



**International
Accounting Standards
Board**

30 Cannon Street, London EC4M 6XH, England
Phone: +44 (0)20 7246 6410, Fax: +44 (0)20 7246 6411
Email: iasb@iasb.org Website: <http://www.iasb.org>

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

Note: These notes are based on the staff paper prepared for the Council. Paragraph numbers correspond to paragraph numbers used in the Council paper.

INFORMATION FOR OBSERVERS

SAC Meeting: **November, London**
Project: **Recasting Exercise**
 (Agenda Paper 3c)

1. During August 2007, the staff conducted a limited recasting exercise with four companies, mostly drawn from current working groups –the Joint International Group (JIG) and the Financial Institutions Advisory Group (FIAG), as listed below:
 - a. McCormick & Company (food/manufacturing)
 - b. Novartis (pharmaceuticals)
 - c. Shell (oil)
 - d. UBS (banking).
2. Three other companies participated as “shadow participants”—two are multinational insurance companies (Allianz and Aviva) and one is a pharmaceutical company (Roche). The shadow participants varied in the level of completion of the exercise. Their feedback is not included in the Summary of Participant Responses that was provided to the Boards on September 11, 2007, but the two insurance participants provided comments during the JIG/FIAG meeting. (The public summary of that meeting (minutes) was distributed to the Boards and posted to their websites the week of October 8, 2007.)
3. The recasting exercise provided an opportunity to determine:

- a. The understandability of the staff draft
 - b. The costs that might be incurred in applying the preliminary model, including the availability of information needed to apply the model
 - c. The operationality of the model (stumbling blocks that might be encountered in applying the model).
4. We provided each of the participants with the following:
 - a. A paper describing the current views of the Boards (working staff draft of the preliminary model) and the basic principles underpinning those views
 - b. Sample financial statements illustrating the preliminary model
 - c. A recasting work program with questions regarding process, assumptions, and outcomes
 - d. A participant confidentiality agreement.
5. The participants were asked to recast any single year of their choice to include:
 - a. Classification of assets and liabilities into the categories and sections in the preliminary model
 - b. Recast the four primary financial statements
 - c. Prepare a disclosure reconciling the Statement of Cash Flows to the Statement of Comprehensive Income
 - d. Prepare a segment disclosure that incorporated operating and financing information
 - e. An assessment of the cost/benefit of providing each line item in the recast financial statements.
6. Additionally, we asked the participants to keep a running log of comments, observations, or questions that arose during the exercise to facilitate discussions and analysis after completing the recasting.
7. On September 5, 2007, the staff held a conference call with the four core recasting participants to discuss issues encountered during the recasting exercise. At the JIG/FIAG meeting, held on September 14th 2007, the staff presented a brief report on their findings and recasting results. The JIG/FIAG members from the recasting companies provided their overall comments on the exercise and answered questions that advisory group or Board members may have.
8. At the Boards' joint meeting in October, subsets of Board members met with the staff in small group sessions to review the recast financial statements. The purpose of

those sessions is for the staff to receive Board member feedback regarding the extent to which the recast financial statements reflect the financial reporting results they expected or desired. This will assist the staff in determining whether all open issues have been identified and the extent to which the preliminary views to date appear to meet the project objectives and working principles.