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International Accounting Standards Board

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: **February 2009, London**

Project: **Work plan - introduction**

(Agenda paper 4)

Background

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.

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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. On 14 November the United States Securities and Exchange Commission (US SEC) published for public comment a proposal, entitled Roadmap for the Potential Use of Financial Statements Prepared in accordance with International Financial Reporting Standards by U.S. Issuers. The publication of the roadmap followed a unanimous vote taken by the five SEC Commissioners in August. The proposed roadmap sets out milestones that, if achieved, could lead to the adoption of IFRSs in the United States in 2014. The roadmap also proposes to permit the early adoption of IFRSs from 2010 for some US entities.

4. A number of jurisdictions including Canada, India, Japan and Korea have announced plans to adopt or converge with IFRSs from 2011. Indeed, Canada recently reconfirmed its plans. Mexico has announced plans to adopt IFRSs for all listed entities from 2012. Completing the MoU in 2011 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.

Our technical planning cycle

Project planning

5. We undertake our main technical planning in June and July each year. Each project leader submits a detailed plan for their project, identifying the major milestones, resources required and the main risks facing the project.

6. The Directors provide the Board with an overview of the technical agenda, integrating the individual plans and providing an assessment of the collective risks to the agenda. That overview is discussed by the Board in a public meeting in July.

7. Thereafter we align the planning sessions with SAC meetings. The last review was in January 2009, which provides us with the basis for the discussion at this meeting.

Agenda proposals

8. The main agenda setting process takes place in December each year, following the November SAC meeting. Formal agenda proposals for major projects are developed and presented to the SAC. Feedback from the SAC is then incorporated in the proposals before they are presented to the Board for consideration in December.

9. From time to time we are asked to add items to the agenda that, although they might have wide consequences, are smaller projects. Many of the amendments that we have proposed in response to the credit crisis fit into this category. In such cases the project proposal is unlikely to be presented to the SAC, unless the timing of a SAC meeting provides us with a timely opportunity.

10. Inevitably, the global financial crisis has significantly affected our work over the last few months. Several of our projects have been affected by the crisis. We have also added projects and undertaken additional activities, such as roundtables, that were not part of the work plan developed last June.

Global Financial Crisis related Activities

Consolidation and improved accounting for off balance sheet items

11. On 18 December, we published proposals to strengthen and improve the requirements for identifying which entities a company controls.

12. The proposals form part of our comprehensive review of off balance sheet activities and address an area cited by the G20 leaders at their 15 November meeting. The proposals also respond to the recommendations contained in a report published in April 2008 by the Financial Stability Forum (FSF).

13. The use of special structures by reporting entities, particularly banks, to manage securitisations and other more complex financial arrangements was highlighted by the FSF and the G20 as a matter of concern. Some commentators have questioned whether the current requirements have resulted in all the assets an entity controls and all its liabilities being brought onto the balance sheet. Similar concerns exist that financial statements do not convey the extent to which reporting entities are exposed to risks from those types of structures.

14. The proposals address those concerns by presenting a new, principle-based, definition of *control of an entity* that would apply to a wide range of situations and be more difficult to evade by structuring. The proposals also include enhanced disclosure requirements that would enable an investor to assess the extent to which a reporting entity has been involved in setting up special structures and the risks to which these special structures expose the entity. The proposals would apply not only to the banking sector but to any entity that uses legal entities to manage its activities.

Derecognition

15. Further proposals on off balance sheet items, covering the derecognition of financial assets and liabilities, are due to be published at the end of the first quarter of 2009, consistent with the G20 target date of 31 March 2009.

Financial Instruments

Short term

Amendment to IAS 39 Reclassification of financial assets

16. As a result of the crisis and amid complaints from the EC that entities using IFRS were at a disadvantage in comparison to their US counterparts, the board issued an amendment to IAS 39 to permit reclassifications of some financial assets in particular circumstances. While bringing US generally accepted accounting principles (GAAP) and International Financial Reporting Standards (IFRSs) more in line, different scope, transition and impairment requirements meant that differences in treatment would still exist. The incident revealed sharply the problems for investors if two different sets of accounting rules for identical situations exist.

Exposure Draft Improving Disclosures About Financial Instruments – October 2008

17. The exposure draft proposed amendments to disclosure requirements that are based on a three-level fair value hierarchy (similar to that used in Statement of Financial Accounting Standards No. 157 *Fair Value Measurements* issued by the US Financial Accounting Standards Board). The proposed amendments would require disclosures about the level of the fair value hierarchy into which fair value measurements are categorised in their entirety, the fair value measurements resulting from the use of significant unobservable inputs to valuation techniques and the movements between different levels of the fair value hierarchy.

18. The exposure draft also proposes amendments that would clarify the definition of *liquidity risk*, improve the quantitative disclosures about liquidity risk, and strengthen the relationship between qualitative and quantitative disclosures about liquidity risk.

19. The Board discussed the comments received at its meeting in January and decided to proceed with most of the proposals.

Educational Guidance on the Application of Fair Value Measurement of financial instruments when markets become inactive

20. The guidance took the form of a summary document prepared by IASB staff and the final report of the expert advisory panel established to consider the issue.

21. The summary document set out the context of the expert advisory panel report and highlights important issues associated with measuring the fair value of financial instruments when markets become inactive. It took into consideration and is consistent with documents issued by the US Financial Accounting Standards Board (FASB) on 10 October and by the Office of the Chief Accountant of the US Securities and Exchange Commission (SEC) and FASB staff on 30 September.

22. The report of the expert advisory panel is a summary of the seven meetings of experts who were users, preparers and auditors of financial statements, as well as regulators and others. In the report, the panel identifies practices that experts use for measuring the fair value of financial instruments when markets become inactive and useful practices for fair value disclosures in such situations. The report provides useful information and educational guidance about the processes used and judgements made when measuring and disclosing fair value.

23. The IASB has also used the work of the panel to address the issues of disclosure, an area identified by the Financial Stability Forum (FSF) along with fair value measurement and off balance sheet accounting. The feedback from the panel was incorporated in the preparation of the exposure draft proposing improvements to IFRS 7 *Financial Instruments: Disclosures*

published on 15 October (mentioned above) and will be used in the development of the forthcoming standard on fair value measurement.

24. Several of the issues below were the subject of a letter dated 27 October from the European Commission to the Board.

Impairment

25. Following the FASB-IASB round tables convened last year, the IASB and the FASB are both proposed similar new disclosure requirements relating to impairments. The proposals will require companies to disclose the profit or loss that would have been recorded if all financial assets (other than those categorised at fair value through profit or loss) had been measured using amortised cost (ie using an incurred cost model) or all had been measured using fair value. The boards published their exposure drafts in late December 2008 and asked for comments by mid-January. The Board discussed comments received at its meeting in January and in the light of comments received decided not to proceed with the proposed amendments at this time.

26. Both the IASB and the FASB, whose respective standards have different impairment requirements, have asked their staff to consider together how existing requirements relating to reversals of impairment losses might be changed, and to report back to the boards in the next month. The boards will also address the whole question of impairment as part of an urgent broader project in 2009, and this will also be a topic for consideration by the Financial Crisis Advisory Group (FCAG).

Ensuring consistent treatment of accounting for particular credit-linked investments between US GAAP and IFRSs

27. Some stakeholders have called for the need to clarify any possible difference in the accounting treatment between IFRSs and US GAAP. The FASB is planning to issue mandatory implementation guidance, and will publish the

draft guidance shortly. The guidance will ensure consistency between IFRS and US GAAP—an objective supported by G20 leaders.

Ensuring embedded derivatives are assessed and separated if financial assets are reclassified

28. Following requests from some stakeholders at the recently convened FASB-IASB round tables, the IASB has published an exposure draft with a 30-day comment period that proposes clarifying that all embedded derivatives should be assessed and, if necessary, separately accounted for in financial statements. Participants in the round tables asked the IASB to act in order to prevent any diversity in practice developing as a result of the amendments made to IAS 39 Financial Instruments in October 2008 to permit the reclassification of some financial assets in particular situations.

Considering fully other issues related to financial instruments, including the fair value option, raised at the recent series of round tables in London, New York, and Tokyo

29. Round-table participants supported reconsideration of the fair value option alongside a broader reconsideration of the classification categories. At the same time, almost all the users of financial statements at the round tables said that permitting reclassification out of the fair value option now, without proper consideration of all the issues, would not improve financial reporting or enhance investors' confidence in financial markets—reclassifications out of the fair value option would permit losses to be hidden. Both boards found the views of those user participants compelling and believe that any change in the fair value option should be made only as part of a broader examination of accounting for financial instruments.

Medium term

30. Participants at the roundtables saw an urgent need for a broader examination by the IASB and the FASB of the role of fair value measurement for financial instruments, including the issues of improving the impairment requirements,

classification issues, the fair value option, and transfers between the categories. The boards have agreed to fast track this urgent project, which could involve significant changes to IAS 39 and the relevant US standards. Given the urgency of the matter, the boards' intention is to work to finish this project in a matter of months rather than years.

31. The recommendations of the IASB/FASB Financial Crisis Advisory Group chaired by Harvey Goldschmid, a former commissioner of the US Securities and Exchange Commission, and Hans Hoogervorst, chairman of the Netherlands Authority for the Financial Markets will be jointly considered by the two boards as they debate major changes to the existing financial instruments standards.

32. The FCAG is being invited to discuss, among other issues, the following:

- Areas where financial reporting helped identify issues of concern during the credit crisis.
- Areas where financial reporting standards could have provided more transparency to help either anticipate the crisis or respond to the crisis more quickly.
- Whether priorities for the IASB and the FASB should be reconsidered in light of the credit crisis.
- Potential areas that require future attention of the IASB and the FASB in order to avoid future market disruption.
- The implications of the credit crisis for the interaction between general purpose financial reporting requirements for capital markets and the regulatory reporting, particularly for financial institutions.
- The relationship between fair value and off balance sheet accounting and the current crisis, both during and leading up to the crisis.
- The findings and relevance of conclusions of various studies underway, including the US Securities and Exchange Commission's study under the Emergency Economic Stabilization Act of 2008.
- The need for due process for accounting standard-setters and its implications on resolving emergency issues on a timely and inclusive basis.
- The independence of accounting standard-setters and governmental actions to the global financial crisis.

33. The group's first meeting was held in London on 20 January 2009 and the second meeting in NYC on 13 February 2009.

Other recent publications

34. Since 30 September 2008, we have published a restructured version of IFRS 1 *First-time Adoption of International Financial Reporting Standards*. This has an improved structure but does not contain any technical changes.

35. We have published exposure drafts or discussion papers on the following subjects:

    (a) Financial statement presentation

    (b) Revenue recognition

    (c) Related party disclosures

Financial statement presentation

36. 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 in financial statements and so make it easier for users of financial statements to follow the flow of information through the statements.

Revenue recognition

37. The IASB and the FASB published in late December 2008 a joint Discussion Paper for comment, with a 180 day comment period. The discussion paper contains proposals on when and how entities should recognise revenue arising from contracts with customers to provide goods and services. These proposals are intended to improve existing practice by clarifying the principles for revenue recognition and by ensuring that entities in different industries recognise revenue more consistently. The proposals should also significantly simplify the existing requirements in US GAAP.

Related party disclosures

38. In December 2008, the Board published a second exposure draft *Relationships with the state,* proposing amendments to IAS 24 *Related Party Disclosures*. The comment period will end in March 2009. The exposure draft proposes (a) a revised exemption for entities controlled, jointly controlled or significantly influenced by a state and (b) one further amendment to the definition of a related party. In addition, the Board has completed its discussion of the other amendments previously proposed in the first exposure draft, published in 2007. It will publish those other amendments together with amendments resulting from the 2008 exposure draft. The Board expects to complete this project in the second half of 2009.

New agenda items

39. In December, the Board proposed adding to its technical agenda a project on rate regulated activities. The issue is whether rate regulated entities could or should recognise a liability (or an asset) as a result of rate regulation by regulatory bodies or governments. Adding the project was supported by the SAC.

Other MoU projects

40. In addition, the following projects are also on the memorandum of understanding:

    (a) Fair value measurement

    (b) Financial Instruments with characteristics of equity (liabilities and equity)

    (c) Income taxes

    (d) Leases

(e) Post-employment benefits (including pensions)

(f) Joint ventures

Fair value measurement

41. The objectives of the fair value measurement project are:

    (a) to establish a single source of guidance for all fair value measurements required or permitted by existing IFRSs, and so reduce complexity and improve consistency in their application;

    (b) to enhance disclosures about fair value to inform users of financial statements about the use of fair values and the inputs used to derive those fair values. The project will neither introduce nor require any new fair value measurements.

42. The majority of the deliberations have been completed and the staff has begun drafting the exposure draft. We plan to publish the exposure draft in March. We plan to hold public roundtable discussions during the comment period.

Financial Instruments with characteristics of equity (liabilities and equity)

43. In February last year 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 discussed an analysis of the comments in October. At the joint meeting in October, the IASB and FASB discussed which principles for identifying equity instruments should be used as a starting point for future deliberations. During the fourth quarter the Boards continued to discuss and develop those principles.

Income taxes

44. We have been working with the FASB 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.* We expect to publish an exposure draft of a replacement for IAS 12 in March. The FASB has indicated that, as part of its review of 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, it will seek input from US constituents by issuing an Invitation to Comment containing our exposure draft. After that review, it will decide whether to undertake projects that would eliminate differences in the accounting for taxes.

Leases

45. We are conducting the leases project jointly with the FASB. The objective of the project is to develop a new improved accounting model for lessees by mid-2011. The boards plan to publish a discussion paper in the first quarter of 2009, presenting preliminary views on the main components of a lessee accounting model.

46. Initially our plan was to publish the discussion paper in the fourth quarter of 2008. However, the boards decided to add a chapter that identifies some of the accounting issues related to lessor accounting.

47. Responses to the discussion paper will then assist the boards in developing the model into a standard that can provide useful and transparent information about leasing contracts to users of financial statements.

Post-employment benefits (including pensions)

48. The Board is in the early stages of re-deliberating its proposals set out in its Discussion Paper *Preliminary Views on Amendments to IAS 19 Employee Benefits*. 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 intends to publish an Exposure Draft in 2009.

Joint ventures

49. The objective of the project is to improve the accounting for, and the quality of the information being reported about joint arrangements—which include joint ventures, joint assets and joint operations. We issued an exposure draft in September 2007 and expect to publish a final standard in the second quarter of 2009.

Other non-MoU projects

50. In addition to projects discussed above, the work plan includes the following projects, which are not on the memorandum of understanding:

    (a) New standards and major projects

        (i) Emissions trading schemes

        (ii) IFRSs for private entities (formerly IFRS for SMEs)

        (iii) Insurance contracts

        (iv) Liabilities (revision to IAS 37)

        (v) Management commentary

    (b) Amendments to standards

        (i) Annual improvements

(ii) Discontinued operations

(iii) Earnings per share

(iv) First-time adoption of IFRSs

(v) Share-based payment: group cash-settled transactions

(c) Conceptual framework

(d) Research agenda

(i) Extractive industries

(ii) Intangible assets

51. 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

52. In December 2007 the Board activated work on its emissions trading schemes project. The Board expects to address the accounting for all tradeable emissions rights and obligations arising in emissions trading schemes. It also tentatively intends to address the accounting for activities that an entity undertakes in contemplation of receiving tradeable rights in future periods, eg certified emissions reductions (CERs). The Board is working to publish an IFRS in 2010.

IFRSs for Non-publicly Accountable Entities (formerly IFRS for SMEs)

53. The objective of this project is to develop an IFRS expressly designed to meet the financial reporting needs of private entities. A private entity is any entity that is not listed and not a financial institution. In every country in the world, including developed ones, over 98 percent of private entities have fewer than 50 employees.

54. In March 2008, the Board began the process of redeliberating the proposals in its February 2007 Exposure Draft. We had educational sessions summarising the views expressed in 162 comment letters and 116 field test reports in March and April 2008. The Working Group met in April and submitted to the Board two comprehensive sets of recommendations for further simplifications of the ED (one on accounting recognition and measurement principles and the other on disclosures). By December we had redeliberated almost all of the issues, though a few final issues will be considered in January. Our target is a Board vote on the final standard in the first quarter of 2009, so that we can issue it in the second quarter.

55. Until May 2008, the IASB had been using the term "Small and Medium-sized Entities" (SMEs) to refer to those entities. In May 2008, we changed that term to 'Private Entities'. Some constituents have expressed concerns about 'private entities' and we decided in January to change to the term "Non-publicly Accountable Entities". The change to the title does not change the content of the standard or the scope of entities to which it applies.

Insurance contracts

56. 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 and November 2008.

57. 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.

Liabilities (revision to IAS 37)

58. This is a project to revise IAS37, the Board's general standard on uncertain liabilities (sometimes known as provisions). The Board published an exposure draft of proposed amendments in 2005. It is now refining the proposed amendments in the light of comments received on the exposure draft. In the coming months it plans to review the proposed disclosure requirements and consider whether to add guidance on applying the measurement requirements. The Board is scheduled to issue a revised standard in the second half of 2009.

Management commentary

59. In this project, the Board plans to develop a guidance document based on the discussion paper *Management Commentary* issued in October 2005. The document will set out a framework for the preparation of management commentary and establish guidelines for its structure, content and presentation.

60. The Board does not intend to mandate which entities should be required to publish management commentary. Also, entities will not be required to prepare management commentary in order to assert compliance with IFRSs. We expect to publish an exposure draft in the second quarter of 2009.

Annual Improvements

18. 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 for both interested parties and 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 finalised 34 of the 41 amendments proposed in the exposure draft that was published in October 2007. The Board finalised another of those proposals in November 2008 by issuing a restructured version of IFRS 1 *First-time Adoption of International Financial Reporting Standard*s. The Board reconsidered four of the remaining six proposals before the end of 2008 and expects to begin considering the remaining issues in the next few months.

Discontinued operations

61. 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 to require common disclosures about components of an entity that have been (or will be) disposed of. Both Boards published exposure drafts in September 2008, with a comment deadline of 23 January 2009.

Earnings per share

62. In August, the Board published an exposure draft *Simplifying Earnings per Share*, proposing amendments to IAS 33, as part of the 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 was 5 December 2008.

First-time adoption of IFRSs

63. 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 some aspects of operations subject to rate regulation. The comment deadline was 23 January 2009.

Share-based payment: group cash-settled transactions

64. 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 a comment deadline in March 2008. The Board aims to finalise the amendment for issue in the second quarter of 2009.

Conceptual framework

65. The IASB and the US FASB are conducting the Conceptual Framework project jointly. The objective is to create a sound, comprehensive and internally consistent foundation for future standards. The project has several phases, of which four are active.

66. During the year, the boards published an exposure draft on the objective and qualitative characteristics of financial reporting, and a discussion paper on the reporting entity. In the second half of 2009, the boards expect to finish the phase dealing with the objective and qualitative characteristics and to publish an exposure draft on the reporting entity.

67. The other active phases deal with the definition and recognition of elements of financial statements and measurement of items in the financial statements. The boards plan to issue a discussion paper on measurement near the end of 2009 and on elements in 2010.

68. The boards have not yet decided on a timetable for the inactive phases on presentation and disclosure, the purpose and status of the framework, and applicability of the framework for not-for-profit entities and government business entities.

Extractive industries

69. 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 in early 2009. The 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 and research projects

70. 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 on projects related to the current financial crisis 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.

71. The Board decided in December 2007 not to add to its active agenda a project on intangible assets. National standard setters are carrying out research for a possible future project in the area. In October 2008 the Australian Accounting Standards Board published a discussion paper *Initial Accounting for Internally Generated Intangible Assets*, which was authored by staff of the AASB with the encouragement and support of the group of National Standard Setters. The comment deadline is 15 May 2009.

IFRIC

72. Since 30 September, IFRIC has finalised and published two interpretations: IFRIC 17 *Distributions of Non-cash Assets to Owners* and IFRIC 18 *Transfers of Assets from Customers*.

73. IFRIC 17 clarifies that an entity should measure distributions of assets other than cash when it pays dividends to its owners at their fair value. Prior to publishing the interpretation the dividend payable was sometimes recognised at the carrying amount of the assets to be distributed and sometimes at their fair value.

74. IFRIC 18 *Transfers of Assets from Customers* addresses an issue that arose in the utilities industry. It is common for an entity to receive transfers of items of property, plant and equipment from its customers that must be used to connect customers to a network and provide customers with ongoing access to a supply of commodities such as electricity, gas or water. The interpretation clarifies when such transfers should be recognised by the entity as an asset and how to account for the corresponding credit.