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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:***                              ***The IASB's work plan – October 2008***  
***(Agenda Paper 1A)***

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1. The development of a single set of high quality, understandable and enforceable global accounting standards for use in the world's capital markets has been the primary goal of the IASB since its inception in 2001. That aim has driven our work.
  2. In September, the Board and the FASB published an update of their 2006 memorandum of understanding (MoU). This update outlines a plan and projected time line for completing the remaining joint major projects included in the MoU.
  3. A number of jurisdictions including Canada, India, Japan and Korea have announced plans to adopt or converge with IFRSs from 2011. Completing the MoU beforehand will avoid the need for those jurisdictions to make major changes shortly afterwards as MoU projects are completed. Whilst the MoU forms an essential part of our strategy we

remain committed to addressing other important projects on our agenda such as insurance accounting and those standards affected by the credit crisis.

4. This report summarises our projects under the following main headings:
  - (a) Recent publications
  - (b) New agenda items
  - (c) Other MoU projects
  - (d) Other non-MoU projects
  - (e) Dormant projects
5. A separate paper *IASB Response to the Credit Crisis* deals with our work in the following areas:
  - (a) Consolidations
  - (b) Derecognition
  - (c) Expert advisory panel on markets that have become inactive
  - (d) Financial instruments: enhanced disclosure
6. A separate paper summarises the work plan as a table.

### **Recent publications**

7. Since 30 June, we have published two amendments to standards:
  - (a) *Eligible Hedged Items*. This amendment to IAS 39 *Financial Instruments: Recognition and Measurement* clarifies how to apply the existing principles underlying hedge accounting in two particular situations.
  - (b) *Reclassification of Financial Assets*. This amendment to IAS 39 permits entities to reclassify some financial instruments in specified cases.
8. We have published exposure drafts and discussion papers on the following subjects:
  - (a) Financial statement presentation
  - (b) Discontinued operations
  - (c) Earnings per share
  - (d) First-time adoption of IFRSs
  - (e) Annual improvements
  - (f) Improving disclosures about financial instruments
9. In addition, in October we posted on our web site a report by the staff on the discussions of our expert advisory panel on fair value measurement of financial instruments in markets that have become inactive.

### **Financial statement presentation**

10. The IASB and the FASB issued in mid October 2008 a joint Discussion Paper for comment, with a 180 day comment period. The discussion paper contains proposals intended to provide a clearer presentation of often complex financial information and so make it easier for users of financial statements to follow the flow of information through the statements. It is beyond the scope of this project to consider eliminating 'net income'.

#### **Discontinued operations**

11. In their joint project on financial statement presentation, the IASB and the FASB decided to develop a common definition of discontinued operations based on operating segments and require common disclosures about components of an entity that have been (or will be) disposed of. Both Boards published exposure drafts in September 2008.

#### **Earnings per share**

12. In August, the Board published an exposure draft *Simplifying Earnings per Share* (proposed amendments to IAS 33), as part of short-term convergence project with the FASB. The FASB also published an exposure draft on this topic. The proposals would simplify the calculation of earnings per share (EPS) and eliminate some differences between IFRSs and US GAAP. The deadline for comments is 5 December 2008.

#### **First-time adoption of IFRSs**

13. In September 2008, the Board issued an exposure draft to amend IFRS 1 *First-time Adoption of International Financial Reporting Standards* to address potential challenges for jurisdictions adopting IFRSs in the near future. In particular, these amendments propose relief for entities previously accounting for oil and gas assets using full cost accounting, and for entities with operations subject to rate regulation. The comment deadline is January 23, 2009.

#### **Annual Improvements**

14. The Board has an annual improvements process to deal with non-urgent but necessary amendments to IFRSs. The Board discusses and decides on proposed improvements to IFRSs as they arise throughout the year. The Board then publishes a single exposure draft. This streamlines the standard-setting process, with benefits both for interested parties and for the Board.
  - (a) The Board published an exposure draft *Improvements to IFRSs* for the 2007-2009 project cycle in August 2008, with a comment deadline of 7 November, 2008. The Board aims to issue the final amendments by 1 April 2009.

- (b) The Board discussed the first new proposal for the 2008-2010 project cycle in September 2008. The staff will present additional new proposals during the course of the year. The Board expects to issue an exposure draft of the approved proposals in August 2009.
- (c) For the 2006-2008 project cycle, the Board issued a final standard *Improvements to IFRSs* in May 2008. This finalises 34 of the 41 amendments proposed in the exposure draft that was published in October 2007. The Board plans to finalise another of those proposals later this year by issuing restructured version of IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The Board postponed reconsideration of the remaining six proposals for more analysis, and expects to begin considering those issues in the next few months.

### **New agenda items**

- 15. In July, the Board moved two projects, Liabilities and Equity, and Derecognition, from the research agenda to its active agenda. Brief details follow:

- (a) **Financial Instruments with Characteristics of Equity (liabilities and equity)**

In February we published a discussion paper inviting comments on an FASB Preliminary Views Document *Financial Instruments with Characteristics of Equity*. The comment period ended on 5 September 2008 and the IASB and the FASB discussed an analysis of the comments in October.

- (b) **Derecognition** The separate paper *IASB Response to the credit crisis* reports on this project.

### **Other MoU projects**

- 16. The following projects are also on the memorandum of understanding, in addition to projects discussed above:

- (a) Fair value measurement guidance
- (b) Income taxes
- (c) Leases
- (d) Post-employment benefits (including pensions)
- (e) Revenue recognition
- (f) Joint ventures
- (g) Financial instruments (replacement of existing standards)

### **Fair value measurement guidance**

17. The aims of this project are: (a) to establish a single source of guidance for all fair value measurements required or permitted by existing IFRSs to reduce complexity and improve consistency in their application; (b) to clarify the definition of fair value and related guidance to communicate the measurement objective more clearly; and (c) to enhance disclosures about fair value. The project will neither introduce nor require any new fair value measurements. The Board published a discussion paper on this topic in November 2006. The Board expects to hold round table discussions next year and to publish an exposure draft by the third quarter of 2009.

### **Income taxes**

18. The IASB and FASB have been working on a joint project on income tax for some years. The aim of the project is to improve the accounting for income tax by eliminating exceptions from the basic model common to both IAS 12 *Income Taxes* and SFAS 109 *Accounting for Income Tax*. The IASB expects to publish an exposure draft of a replacement for IAS 12 by the end of 2008. In the second half of 2008, the FASB will review its strategy for short-term convergence projects in light of the possibility that some or all US public companies might be permitted or required to adopt IFRS at some future date. As part of that review, it will seek input from US constituents by issuing an Invitation to Comment containing the IASB's proposed replacement of IAS 12. At the conclusion of that review, it will decide whether to undertake projects that would eliminate differences in the accounting for taxes.

### **Leases**

19. The leases project is a joint project with the FASB. The Boards intend to publish a discussion paper in the final quarter of 2008. The aim is to produce a new improved lease accounting standard for lessees by mid-2011. Consideration of lessor accounting has been deferred. Under the Board's proposed approach, lessees will recognise:
  - (a) an asset representing their right to use the leased item
  - (b) a liability for their obligation to pay rentals.

### **Post-employment benefits (including pensions)**

20. The Board issued its Discussion Paper *Preliminary Views on Amendments to IAS 19 Employee Benefits* on 26 March 2008. That discussion paper proposed the elimination

of deferred recognition, discussed different ways to present changes in plan assets and defined benefit obligations, and explored new accounting for contribution-based promises. The Board is currently reviewing the comment letters received on the discussion paper with a view to issuing an Exposure Draft in the second half of 2009 and a standard by mid 2011.

### **Revenue recognition**

21. The Board and the FASB continued to develop their model for revenue recognition. In this model, revenue arises from recognising and measuring changes in the assets and liabilities arising directly from contracts with customers.
22. Previously the boards explored two different ways of measuring these assets and liabilities. Recently, they have expressed a preliminary view in favour of measuring the obligations in the contract by reference to the transaction price in the contract (the *customer consideration* amount). Generally this approach is similar to the approach under IFRSs and in many existing revenue recognition standards.
23. The boards are now working towards publishing a discussion paper at the end of 2008. The paper will explain how the proposed model will affect, and improve, current revenue recognition standards. Responses to the discussion paper will then assist the boards in developing the model into a draft of a common standard that can be applied to contracts in a wide range of industries.

### **Joint ventures**

24. The objective of the project is to enhance the relevance, reliability and comparability of the information that entities provide about joint ventures and other joint arrangements with other entities. We issued an exposure draft in September 2007 and expect to issue a final standard in the second quarter of 2009.

### **Financial instruments (replacement of existing standards)**

25. The existing requirements for the reporting of financial instruments are widely regarded as being difficult to understand, interpret and apply and constituents have urged us to develop standards that are principle-based and less complex. Our discussion paper *Reducing Complexity in Reporting Financial Instruments* explores possible solutions. The comment deadline was 19 September 2008. The Board will consider moving the project from the research agenda to the active agenda in the fourth quarter of 2008.

26. As noted in the separate paper *IASB Response to the credit crisis*, the Board and the FASB will also gain further input on financial instruments from roundtables to be held in late 2008 and from a new advisory group.

### **Other non-MoU projects**

27. In addition to projects discussed above, the work plan includes the following projects, which are not on the memorandum of understanding:
- (a) Emissions trading schemes
  - (b) IFRSs for private entities (formerly IFRS for SMEs)
  - (c) Insurance contracts
  - (d) Liabilities (revision to IAS 37)
  - (e) Management commentary
  - (f) Related party disclosures
  - (g) Share-based payment: group cash-settled transactions
  - (h) Conceptual framework
  - (i) Extractive industries
28. Although these projects are not on the MoU, the Board attaches great importance to them and intends to devote sufficient resources to finish them in a timely fashion.

#### **Emissions trading schemes**

29. In December 2007 the Board activated work on its emissions trading schemes project. The Board expects to address the accounting for all tradable emissions rights and obligations arising in emissions trading schemes. It will also address the accounting for activities that an entity undertakes in contemplation of receiving tradable rights in future periods, eg certified emissions reductions (CERs). The Board plans to publish an exposure draft at the beginning of the second half of 2009.

#### **IFRSs for private entities (formerly IFRS for SMEs)**

30. The objective of this project is to develop an IFRS to meet the financial reporting needs of private entities. Any entity that is not listed and not a financial institution would be eligible to use the standard. Until May 2008, the IASB used the term “Small and Medium-sized Entities” (SMEs) to refer to those entities. In May 2008, we changed that term to “Private Entities”. Since March 2008, the Board has been reviewing responses to its February 2007 Exposure Draft, with additional input from the Working

Group for this project. Our target is to publish a final IFRS for Private entities in the first quarter of 2009.

#### **Insurance contracts**

31. The Board published a discussion paper *Preliminary Views on Insurance Contracts* in May 2007, which attracted received over 160 responses. The Board began to review the responses in February 2008. In working towards an exposure draft, the Board will benefit from the input of its Insurance Working Group (IWG), which met in April 2008 and meets next in November.
32. In 2007, the FASB issued an invitation to comment, seeking comments on whether the FASB should add to its agenda a joint project on insurance contracts, to be conducted with the IASB. In October 2008, the FASB decided to join this project.
33. The discussion paper addresses accounting by insurers for insurance contracts. This project will also deal with accounting by policyholders for insurance contracts. At this stage, the Board expects to deal with policyholder accounting in an exposure draft without first publishing a discussion paper.

#### **Liabilities (revision to IAS 37)**

34. This is a project to amend IAS37, the Board's general standard on uncertain liabilities (sometimes known as provisions). The project was dormant from March to September for staffing reasons. The Board is scheduled to issue a revised standard early in 2010.

#### **Management commentary**

35. In this project, the Board plans to develop a guidance document based on the *Management Commentary* discussion paper issued in October 2005. The document will describe useful approaches to management commentary but entities applying IFRSs will not be required to apply the document. The Board plans to publish an exposure draft in the first quarter of 2009.

#### **Related party disclosures**

36. In February 2007, the IASB published an Exposure Draft proposing amendments to IAS 24 *Related Party Disclosures*. The proposals focus on two areas: state-controlled entities (SCEs) and the definition of a related party. Under IAS 24, if entities are controlled by the same state, they are related parties and they must disclose any transactions between them. This causes significant practical problems, especially in



economies where the state controls many entities. Therefore, the proposals in the exposure draft proposed to exempt SCEs from providing detailed disclosures about transactions with other entities controlled by the same state, but would require SCEs to disclose the fact that they have such transactions.

37. In September 2008, the Board decided to replace its original proposals for SCEs with a simpler approach. The new approach would still require SCEs to disclose the fact that they have transactions with other entities controlled by the same state and would exempt them from providing detailed disclosures about those transactions. However, the new approach would simplify the conditions for SCEs to use that exemption. The Board intends to publish an exposure draft containing the new proposal towards the end of this year. The Board does not plan to seek further input on the definition of a related party.

#### **Share-based payment: group cash-settled transactions**

38. The Board published an exposure draft of proposed amendments to both IFRS 2 *Share-based payment* and IFRIC 11 *IFRS 2-Group and treasury share transactions* in December 2007, with comment deadline in March 2008. The Board aims to finalise the amendment for issue in the first quarter of 2009.
39. In September, the Board considered a request to consider amending or repealing IFRS 2. The same parties submitted a similar request to the FASB. The Board concluded that it had, in developing IFRS 2, considered fully all arguments raised by the petitioners, and that the petitioners had identified no new information that would warrant reopening this standard now.

#### **Conceptual framework**

40. The Board is conducting the Conceptual Framework project jointly with the US FASB. The project's objective is to create a framework that is sound, comprehensive and internally consistent. Such a framework will provide a foundation for standards that are clearly based on fundamental concepts rather than a diverse collection of conventions. The project will be conducted in eight phases, of which four phases are currently active. During the year, the boards published an exposure draft for **phase A** on the objective and qualitative characteristics of financial reporting, and a discussion paper for **phase D** on the reporting entity concept. The IASB and the FASB invited comments on both documents by 29 September 2008. The boards expect to complete phase A during the

first half of 2009, with the publication of the first two chapters of the new framework. We expect to publish an exposure draft for phase D in the second half of 2009.

41. The other active phases are **phase B**, which deals with the definition and recognition of elements of financial statements, and **phase C**, which deals with measurement. Discussion papers for phases B and C are expected to be published during 2009.
42. The boards have not yet decided on a timetable for the currently inactive phases. These are **phase E** on presentation and disclosure, **phase F** on the purpose and status of the new framework, **phase G** on not-for-profit entities and **phase H** on any remaining issues.

### **Extractive industries**

43. The objective of this project is to develop an IFRS on accounting for extractive activities. This will supersede IFRS 6 *Exploration for and Evaluation of Mineral Resources*, which the Board released in December 2004 as an interim measure pending completion of the comprehensive project. This project is currently on the Board's research agenda. A project team with representatives from the national standard setters of Australia, Canada, Norway and South Africa is developing a discussion paper for publication around the end of 2008. The research project's discussion paper will be published as an IASB document but contain only the project team's views. The discussion paper will be the initial due process document for the Board's deliberations on extractive activities, if the Board subsequently adds this project to its active agenda.

### **Dormant projects**

44. The following projects are not active at present
  - (a) Common control transactions. The Board added this project to its active agenda in December 2007 and will begin work on it when staff currently working in related projects become available.
  - (b) Government grants. The Board deferred work on this project pending progress on related projects: revenue recognition, related parties and emissions trading schemes.
45. The Board decided in December 2007 not to add to its active agenda a project on intangible assets. National standard setters have expressed an interest in carrying out research for a possible future project in the area.

## **IFRIC**

46. Since 30 June, IFRIC has published two interpretations:

(a) IFRIC 15 *Agreements for the Construction of Real Estate*

(b) IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*

47. IFRIC is also working to finalise develop two interpretations based on the following drafts published in January 2008:

(a) D23 *Distributions of Non-cash Assets to Owners*

(b) D24 *Customer Contributions*