



Staff Paper

Project **Financial Instruments: Impairment**

Topic **Cover Paper**

---

## Background

1. In November 2009 the IASB published the exposure draft *Financial Instruments: Amortised Cost and Impairment* (the IASB ED). In May 2010 the FASB published the proposed Accounting Standards Update, *Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities: Financial Instruments (Topic 825) and Derivatives and Hedging (Topic 815)* (FASB ED). Both EDs proposed requirements for recognition and measurement of impairment losses. The IASB's ED also proposed requirements for amortised cost measurement.
2. Both the IASB and FASB have conducted extensive outreach activities with their constituents, including public roundtables and meetings. Also the IASB, together with the FASB, set up an Expert Advisory Panel (EAP) consisting of credit risk and other experts to consider the operational aspects of the proposed approaches.
3. Since July, the IASB has been discussing feedback received and how the proposed impairment approach might be changed in the light of that feedback. The FASB provided their initial constituent feedback in an October education session.
4. Also in October, the FASB staff presented four fundamental issues the staff believe need to be considered during redeliberations:

This paper has been prepared by the technical staff of the IFRS Foundation and the FASB for discussion at a public meeting of the FASB or the IASB.

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

Comments made in relation to the application of U.S. GAAP or IFRSs do not purport to be acceptable or unacceptable application of U.S. GAAP or IFRSs.

The tentative decisions made by the FASB or the IASB at public meetings are reported in FASB *Action Alert* or in IASB *Update*. Official pronouncements of the FASB or the IASB are published only after each board has completed its full due process, including appropriate public consultation and formal voting procedures.

**Agenda Paper 1 (IASB) / 68, 69, 70 (FASB)  
IASB/FASB Staff paper**

- (a) How to use the information considered when determining expected credit losses (EL), including specific projections;
  - (b) Whether the model should reflect lifetime EL or EL over a shorter time period for determining amount of EL (ie, the outlook period for calculating EL);
  - (c) The timing of recognition of EL (ie, immediately or allocated over a time period); and
  - (d) Whether interest revenue in the financial statements should reflect contractual rates/yields or credit-risk adjusted rates/yields.
5. For this meeting, the following papers have been provided:
- Agenda Paper 1A / Memorandum 68 – This paper may not be used. You will be informed of its status if/when it is finalised;
  - Agenda Paper 1B / Memorandum 69 – Estimating the amount of expected credit losses (over what time period to estimate and whether to include specific projections);
  - Agenda Paper 1C / Memorandum 70 – Timing of recognition of credit losses.