



Overview

1. On 2 June 2010 the IASB and the FASB announced their intention to prioritise the major convergence projects to permit a sharper focus on issues and projects that they believe will bring about significant improvement and convergence between IFRSs and US GAAP. The joint announcement is included in an appendix to this paper.
2. Many constituents, including some members of the Advisory Council, had called on the boards to reassess the original publication schedule. They were concerned that the boards should be mindful of the ability of constituents to provide high-quality input on the large number of major exposure drafts that were planned for publication during the second quarter of 2010. The agenda committee of the Council thinks that a discussion on the revision should take place at this meeting. Council members were surveyed on their personal views of the priority of the MoU projects in April this year. The survey which was conducted on the Council website asked members to name the five most important and the five least important projects out of the thirteen joint projects, which included all of the MoU projects.
3. 25 Council members responded to the survey, which is slightly more than 50% response rate. The main results are presented in the following table:

This paper has been prepared for discussion at a public meeting of the IFRS Advisory Council of the IASB.

The views expressed in this paper are those of the authors.

Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS—only the IFRS Interpretation Committee or the IASB can make such a determination.

The tentative decisions made by the IASB at its public meetings are reported in *IASB Update*. Official pronouncements of the IASB, including Discussion Papers, Exposure Drafts, IFRSs and Interpretations are published only after it has completed its full due process, including appropriate public consultation and formal voting procedures.

Priorities of the MoU projects

	Total	Ranking
Highest priority		
Financial instruments	22	1
Consolidations	15	2
Insurance	14	3
Derecognition	12	4
Fair value measurement guidance	11	5=
Revenue recognition	11	5=
Financial instruments with characteristics of equity	10	7=
Financial statement presentation	10	7=
Post-employment benefits	7	9
Leases	6	10
Income taxes	2	11=
Joint ventures	2	11=
Emission trading schemes	1	13
Lowest priority		
Income taxes	20	1=
Joint ventures	20	1=
Emission trading schemes	19	3
Post-employment benefits	11	4
Financial statement presentation	9	5=
Revenue recognition	9	5=
Leases	8	7
Consolidations	5	8=
Financial instruments with characteristics of equity	5	8=
Derecognition	4	10=
Fair value measurement guidance	4	10=
Insurance	4	10=
Financial instruments	1	13

4. It is clear from the results that Council members have differing views on how to prioritise the joint projects as only three projects received support from more than half of those that responded as to which projects were most important. These projects were; financial instruments, consolidation and insurance.

IFRS Advisory Council meeting

5. The same is also true for the projects that were ranked highest in terms of low priority. Only three projects were selected by majority of those that responded: income taxes, joint ventures and emissions trading schemes. The last project, emissions trading schemes is not part of the MoU.

Questions for Council members

1. Which MoU projects do Council member think should be given highest priority and why?
2. Do Council members think that there are any logical groupings of related projects that should be co-ordinated? Which projects should be co-ordinated and why?

Appendix

The IASB and the FASB today announced their intention to prioritise the major convergence projects to permit a sharper focus on issues and projects that they believe will bring about significant improvement and convergence between IFRSs and US GAAP. Their joint statement is as follows:

In our November 2009 joint statement, we, the International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) again reaffirmed our commitment to improving International Financial Reporting Standards (IFRSs) and US generally accepted accounting principles (GAAP) and achieving their convergence. That Statement affirmed June 2011 as the target date for completing the major projects in the 2006 Memorandum of Understanding (MoU), as updated in 2008, described project-specific milestone targets, and acknowledged the need to intensify our standards-setting efforts to meet those targets.

We committed to providing transparency and accountability regarding those plans by reporting periodically on our progress. Our first report, dated 31 March 2010, described the progress we had made to date, explained some of the challenges we face in improving and converging our standards in certain areas, and reported changes made to certain project-specific milestone targets.

As noted in our March 2010 progress report, we recognise the challenges that arise from seeking effective global stakeholder engagement on a large number of projects. Since publishing the March progress report, stakeholders have voiced concerns about their ability to provide high-quality input on the large number of major Exposure Drafts planned for publication in the second quarter of this year.

The IASB and the FASB are in the process of developing a modified strategy to take account of these concerns that would:

- prioritise the major projects in the MoU to permit a sharper focus on issues and projects that we believe will bring about significant improvement and convergence between IFRS and US GAAP.
- stagger the publication of Exposure Drafts and related consultations (such as public round table meetings) to enable the broad-based and effective stakeholder participation in due process that is critically important to the quality of their standards. We are limiting to four the number of significant or complex Exposure Drafts issued in any one quarter.
- issue a separate consultation document seeking stakeholder input about effective dates and transition methods.

The modified strategy retains the target completion date of June 2011 for many of the projects identified by the original MoU, including those projects, as well as other issues not in the MoU, where a converged solution is urgently required. The target completion dates for a few projects have extended into the second half of 2011. The nature of the comments received on the Exposure Drafts will determine the extent of the redeliberations necessary and the timeline required to arrive at high quality, converged standards.

The IASB and the FASB have begun discussions on this proposed strategy with their respective oversight bodies and regulators, including members of the IASC Foundation Monitoring Board.

It is expected that this action by the FASB and IASB will not negatively impact the Securities and Exchange Commission's work plan, announced in February, to consider in 2011 whether and how to incorporate IFRS into the US financial system.

The boards expect to publish shortly a progress report that includes a revised work plan.