



Project	Annual Improvements
Topic	Staff recommendation on remaining August 2008 ED issues

Remaining August 2008 ED issues

1. The Annual Improvements Project has recently completed the comment period on its third exposure draft (published in August 2009 with a comment period that ended on 24 November 2009). This paper provides a staff recommendation on the remaining issues that were included in prior exposure drafts that have not yet been finalised.
2. Except for two proposed amendments, the Board has made formal decisions on all issues included in the prior exposure drafts published in November 2007 and August 2008, either by:
 - (a) inclusion within the final *Improvements to IFRSs* issued in May 2008 and April 2009, or
 - (b) removing the issue from the Annual Improvements Project.
3. The two remaining issues were included in the August 2008 exposure draft and are proposed amendments to IAS 39 *Financial Instruments: Recognition and Measurement*:
 - (a) Application of the fair value option – The proposal was to clarify that the fair value option in paragraph 11A applies only to financial instruments within the scope of IAS 39 that contain embedded derivatives.
 - (b) Bifurcation of an embedded foreign currency derivative – The proposal was to clarify that contracts denominated in foreign currencies that

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

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Decisions made by the IFRIC are reported in *IFRIC Update*.

Interpretations are published only after the IFRIC and the Board have each completed their full due process, including appropriate public consultation and formal voting procedures. The approval of an Interpretation by the Board is reported in *IASB Update*.

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have one or more of the characteristics of a functional currency (as set out in IAS 21 *The Effect of Changes in Foreign Exchange Rates*) are likely to be integral to the contractual arrangement and therefore closely related to the host contract and prohibited from being accounted for separately.

4. The staff recommends the IFRIC formally decide to remove these two IAS 39 issues from the Annual Improvements project for the following reasons:
 - (a) The Board has a current accelerated project to replace IAS 39 and based on the timing to finalise the next Annual Improvements cycle (expected to issue final amendments in April 2010), there would be minimal acceleration to finalise an improvement on these issues as the IAS 39 replacement project is anticipated to be finalised in late 2010.
 - (b) The Board's review of financial instruments issues should be considered together within the broad IAS 39 replacement project and not on a 'piecemeal' basis.

Question for the IFRIC

Question – Does the IFRIC agree with the staff recommendation to formally remove from the annual improvements project the two remaining IAS 39 issues that were included in the August 2008 exposure draft? If not, how would the IFRIC like to proceed?