



International
Accounting Standards
Board

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Council**
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**Minutes of the Meeting of the
Standards Advisory Council
held in London on 13 and 14 November 2008**

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SAC Members:

Attending:

Sarah Deans
Adir Inbar
Alberto Giussani
Benoît Atangana Onana
Charles McDonough (World Bank)
Christine Ramon
Christoph Ernst (IOSCO)
David Lindsell
Eiko Tsujiyama
Hector Estruga
Heinz-Joachim Neubürger
Henning Göbel (IAIS)
Ingebret Hisdal
Jochen Pape
John Carchrae (IOSCO)
Judith Downes
Kenneth Sullivan (IMF)
Mauro Grande
Michael Cangemi
Nelson Carvalho, *Chairman*
Patrice Marteau
PM Kam
Rifaat Ahmed Abdel Karim
Sylvie Matherat (Basel Committee)

Shailesh Haribhakti
Will Widdowson
Yoshiki Yagi

Apologies:

Anna di Michele
Dane Mott
Hector Vela
Ian Ball (IFAC)
Jose Antonio Alvarez
Oon Jin Yeoh
Richard Thorpe (FSA)
Suk-Jun Lee
Trevor Harris
Vladimir Preobrazhenskiy
Yoseph Asmelash (UNCTAD)
Wang Jun

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Observers:

Johannes Jeroen Hooijer (European Commission)
Julie Erhardt (USSEC)
Hiroyuki Hara (Japanese FSA)

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IASCF Trustees:

Bertrand Collomb
Sir Bryan Nicholson

Gerrit Zalm

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IASB Members:

David Tweedie (Thursday only)
Gilbert Gélard (Thursday only)
Jan Engström
John Smith (Thursday only)
Mary Barth
Robert Garnett (Friday only)
Tatsumi Yamada
Warren McGregor (Thursday only)
Wei-Guo Zhang

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IASB and IASC Foundation Staff:

Ailie Burlinson, Technical Secretary
Alan Teixeira, Director of Technical Activities
Ian Hague, CICA (Thursday only)
Li Li Lian, Project Manager (Thursday only)
Manuel Kapsis, Technical Associate (Thursday only)
Mark Bunting, Project Manager (Thursday only)
Michael Kraehnke, Practice Fellow (Friday only)
Kathryn McArdle, Executive Assistant
Paul Pacter, Director, Standards – SMEs (Friday only)
Rebecca Villmann, CICA (Thursday only)
Sebastien Landry, Practice Fellow (Thursday only)
Tom Seidenstein, Director of Operations IASCF (Friday only)
Wayne Upton, Director of International Activities (Thursday only)
Gavin Francis, Director of Capital Markets (Thursday am only)

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Other Guests:

Ulf Linder (European Commission)
Takashi Matabe (Interpreter)

1 Opening Remarks

Welcome

- 1.1 Nelson Carvalho welcomed SAC members to the final meeting of this SAC and of the year. Mr Carvalho updated the SAC members on the meetings he had attended as Chairman of the SAC, including the Trustees' meeting in Beijing.

2 IASB Work Programme and MoU

- 2.1 David Tweedie gave an overview of the Work Programme.
- 2.2 A SAC member asked about why the US FASB was reconsidering its short-term convergence, particularly in relation to income taxes. Wayne Upton responded by indicating that the FASB was considering using income taxes as an example of what a principles based standard would look like. They were going to ask the constituents whether they were going to adopt the Standard now or as part of adoption of IFRS more generally.
- 2.3 A SAC member asked whether the IASB and FASB would be able to have a joint project on consolidation. Alan Teixeira responded that the models were very close but each Board was working under competing imperatives. If the projects are to converge it is likely that any steps would be taken after March next year, when the Consolidation ED comments have been received.
- 2.4 A SAC member asked why we could not publish a Discussion Paper on Emission Trading Schemes. Alan Teixeira responded that the Board did not think it would learn anything new from publishing a Discussion Paper given that it had previously issued an IFRIC on this matter. He suggested that the staff could put a summary of Emission Schemes on the website. This suggestion was well received.
- 2.5 A SAC member asked if the Board had got the right balance between urgency and business as usual. David Tweedie responded that it was a fine line but he thought that we do have an appropriate balance.
- 2.6 Several SAC members stressed the importance of having identical words in IASB and FASB Standards. Mary Barth commented that it is difficult to get the same words until you get the same answer. Alan Teixeira noted that the Boards were working to remove as many language differences as possible.
- 2.7 Alan Teixeira provided an overview of the projects on the current work plan. He praised the staff for keeping the projects on track whilst also dealing with a wide range of urgent matters relating to the credit crisis.
- 2.8 Several SAC members commented that they consider the Common Control Transaction project to be very important. The Board and staff noted this.
- 2.9 One SAC member commented that the Annual Improvements project was becoming a problem particularly with transition. David Tweedie responded that this should become less of a problem because after a period of catch-up we have fewer annual improvements entering the system.

3 Agenda Proposals

- 3.1 Martin Friedhoff introduced the agenda proposal on Financial Instruments and asked the SAC for feedback.
- 3.2 A SAC member, whilst supporting the agenda proposal, commented that users were in a minority of the respondents to the discussion paper. Gavin Francis responded that the staff had used a variety of methods to supplement the comment letters such as conference calls, web-casts and face-to-face meetings. Mary Barth added that counting comments was dangerous. The Board assesses the comments on their merits not on the similar number of comments received. In addition, one comment letter sometimes represents the views of a whole group of constituents. The number of actual letters received does not always indicate the number of views it represents.
- 3.3 Several SAC members made detailed comments on financial instruments. Gavin Francis reminded the SAC that we were asking only that the project be added to the agenda and no solutions have been determined. He added that lessons had been learned from the credit crisis and the SEC is involved in a study and we will learn from that.
- 3.4 A SAC member congratulated the staff for such a well-written paper. Other SAC members expressed general support for adding the project to the agenda. Comments included concerns about the current complexity of hedging and the need to take a holistic approach to reviewing IAS 39. No SAC member disagreed with adding the project to the agenda.
- 3.5 In summing up David Tweedie indicated that no decisions had been made and that the Boards would be approaching this project with open minds. The Board also expects to receive advice from its high-level Advisory Board which will consider, among other matters, the interaction between financial reporting standards and regulation.
- 3.6 IASB practice fellow, Sébastien Landry, introduced a proposal to add a project on rate regulated activities. He gave an update on the latest decisions taken by the IFRIC and said that, at its November 2008 meeting last week, the IFRIC tentatively decided not to add the issue to its agenda, mainly because divergence in practice does not seem to be significant in jurisdictions using IFRSs. Sébastien Landry noted that current practice does not support the recognition of regulatory assets and liabilities. However, he said he was aware that many challenge the legitimacy of this practice in all circumstances and question whether this practice is consistent with IFRIC 12 Service Concession Arrangements. He concluded that, in the absence of authoritative guidance, uncertainty will remain as to how IFRSs should apply. A standard on rate regulated activities would address this significant and widespread issue and at the same time would potentially increase convergence with other GAAP, for example with US GAAP.
- 3.7 An SAC member stressed the need to address the issue of rate regulated activities because it was quite significant, especially in the US. This SAC member was of the view that not addressing the issue could be a barrier to using IFRSs in the future

and therefore was supportive of the project. Another SAC member pointed out that the issue came out from an EU Roundtable and was considered significant in Europe as well.

- 3.8 Another SAC member expressed concerns that such a project might have large implications, in particular with the conceptual framework. Another SAC member noted that this issue was actually an interesting test for the conceptual framework project and advised the Board to analyse further the interactions between both projects. Another SAC member asked whether this project was about *whether* to recognize assets and/or liabilities related to the effects of regulation or *how* to measure them since in places the SAC agenda paper seemed to conclude that recognition would occur.
- 3.9 Several SAC members were concerned that such a project could overload the IASB's agenda while the IASB should focus on issues in connection with the credit crisis. David Tweedie referred to paragraph 11 of agenda paper 4 that suggests developing a 'holding standard' with the aim of eliminating bad practices and making it easier for companies switching to IFRSs. He added that, unless the IASB has brilliant ideas on the issue, the project will not be a massive one.
- 3.10 In summarising the session Nelson Carvalho said that those SAC members who had expressed their views had indicated support for both items to be added to the agenda and noted that the rate regulated activities project could be undertaken within the existing capacity of IFRIC staff.

4 Credit Crisis

- 4.1 David Tweedie gave a general introduction of the steps the Board has been taking to address matters arising from the credit crisis.
- 4.2 Common themes emerged in the discussion that followed. Some SAC members thought that suspending due process was appropriate in the circumstances. The clear majority, however, were concerned that the independent status of the IASB had been compromised by publishing the amendment to IAS 39 without exposure. Many SAC members said that the IASB should protect the integrity of standard setting by assuring robust due-process.
- 4.3 Warren McGregor noted that the decision on 13 October was made under duress and did not improve financial reporting. He believes that we should review that decision. Warren McGregor asked the European Commission to explain why it believes the IASB should be required to have 'financial stability' as a key matter that it must consider when setting Standards. The EC representative was open about who should do the financial stability assessment.
- 4.4 John Smith noted that if we change Standards to avoid carve-outs and are constantly pandering to the effects of IFRSs our Standards will become less relevant and nobody will want them.

- 4.5 In a strongly delivered appeal Tatsumi Yamada stated that credibility and due process are integral to our organisation. He questioned the motivation for forcing us to suspend due process.
- 4.6 David Tweedie summarised the discussions with the following observations: we should continue to focus on one set of high-quality standards; we should look ahead and anticipate future problems rather than dwelling on the past; we need to learn from the recent events and we should examine pro-cyclicality; the suspension of due process was an emergency and we do need a fast-track mechanism; reclassification will be revisited once we begin reviewing IAS 39; even though we had taken steps to level the playing field there are still many differences between IFRS and US GAAP.
- 4.7 Alan Teixeira and Gavin Francis provided an overview of the fair value measurement disclosures, IFRS 7 review, Consolidation and Derecognition projects and public roundtables and consultative group. Two SAC members commented on the importance and complexity of liquidity risk disclosures. One SAC member expressed concern at the direction the Board had taken in the IFRS 7 amendments. Gavin Francis noted the comments and observed that the change was consistent with disclosures being presented through the eyes of management.

5 Conceptual Framework

- 5.1 Mark Bunting provided an overview of the conceptual framework project. He focused mainly on the staging of the different chapters and whether it was appropriate to approve each chapter as it was concluded.
- 5.2 Some SAC Members were concerned that such a process would prevent the Board from addressing inconsistencies between chapters. Alan Teixeira assured the SAC that the Board was committed to correcting any inconsistencies in earlier chapters as they are identified.
- 5.3 Some SAC members were surprised that the phase of the project to look at the purpose of the framework had not even commenced. Mary Barth observed that the only real matter to be discussed here was whether the FASB should add the framework to its hierarchy or the IASB should remove it from its hierarchy.
- 5.4 One SAC member asked whether the element definitions were intended to establish their existence or whether the definitions were intended to encompass recognition. Rebecca Villmann responded that the definitions were not intended to address recognition. She then continued by introducing the definitions and inviting SAC members to discuss these matters as part of the break-out sessions.
- 5.5 After discussing the asset and liability definitions in breakaway sessions each Chairman reported back. On the definition of an asset some members were concerned about the application of the definition to shared assets and internally generated goodwill. Some also mentioned the difficulty of considering the definition without also considering recognition. On the definition of a liability there was some concern over the use of the word 'obligor', the legal implications of that term and symmetry with the definition of an asset. Some members had concerns over the differentiation of business risk and a liability. They worried

about whether the line was drawn in the right place. Some members were concerned over the definition of 'economic obligation'.

6 Implementation Activities

- 6.1 Michael Kraehnke gave a presentation to the SAC. Alan Teixeira asked the SAC members whether the Board should attempt to respond to all suggestions or only those that have been vetted by the IFRIC.
- 6.2 A SAC member wanted to discuss the criteria for annual improvements, specifically the meaning of 'non-urgent items' and whether there should be additional or better criteria. The SAC member brought up a specific example regarding the prior annual improvements project and an issue regarding IAS 7. Bob Garnett commented that the process cannot be easily re-written. Responding to the prior example Bob Garnett noted that the IAS 7 item originally came to the IFRIC but it was deemed best not to ask the SAC for agenda approval however the issue needed to be addressed to improve the Standards. Bob Garnett commented that if an item comes to the Board more than twice or if more than two members disagree that issue is informally deemed to not fall within the annual improvements process. Bob Garnett also commented that some items on the current annual improvements project are more editorial in nature.
- 6.3 The same SAC member clarified his view that 'non-urgent' is not clear because a formal Board agenda item would take two to three years but an annual improvement item is much quicker.
- 6.4 Mary Barth noted annual improvement items get the same due process. She also reiterated Bob Garnett's comments.
- 6.5 Another SAC member commented that the IFRIC appears to be the right place to address these items as the IFRIC has broad support and guidance. The SAC member questioned if there is something more to the staffs' question.
- 6.6 Alan Teixeira commented that the staff get questions in many ways, via phone calls, emails, letters, etc. Using the IFRIC as an assessment tool helps us ensure that matters are given a systematic assessment.
- 6.7 Nelson Carvalho said it was a productive presentation.

7 Australian Post-Implementation Experience

- 7.1 Judith Downes summarized the PWC report to the Australian G100 members. The main points of emphasis were that some disclosure requirements are too complex, too long and unnecessary. Standards should be kept simple with few exceptions. Constituents were advised to participate early in a project. She concluded by noting that the very positive tone of the report was heartening.
- 7.2 Tatsumi Yamada asked for clarification about the disclosure concerns. Judith Downes responded that this was the first time many had been required to think

about the disclosures required by IFRS 7. Non-financial services companies found this particularly challenging.

- 7.3 Wei-Guo Zhang asked if we should really be trying to reduce disclosures or whether we should require that all this information be disclosed and let investors weight the information in their own way. Judith Downes responded by saying that a lot of disclosures become boiler-plate very quickly. We should review existing disclosure requirements periodically.
- 7.4 A SAC member asked how Australian companies described how they assert compliance of IFRS. Judith Downes replied that Australian companies are required to state compliance with Australian IFRS as the national law and market forces had caused many to also state compliance with IFRS. She acknowledged the confusion that labeling the legislation as 'Australian IFRS' could create.
- 7.5 Nelson Carvalho summed up, noting that although the SAC members are stepping down as SAC members they are not being relieved of their roles as permanent ambassadors of IFRS.

8 Session with Trustees – Constitution Review

- 8.1 Nelson Carvalho welcomed three Trustees to the meeting – Bertrand Collomb, Sir Bryan Nicholson and Gerrit Zalm.
- 8.2 Gerrit Zalm began by noting the letter that the Trustees have sent to the G20 in advance of tomorrow's meeting. Gerrit Zalm also identified other initiatives taken in response to the credit crisis such as aligning with the Basel Committee. He emphasised that accounting standards should not be politicised. He also noted the agreement by the Trustees to suspend due process. The Trustees agreed unanimously that the Board could act quickly.
- 8.3 Sir Bryan Nicholson added that these circumstances are unprecedented and that it was appropriate to ask if we need emergency procedures as part of our normal processes. Decisions such as these are not taken lightly. Gerrit Zalm added that any emergency procedures must always involve the Trustees before due process can be suspended.
- 8.4 Gerrit Zalm noted that the Trustees are close to finalising the first phase of the Constitutional Review and provided an overview of the comment letters received to date. He noted that the new SAC will have eight or nine representatives of the investor community. These investors might also become a helpful sub-group for the Board to liaise with. Bertrand Collomb spoke about the new SAC. Discussions had taken place about how we could improve the effectiveness of the SAC. The Trustees concluded that there was no need to change the constitutional terms of the SAC. The focus of the SAC is on strategic advice, not detailed technical advice. The Trustees want to ensure that all major views that exist in the constituencies have been expressed.
- 8.5 The Trustees are currently voting on the appointment of the new Chairman, which should be announced shortly. They also expect to have a Vice-Chairman.

- 8.6 A SAC member noted that he believed the SAC had an exclusive role in providing strategic advice. He was concerned that the addition of many fora such as industry and regional groups dilutes the role of SAC and asked whether the Trustees should seek to limit the addition of new fora. Bertrand Collomb responded that there is still a need for additional fora because of the global nature of standards setting. The role of SAC is not diluted because it brings everything together and is also strategic. The Board recognises that the SAC has an integrating role. Gerrit Zalm added that the SAC is unique, broad and has a permanent character.
- 8.7 A SAC member noted that emergency procedures are necessary. He also noted that the SAC structure has a good balance.
- 8.8 A SAC member said that it was not clear who has oversight in the constitutional review and this should be clearer in the MoU between the Trustee and the Monitoring Group. Gerrit Zalm replied that he expected the MoU to resolve this uncertainty.
- 8.9 A SAC member asked how much progress had been made with securing more independent funding, which he saw as a critical plank in terms of independence. Gerrit Zalm replied that good progress had been made but that the Trustees cannot set funding they can only ask.
- 8.10 A SAC member asked how well the Trustees thought the SAC had performed. Bertand Collomb replied that he thought the quality of the SAC and its performance had improved over time. He thinks the Board has more to do to provide feedback to the SAC.
- 8.11 A SAC member noted that the World Bank is fully supportive of the Board and will continue to promote IFRS. He believes that the Board is at a tipping point. Every action of the Board will be reflected upon. The internationalisation of the Board needs to be protected. A small Monitoring Group could put this internationalisation at risk. Several other SAC members made similar comments on the need to ensure that the Monitoring Group was global rather than a small group that risked being perceived as a club. Sir Bryan Nicholson replied that we should ensure that the Board and Trustees are also seen to be international, as well as the Monitoring Group. He also noted that all countries that adopt and use IFRS have a responsibility not to act in a way that will undermine the nature of international standards or that has negative implications for other countries.
- 8.12 One SAC member asked that consideration be given to ensuring that the continent of Africa is more widely represented on these bodies and that if the opportunity arises then meetings of IASB related groups should be held on that continent. Gerrit Zalm acknowledged the request.
- 8.13 A SAC member asked to what extent the Trustees were considering appointing representatives from investor bodies rather than from investors themselves. Tom Seidenstein replied that the emphasis was on practitioners.
- 8.14 A SAC member asked how the role of investors on SAC would interplay with the Analysts' Representative Group (ARG). Jan Engstrom and Mary Barth replied that

he ARG was more technical in nature and had much more detailed discussions about individual projects.

- 8.15 Gerrit Zalm thanked the Advisory Council members for their contributions to the discussion and concluded by emphasising that we have a responsibility to maintaining our independence.

9 IFRS for Private Entities

- 9.1 Paul Pacter, the IASB's Director of Standards for Private Entities (PEs), noted that this is SAC's seventh discussion of this project since February 2004. SAC's last discussion was in February 2008, which was just after the comment period on the exposure draft had ended.

Project activity since the last SAC discussion of the project

- 9.2 Paul reported to SAC on the Board's activity on this project since February 2008:
- a. During 1Q 2008 - Staff prepared comprehensive analyses of responses and field tests (spreadsheets and narrative)
 - b. March 2008 - staff presented analysis of the 162 comment letters to Board at public meeting (educational session)
 - c. April 2008 - staff presented analysis of the 116 field tests to Board at public meeting (educational session)
 - d. May 2008 - name changed from SME to Private Entities
 - e. May, June, July, September 2008 - first Board redeliberations of recognition, measurement, and presentation comments for all 38 sections of ED, except that several major topics were deferred for further research
 - f. September 2008 - Board redeliberations of disclosure
 - g. October 2008 - Board redeliberations of several deferred issues
 - h. November 2008 - Board redeliberations of some major deferred topics including income taxes, share-based payment, and pensions, plus name (again)

Key issues arising from comment letters and field tests

- 9.3 The most contentious issues that the Board deliberated were the ones listed below. Paul explained the Board's tentative decisions in each case, noting that some decisions have resulted in further simplifications while, in other cases, the Board's decision was not to amend the ED:
- a. Cross-references to full IFRSs
 - b. Anticipating changes to full IFRSs
 - c. Title of the standard
 - d. Impairment
 - e. Historical cost model as the default
 - f. Income taxes
 - g. Consolidation
 - h. Amortisation of goodwill and other intangibles
 - i. Fair value – reduce and clarify
 - j. Standardising the presentation of financial statements
 - k. Pensions

- l. Share-based payment
- m. Debt-equity classification
- n. Further disclosure simplifications

Remaining issues

- 9.4 During the Board's redeliberations through October 2008, decisions on certain issues had been deferred. Paul identified the main ones and reviewed the Board's timetable for addressing them:
- a. Income taxes – November 2008
 - b. Share-based payment – November 2008
 - c. Incorporation of a few interpretations
 - d. IFRIC 4, 8, 12, and 15 – November 2008
 - e. SIC 12 – December 2008
 - f. Pensions: current termination amount and multiemployer plans – November 2008
 - g. Complete rewrite of financial instruments section – December 2008
 - h. Possible replacement of the term "fair value" – December 2008
 - i. Option to use IAS 39/IFRS 7 – December 2008
 - j. Assessing impairment of goodwill – December 2008
- 9.5 Staff intends to ask the Board to reconsider several of its preliminary redeliberation decisions, particularly on the following issues:
- a. Amortisation of goodwill and other indefinite life intangibles – December 2008
 - b. Recognition of actuarial gains and losses – November 2008
 - c. Consolidation – December 2008
 - d. How to address the complex options – December 2008

Training materials

- 9.6 The IASC Foundation education team is developing comprehensive training materials for the IFRS for Private Entities:
- a. One module per Section (ED has 38 sections).
 - b. Estimated 1,000 A4 pages in total
 - c. Finish by mid/late 2009
 - d. Multiple languages
 - e. Free of charge in electronic format
 - f. IASCF will conduct train the trainers workshops

Five questions posed to SAC members

- 9.7 In advance of the meeting, Paul asked SAC members to consider five questions for discussion at the SAC meeting:
- a. Should IFRS for PEs allow only simple options or all options in full IFRSs?
 - b. If all options are allowed, how to incorporate the complex options into IFRS for PEs? In each section? Separate appendix?
 - c. Even if allow only simple options, should there be an option to use IAS 39 and IFRS 7 instead of Section 11?

- d. Thoughts on remaining technical issues:
 - Income taxes: temporary? Partial or “taxes payable plus”?
 - Share-based payment – is the staff proposal workable?
 - Pension at current termination amount?
 - e. Prospects for adoption in your jurisdiction?
- 9.8 Time for this discussion was curtailed because the previous agenda item ran longer than planned and a roundtable on the financial crisis was unexpectedly scheduled for the afternoon. Still, SAC members had nearly 30 minutes of discussion of these questions.

Question 1: Should IFRS for PEs allow only simple options or all options in full IFRSs?

- 9.9 Eleven SAC members spoke about this question, and all eleven supported including in the IFRS for PEs only the simpler option. SAC members generally said that allowing only the simpler option was consistent with the Board’s objective of a simplified standard for small entities and would result in more comparability. They noted that if a private entity felt strongly about using one or more of the complex options, it could elect to follow full IFRS rather than the IFRS for PEs.
- 9.10 After the eleven SAC members had spoken in favour of including only the simple option in the IFRS for PEs, Paul asked for comments from SAC members who had a different view, that is, the complex options should also be permitted by the IFRS for PEs. No SAC members offered any comment..

Question 2: If all options are allowed, how to incorporate the complex options into IFRS for PEs? In each section? Separate appendix?

- 9.11 As noted under Question 1, no SAC member commented that they favoured allowing the complex options in the IFRS for PEs. But several SAC members commented that if the Board did not accept that view and decided to allow the complex options, those complex options should be published in a completely separate volume that is an appendix to the IFRS for PEs. These SAC members felt that the great majority of private entities would use only the main volume with the simple options, and after just a few years there would not be a need for the second volume.

Question 3: Even if only the simple options are allowed, should there be an option to use IAS 39 and IFRS 7 instead of Section 11?

- 9.12 Most of those SAC members who felt that the IFRS for PEs should include only the simple options (see Question 1) also specifically said they would not include an option to use IAS 39 and IFRS 7 instead of Section 11. Not one SAC member who commented favoured retaining this IAS 39/IFRS 7 option in the final IFRS for PEs.

Question 4: Thoughts on remaining technical issues:

- a. **Income taxes: temporary? Partial or “taxes payable plus”?**

9.13 Several SAC members said that a temporary difference approach is already required for SMEs in their jurisdictions and it has not proved to be a problem. One SAC member noted that because the temporary difference approach that is being proposed for private entities is a simplified version of IAS 12, there is not likely to be much difference for most private entities between the simplified temporary difference approach and the taxes payable plus approach.

b. Share-based payment – is the staff proposal workable?

9.14 One SAC member said that, in his jurisdiction, the biggest concern about the IFRS for SMEs ED is the treatment of share-based payment. He said that the intrinsic value method proposed in the ED for share options is not a simplification for small entities and, because it requires remeasurement of fair values at each reporting date between grant date and exercise, actually makes the requirements for private entities more onerous than those for publicly accountable entities. He urged the IASB to find a simple solution, saying that this could make a difference between adoption and non-adoption of the IFRS for PEs in his jurisdiction.

c. Pension at current termination amount?

9.15 This issue was not discussed.

d. Other technical issues

9.16 SAC members did comment on several other technical issues. Several SAC members expressed support for allowing private entities to amortise goodwill and other indefinite life intangibles over a period such as 10 years, with consideration of impairment if indicated.

9.17 Regarding the name for the standard, a SAC members proposed that the Board consider IFRS for Private Interest Entities, and a number of SAC members expressed support for this proposal. They felt this title reflects the reason why simplified financial reporting standards are appropriate. Nelson Carvalho stated that in discussions he had with officers of a multilateral financing organization he was told that it might be more difficult to get approval for financing implementation of this project in certain jurisdictions because the lender has a non-trivial degree of understanding of what a “SMALL AND MEDIUM SIZED ENTITY” in general terms is, but asking funds for a project named “PRIVATE ENTITIES” or the old suggestion “NON ACCOUNTABLE ENTITIES” immediately led the donor to ask back “what is that?”. Nelson is of the strong opinion that the name should definitely be ‘SME’.

Question 5: Prospects for adoption in your jurisdiction?

9.18 A number of SAC members said that there is interest in their jurisdiction in adopting the final IFRS for PEs for some, but probably not all, private entities. Generally it would not be required (but could be permitted) for micro-sized entities (below 10 employees). Several European jurisdictions indicated that their use of the IFRS for PEs would depend on whether it is consistent with the 4th and 7th Directives.

Reporting by SMEs in the European Union

9.19 The European Commission observer at the SAC reviewed the Commission's current plans with respect to SMEs:

- The Commission is planning to propose to give member states the option to exempt micro-sized entities from the reporting requirements of the 4th and 7th Directives. For this purpose a micro entity would most likely be one with :
 - fewer than ten employees,
 - balance sheet total below €500,000, and
 - turnover below €1,000,000.
- The Commission is developing a fast-track proposal to amend the 4th and 7th Directives to modernise the reporting requirements for those entities that remain covered by those Directives.

Both proposals would require action by the European Parliament.