in interim periods should be permitted. A small majority favoured the draft consensus that such impairments should not be reversed but there was no agreement within any sub-group of respondents. Some respondents were supportive of the consensus in principle but would only support the draft Interpretation if the impairment requirements of IAS 39 were clarified.
7. Of those who disagreed with the proposal in D18, the majority stated that this was because it would lead to reduced comparability between preparers and could result in companies reporting differing results dependent on the frequency of reporting.
8. 35 of the 57 respondents believed that the issue should not be addressed by the IFRIC. The majority of these believed that D18 addressed a contradiction in the standards which was outside of the IFRIC remit. Other respondents believed that a better route to resolve the issue would be to issue an amendment to IAS 34 rather than a standalone Interpretation.
9. Twelve of the respondents commented that D18 was rule-based and that the Basis for Conclusions failed to identify a principle or concept which should be followed.
10. A number of respondents also raised issues with the draft Basis for Conclusions. In particular :
 - A number of respondents believed that IAS 34 was more specific to interim reports than IAS 36 or IAS 39 and so the specific statement in IAS 34 that the frequency of reporting should not affect the year end result should take precedence.
 - BC6 (of the D18) used the rationale that the later standards should take precedence over earlier standards. Nine of the respondents believed that this was a weak argument, and that it might set a precedent for circumstances outside of IAS 34.

Eighteen of the respondents commented that fully retrospective application was a more onerous requirement than required by IAS 36 and was likely to be impractical.

Changes from the exposure draft

11. Whilst the IFRIC agreed to pursue the Interpretation in a largely unaltered form, it did make a number of changes to D18 as a result of the comment letters received. These changes are highlighted in the attached revised draft Interpretation and the major changes are discussed below.
12. In response to comment letters received, the IFRIC clarified the effective date and transition provisions in paragraph 9 to make clear that the Interpretation was not mandatory for periods before an entity had first applied IAS 36 and IAS 39. Paragraph BC12 was inserted to discuss this change.
13. The IFRIC amended the Basis for Conclusions to discuss how it had addressed the comment letters received. In particular, paragraph BC5 was inserted in response to the concern expressed by many respondents that the issue discussed in D18 should be addressed by the Board rather than the IFRIC. Paragraph BC6 was inserted to address the division of opinion as to whether preparers should be allowed to reverse impairments booked in previous interim periods.
14. In response to comments that the consensus was not supported by a principle, the IFRIC strengthened its arguments by inserting a new paragraph BC8 and re-wording paragraph BC10.
15. The IFRIC considered the former paragraph BC6 which stated that “The IFRIC members noted that IAS34 was issued before the reversal of impairment losses on goodwill, investments in equity instruments and financial assets carried at cost was prohibited, and hence did not consider these later specific requirements with respect to goodwill and investments in equity instruments and financial assets carried at cost.” The IFRIC considered that this paragraph might give the impression that later standards always had precedence over earlier standards and therefore deleted the paragraph.

Conclusion

16. Having made the above amendments, the IFRIC agreed that the Interpretation should be presented to the Board as a final draft and that the Board should be asked for approval to issue the Interpretation.

The Board is asked whether it agrees to the issue of the Interpretation in final form.