



Project	Financial instruments – replacement of IAS 39 (recognition and measurement)
Topic	Cover note: topics to be discussed in May and June

Introduction

1. At the end of 2008 the IASB and FASB agreed to work jointly towards a globally accepted replacement of the requirements on accounting for financial instruments. Both boards agreed that this project should be addressed expeditiously. Consistent with that commitment, in April 2009 the IASB set out a six-month timetable for publishing a proposal to replace IAS 39 *Financial Instruments: Recognition and Measurement*.
2. To ensure that the boards are in a position to meet that timetable, we will prepare many agenda papers over the next several months. We plan to utilise the regular board meeting dates as well as extra IASB board meeting dates as and when required.
3. This paper describes the plan for the IASB. The FASB staff may sequence papers in a slightly different way to reflect the different ways that the boards operate. However, it is the intention of the staff that both boards have received sufficient relevant information by the time that decisions are required.

Objective of this paper

4. This paper focuses on the time period from now to the July joint IASB/FASB meeting. The project plan envisages that the boards will have made tentative decisions on the basic measurement and classification methods by the time of, or at, the joint July meeting. Those decisions will include the measurement methods (including an approach for impairment of financial assets, if amortised cost is used) and the classification criteria for determining how different types

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The views expressed in this paper are those of the staff preparing the paper and do not purport to represent the views of any individual members of the Board or the IASB.

Decisions made by the Board are reported in *IASB Update*.

Official pronouncements of the IASB are published only after the Board has completed its full due process, including appropriate public consultation and formal voting procedures.

of financial instruments are measured. Other issues (including scope, disclosure and hedging) will be addressed subsequently.

5. Given the number of papers that we plan to present to the boards over the next few months and the variety of issues that will be covered, we thought it would be useful to summarise the “big picture”.
6. The papers outlined below will be primarily educational and exploratory in nature. However, we will ask the board members whether they need additional information or analysis on the subject being discussed (and if so, what). Given the timetable for this project, board members must ensure that such requests are focussed as well as necessary.
7. In addition to outlining the topics, we also have noted in parentheses the month in which we anticipate the topic to be discussed.

Plan for May, June, and July

8. We plan to prepare papers on the following topics:

1. Amortised cost measurement method
 - (a) Overview of amortised cost method (April AP14)
 - (b) Description of possible impairment models (including impairment triggers, calculation of loss amounts, and reversals of losses)
 - (i.) Incurred loss (April AP14¹)
 - (ii.) Expected loss (April AP14 and May AP5A)
 - (iii.) Fair value (April AP14 and May AP5B)
 - (c) Objective of impairment (May AP5C)
 - (d) Comparison of the three impairment models (May AP5D/June)
2. Fair value measurement method
 - (a) Presentation of FV changes (June/July)
3. Current value measurement method
 - (a) Description and analysis of current value measurement method (May additional IASB meeting AP1, May IASB meeting AP5F)
 - (b) Presentation of remeasurement changes (June/July)
4. Approaches for determining measurement method
 - (a) Contractual cash flows, non-contractual factors (May AP5E, June)
 - (b) Contractual cash flows, business model of the entity including ability to trade an instrument, other factors (June)
 - (c) Primacy and interaction of different factors (June, July)
 - (d) Investments in equity instruments (June, July)
5. Measurement options
 - (a) Initial measurement options (remeasurement, cost) (June, July)
 - (b) Subsequent measurement options (reclassification) (June, July)

Question to the Boards

Question

Do you have any questions or concerns about the outline of topics that we plan to address in May, June, and July? Do you need background information or analysis on any additional topics? If so, which ones and why?

¹ At the April meeting, the IASB told the staff that no further information or analysis was needed specifically related to the incurred loss model.