



**International
Accounting Standards
Board**

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This document is provided as a convenience to observers at the Analyst Representative Group meeting, to assist them in following the discussions. 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 papers prepared for the ARG meeting. Paragraph numbers correspond to paragraph numbers used in the ARG agenda paper.

INFORMATION FOR OBSERVERS

ARG Meeting: November 2008, London

Project: Consolidation

(Agenda Paper 4A)



Consolidation

Analyst Representative Group

The views expressed in this presentation are those of the presenter, not necessarily those of the IASC Foundation or the IASB

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Overview

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The project

- to develop a cohesive control based model that encompasses structured financing and investment vehicles, replacing both:
 - IAS 27 *Consolidated and Separate Financial Statements*
 - SIC-12 *Consolidation – Special Purpose Entities*

Our premise

- IAS 27 and SIC-12 are not fundamentally flawed, but:
 - we have concerns that they are not being applied consistently, and
 - there is a tension between the IAS 27 control model and the risk and reward emphasis in SIC-12

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Objectives of a revised IFRS

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Recognition

- improve the comparability of financial statements, by providing:
 - clearer (and more explicit) principles; and
 - additional application guidance than is provided in IAS 27 and SIC-12)

Disclosure

- Improve the quality of information that is available to users about the entities that (correctly), are not consolidated but which create risks for the reporting entity.

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IFRS – US GAAP convergence

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- FASB project to revise FAS 140 and FIN 46(R)
 - FASB exposure drafts published in September 2008
- Close co-operation between IASB and FASB staff
- Boards will discuss whether to work towards a joint standard in 2009

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Disclosure objectives

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A reporting entity would be required to disclose information that enables users of its financial statement to evaluate:

- the judgements management has made in applying the IFRS
- the effects of the groups legal boundaries
- the nature of, and risks associated with, its significant involvement with structured entities that it does not control.



The credit crunch

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The current focus on SIVs and the sub-prime crisis has put more pressure on the project

- Timing
- Reputational risk
 - is this a factor that should be considered in deciding whether one entity should consolidate another entity?
- Disclosure
 - are the current disclosure requirements adequate?



Timing

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November 2008

- Target publication date for an ED

Second Half 2009

- Target publication date for an IFRS

