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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: 23 July 2008, London**

**Project: Agenda Proposals**

**Subject: Directors' recommendations (Agenda Paper 2)**

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## **INTRODUCTION**

1. The Board will be asked to consider proposals to add two projects to the active agenda at the July 2008 meeting. Paper 2A sets out a proposal for liabilities and equity. Paper 2B sets out a proposal for the derecognition of financial instruments.
2. The last time the Board considered proposals to add projects to the active agenda was in December 2007. At that meeting the Board decided to:
  - a. activate work on its Emissions Trading Schemes project
  - b. add to its active agenda a project on common control transactions
  - c. add to its active agenda a project on Management Commentary

### **The current Agenda**

3. The Board's current agenda includes twelve major standards-level projects, the Framework project, the management commentary project and IFRS for private entities. We also have seven projects that are amending standards and the annual improvements project. This is a very ambitious technical agenda formed in large part by the MOU.
4. The agenda creates pressure – both within the IASB and for constituents. We considered the internal pressures during the Technical Plan discussion in June 2008. However, the Board also needs to consider the pressure on constituents. The current project plan projects thirteen documents – research reports, discussion documents, and exposure drafts – during the rest of 2008.

### **The Forward Agenda**

5. Later in 2008 the staff may ask the Board to shift financial instruments (replacement of existing standards) from the research agenda to the active agenda. This project is part of the MOU, and we are planning based on the assumption that this project will be moved to the active agenda.

### **COMMENTS ON THE TWO PROPOSALS**

6. Despite our concerns regarding the length of the active agenda, we recommend adding both the liabilities and equity project and the derecognition project to the active agenda. Adding the two projects will not delay progress on other projects on the active agenda (liabilities and equity may actually help progress in the Conceptual Framework project). Other reasons for this recommendation are summarised below.

### **Liabilities and Equity**

7. IAS 32 *Financial Instruments: Presentation* has been criticised by some. Those criticisms are detailed in the discussion paper *Financial Instruments with Characteristics of Equity*. The Board has also stated (for example, in the basis for conclusions of IAS 32) for some time that it will reconsider the fundamental approach to the accounting for financial instruments established by IAS 32. This project offers the Board that opportunity.
8. This project is also on the MOU and offers an important opportunity to converge US GAAP and IFRS in this area. US GAAP in this area needs urgent attention. As noted in

the FASB Preliminary Views document there are currently more than 60 pieces of literature that address various aspects of accounting for instruments that are within the scope of the FASB Preliminary Views. That literature is inconsistent, subject to structuring, or difficult to understand and apply.

9. This project could have a widespread impact on financial reporting; the project affects how instruments are classified on the statement of financial position and affects the accounting of those instruments in the statement of comprehensive income. The Directors believe that this project offers the IASB a significant opportunity to reconsider and improve the requirements of IAS 32, to reduce complexity and the problems that complexity creates and to move towards the stated long-term objective of both the IASB and FASB to converge the accounting for financial instruments.

#### **Derecognition of financial instruments**

10. This area has been identified by many (including the Financial Stability Forum) as an important area of accounting to improve and simplify. We agree. We have also not heard many state otherwise. The difficult question is how to improve and simplify existing requirements. Adding this project to the active agenda will increase the pressure on us all to answer that question on a timely basis.
11. This project is also on the MOU. As with the liabilities and equity project, it offers a significant opportunity for the IASB and FASB to improve and converge US GAAP and IFRS requirements.

#### **STANDARDS ADVISORY COUNCIL**

12. We presented the agenda proposals at the June SAC meeting. Many members expressed concerns about the ambitious agenda and the prospect of adding more items (notably the liabilities and equity project). Notwithstanding those concerns, SAC members expressed overwhelming support for the derecognition project. They also expressed support for the project on liabilities and equity, although some members of the SAC indicated that it should have a lower priority because of the difficult conceptual issues it covers.

#### **RESOURCES**

13. As part of our development of the Technical Plan, which we presented to the Board in June, we anticipated and considered the resource implications of adding these items to the

agenda. Both projects currently each have two staff assigned to them, full time. In both cases the project teams have assessed that they are adequately resourced, although the derecognition team expects to benefit from an additional FASB staff member.

14. Our assessment is that we have the resources in place to meet the objectives of these projects.