



30 Cannon Street, London EC4M 6XH, United Kingdom
Tel: +44 (0)20 7246 6410 Fax: +44 (0)20 7246 6411
Email: iasb@iasb.org Website: www.iasb.org

**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: 12 December 2007, London

Project: Agenda Proposals

Subject: Resource Constraints and Directors' Recommendations
(Agenda Paper 5)

INTRODUCTION

1. Each of the four agenda packages before the Board for this meeting omit a discussion of resource constraints. That is by design. We asked each team to be an advocate for their project, and it is not fair to ask that they also have the perspective to place their proposals in the broader picture. This short paper discusses various constraints on the IASB's ability to take on new projects and concludes with the directors' recommendations.
2. This paper does not discuss the IASB's staff resources and assignments. Those matters are covered in a separate paper that is administrative and includes information that is not in the public domain.

RESOURCE CONSTRAINTS

The Existing Agenda

3. The Board's current agenda includes nine major standards-level projects, the Framework project, and SMEs. We also have the short-term convergence projects on income taxes (close to a major project), earnings per share, and joint ventures. Seven smaller projects and annual improvements complete the picture. This is a very ambitious technical agenda formed in large part by the MOU. We will be issuing discussion papers on several of the projects during the coming months, but most will extend several years into the future, even under optimistic projections.
4. The agenda creates three kinds of pressure – on Board time, on constituents and on the IASB staff. We won't warn about packed agendas for Board meetings, but adding projects won't make them any smaller. We are exploring new ways of approaching Board meetings, perhaps bringing larger packages of issues to fewer Board meetings, with three or four months in between. This may decrease the amount of time spent in Board meetings, but not the Board members' work load. Instead, the time would be spent by groups of Board advisors working with project teams. Our experience on revenue recognition, derecognition, and financial instruments suggest to us that, as a result of such an initiative, Board meetings may be more efficient, but that work in small groups between Board meetings will increase to eliminate any time savings.
5. There is also the pressure on constituents. The current project plan projects twelve documents – research reports, discussion documents, and exposure drafts – during 2008. Several constituents, including senior partners at major accounting firms, have complained about the amount of comment material that they will be asked to review. At the most recent SAC meeting, one-third of the members expressed the view that the IASB should add no new projects in December.
6. The IASB staff can handle the current agenda. However, as outlined in the separate analysis, we face some planned (maternity leave and announced desire to leave) and other possible gaps in staffing. We also have plans to expand the staff, but our experience shows that recruitment and initial development of new staff will take several months. In our view, the directors' first responsibility is to keep existing

projects moving. We do not plan to start work on any new projects until staff are available. If the Board decides to add new projects, they will probably be delayed until we have available project managers.

The Forward Agenda

7. In July 2008, we plan to ask the Board to shift three projects from the research agenda to the active agenda – Derecognition, Financial Instruments Next Steps, and Liabilities/Equity. All three of these projects are part of the MOU, and we are planning based on the assumption that these projects will be moved to the active agenda. Board work on derecognition in preparation for next July will begin early next year, with an eye toward identifying a technically feasible solution. Work on the others will begin toward the close of comment period on discussion documents.
8. We do not expect the extractive industries work to be ready for an agenda decision by next July.
9. We ask that Board members make their judgements about resources – Board, constituents, and staff – in the context of four proposed agenda projects and three that will, in all likelihood, become active next year. Our combined existing and forward agenda, then, includes twelve major standards-level projects, before the Board adds any of the four proposed projects.

COMMENTS ON THE FOUR PROPOSALS

10. It would be tempting to agree with the SAC members who said that the IASB should add no new projects in December. Our existing and forward agendas certainly provide plenty to work on. If we thought that we could move existing projects faster by saying no to all four proposals, we would do so. However, the biggest factor in how quickly or slowly we can work is our due process, which is the most extensive of any accounting standard setter. At the SAC meeting, we were asked whether existing projects would move faster if we added no new projects. Our answer was no.
11. We do not, however, recommend adding any major standards-level projects. The discussion that follows is based on our view of the workable scope of projects.

Intangibles

12. The IASB and FASB identified this project as one of three (the others being post-employment benefits and leasing) that should be next considered for addition to their respective agendas. In our view, the lack of information about intangible assets is a major shortcoming in existing financial reporting. However, we note that few share that view. At the recent SAC meeting, only two members supported intangibles as their one choice for addition to the agenda. We have received letters from an analyst group, the CRUF, opposing the project and that view is shared by our Analysts Representative Group.
13. The project on intangibles, even in a disclosure-only form, would be the most challenging of the group for both the Board and its constituents. There are significant conceptual and practical problems, and the alternatives are not self-evident. From a staffing viewpoint, we estimate that this project would be a full-time assignment for two project managers at the IASB and a team at the FASB. Given the lack of constituent support for this project, we do not recommend that the project be added to the agenda.

Common Control Transactions

14. The key to a successful project here is scope control. A project that is limited to business combinations under common control would, in our view, be manageable. However, we note that the FASB's Emerging Issues Task Force spent several months examining combinations of "NewCo" and "OldCo" in the search for which would be required to use carryover basis and which would be allowed new basis accounting. The possible answers – new basis, business combination, or carryover basis – are straightforward. The population to which those alternatives might apply will be difficult.
15. That said, there is considerable demand for this project in Europe and Asia / Oceania. It is a gap in IFRS that many would welcome our filling. The possible project garnered the greatest support from members of the SAC. If the Board agrees to limit the scope of this project to combinations of businesses under common control, then we recommend adding the project. If instead the project encompasses all transactions between businesses under common control, including

transfer pricing and related party transactions, then we do not recommend adding it to the agenda. As in intangible assets, we do not believe that the Board or its constituents are equipped for another major project.

Emissions Trading/Government Grants

16. This project is on our active agenda and included in the counts listed earlier. It took third place among SAC members and many constituents and jurisdictions have expressed support. We recommend that the Board restart work. We also recommend that the work begin by consulting with the FASB on whether we should make this a joint project. The FASB has added a limited-scope project, but has not, so far as we are aware, had any deliberations.
17. We recommend that such a project focus on emissions trading and any government grant issues connected with them. We do not recommend a major project that would reconsider all of IAS 20.

Management Commentary

18. This is perhaps the most difficult of the proposed projects to evaluate. It was the second most popular proposal at the SAC meeting. However, those who opposed the project seemed to be as strong in their views as were those who supported it. Opponents observed that “best practices” guides already exist in the United States and the United Kingdom. They questioned the need for either an IFRS or an IASB guidance document. Supporters seemed to emphasize the role of management commentary in the broader area of financial reporting.
19. We do not recommend that the Board undertake management commentary as a standards-level project. However, we are persuaded that the Board can produce best-practices guidance with a minimum of effort and, perhaps, limited due process. We have already published a discussion document, and non-mandatory guidance should not require extensive additional due process. It would, however, require exposure and comment.
20. In summary, then, our recommendations are:

- a. Reactivate Emissions Trading/Government Grants if the Board is willing to limit the scope.
- b. Add a project on common control transactions if the Board is willing to limit the scope to business combination transactions.
- c. Produce best-practices guidance on management commentary, but not an IFRS.
- d. Do not add a project on intangibles.