



Project	Financial instruments: Recognition and Measurement
Topic	Cover note – remeasurement method based on discounted cash flows

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. 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 utilize the regular board meeting dates as well as the extra IASB board meeting dates. This is the first of those extra board meeting dates.
3. At the March 2009 joint meeting the boards decided tentatively to consider three potential measurement methods:
 - (a) fair value (defined as an exit price);
 - (b) another remeasurement method based on discounted cash flows (DCF remeasurement method); and
 - (c) amortised cost (including impairment).
4. At the April meeting the IASB discussed amortised cost and possible impairment approaches. This discussion will continue at the May IASB meeting.
5. Attached is a paper prepared by the FASB staff describing the DCF remeasurement method.

This paper has been prepared by the technical staff of the IASB for the purposes of discussion at a public meeting of the IASB.

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.

Objectives and format of this meeting

6. This meeting is a public education session. No decisions will be asked for.
7. The objectives of this meeting are:
 - (a) to identify any questions you have about, and any additional information you require to understand, the DCF remeasurement method; and
 - (b) to provide any preliminary views you may have about the DCF remeasurement method.
8. Given the format of this additional board meeting it will be challenging to have a wide-ranging discussion of the attached paper. However, the meeting will provide an early opportunity for you to provide feedback to the staff. In addition, the FASB will discuss the DCF method later in the week, and so any reactions to the DCF method by IASB members will be helpful in that context.
9. To meet the objectives set out above, the meeting will be structured as follows:
 - (a) an introduction by the staff;
 - (b) the chair will then ask each board member in turn to address paragraph 7(a) and 7(b); and then, to the extent possible,
 - (c) the chair will then ask for any other comments or observations from board members.
10. Depending upon the reaction of board members, the staff expects that the remeasurement method will also be discussed at the main IASB May meeting, with any additional information provided as necessary.