Thursday 15 and Friday 16 September 2011

The Grosvenor House Hotel (London)

Meeting documentation

World Standard-setters Meeting

A two-day meeting for World Standard-setters

IFRS™

World Standard-Setters Meeting

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A two-day meeting for World Standard-Setters

Thursday 15 September 2011

Programme day-1:

Meeting chair—Amaro Gomes, IASB member

08:30 ***Registration***
Tea/Coffee

09:00 ***Welcome*** **BALLROOM**
Hans Hoogervorst, IASB Chairman

09:15 ***Sharing experiences—establishing regional standard-setting groups***
Chair: *Amaro Gomes, IASB member*
Presenters:
Asia-Oceania's progress and plans: Ikuo Nishikawa, Chairman, AOSSG
Africa's progress and plans: Vickson Ncube, Interim Chief Executive Officer, Pan African Federation of Accountants (PAFA)
Latin America's progress and plans: Juarez Domingues Carneiro, President, Group of Latin-American Standard Setters (GLASS)
Q&A

10:30 ***Future agenda of the IASB*** **BALLROOM**
Hans Hoogervorst, IASB Chairman
Paul Cherry, Chairman, IFRS Advisory Council
Alan Teixeira, Senior Director of Technical Activities, IASB

11:00 Tea/Coffee

11:20 Break-out discussions (60 minutes)

Chairs:
Group 1: Gordon Fowler (Canada) **BALLROOM**
Group 2: Ahmad Abuelhommos (Jordan) **BARNATO SUITE**
Group 3: Nelson Carvalho (Brazil) **STRATTON SUITE**
Group 4: Jérome Haas (France) **CHESTERFIELD SUITE**
Group 5: Atsu Kato (Japan) **DEVONSHIRE SUITE**

12:20 ***Lunch***

13:10 Group feedback (five groups x max 12 minutes each)

14:10 ***Post-implementation reviews*** **BALLROOM**
Ian Mackintosh, Vice-Chairman, IASB
Michael Stewart, Director of Implementation Activities, IASB

14:40 Break-out discussions (60 minutes) Tea/coffee in room

Chairs:
Group 1: Alex Watson (South Africa) **BALLROOM**
Group 2: Jorge Gil (Argentina) **BARNATO SUITE**
Group 3: Liesel Knorr (Germany) **STRATTON SUITE**
Group 4: Felipe Perez Cevantes (Mexico) **CHESTERFIELD SUITE**
Group 5: Mohammad Faiz Azmi (Malaysia) **DEVONSHIRE SUITE**

15:40 Room change

15:45 Group feedback (five groups x max 12 minutes each)

16:45 Close Day 1

16:50 Group photo

18:00 ***Reception and Dinner -*** *Speaker: Bob Glauber, Trustee, IFRS Foundation*

Friday 16 September 2011

Programme day-2

Meeting chair—Amaro Gomes, IASB member

07:45 ***Optional early riser session/s***

Choose 1 of:

IFRS interpretations process and application STRATTON SUITE
Presenters:
Wayne Upton, Chairman, IFRS Interpretations Committee
Michael Stewart, Director of Implementation Activities, IASB

Implementing the *IFRSs for SMEs* DEVONSHIRE SUITE
Presenters:
Paul Pacter, Chairman, SME Implementation Group
Each jurisdiction attending reports their response to a questionnaire:
1. Have you adopted? If yes, have you restricted to a subset of entities without public accountability? Mandatory or optional? What other alternatives (ie full IFRS or simple national SME GAAP)? If not adopted, why not.
2. If companies have already started using, what has been your experience?

XBRL IFRS taxonomy BARNATO SUITE
Presenters:
Olivier Servais, Director of XBRL Activities, IFRS Foundation

09:00 ***Cross-cutting measurement issues*** **BALLROOM**
Chair: Amaro Gomes
Presenters:
Wayne Upton, Chairman, IFRS Interpretations Committee and Director of International Activities, IASB
Joan Brown, Senior Research Manager, IASB

10:00 Tea/Coffee break

	Option 1—updates on new standards and staff drafts	***Option 2—smaller group discussions***
10:30	**IFRS 9 *Financial Instruments*** **BALLROOM** Chair: Sue Lloyd, *Senior Director of Technical Activities, IASB* Presenters: Classification of financial assets, *IASB staff* Classification of financial liabilities, *IASB staff* Impairment: *Sara Glen, IASB staff* Hedging: *Joao Santos, IASB staff* Offsetting: Sara Glen, *IASB staff*	*Choose 1 of:* • *Conceptual Framework:* STRATTON SUITE *Patricia McConnell, IASB member* *Li Li Lian, IASB staff* • *Consolidation: investment companies:* DEVONSHIRE SUITE *Jan Engström, IASB member* *Jana Strekenbach, IASB staff* • *Emissions trading schemes* CHESTERFIELD SUITE *Darrel Scott, IASB member* *Allison McManus, IASB staff* • *Disclosure* BARNATO SUITE *Stephen Cooper, IASB member* *Holger Obst, IASB staff* *Patricia McBride, Director, Accounting Standards, NZ Accounting Standards Board* *Susan Cosper, Technical Director* and *Chairman EITF, FASB* *Francoise Flores, Chairman, EFRAG*

12:30 Lunch

	Option 1—updates on new standards and staff drafts	Option 2—smaller group discussions
13:30	**IFRS 10 *Consolidations*, IFRS 11 *Joint Arrangements and* IFRS 12 *Disclosure of Interests in Other Entities*** **BALLROOM** Chair: Alan Teixeira, *Senior Director of Technical Activities, IASB* Updates: Consolidations*, Jana Streckenbach, IASB staff* Joint arrangements, *Mariela Isern, IASB staff* Interests in Other Entities: *Jana Streckenbach, IASB staff*	*Choose 1 of:* • *Conceptual Framework:* STRATTON SUITE *Patricia McConnell, IASB member* *Li Li Lian, IASB staff* • *Consolidation: investment companies:* DEVONSHIRE SUITE *Jan Engström, IASB member* *Patrina Buchanan, IASB staff* • *Emissions trading schemes* CHESTERFIELD SUITE *Darrel Scott, IASB member* *Allison McManus, IASB staff* • *Disclosure* BARNATO SUITE *Stephen Cooper, IASB member* *Holger Obst, IASB staff* *Patricia McBride, Director, Accounting Standards, NZ Accounting Standards Board* *Susan Cosper, Technical Director* and *Chairman EITF, FASB* *Francoise Flores, Chairman, EFRAG*
14:30	**IFRS 13 *Fair Value Measurement*** Chair: Sue Lloyd, *Senior Director of Technical Activities, IASB* Presenter: Hilary Eastman*, IASB staff*	
15:00	***Revenue project*** Chair: Ian Mackintosh, Vice-Chairman, IASB Presenter: Glenn Brady, *IASB staff*	
15:30	***Leases project*** Chair: Paul Pacter, IASB member Presenter: Henry Rees*, IASB staff*	

16:00 End of meeting

World Standard-setters Meeting

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Welcome

Hans Hoogervorst
Chairman
IASB

World Standard-setters Meeting

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Sharing experiences—establishing regional standard-setting groups

Chair
Amaro Gomes
Member
IASB

1. **Asia-Oceania's progress and plans:**
   Ikuo Nishikawa, *Chairman* **ASSOG**

2. **Africa's progress and plans:**
   Vickson Ncube, *Interim Chief Executive Officer,*
   Pan African Federation of Accountants (PAFA)

3. **Latin America's progress and plans:**
   Juarez Domingues Carneiro, *President,*
   Group of Latin-American Standard Setters (GLASS)

Asian-Oceanian Standard-Setters Group (AOSSG)

September 2011
Ikuo Nishikawa
Chairman of the AOSSG

Formation of the AOSSG

(Rapid developments of A-O region)

- **Significant economic growth of A-O region**
  – *Double-digit growth*
- **Market capitalization of the region has expanded**
  - *From 2009 to 2010: increased more than 20%*
- **Increased acceptance of the IFRSs**
  – *Many have progressed with convergence with the IFRSs or have adopted IFRSs.*

AOSSG was established in 2009

1

AOSSG Membership

2

AOSSG Membership (continued)

1	Accounting Standards Board of Japan
2	Accounting Standards Board of Nepal
3	Accounting Standards Council of Singapore
4	Australian Accounting Standards Board
5	China Accounting Standards Committee
6	Dubai Financial Services Authority
7	Financial Reporting Standards Board of New Zealand Institute of Chartered Accountants
8	Financial Reporting Standards Council of Philippines
9	Hong Kong Institute of Certified Public Accountants
10	Institute of Chartered Accountants of Pakistan
11	Iraqi Union of Accountants and Auditors
12	Korea Accounting Standards Board
13	Malaysian Accounting Standards Board
14	Ministry of Finance of Brunei Darussalam
15	Ministry of Finance of Vietnam
16	Mongolian Institute of Certified Public Accountants
17	National Accounting Council of Cambodia
18	National Association of Accountants and Auditors of Uzbekistan
19	Saudi Organisation for Certified Public Accountants
20	The Chamber of Auditors of the Republic of Kazakhstan
21	The Committee for the Registry of Auditors and Accountants of Macao SAR
22	The Financial Accounting Standards Board – Indonesian Institute of Accountants
23	The Federation of Accounting Professions of Thailand
24	The Institute of Chartered Accountants of India
25	The Institute of Chartered Accountants of Sri Lanka

3

Application of IFRSs

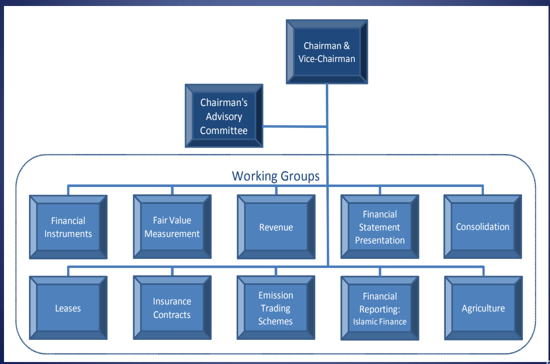
Jurisdiction	Domestic Listed Companies: Being converged with IFRSs	Fully converged with IFRSs	IFRSs Not Permitted	IFRSs Permitted	IFRSs Required for Some	IFRSs Required for All	Audit Report States Compliance with IFRSs
Australia						X	Yes
Brunei	No stock exchange in Brunei						
Cambodia	No stock exchange in Cambodia						
China		X					
Dubai						X	
Hong Kong						X	Yes
India	X						
Indonesia	X						
Iraq						X	Yes
Japan	X			X			
Kazakhstan						X	Yes
Korea						X	Yes
Macao	No stock exchange in Macao						
Malaysia	X						
Mongolia						X	Yes
Nepal	X						
New Zealand						X	Yes
Pakistan						X	Yes
Philippines						X	Yes
Saudi Arabia					X		Yes
Singapore	X						
Sri Lanka				X			Yes
Thailand			X				
Uzbekistan			X				
Vietnam	X						
Total	7	1	2	2	1	10	11

Objectives of the AOSSG

- *Promoting the adoption of, and convergence with, the IFRSs by jurisdictions in the region*
- *Promoting consistent application of the IFRSs by jurisdictions in the region;*
- *Coordinating input from the region to the technical activities of the IASB*
- *Cooperating with governments, regulators and other regional and international organizations to improve the quality of financial reporting in the region*

5

Organizational Structure of the AOSSG



6

Operational Structure

- *Chair &Vice-Chair are elected at the annual conference. (For 2011 - Chair: Japan, Vice-Chair: Australia)*
- *Chair & Vice-Chair handle day-to-day operations, as assisted by Chairman's Advisory Committee.* *(CAC for 2011 – Japan/Australia/China/HK/India/Korea/Malaysia/Singapore)*
- *AOSSG establishes working groups for key issues (currently ten areas).*
- *Chairman's Advisory Committee addresses other areas that are not covered by working groups (including governance & due-process related consultation from the Trustees or Monitoring Board).*

7

AOSSG Working Group

- *Financial Instruments*
- *Fair Value Measurement*
- *Revenue*
- *Financial Statement Presentation*
- *Consolidation*
- *Leases*
- *Insurance Contracts*
- *Emission Trading Schemes*
- *Financial Reporting relating to Islamic Finance*
- *Agriculture*

8

Working Groups (1/2)

Financial Instruments
Lead: Australia
Members: China, Hong Kong, India, Japan, Korea, Malaysia, New Zealand, Singapore, Thailand
Fair Value Measurement
Lead: China
Members: Hong Kong, Japan, Korea, Malaysia
Revenue
Lead/Co-lead: Japan/Singapore
Members: Australia, China, Indonesia, Hong Kong, Macao, Malaysia, New Zealand
Financial Statement Presentation
Lead/Co-lead: Korea/China
Members: Australia, Hong Kong, Iraq, Japan, Macao, Malaysia, New Zealand
Consolidation
Lead/Co-lead: Singapore/China
Members: Hong Kong, Indonesia, Japan, Korea, Malaysia, New Zealand, Sri Lanka, Thailand, Uzbekistan
Leases
Lead/Co-lead: Singapore/Indonesia
Members: Australia, China, Hong Kong, Japan, Korea, Macao, Malaysia, Nepal, New Zealand, Pakistan, Sri Lanka, Thailand, Uzbekistan, Singapore

9

Working Groups (2/2)

Insurance Contracts
Lead/Co-lead: Korea/China
Members: Australia, Hong Kong, Indonesia, Japan, Malaysia, Nepal, New Zealand, Pakistan, Sri Lanka, Thailand
Emission Trading Schemes
Lead/Co-lead: China/Japan
Members: India, Korea
Financial Reporting relating to Islamic Finance
Lead: Malaysia
Members: Australia, China, Dubai, Indonesia, Korea, Pakistan, Saudi Arabia
Agriculture
Lead/Co-lead: India/Malaysia
Members: China, Hong Kong, Indonesia, Japan, Korea

Chairman's Advisory Committee (2011)
Chair: Japan
Vice-Chair: Australia
Members: China, Hong Kong, India, Korea, Malaysia, Singapore

10

Achievements to date

- *Communicating inputs to the IASB and the IFRS Foundation*
- *Sharing knowledge and information among members*
- *Communicating with stakeholders*
- *Research Activities*

11

Inputs to IASB/IFRS Foundation (1/2)

Financial Instruments
The Financial Instruments Working Group submitted comments on the following documents:
IASB ED/2009/12 regarding *Financial Instruments: Amortised Cost and Impairment*;
IASB ED/2010/4 regarding *Fair Value Option for Financial Liabilities*;
IASB Request for comments on FASB ED regarding *Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities*
IASB ED/2010/13 regarding *Financial Instruments: Hedge Accounting* in March 2011
IASB Supplement to ED/2009/12 regarding *Financial Instruments: Impairment* in April 2011; and
IASB ED/2011/1 regarding *Offsetting Financial Assets and Financial Liabilities* in April 2011.

Fair Value Measurement
The Fair Value Measurement Working Group submitted comments on IASB Staff Draft of the forthcoming IFRS on *Fair Value Measurement* in December 2010.

Revenue
The Revenue Working Group submitted comments on the IASB ED/2010/6 regarding *Revenue from Contracts with Customers* in October 2010.

Financial Statement Presentation
The Financial Statement Presentation Working Group submitted comments on the IASB Staff Draft of the Exposure Draft regarding *Financial Statement Presentation* in January 2011.

Consolidation
The Consolidation Working Group submitted comments on the IASB's tentative decision taken on *Consolidated Financial Statements* in December 2010.

12

Inputs to IASB/IFRS Foundation (2/2)

Leases
The Leases Working Group submitted comments on the IASB ED/2010/9 regarding *Leases* in December 2010

Insurance Contracts
The Insurance Contracts Working Group submitted comments on the IASB ED/2010/8 regarding *Insurance Contracts* in November 2010.

Emission Trading Schemes
The Emission Trading Schemes Working Group submitted comment on the IASB's tentative decisions, having conducted a survey among the AOSSG members.

Financial reporting relating to Islamic Finance
The Islamic Finance Working Group submitted comment letters on respective technical consultations.

Agriculture
The Agriculture Working Group is newly established, with issues currently being discussed.
Chairman's Advisory Committee (2011)
Chairman's Advisory Committee submitted comments on the following documents:
IASB Request for Views on *Effective Dates and Transition Methods* in January 2011;
IFRSF Trustees Consultation on *IFRS Interpretation Committee Review* in January 2011;
IFRSF Trustees Consultation on *Strategy Review* in February 2011;
IFRSF Monitoring Board Consultation on *Review of the IFRS Foundation Governance* in April 2011;
IFRSF Trustees Consultation on *Strategy Review* in July 2011; and
EFRAG Consultation on *Effects Analysis* in August 2011.

13

Immediate Initiatives

■ **Strengthening the capacity of members**
- *Widening the membership to gain different perspectives*
- *Capacity building of members*

■ **Enhancing communications with the IASB and other functions of the IFRS Foundation**
- *More face-to-face meetings*
- *Informal sounding*
- *Strategic inputs via agenda consultations*
- *Systematic channel with the IFRS Interpretation Committee*

■ **Promoting awareness of outside stakeholders**
- *Invite key stakeholders as observers*

14

Vision towards the Future (1/2)

As a group of organizations with expert knowledge of standards and in-depth understanding of issues in the region, the AOSSG may wish to expand its activities.

■ **Leadership role in global financial reporting standard setting (*Flag-bearer of global accounting standard setting*)**
- *Think-tank organization*
- *Regional Views?*
- *Collaborative work with IFRSF liaison office*

■ **Proactive research and thought-leadership activities**
- *Proactive research (considering relevancy and expertise)*
- *Thought-leadership activities (disclosure/integrated reporting?)*

15

Vision towards the Future (2/2)

■ **Regional initiatives regarding consistent application**
- *Joint proposals to the IFRS Interpretations Committee*
- *Help identify whether issues are jurisdiction-specific*

■ **Other assistance to the IASB**
- *Post-implementation review/Effects analysis*

■ **Advice and consultation for member jurisdictions**
- *Providing advice/consultation regarding whether and how to apply standards proposed or published by the IASB*

■ **AOSSG Secretariat**
- *Virtual Secretariat / Troika System / Permanent secretariat?*

■ **Other**
- *Standards for public sector, non-profit organizations*
- *XBRL, auditing standards*

16

Thank you!

17

WORLD STANDARD SETTERS CONFERENCE

SHARING EXPERIENCES – ESTABLISHING REGIONAL STANDARD SETTING GROUPS

PRESENTATION BY MR. VICKSON NCUBE, INTERIM CEO – PAFA TO THE WORLD STANDARD SETTERS CONFERENCE HELD ON 15 SEPTEMBER 2011 AT GROSVENOR HOTEL, LONDON – UNITED KINGDOM

- PAFA was launched on 5 May 2011 in Dakar, Senegal
- It currently has 37 members from 34 countries.

PAFA Board

1. Major General Sebastian Owuama, Nigeria - President
2. Dr. Mussa Assad, Tanzania - Vice President
3. Vickson Ncube - PAFA Interim CEO
4. PAFA Secretariat - Hosted by SAICA, South Africa

PAFA's Mission

To enhance the status of the accountancy profession in the African continent to serve public interest through:

- Development of world class professional accountants;
- Developing high levels of technical and leadership competence; and
- Building regional and international linkages to enhance knowledge transfer and recognition of accountants.

Technical capacity

PAFA intends to influence the process of technical capacity:

- To promote the adoption and implementation of international standards;
- To promote PAFA's members' participation in standard setting and the IASB/IFAC structures;
- Legal framework and corporate governance harmonization and capacity building; and
- To facilitate the establishment of professional accountancy organizations in countries where there are none.

Technical capacity Continued…..

- PAFA will set up a Standard Setters Forum made up of standard setter from all countries.
- PAFA hopes to transform the Forum into a Standard Setters Group.
- The Forum will hold at least one meeting annually.

Future Events

- PAFA Board Meeting - October 2011
- Africa Congress of Accountants - November 2011 in Kenya
- 1st Annual General Assembly of PAFA members - May 2012.
- PAFA, with the support of the World Bank has engaged a Consultant to help develop PAFA Strategy for the next five (5) years. Input from the IFRS Foundation/IASB Board will be very important.

Vickson Ncube
Interim Chief Executive Officer
Pan African Federation of Accountants – PAFA
7 Zulberg Close
Bruma Lake 2198
P O Box 59875
Kengray 2100
Johannesburg, South Africa

Grupo Latinoamericano
de Emisores de Normas
de Información Financiera

Group of Latin-american
Accounting Standard Setters

Juarez Domingues Carneiro
Chairman, Federal Accounting Board, Brazil

Grupo Latinoamericano de Emisores de Normas de Información Financiera
Group of Latin-american Accounting Standard Setters

- ✓ **Community of Latin-American Accounting Standards Setters;**
- ✓ **Mission: Promote the integration of Financial Information Standards Setters for Latin-America, enabling a "single voice" before IASB;**
- ✓ **Establishment: June 28, 2011, in Buenos Aires, Argentina by: Argentina (Vice-Chairman); Bolivia; Brazil (Chairman); Chile; Colombia, Ecuador, Mexico, Panama, Paraguay, Peru, Uruguay, Venezuela**
- ✓ **Few basic data...**

Grupo Latinoamericano de Emisores de Normas de Información Financiera
Group of Latin-american Accounting Standard Setters

Grupo Latinoamericano de Emisores de Normas de Información Financiera
Group of Latin-american Accounting Standard Setters

MAIN OBJECTIVES:

- ✓ Interact with the IASB in ***technical issues***, respecting the sovereignty of each member, ***coordinating*** the agenda ***and*** aiming at improvements ***contemplating*** aspects specific to the region;
- ✓ Promote the ***adoption and/or convergence*** to IFRS in Latin America, ***dissemination*** of IFRS literature ***and*** their ***consistent application***;
- ✓ ***Cooperate*** with governments, regulators and other regional, national and international organizations ***to improve the quality*** of financial reporting in the region

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Grupo Latinoamericano de Emisores de Normas de Información Financiera
Group of Latin-american Accounting Standard Setters

HOW ARE WE GOING TO WORK? TECHNICAL WORKING GROUPS (TWG)...

- ✓ Associated with the IASB's agenda and issues of interest to Latin America: IASB exposure drafts and issues of interest for Latin America but not yet developed by the IASB
- ✓ Created by the GLASS' Board: by subject, with representatives from each member and can be adviced by experts
- ✓ Cooperate with IASB outreach activities
- ✓ TWG established...

Grupo Latinoamericano de Emisores de Normas de Información Financiera
Group of Latin-american Accounting Standard Setters

HOW ARE WE GOING TO WORK? TECHNICAL WORKING GROUPS (TWG)...

- ✓ TWG established:
  - ✓ Agenda consultation and IFRS9 Implementation date
- ✓ TWG to be established:
  - ✓ Revenue Recognition, Leasing, FI – Impairment and Hedge, Insurance Contracts

GLENIF GLASS Grupo Latinoamericano de Emisores de Normas de Información Financiera
Group of Latin-american Accounting Standard Setters

THANK YOU!

e-mails:

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glenif@cfc.org.br

juarez@martinelliaud.com.br

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Future Agenda of the IASB

Hans Hoogervorst
Chairman
IASB

Paul Cherry
Chairman
IFRS Advisory Council

Alan Teixeira
Senior Director, Technical Activities
IASB

International Financial Reporting Standards

Post-2011 Agenda Consultation

Views of the Advisory Council

Paul Cherry, *Chairman*, IFRS Advisory Council

The views expressed in this presentation are those of the presenter, not necessarily those of the IASB or IFRS Foundation.

IFRS

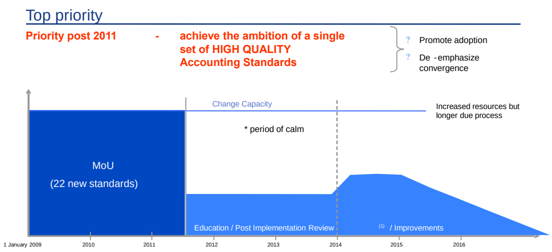
Advisory Council Major Agenda Items in 2011

- IASB post-2011 agenda consultation
  - Paper available on web site
- Trustees strategy review and Monitoring Board review
- Branding- protecting integrity of IFRSs
- Council's Performance Self-Assessment
  - Paper available on web site

IASB Request for Views

- AC/IASB consultation process worked well
- Consensus as reflected in Council's paper
  - Put most effort into" maintaining"
  - CFW project is essential, including disclosure
- A longer-term vision is also needed
  - Council supports need for research
- Some Council members feel more detail is needed in the IASB Request for Views

Post-2011



* Extended period of calm used to
- Re -evaluate criteria for new projects
- Consider process for prioritisation

An Iterative Process

- Request for Views: input on strategic direction and potential new projects
- Consultation on individual project proposals
  - Advisory Council: yes
  - Other stakeholders ??
- Transition from MoU: a "clean slate"
  - Should IASB also publish draft 2011-14 work plan for comment?

Questions or comments?

6

Expressions of individual views by members of the IASB and its staff are encouraged. The views expressed in this presentation are those of the presenter. Official positions of the IASB on accounting matters are determined only after extensive due process and deliberation.

International Financial Reporting Standards

Agenda consultation

The views expressed in this presentation are those of the presenter, not necessarily those of the IFRS Foundation or the IASB

IFRS

A unique opportunity

2

- This is likely to be the only time the triennial consultation takes place with such a small (assumed) current agenda

IFRS

What we want to know

3

- Your views on the strategic direction and overall balance of our work
- Understanding global financial reporting needs
  - What's important?
  - Considering time and resource constraints:
    - Priorities;
    - Choices; and
    - Consequences

IFRS

What do we need to know

4

- What should be our broad strategic direction?
- How should IASB allocate its time and resources and balance the development of financial reporting with the maintenance of the IFRSs?
  - What should IASB do with the projects that have been paused?
  - Which areas are of key importance for financial reporting?

2011 IASB update - Elke Koenig

IFRS

World Standard-setters Meeting

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Future agenda of the IASB
Break-out discussions

Nelson Carvalho
Coordinator of International Relations
CPC – Comitê de Pronunciamentos Contábeis

Ahmad Abuelhommos
Director
Arab Society of Certified Accountants

Gordon Fowler
Chairman
Canadian Accounting Standards Board

Jérome Haas
Chairman
Autorité des Normes Comptables

Atsu Kato
Vice-Chairman
Accounting Standards Board of Japan

Future Agenda of the IASB break-out discussion groups

11:20-12:20 Thursday 15 September 2011

	CHAIR	ROOM
Group 1	Gordon Fowler (Chairman, Canadian Accounting Standards Board)	BALLROOM 86 PARK LANE
Group 2	Ahmad Abuelhommos (Director, Arab Society of Certified Accountants)	BARNATO SUITE 86 PARK LANE
Group 3	Nelson Carvalho (Coordinator of International relations, CPC)	STRATTON SUITE 86 PARK LANE
Group 4	Jérome Haas (Chairman Autorité des Normes Comptables)	CHESTERFIELD SUITE 86 PARK LANE
Group 5	Atsu Kato (Vice-Chairman, Accounting Standards Board, Japan)	DEVONSHIRE SUITE 86 PARK LANE

FAMILY NAME	FIRST NAME	GROUP
ADESHOLA	Amoo Bashir	**Group 3 PINK**
AL NAWAS	Rafid	**Group 4 RED**
AZMI	Mohammad Faiz	**Group 5 YELLOW**
BABUCCU	Kursad	**Group 5 YELLOW**
BARNETT	Casey	**Group 1 BLUE**
BRANDSAS	Harald	**Group 4 RED**
BOHLIN	Carl-Eric	**Group 1 BLUE**
CELIK	Orhan	**Group 5 YELLOW**
CHAN	Clement	**Group 3 PINK**
CHERRY	Paul	**Group 3 PINK**
CHANG	Conrad Chungyueh	**Group 4 RED**
CONTEH	Abu Bakarr	**Group 3 PINK**
COSPER	Sue	**Group 1 BLUE**

DE MUNNIK	Hans	**Group 4 RED**
DE OLIVIEIRA SILVA	Fabiano	**Group 2 GREEN**
DEKKER	Pieter	**Group 4 RED**
DIDA	Agron	**Group 1 BLUE**
DINGLI	Jonathan	**Group 3 PINK**
DUBE	Farai J	**Group 3 PINK**
DUNGA	Daniel H	**Group 1 BLUE**
EL ABDIN BORAI AHMED	Zein	**Group 4 RED**
EMBLING	Michele	**Group 1 BLUE**
ENGSTROM	Jan	**Group 3 PINK**
FABI	Tommaso	**Group 1 BLUE**
FADNIS	Manoj	**Group 5 YELLOW**
FLORES	Françoise	**Group 5 YELLOW**
GAO	Daping	**Group 2 GREEN**
GARCIA	Ana Martinez-Pina	**Group 3 PINK**
GASHI	Fatmir	**Group 2 GREEN**
GELBCKE	Ernesto Rubens	**Group 1 BLUE**
GIL	Jorge	**Group 5 YELLOW**
GÎRBINĂ	Mădălina	**Group 1 BLUE**
GITTENS	Peter	**Group 1 BLUE**
GIUSSANI	Alberto	**Group 1 BLUE**
GOMES	Amaro	**Group 2 GREEN**
GOH	Euleen	**Group 1 BLUE**

GRAS	Juan M	**Group 4 RED**
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YOSHIOKA	Toru	**Group 5 YELLOW**

World Standard-setters Meeting

Thursday 15 and Friday 16 September 2011
The Grosvenor House Hotel (London)

Future agenda of the IASB
Break-out feedback

Nelson Carvalho
Coordinator of International Relations
CPC – Comitê de Pronunciamentos Contábeis

Ahmad Abuelhommos
Director
Arab Society of Certified Accountants

Gordon Fowler
Chairman
Canadian Accounting Standards Board

Jérome Haas
Chairman
Autorité des Normes Comptables

Atsu Kato
Vice Chairman
Accounting Standards Board of Japan

World Standard-setters Meeting

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World Standard-setters Meeting

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Post-implementation reviews

Ian Mackintosh
Vice-Chairman
IASB

Michael Stewart
Director of Implementing Activities
IASB

International Financial Reporting Standards

Post-Implementation Reviews

World Standard Setters

September 2011

The views expressed in this presentation are those of the presenter, not necessarily those of the IASB or IFRS Foundation

IFRS

Post-Implementation Reviews

2

- Background
- Why? *History and reference points*
- What?
- When?
- Who?
- How?

Post-Implementation Reviews Background

3

- Requirements for post-implementation reviews (PIRs) set out in IASB Due Process Handbook
- Due Process Handbook establishes:
  - *What* should be reviewed
  - *When* it should be reviewed
  - *Who* should review
- Under development:
  - *How* the reviews should be conducted

Post-Implementation Reviews Why? *History and reference points*

4

- Commitment to PIRs first given by IASB when IFRS 8 *Operating Segments* issued
- Requirements incorporated into Due Process Handbook in 2008
  - One of the six stages of standard setting
- Completes the cycle – review may lead to items added to IASB's agenda

---

Post-Implementation Reviews What?

5

- Due Process Handbook requires:
  - IASB to review each new IFRS or major amendment
  - Scope of review normally limited to:
    - Review important issues identified as contentious during development of pronouncement
    - Consider any unexpected costs or implementation problems encountered
- Preliminary feedback to date:
  - Requests for reviews to also consider whether the IFRS achieved what it intended to achieve

---

Post-Implementation Reviews What? - *Continued*

6

Our current views

- Two main objectives:
  - Consider the outcome or status of issues that were contentious in developing the IFRS
    - Do these concerns remain, and what lessons can we learn to help us with developing future IFRSs?
  - How straight-forward has it been to apply the IFRS?
    - Have there been significant implementation difficulties or significant unexpected costs in applying the IFRS?
- Supplementary objective, to the extent achievable:
  - Consider effectiveness of the IFRS through outreach to users about the usefulness of the information provided

Post-Implementation Reviews
When?

7

- Normally two years after new requirements mandatory
- Can be sooner, prompted by:
  – Changes in financial reporting environment and regulatory requirements
  – Comments made by Advisory Council, Interpretations Committee, standard setters and constituents
- First PIRs expected to commence:
  – IFRS 8 *Operating Segments*: Q4 2011
  – Business combinations phase II: Q2 2012

Post-Implementation Reviews
Who?

8

- Responsibility for conducting PIRs rests with IASB
  – Part of the project development lifecycle
  – PIRs consider technical issues – responsibility of the Board
  – Whole process transparent – safeguard against concerns over self-review

Post-Implementation Reviews
How? **Our current views**

9

Three phases, each include stakeholder input/feedback

1. Developing the work plan

   To identify the issues on which to focus the review and develop the work plan to research those issues
   – Outreach to learn of main implementation issues
   – We will publish the work programme we develop

Post-Implementation Reviews
How? – *Continued* **Our current views**

10

2. Investigating the issues

   To gather and analyse evidence supporting the concerns raised by stakeholders that establishes the extent and nature of the issue and to propose solutions to address the issues that were identified
   – Findings will be discussed in public Board meetings

3. Reporting

   To set out our response to the issues analysed in the review
   – Draft report published for public comment
   – Final report will include how we have responded to feedback received

Post-Implementation Reviews
Views being sought

11

World Standard-Setters views sought on:

1. Do you agree with the proposed objectives of the post-implementation reviews?
2. What are your views on three-phase approach?
3. What involvement do you think World Standard Setters could have in post-implementation reviews?
4. Do you agree with the proposed outputs from the reviews?

Questions or comments?

12

Expressions of individual views by members of the IASB and its staff are encouraged.
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PLEASE REPLACE WITH YEAR MONTH AND NAME OF PRESENTATION

IFRS™

World Standard-setters Meeting

Thursday 15 and Friday 16 September 2011
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Post-implementation reviews
Break-out discussions

Mohammad Faiz Azmi
Chairman
MASB

Jorge Gil
Director General CECyT
FACPCE

Liesel Knorr
President
GASB

Felipe Perez-Cervantes
Chairman
CNIF

Alexandra Watson
Chairman, APC
SAICA

Post-implementation reviews

14:40-15:40 Thursday 15 September 2011

	CHAIR	ROOM
Group 1	Alex Watson (Chair, SAICA)	BALLROOM 86 PARK LANE
Group 2	Jorge Gil (CENCyA General Manager, FACPCE)	BARNATO SUITE 86 PARK LANE
Group 3	Liesel Knorr (President, GASB)	STRATTON SUITE 86 PARK LANE
Group 4	Felipe Perez-Cervantes (Chairman, CINIF)	CHESTERFIELD SUITE 86 PARK LANE
Group 5	Mohammed Faiz Azmi (Chairman, Malaysian Accounting Standards Board)	DEVONSHIRE SUITE 86 PARK LANE

FAMILY NAME	FIRST NAME	GROUP
ABUELHOMMOS	Ahmad	Group 4 RED
ADESHOLA	Amoo Bashir	Group 3 PINK
AL NAWAS	Rafid	Group 4 RED
BABUCCU	Kursad	Group 5 YELLOW
BARNETT	Casey	Group 1 BLUE
BRANDSAS	Harald	Group 4 RED
BOHLIN	Carl-Eric	Group 1 BLUE
CARVALHO	Nelson	Group 5 YELLOW
CELIK	Orhan	Group 5 YELLOW
CHAN	Clement	Group 3 PINK
CHERRY	Paul	Group 3 PINK
CHANG	Conrad Chungyueh	Group 4 RED
CONTEH	Abu Bakarr	Group 3 PINK
COSPER	Sue	Group 1 BLUE

DE MUNNIK	Hans	**Group 4 RED**
DE OLIVIEIRA SILVA	Fabiano	**Group 2 GREEN**
DEKKER	Pieter	**Group 4 RED**
DIDA	Agron	**Group 1 BLUE**
DINGLI	Jonathan	**Group 3 PINK**
DUBE	Farai J	**Group 3 PINK**
DUNGA	Daniel H	**Group 1 BLUE**
EL ABDIN BORAI AHMED	Zein	**Group 4 RED**
EMBLING	Michele	**Group 1 BLUE**
ENGSTROM	Jan	**Group 3 PINK**
FABI	Tommaso	**Group 1 BLUE**
FADNIS	Manoj	**Group 5 YELLOW**
FLORES	Françoise	**Group 5 YELLOW**
FOWLER	Gordon	**Group 5 YELLOW**
GAO	Daping	**Group 2 GREEN**
GARCIA	Ana Martinez-Pina	**Group 3 PINK**
GASHI	Fatmir	**Group 2 GREEN**
GELBCKE	Ernesto Rubens	**Group 1 BLUE**
GÎRBINĂ	Mădălina	**Group 1 BLUE**
GITTENS	Peter	**Group 1 BLUE**
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Contact(s) **Michael Stewart** mstewart@ifrs.org +44 20 7246 6922

Project **Post-implementation reviews**

Topic **Questions for break-out session**

1. The purpose of this paper is to set out the questions for discussion in the break-out session for post-implementation reviews. The appendix to this paper describes the current draft approach to post-implementation reviews. The draft approach has been developed after considering feedback from a number of groups, including the IFRS Advisory Council, the IFRS Interpretations Committee, the Analysts Representative Group, the Global Preparers Forum and the National Standard Setters group. The feedback we receive from the breakout session at the World Standard Setters meeting will help us finalise our approach.

2. The questions we would like you to discuss in your break-out groups are:

   (a) Do you agree with the proposed objectives of the post-implementation reviews? If not, why, and how do you propose the objectives should be changed?

   (b) What are your views on the three phase approach to the reviews?

   (c) What involvement do you think that World Standard Setters could have in post-implementation reviews?

   (d) Do you agree with the proposed outputs from the reviews, ie, identification of 'next steps' responses to the issues analysed in the review? If not, why, and what do you think should be the outputs from the reviews?

Appendix – Proposed approach for post-implementation reviews

Introduction

We, the International Accounting Standards Board (the Board), undertake post-implementation reviews to learn whether there are significant concerns about the implementation of an IFRS in practice and, if there are, to consider how we might respond to those concerns. The reviews are also intended to help us to identify whether and how we might make improvements to the way in which we develop IFRSs. Post-implementation reviews represent the final stage in our standard-setting process.

Objectives

Our reviews focus on the outcome or status of issues that were identified as contentious at the time of developing the IFRS. This will help us understand whether these concerns remain and what lessons we can learn to help us with developing future IFRSs. The reviews also consider how straight-forward it has been to apply the IFRS by asking whether there have been significant implementation difficulties or significant unexpected costs associated with applying the IFRS.

In developing our approach to post-implementation reviews many stakeholders told us that they wanted us to consider the effectiveness of the IFRS; that is, has the IFRS achieved what we intended it to achieve? Although the primary focus of our post-implementation reviews is on the practical application of the standard, the relevance of the information it produces is of course also important. As part of our reviews we will therefore, to the extent possible, consider the effectiveness of the IFRS by seeking feedback, particularly from users of financial statements, about the usefulness of the information provided from applying the IFRS.

Appendix – Proposed approach for post-implementation reviews

Structure of our post-implementation reviews

Public consultation, input from the financial reporting community and acting in the public interest are important features of our consultation process and will also apply to our post-implementation reviews. We will:

- Consult widely to help us determine the issues on which we should focus our attention.
- Publish our scope and work plan for the review.
- Publish, for comment, the preliminary findings from our review, including our draft proposals for how we could respond to those findings.
- Publish our final report of our findings, including proposed responses and provide feedback on how comments received on the draft report have been dealt with.

Our post-implementation reviews will be conducted in three phases, as follows:

1. Developing the work plan
2. Investigating the issues
3. Reporting.

The three phases, and the objective of each phase, are described below.

Appendix – Proposed approach for post-implementation reviews

The three phases of post-implementation reviews

Phase 1: Developing the work plan

Objective: To identify the issues on which to focus the review and to develop the work plan to research those issues.

The post-implementation reviews focus on the issues that were identified as contentious at the time of finalising the IFRS and also on the unexpected costs or implementation issues for the standard. Some of those implementation issues will have been identified by the IFRS Interpretations Committee. In order to learn about other implementation issues and unexpected costs, we will consult widely. We will then undertake a preliminary analysis of those issues in order to identify the areas of main concern to stakeholders on which to focus the review.

Initial consultation

In seeking to identify common implementation issues and unexpected costs, we will publish an open invitation to stakeholders to tell us about their concerns about the IFRS. This will provide an opportunity for all interested parties to contribute to the review. In addition to this public consultation, we will seek to identify issues on which to focus our work by:

a. Reviewing issues reported by securities regulators
b. Considering issues referred by the IFRS Interpretations Committee
c. Learning about relevant matters on which national standard setters or securities regulators have issued local interpretations or guidance relating to concerns with the IFRS

Focusing the review

Analysing the information gathered in the initial consultation, we will develop a detailed work plan that is focused on those issues that are of greatest concern because of the prevalence of the issue and their significance for financial reporting. We will use meetings with stakeholders to gather the information and the evidence to make this assessment and we will seek the views of the IFRS Interpretations Committee. This analysis will also allow us to identify whether some of the issues are more appropriate to be referred to the IFRS Interpretations Committee.

These stakeholder meetings (and other liaison activities, as appropriate) will be with targeted stakeholder groups and will include:

1. Users and user groups
2. Preparer groups
3. Audit firms
4. Securities regulators
5. The National Standard Setters group

The meetings with users and user groups will also be used to understand how the users' analysis of financial statements has changed as a result of the IFRS, identifying the benefits of the changes and/or the costs or reduced usefulness of the information that is now provided.

Appendix – Proposed approach for post-implementation reviews

At the completion of the planning phase, we will publish the scope of our post-implementation review for the IFRS, setting out the issues on which the next part of the review will be focused, and our work plan that we will use. We will also report on the consequences for the issues identified through the initial consultation but that will not be carried forward to the next part of the review.

Phase 2: Investigating the issues

Objective: To gather and analyse evidence supporting the concerns raised by stakeholders that establishes the extent and nature of the issue and to propose solutions to address the issues that were identified.

Using the work plan developed in phase 1, we will gather evidence to understand the effect that the issue is having on financial reporting and the underlying cause of the issue. We will analyse this information and identify possible solutions, if applicable, for future standard-setting action. We plan to work with national standard setters and other organisations, to gather the supporting evidence needed to make the necessary assessment.

We will conduct this phase by:

1. Investigating and gathering examples of each of the issues selected for review to understand:
    a. The effects that the issue has on financial reporting and/or the nature of the unexpected costs associated with the issue
    b. The underlying cause of the issue, including assessing whether the issues relate to:
        i. The requirements of the IFRS
        ii. The way in which the requirements of the IFRS are worded
        iii. The way the IFRS is implemented
2. Developing proposals for addressing the issues, where appropriate

We will discuss the findings of our review, and our proposed responses, in our public Board meetings.

Appendix – Proposed approach for post-implementation reviews

Phase 3: Reporting

Objective: To set out our response to the issues analysed in the review.

Having completed our analysis in phase 2, we will report our findings. We will initially publish a draft report for public comment. After reviewing the comments received, and conducting follow-up work as needed, we will publish our final report.

We will publish the final report setting out:

a. A summary description of the completed review
b. A description of the issues analysed and the proposed 'next steps', if any, divided into the following categories:
    i. Proposals for process improvements to our standard-setting Due Process
    ii. Issues to be referred to the IFRS Interpretations Committee
    iii. Issues to be included in an agenda proposal for an IASB project
    iv. Other, including where no change is considered necessary
c. Feedback on how comments on the draft report have been dealt with.

World Standard-setters Meeting

Thursday 15 and Friday 16 September 2011
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Post-implementation reviews
Break-out feedback

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Chairman
MASB

Jorge Gil
Director General CECyT
FACPCE

Liesel Knorr
President
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Felipe Perez-Cervantes
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Day 2

World Standard-setters Meeting

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Optional early riser session
IFRS interpretations process and application

Wayne Upton
Chairman
IFRS Interpretations Committee

Michael Stewart
Director of Implementation Activities
IASB

International Financial Reporting Standards

IFRS Interpretations Processes and Application

September 2011

Wayne Upton
Chairman, IFRS Interpretations Committee

Michael Stewart
Director of Implementation Activities

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IFRS

Agenda

- The IFRS Interpretations Committee
- Interpretations
- Current agenda topics
- Annual Improvements
- Other amendments

International Financial Reporting Standards

The IFRS Interpretations Committee

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IFRS

The IFRS Interpretations Committee:

- Interpretive body of the IASB
- 14 members plus non-voting chair
- Experienced practitioners in the day-to-day application of IFRSs
  - Variety of countries and professional backgrounds
- Mandate:
  - To review widespread accounting issues on current IFRSs and to provide authoritative guidance (IFRICs) on those issues

---

The IFRS Interpretations Committee: What it does

- Seeks possible solutions to questions:
  - Develop an Interpretation
  - Change existing standards
    - Annual Improvements project
    - Undertake narrow-scope project on behalf of IASB
  - Explain via Committee agenda decision
    - Reason for not adding to the Committee's agenda

The IFRS Interpretations Committee:
Activity in the 12 months to July 2011

Issues considered	**34**
Of which	
Interpretations	-
Draft interpretation	1
Recommendations for *Annual Improvements*	9
Considered but rejected from *Annual Improvements*	8
Standalone amendments	1
Referred to Board	4
Other agenda decisions	6
Pending/WIP	5
	34

International Financial Reporting Standards

Interpretations

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IFRS™

Interpretations and Draft Interpretations: Issued in the last 12 months

- DI/2010/1 – *Stripping Costs in the Production Phase of a Surface Mine*
  - Soon to become IFRIC 20

International Financial Reporting Standards

Current agenda topics

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IFRS™

Current agenda topics / work in progress

Current agenda topics

- Timing of liability recognition for taxes and levies – application of IFRIC 6 by analogy

Work in progress

- Definition of a business
- Acquisition of interest in joint operation

Deferred topics

- Contingent pricing of PPE and intangible assets
- Meaning of 'continuous transfer of control' in real estate transactions (IFRIC 15)

International Financial Reporting Standards

Annual Improvements

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IFRS™

Annual Improvements Criteria

- Unrelated proposals included in one single document
  - Reduced administrative burden for Board and respondents
  - Normal due process applied
- Criteria for Annual Improvements:
  - A proposed amendment must result in **clarifying and/or correcting** IFRSs;
    - But must maintain consistency with existing principles
  - It must **well-defined and narrow in scope**;
  - The IASB will be able to conclude on the issue on a **timely basis**; and
  - If the proposed amendment is to IFRSs subject to a current/planned IASB project, is there a **need to make the amendment sooner**?

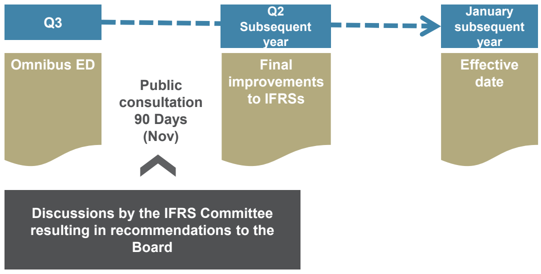
Annual Improvements: Committee’s involvement

13

- Additional role from January 2010
- Committee’s involvement
  - identifying and discussing new issues
  - deliberating comments received on exposure drafts
  - recommendations to the Board
- Board discusses recommendations
- *Improvements to IFRSs* issued by the Board
  - exposure drafts
  - final standards

The annual improvements timeline

14



IFRS

International Financial Reporting Standards

Other amendments

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IFRS

Other amendments

16

Issued

- IFRS 1
  - Replacement of fixed date of 1 January 2004 with ‘date of transition to IFRSs’
  - Additional exemption: Severe hyperinflation

In progress

- Put options over non-controlling interests

Questions or comments?

17

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The Grosvenor House Hotel (London)

NOTES

World Standard-setters Meeting

Thursday 15 and Friday 16 September 2011
The Grosvenor House Hotel (London)

Optional early riser session
Implementing the IFRS for SMEs

Paul Pacter
Chairman,
SME Implementation Group
and
IASB Member

International Financial Reporting Standards

Implementing the IFRS for SMEs

World Standard Setters Meeting, London
16 September 2011

The IFRS for SMEs

2

Final standard issued July 2009

- 230 pages (full IFRSs are 3,000+)
- Simplified IFRSs – built on an IFRS foundation
- Simplifications based on:
  - User needs for information about short-term cash flows, liquidity, and solvency
  - Costs and SME capabilities
- Completely stand-alone

Jurisdiction Plans for Adoption

3

Today (Sept. 2011), to the best of our knowledge:

- **74 jurisdictions** have either adopted the IFRS for SMEs or stated a plan to adopt it within the next three years

Plans for Adoption: Some Examples

4

- **South America:** Argentina, Brazil, Chile, Guyana. Peru, Suriname, Venezuela
- **Caribbean:** Antigua & Barbuda, Aruba, Bermuda, Bahamas, Barbados, Cayman, Dominica, Dominican Republic, Guadeloupe, Jamaica, Montserrat, St Kitts-Nevis, St Lucia, Trinidad
- **Central America:** Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama
- **Africa:** South Africa, Botswana, Egypt, Ethiopia, Ghana, Kenya, Lesotho, Malawi, Mauritius, Namibia, Nigeria, Sierra Leone, Tanzania, Swaziland, Uganda, Zimbabwe

Plans for Adoption: Some Examples

5

- **Asia:** Cambodia, Fiji, Hong Kong, Malaysia, Myanmar, Nepal, Philippines, Singapore, Sri Lanka
- **Middle East:** Jordan, Lebanon, Palestine, Qatar
- **Eurasia:** Azerbaijan, Kyrgyzstan, Moldova, Turkey
- **Europe:** Bosnia, Macedonia. Available for use in Switzerland. Planned: United Kingdom, Ireland, Denmark, Latvia. Others studying. Note that European Commission is currently consulting on the IFRS for SMEs.
- **North America:** Available for use in United States, Canada

Implementation Support from IASB

6

Translations

- **Completed:** Arabic, Armenian, Simplified Chinese, Czech, French, Italian, Lithuanian, Polish, Portuguese, Romanian, Russian, Spanish, Turkish
- **In process:** Albanian, Hebrew, Japanese, Kazakh, Khmer, Macedonian, Mongolian, Serbian, Ukrainian
- **Proposed or in discussion:** Bosnian, Bulgarian,

Monthly IFRS for SMEs Update Newsletter

- Free. Prepared by IASB staff.

Implementation Support from IASB

7

Free training materials
- One module per Section, 28 completed

Free training workshops (regional, 3 days)
- **To date:** Malaysia, India, Tanzania, Egypt, Gambia, Brazil, Panama, Nordic countries, Caribbean, Singapore, Kazakhstan, Turkey, Argentina, Myanmar
- **Upcoming:** Barbados, Bosnia, Chile, Kenya, UAE,

SME Implementation Group
- Publish implementation Q&As
- Recommend to IASB needed modifications

IFRS

WSS Questionnaire

8

Has your jurisdiction adopted IFRS for SMEs?
- – For which entities?
- – Mandatory or optional?
- – Make any modifications?

If no, why have you not adopted?
- – Too difficult
- – Local GAAP for SMEs
- – SMEs prefer 'tax accounts'
- – IFRS for SMEs is under study
- – Other reasons (please explain)

IFRS

WSS Questionnaire replies received

9

Albania	**Hong Kong**	**Russian Fed.**
Argentina	**India**	**Sierra Leone**
Australia	**Indonesia**	**Singapore**
Austria	**Kosovo**	**Slovakia**
Bahamas	**Lebanon**	**S. Africa**
Belgium	**Malaysia**	**Switzerland**
Brazil	**Malta**	**Taiwan**
Cambodia	**Mexico**	**Tanzania**
Canada	**Netherlands**	**Trinidad**
Czech Rep	**N. Zealand**	**Tunisia**
France	**Norway**	**USA**
Germany	**Poland**	

IFRS

WSS Questionnaire replies received

10

Not all respondents are represented in this room.

– **We invite those who are here to speak for two minutes or so on their jurisdiction's decisions and experiences.**
- – The next 10 slides are for those countries represented in the room.
- – These are followed by slides for other countries.

IFRS

WSS Questionnaire

11

Jurisdiction: Albania

Representative: Mrs. Elira Hoxha. Mr Selman Lamaj.

Has your jurisdiction adopted IFRS for SMEs?
- – No

If no, why have you not adopted?
- – National GAAP for SMEs adopted

IFRS

WSS Questionnaire

12

Jurisdiction: Indonesia

Representative: Rosita Uli Sinaga. Ersa Tri Wahyuni.

Has your jurisdiction adopted IFRS for SMEs?
- – No

If no, why have you not adopted?
- – National GAAP for SMEs adopted
- – IFRS for SMEs is too difficult for most of our SMEs

IFRS

WSS Questionnaire

Jurisdiction: Japan

Representative: Toru Yoshioka

Has your jurisdiction adopted IFRS for SMEs?

– No

If no, why have you not adopted?

– ???

WSS Questionnaire

Jurisdiction: Kosovo

Representatives: Mr Fatmir Gashi and Mr. Agron Dida

Has your jurisdiction adopted IFRS for SMEs?

– No

If no, why have you not adopted?

– National law requires all companies other than micros to use full IFRSs

WSS Questionnaire

Jurisdiction: Lebanon

Representative: Mr Walid Richani

Has your jurisdiction adopted IFRS for SMEs?

– It is optional, but not formally adopted.

If no, why have you not adopted?

– IFRS for SMEs is too difficult for most SMEs (currently)
– SMEs prefer to prepare 'tax accounts'
– IFRS for SMEs is under study

WSS Questionnaire

Jurisdiction: Malaysia

Representative: Ms TAN Bee-Leng

Has your jurisdiction adopted IFRS for SMEs?

– Not yet

If no, why have you not adopted?

– IFRS for SMEs is under study

WSS Questionnaire

Jurisdiction: Sierra Leone

Representatives: Mr Abu Bakarr Conteh and Mr Omodele Jones

Has your jurisdiction adopted IFRS for SMEs?

– Yes (except for not-for-profits)
– Mandatory, unless an SME chooses full IFRS
– We made no modifications

WSS Questionnaire

Jurisdiction: South Africa

Representatives: Ms Sue Ludolph

Has your jurisdiction adopted IFRS for SMEs?

– Yes
– Optional. SME can choose full IFRS or, if below certain thresholds, can use any accounting policies it chooses.
– We made no modifications

WSS Questionnaire
19

Jurisdiction: Slovakia

Representatives: Jan Holicka

Has your jurisdiction adopted IFRS for SMEs?

– No

If no, why have you not adopted?

– Standard setter has adopted national GAAP for SMEs

– SMEs prefer to prepare ‘tax accounts’

WSS Questionnaire
20

Jurisdiction: Trinidad and Tobago

Representatives: Peter Gittens, Antony Pierre, Farai Dube

Has your jurisdiction adopted IFRS for SMEs?

– Yes

– We made no modifications

– SMEs may alternatively use full IFRSs

WSS Questionnaire
21

Jurisdiction: Argentina

Representatives: Not at this session

Has your jurisdiction adopted IFRS for SMEs?

– Yes (for all entities without public accountability)

– We made no modifications

– SMEs may alternatively use full IFRSs or a simplified national GAAP for SMEs

WSS Questionnaire
22

Jurisdiction: Australia

Representatives: Not at this session

Has your jurisdiction adopted IFRS for SMEs?

– No

– We adopted ‘Reduced Disclosure Requirements’, which comprises the recognition, measurement and presentation requirements of full IFRSs as adopted in Australia and substantially reduced disclosures corresponding to those requirements.

WSS Questionnaire
23

Jurisdiction: Austria

Representatives: Not at this session

Has your jurisdiction adopted IFRS for SMEs?

– No

If no, why have you not adopted?

– National law prescribes other GAAP for SMEs

– SMEs prefer to prepare ‘tax accounts’

WSS Questionnaire
24

Jurisdiction: Bahamas

Representatives: Not at this session

Has your jurisdiction adopted IFRS for SMEs?

– Yes

– We made no modifications

– Alternatively SMEs may use full IFRSs

WSS Questionnaire

25

Jurisdiction: Belgium

Representatives: Not at this session

Has your jurisdiction adopted IFRS for SMEs?

– No

If no, why have you not adopted?

– IFRS for SMEs is too difficult for most of our SMEs
– National law prescribes other GAAP for SMEs
– Standard setter has adopted national GAAP for SMEs
– SMEs prefer to prepare 'tax accounts'

IFRS

WSS Questionnaire

26

Jurisdiction: Brazil

Representatives: Not at this session

Has your jurisdiction adopted IFRS for SMEs?

– Yes
– We made no modifications
– Alternatively SMEs may use full IFRSs or national GAAP for SMEs.

IFRS

WSS Questionnaire

27

Jurisdiction: Cambodia

Representatives: Not at this session

Has your jurisdiction adopted IFRS for SMEs?

– Yes
– We made no modifications
– Alternatively SMEs may use full IFRSs or (for one year only) a national GAAP template for SMEs.

IFRS

WSS Questionnaire

28

Jurisdiction: Canada

Representatives: Not at this session

Has your jurisdiction adopted IFRS for SMEs?

– No

If no, why have you not adopted?

– Standard setter has adopted national GAAP for SMEs

IFRS

WSS Questionnaire

29

Jurisdiction: Czech Republic

Representatives: Not at this session

Has your jurisdiction adopted IFRS for SMEs?

– No

If no, why have you not adopted?

– Czech national GAAP enables the smaller accounting units to keep their books in simplified manner and prepare their statutory financial statements in a condensed form

IFRS

WSS Questionnaire

30

Jurisdiction: Germany

Representatives: Not at this session

Has your jurisdiction adopted IFRS for SMEs?

– No

If no, why have you not adopted?

– National law prescribes other GAAP for SMEs

IFRS

WSS Questionnaire

31

Jurisdiction: Hong Kong

Representatives: Not at this session

Has your jurisdiction adopted IFRS for SMEs?

- Yes
- Alternatively SMEs can use full IFRSs (HKFRSs) or simplified local GAAP for SMEs
- Modifications:
  - Called Private Entities rather than SMEs
  - Some changes in Sec 29 *Income Taxes*

WSS Questionnaire

32

Jurisdiction: India

Representatives: Not at this session

Has your jurisdiction adopted IFRS for SMEs?

- No

If no, why have you not adopted?

- Standard setter has adopted national GAAP for SMEs
- IFRS for SMEs is under study

WSS Questionnaire

33

Jurisdiction: Malta

Representatives: Not at this session

Has your jurisdiction adopted IFRS for SMEs?

- No

If no, why have you not adopted?

- Standard setter has adopted national GAAP for SMEs

WSS Questionnaire

34

Jurisdiction: Mexico

Representatives: Not at this session

Has your jurisdiction adopted IFRS for SMEs?

- No

If no, why have you not adopted?

- Standard setter has adopted national GAAP for SMEs

WSS Questionnaire

35

Jurisdiction: Netherlands

Representatives: Not at this session

Has your jurisdiction adopted IFRS for SMEs?

- No

If no, why have you not adopted?

- National law prescribes other GAAP for SMEs

WSS Questionnaire

36

Jurisdiction: Norway

Representatives: Not at this session

Has your jurisdiction adopted IFRS for SMEs?

- No

If no, why have you not adopted?

- National law prescribes other GAAP for SMEs
- Standard setter has adopted national GAAP for SMEs
- IFRS for SMEs is under study

WSS Questionnaire

37

Jurisdiction: Poland

Representatives: Not at this session

Has your jurisdiction adopted IFRS for SMEs?
- No

If no, why have you not adopted?
- National law prescribes other GAAP for SMEs

WSS Questionnaire

38

Jurisdiction: Russian Federation

Representatives: Not at this session

Has your jurisdiction adopted IFRS for SMEs?
- No

If no, why have you not adopted?
- IFRS for SMEs is too difficult for most of our SMEs
- National law prescribes other GAAP for SMEs
- SMEs prefer to prepare 'tax accounts'

WSS Questionnaire

39

Jurisdiction: Singapore

Representatives: Not at this session

Has your jurisdiction adopted IFRS for SMEs?
- Yes
- Large unlisted companies must use full SFRSs (nearly 100% IFRSs)
- Those eligible to use the SME standard may also choose full SFRSs

WSS Questionnaire

40

Jurisdiction: Taiwan

Representatives: Not at this session

Has your jurisdiction adopted IFRS for SMEs?
- No

If no, why have you not adopted?
- IFRS for SMEs is too difficult for most of our SMEs
- National law prescribes other GAAP for SMEs
- IFRS for SMEs is under study

WSS Questionnaire

41

Jurisdiction: Tunisia

Representatives: Not at this session

Has your jurisdiction adopted IFRS for SMEs?
- No

If no, why have you not adopted?
- We have one set of local GAAP for SMEs and publicly accountable entities
- It is based on the 1995 IASs, though we have adopted the 2001 IASB Conceptual Framework

WSS Questionnaire

42

Jurisdiction: United States of America

Representatives: Not at this session

Has your jurisdiction adopted IFRS for SMEs?
- Yes
- It is optional, but few have taken the option
- Alternatively SMEs can use US GAAP

Questions or comments?

Thank you for your attention.

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IFRS

World Standard-setters Meeting

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Optional early riser session
XBRL IFRS taxonomy

Olivier Servais
Director of XBRL Activities
IFRS Foundation

International Financial Reporting Standards

The IFRS Taxonomy

All that you need to know

Friday 16 September 2011

Olivier Servais – Director, XBRL Activities

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IFRS™

Agenda

2

- The scope of the IFRS taxonomy
- The adoption of the IFRS Taxonomy and the role of the National Standard Setter
- Challenges and opportunities

IFRS™

International Financial Reporting Standards

XBRL at the IFRS Foundation

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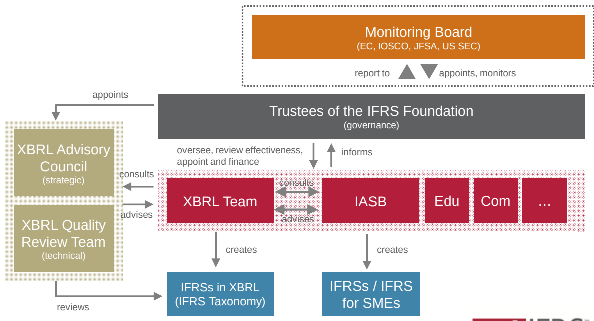
IFRS™

IASB, IFRS and XBRL governance

4



IFRS™

International Financial Reporting Standards

IFRSs in XBRL: the IFRS Taxonomy

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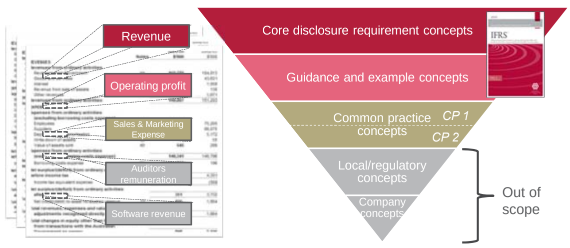
IFRS™

An IFRS Preparer Taxonomy Building Blocks

6



IFRS™

What to disclose?

73 The financial statements shall disclose (...) for (...) property, plant and equipment:

a) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period; and
b) a reconciliation of the carrying amount at the beginning and end of the period showing:
    i. additions;
    ii. assets classified as held for sale or included in a disposal group classified as held for sale in accordance with IFRS 5 and other disposals;
    iii. acquisitions through business combinations;
    iv. increases or decreases resulting from revaluations under paragraphs 31, 39 and 40 and from impairment losses recognised or reversed in other comprehensive income in accordance with IAS 36;
    v. impairment losses recognised in profit or loss in accordance with IAS 36;
    vi. impairment losses reversed in profit or loss in accordance with IAS 36;
    vii. ...

Process and challenges for content

- identify a disclosure requirement
- decide the disclosure requirement granularity
- decide the type of disclosure
- consider labels for identified items
- provide a hierarchy
- indicate any relevant cross-standard disclosure requirement

IFRS Taxonomy Illustrated

[822100] Notes - Property, plant and equipment		
Disclosure of property, plant and equipment [text block]	text block	IAS 16 - Disclosure Disclosure
Disclosure of detailed information about property, plant and equipment [text block]	text block	IAS 16.73 Disclosure
Disclosure of detailed information about property, plant and equipment [abstract]		
Disclosure of detailed information about property, plant and equipment [table]	table	IAS 16.73 Disclosure
Classes of property, plant and equipment [axis]	axis	IAS 16.73 Disclosure
Property, plant and equipment [member]	member [default]	IAS 16.73 Disclosure, IAS 17.31 a Disclosure, IAS 36.127 Example
Land and buildings [member]	member	IAS 16.37 b Example
Land [member]	member	IAS 16.37 a Example
Buildings [member]	member	IAS 16.37 Common practice
Machinery [member]	member	IAS 16.37 c Example
Vehicles [member]	member	IAS 16.37 Common practice
Ships [member]	member	IAS 16.37 d Example
Aircraft [member]	member	IAS 16.37 e Example
Motor vehicles [member]	member	IAS 16.37 f Example
Fixtures and fittings [member]	member	IAS 16.37 g Example
Office equipment [member]	member	IAS 16.37 h Example
Tangible exploration and evaluation assets [member]	member	IFRS 6.25 Disclosure
Construction in progress [member]	member	IAS 16.37 Common practice
Other property, plant and equipment [member]	member	IAS 16.37 Common practice

xIFRS

Disclosure

Disclosure of property, plant and equipment [text block] Disclosure	text block		822100

73 The financial statements shall disclose, for each class of property, plant and equipment:

(a) the measurement bases used for determining the gross carrying amount;

Measurement bases, property, plant and equipment Disclosure	text		822100

(b) the depreciation methods used;

Depreciation method, property, plant and equipment Disclosure	text		822100

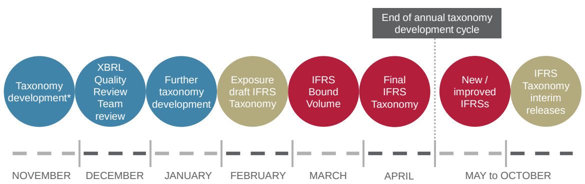
(c) the useful lives or the depreciation rates used;

Useful lives or depreciation rates, property, plant and equipment Disclosure	text		822100

(d) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period; and

Accumulated depreciation, amortisation and impairment [member] Disclosure	member	IAS 16.75 b Disclosure, IAS 38.118 c Disclosure, IAS 40.76 c Disclosure, IAS 41.54 f Disclosure, IFRS 3.B67 d Disclosure	817000, 822100, 823180, 824180, 825100
Carrying amount, accumulated depreciation, amortisation and impairment and gross carrying amount [axis] Disclosure	axis	IAS 16.73 e Disclosure, IAS 38.118 c Disclosure, IAS 38.118 e Disclosure, IAS 40.76 Disclosure, IAS 40.79 c Disclosure, IAS 40.79 d Disclosure, IAS 41.50 Disclosure, IAS 41.54 f Disclosure, IFRS 3.B67 d Disclosure	817000, 822100, 823180, 824180, 825100
Gross carrying amount [member] Disclosure	member	IAS 38.118 c Disclosure, IAS 40.76 c Disclosure, IAS 41.54 f Disclosure, IFRS 3.B67 d Disclosure	817000, 822100, 823180, 824180, 825100

IFRS Taxonomy: annual development time line



*including consolidation of IFRS Taxonomy interim releases

Translations

- 10+ IFRS Taxonomy translations to date
    - Arabic, Chinese (simplified and traditional), Dutch, French, German, Hungarian, Italian, Japanese, Korean, Portuguese, Spanish
- Translated materials available:
    - IFRS Taxonomy files
    - IFRS Taxonomy Illustrated

		IFRS 2
		[٨٣٤١٢٠] ملاحظات- ترتيبات الدفع على أساس الأسهم
IFRS 2.44 Disclosure	text block	الإفصاح عن ترتيبات الدفع على أساس الأسهم [نص]
IFRS 2.45 Disclosure	text block	الإفصاح عن بنود وشروط الاتفاق على دفع الأسهم [نص]

Arabic

IFRS 2		
[834120] Notas - Acuerdos con pagos basados en acciones		
Información a revelar sobre acuerdos con pagos basados en acciones [bloque de texto]	text block	IFRS 2.44
Explicación de las opciones sobre acciones en acuerdos con pagos basados en acciones	text	IFRS 2.45 a
Información a revelar del número y media ponderada de los precios de ejercicio de las opciones sobre acciones [bloque de texto]	text block	IFRS 2.45 b

Spanish

International Financial Reporting Standards

The adoption of the IFRS Taxonomy and the role of the National Standard-Setter

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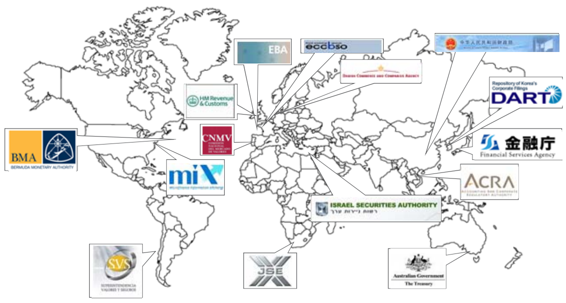
IFRS

Current IFRS Taxonomy projects

14



IFRS

Adoption of the IFRS taxonomy

15

The adoption of the IFRS taxonomy includes (but is not limited to):

- Corporate/securities filing:
  - Accounting and Corporate Regulatory Authority of **Singapore** *ACRA Taxonomy*;
  - DCCA (Danish Chamber of Commerce Association), **Denmark**;
  - DART System of the Financial Supervisory Service, **Korea**;
  - Financial Services Agency of **Japan** *EDINET*;
  - **Israel** Securities Authority MAGNA platform;
  - Ministry of Finance, **PR of China** *Chinese Accounting Standards (CAS) Taxonomy*;
  - Standard Business Reporting Program in **Australia** and **The Netherlands**;
  - Superintendencia de Valores y Seguros información del Mercado de Valores of **Chile**;
  - Johannesburg Stock Exchange, **South Africa** *SA Taxonomy*;
  - CNMV (Comisión Nacional del Mercado de Valores) of **Spain**;
  - **UK HRMC** and **Companies House** *UK-IFRS Taxonomy;*
  - **Microfinance** Information eXchange *MIX Microfinance Taxonomy*
- Banking/Insurance regulation:
  - **EBA**(European Banking Athority) *FINREP (FINancial REPorting framework) Taxonomy*
  - **Bermuda Monetary Authority** *Solvency II XBRL Taxonomy and IFRS for Insurance XBRL Taxonomy*

Most countries who have adopted IFRSs are also considering whether to adopt XBRL and the IFRS Taxonomy. These include Brazil, Canada, India, Indonesia, Italy, Korea, Luxembourg, Malaysia, Mexico, Poland, UAE and Switzerland.

IFRS

The role of the National Standard-Setter

16

- Facilitate local implementation by interacting with stakeholders (i.e. regulators)
  - 'Glocal' facilitator
  - Development of extensions
  - Education and training
- Active contribution in a jurisdiction
  - To contribute to the development of existing jurisdictions, and especially in the development of local taxonomies
  - To assist the inception of new jurisdiction

IFRS

International Financial Reporting Standards

Challenges and opportunities

The views expressed in this presentation are those of the presenter, not necessarily those of the IASB or IFRS Foundation

IFRS

Challenges and Opportunities

18

- Broader scope for the IFRS Taxonomy
  - taxonomy items to reflect common-practice and industry-specific needs
  - Non-financial reporting items, ie management commentary, sustainability… in the context of integrated reporting
- Audit and assurance of XBRL filings, with the IFRS Taxonomy as core component
- A continuous taxonomy (permanent update) consistent with the IFRSs
- A further integration of XBRL into the IASB standard setting process

IFRS

Contact us

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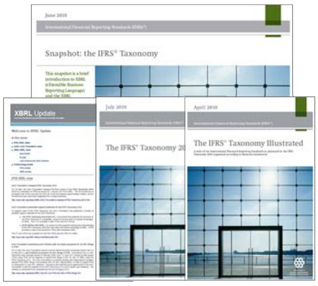

Questions or comments?

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Cross-cutting measurement issues

Chair:
Amaro Gomes
Member
IASB

Presenters:
Wayne Upton
Chairman of IFRS Interpretations Committee and Director of International Activities
IASB

Joan Brown
Senior Research Manager
IASB

International Financial Reporting Standards

Measurement myths

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IFRS

Myth 1

2

Everyone knows what 'best estimate' means

IFRS

What does 'best estimate' mean?

3

Most likely outcome?

Median outcome?

< 50% chance of higher cash flows
< 50% chance of lower cash flows

Whatever amount feels 'best'?

Expected value?
Average (mean) of range

IFRS

Myth 2

4

The IASB prefers fair value

IFRS

The IASB does not always prefer fair value

5

- provisions
- impairment of property, plant, equipment, intangibles
- revenue recognition
- insurance contracts
- leases

IFRS

Myth 3

6

The IASB prefers expected value

IFRS

Expected value might be best...

7

- if objective is to measure current value of asset or liability
- if transactions recur frequently
- if users are concerned about extreme outcomes (outliers)
- if expected value is as easy to estimate as other measures
- if the timing of cash flows is uncertain

But most likely or median outcome might be better...

8

- if objective is to predict future cash flows
- if transactions do not recur frequently
- if outliers are less important or more uncertain than central outcomes
- if expected value is more difficult to measure

Myth 4

9

Expected value needs accurate data about *all* outcomes

Measuring expected value

10

- use any suitable technique for estimating average (mean) of range
- if identifying range of possible outcomes:
  - use same data as would use to identify most likely or median outcome
  - include everything you know
  - but don't make up what you don't know...

Measuring expected value

11

We have evidence that...

Most likely outcome is 100 currency units (CU)

We have no evidence that...

Distribution is other than normal (bell-shaped)

We would estimate expected value to be...

CU 100

Measuring expected value

12

Outcome	Estimated outflows	Relative likelihood
Best case	CU 100	
Most likely outcome	CU 200	About twice as likely as best case
Worst case	CU 1,000	Unlikely, but possible

Estimate of expected value	
CU 100 x 30%	CU 30
CU 200 x 60%	CU 120
CU 1,000 x 10%	CU 100
	CU 250

Myth 5

13

Expected values take account of risk

Expected values may need risk adjustments

14

Asset 1

Probability	Inflows
100%	CU 500

Asset 2

Probability	Inflows
50%	CU 250
50%	CU 750

- Expected value is CU 500 for each asset
- But risk averse entity would put lower value on asset 2

Myth 6

15

Risk always increases discount rates

Risk adjustments for liabilities

16

- risk aversion typically *increases* transaction prices for uncertain liabilities
- in which case, account for risk by:
  1. increasing estimates of cash outflows, or
  2. adjusting estimates of probabilities, or
  3. *reducing* rates at which cash outflows are discounted to present value, or
  4. adjusting the expected present value
- adjusting discount rate doesn't always work

Questions or comments?

17

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NOTES

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IFRS 9 *Financial Instruments:*

- Classification of financial assets
- Classification of financial liabilities
- Impairment
- Hedging
- Offsetting

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International Financial Reporting Standards

World Standard Setters Meeting Update: Offsetting Financial Assets and Financial Liabilities

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Status of redeliberations: Overview

June 2011

- FASB voted to allow netting for derivatives subject to master netting arrangements, associated collateral with conditional rights of set-off

July 2011

- Boards tentatively agreed on converged disclosures
- IASB tentatively decided to keep offsetting requirements in IAS 32 *Financial Instruments: Presentation*

September 2011

- Outreach on ED identified discrepancies in application of IAS 32
- Boards to discuss possible amendments/guidance to clarify IAS 32

Next steps

- Balloting and final disclosures document planned for Q4 2011

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Status of redeliberations: IASB and FASB – Converged disclosures

- Gross amounts of financial assets and financial liabilities (a)
- Amounts offset and the net amount in the statement of financial position (b) and (c)
- Effect of rights of set-off enforceable/exercisable in bankruptcy, default, or insolvency of either party not already offset in the statement of financial position (including collateral) (d)
- Net exposure (e).

	(a)	(b)	(c)	(d)*		(e)*
	Gross carrying amounts (before offsetting)	Gross amounts offset	**Net amount presented in statement of financial position (a) – (b)**	Amounts available to be offset in bankruptcy or default (not offset in stmt of financial position)		**Net exposure (c) – (d)**
Category				Financial instruments	Collateral	
Derivatives	X	(X)	X	(X)	X	X
Repos and similar arrangements	X	(X)	X	(X)	X	X
Other	X	(X)	X	(X)	X	X

* Columns (d) and (e) could be shown by category of instrument or by counterparty.

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Impairment

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General overview

Guiding principle:
Reflect the general pattern of deterioration of credit quality of loans.

- Expected credit losses (EL)
- Responsive to changes in information impacting credit expectations
- Timing of recognition of EL depends on credit quality deterioration
- Pattern of deterioration of credit quality is captured through a three-bucket approach
- Builds on credit quality differentiation in joint Supplementary Document

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Credit risk management model – Alternative 1

	Bucket 1	Bucket 2	Bucket 3
Credit Risk	Low to Medium	Medium to High	High to Very High
Transfer between Buckets 1 - 3		(a) An expected deterioration in financial performance of the borrower that results in a change in credit risk from low/medium to medium/high, together with (b) an increase in uncertainty about the ability to fully recover cash flows	(a) A deterioration in financial performance of the borrower that results in a change in credit risk from medium/high to high/very high, together with (b) expected non-recoverability of cash flows

- Internal credit categories need to be mapped to buckets
- As loans are purchased or originated, they are classified in one of the three buckets in accordance with its level of credit risk (ie its credit rating)
- Transfer between buckets is based on the level of credit risk (ie its credit rating)
- Loans migrate downward or upward into another bucket depending on the change in credit quality/rating (ie the 'new' level of credit risk)
- Newly originated higher credit risk loans would be in Bucket 2

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Credit risk management model – Alternative 2

Bucket 1	Bucket 2	Bucket 3

Credit Risk

Transfer between Buckets 1 - 3

(a) An expected deterioration in financial performance of the borrower together with
(b) an increase in uncertainty about the ability to fully recover cash flows

(a) A deterioration in financial performance of the borrower together with
(b) expected non-recoverability of cash flows

- All purchased and originated loans included in Bucket 1 (pricing considers original risk)
- Transfer between buckets is based on change in credit risk
- Loans migrate downward/upward into another bucket if the credit quality deteriorates/improves

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Allowance balance

8

Bucket 1	Bucket 2	Bucket 3

Allowance balance equal to:

Two possible approaches:
- 12 months' worth of EL*
- 24 months' worth of EL*

Full remaining lifetime EL

* Can use loss rate basis for calculation

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Tentative decisions – three-bucket approach (May – July)

9

- Directed staff to further develop three-bucket approach using a credit risk management approach
- Favoured starting all assets in Bucket 1
- Focus on developing when to transfer between buckets
- Bucket 1, staff to further investigate whether allowance balance should be 12 or 24 months of EL (using an annual rate)
- Allowance for Buckets 2 and 3 = remaining lifetime EL
- Further outreach being performed to address operationality of the model

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Tentative decisions – overall project

10

- February:
  - Definition of 'write-off' no longer includes 'cease any enforcement activities'
  - IASB – Some disclosures have been readdressed, but the full package will be looked at again
- March:
  - Purchased loans (not at deep discount) should be treated consistently with originated assets – calculate EIR using contractual cash flows
  - Purchased loans (at a deep discount) – adjust EIR considering expected cash flows
- April:
  - EL = shortfall of all cash flows (principal and interest)
    - Discounted amount
    - Discount will be unwound in the impairment losses line item
  - Amortised cost will not include a reduction for impairment allowance
    - Interest revenue calculated as effective interest rate multiplied by amortised costs

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Questions or comments?

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International Financial Reporting Standards

World Standard Setters Meeting Update: Hedge Accounting

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Outreach summary

2

- Overview:
  - Feedback from preparers, auditors, regulators, users, standard setters, treasurers, risk management experts and academics
  - More than 2500 individuals participated

Geographical region	Number of meetings
Africa	10
Asia-pacific	44
Europe	47
North America	10
Central America	14
South America	20
Total	**145**

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Outreach summary

3

- Main positives include:
  - The Board's objective to link hedge accounting with risk management
  - The Board's proposal to remove the 80-125% bright line for hedge effectiveness
  - The Board's proposal to allow risk components for non-financial items
- Main negatives include:
  - Disappointment that the exposure draft does not address macro hedging
  - The exposure draft does not enable entities to fully reflect their risk management strategy for some economic hedges

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Overview of hedge accounting redeliberations

- Redeliberations started in March 2011
- Redeliberations almost complete
- Final issues expected to be discussed in September

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Changes resulting from redeliberations

5

- **Equity investments measured at fair value through OCI**
  - Agreed to allow hedge accounting
- **Fair value hedge accounting mechanics**
  - Retain mechanics in IAS 39
  - Require single note about cash flow and fair value hedges
  - Note disclosure of fair value hedge adjustment
- **Hedging of layers with prepayment options**
  - Can hedge a layer component within the hedged item for the amounts that are not pre-payable
  - Can hedge pre-payable layer *if* prepayment effect included in measurement of hedged item

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Confirmed in redeliberations

6

- **All cash instruments measured at FVTPL eligible hedging instruments**
  - did not extend to other cash instruments
  - clarified that liabilities measured at fair value under the FVO with the own credit effect in OCI are NOT eligible hedging instruments
- **Hedging sub-LIBOR cash flows**
  - Cannot hedge a LIBOR component of a sub-LIBOR cash flow
  - Will clarify that *total* cash flows can be hedged for changes in LIBOR

IFRS

Confirmed in redeliberations

- **Hedge effectiveness assessment**
  - Clarification of proposals in ED
  - Use notion of an economic relationship between hedged item and hedging instrument which gives rise to offset
  - Consider effect of credit risk
  - Hedge ratio used for hedge accounting based on 'economic hedge' *unless* used to achieve an outcome inconsistent with the purpose of hedge accounting
- **Rebalancing**
  - Aligned with decision on hedge ratio (see above)

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Confirmed in redeliberations (cont'd)

- **Accounting for time value of options**
  - Confirmed ED
  - Combination of a written and a purchased option can be jointly designated as the hedging instrument (whether one or two different contracts)—the combination must not be a net written option
- **(No) Voluntary discontinuation**
  - Confirmed ED
  - Additional guidance on the risk management objective versus risk management strategy

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Changed in redeliberations

- **Cash flow hedges of net positions**
  - Only for hedges of *foreign currency* risk
  - No longer restricted to cash flows that affect P&L in same reporting period
  - All items within the net position must be specified so the pattern of how they affect P&L is set out in initial hedge designation
  - Income statement presentation: separate line item
- **'Own-use' scope exception**
  - Fair value accounting available for contracts that meet 'own use' scope exception
  - **IF** it eliminates or significantly reduces an accounting mismatch

IFRS

Changed in redeliberations (cont'd)

- **Accounting for forward points**
  - Forward points at inception of the hedging relationship may be recognised in P&L over time on a rational basis
  - Fair value changes recognised in OCI
- **Disclosures**
  - Disclosures related to the amount, timing and uncertainty of future cash flows refocussed on terms and conditions of the hedging instrument
  - Otherwise proposals in ED confirmed

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Confirmed in redeliberations (cont'd)

- **Aggregated exposures**
  - Confirmed ED
  - Illustrative examples to be provided
  - Explicitly clarify that 'synthetic accounting' is not allowed
- **Hedging risk components**
  - Confirmed ED
  - Emphasise importance of the market structure
  - Provide guidance on *how to apply* the criteria (ie 'separately identifiable' and 'reliably measurable')
  - Remove prohibition on inflation risk but include a rebuttable presumption and add a 'caution'

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Remaining topics to be discussed

- **Hedges of credit risk using credit derivatives**
  - Board wants to address the issue specifically
  - Further explore an approach reflecting the insurance-like nature of credit derivatives used to manage credit exposures
- **Disclosures**
  - What disclosures would provide useful information when entities apply a 'dynamic' hedging process?
- **Transition and effective date**

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Hedge Accounting – timetable

- Target balloting of final general hedge accounting standard Q3/Q4 2011
- Macro hedge accounting deliberations ongoing – to be discussed again in September
- Objective of publishing a macro hedge accounting ED Q4 2011/Q1 2012

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Questions or comments?

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World Standard-setters Meeting

Thursday 15 and Friday 16 September 2011
The Grosvenor House Hotel (London)

NOTES

World Standard-setters Meeting

Thursday 15 and Friday 16 September 2011
The Grosvenor House Hotel (London)

Conceptual Framework

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World Standard Setters Meeting	Agenda reference	Agenda Paper 8
Staff Paper	Date	**16 September 2011**

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Project	**Conceptual Framework**
Topic	**Cover note**

Purpose

1. The Conceptual Framework project is intended to strengthen the consistency of IFRSs, which is one of the Board's strategic objectives.

2. The purpose of this paper is to stimulate discussion about the next stages of the Conceptual Framework project. We particularly hope to stimulate debate about how financial statement elements are, or should be, defined and how the existing section on measurement might be strengthened. We would like to see the debate conducted by applying the concepts in the existing *Conceptual Framework* to determine whether an item is an asset and how one would measure it we hope to stimulate debate about how financial statement elements are or should be defined and the existing section on measurement might be strengthened.

3. Appendix A contains some background to assist you in responding to the questions.

During the session

4. Participants are asked to discuss the following questions in light of the examples given. These examples are based on some of the issues that the Board is considering in current projects.

5. In considering your response, please ignore the existing requirements in IFRSs except for the *Conceptual Framework*.

6. In addition to the guidance in the *Conceptual Framework* (see Appendix A), we have included after each example some additional things for you to consider when responding to the questions below.

Question 1
Are there one or more assets in the examples listed below? What are they?

Question 2
For each asset you identified, how should it be measured? Why?

Question 3
Did the *Conceptual Framework* (see Appendix A) help you to: (a) decide whether there was an asset in the examples; and (b) choose which measurement basis to apply? If the guidance in the existing *Conceptual Framework* did not help you, how should it be changed? Are there other concepts that you think the *Conceptual Framework* should include?

Examples

> Example 1
>
> Entity X produces solar energy panels. Entity X has been given emission credits by the national government that are worth CU5,000 so that solar energy panels can be sold at a discounted price to the public. Emission credits have an active market and many entities buy and sell those credits in the market.
>
> The emission credits are allocated to Entity X at the start of every third year. The only conditions to receiving those credits are that Entity X is continuing to operate and is continuing to sell solar energy panels at subsidised prices.

7. In answering question 1 for Entity X, one could consider the following issue:

    (a) Is the condition that requires Entity X to continue to operate a condition that prevents you from recognising the subsidy as an asset?

8. If you think that the credits are assets, consider the following when answering question 2:

    (a) Why do you think that your measurement basis would best satisfy the qualitative characteristics of useful financial information?

    (b) How would you apply the cost constraint on useful financial reporting? Would your answer be different if an active market for the emission credits has not yet developed in your country?

> Example 2
>
> Entity A has entered into a lease contract with Lessor B. Entity A will pay Lessor B a fixed payment of CU500 per month for the use of a machine for five years. The machine has an expected useful life of 10 years. The machine is used by Entity A to produce pencils. Lessor B bought the machine from a third party and it is in the leasing business to lease out new machines. Lessor B is also a dealer.
>
> The contract is non-cancellable. Entity A has an option to extend its right to use the machine for another three years for CU400 per month. Entity A and Lessor B view this lease payment to be less than market value. Lessor B has given this discount because Entity A has been a good, longstanding customer of Lessor B.

9. In answering question 1 from the standpoint of Entity A (the lessee) and/or Lessor B (the lessor), consider the following issues:
   - (a) Can a physical asset be 'bifurcated' or 'separated' into different assets?
   - (b) Is the option to extend the lease an asset in its own right? Is your response on whether the option is an asset different depending on whether you are answering from the perspective of Entity A (the lessee) or of Lessor B (the lessor)?
   - (c) Would you combine the machine and the option to extend the lease as a single asset? Why?
10. In answering question 2, consider the following:
   - (a) Why do you think that your measurement basis would best satisfy the qualitative characteristics of useful financial information?
   - (b) How would you apply the cost constraint on useful financial reporting?

Appendix A *Background*

Objective of financial reporting

A1. The objective of general purpose financial reporting is to provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity. Those decisions involve buying, selling or holding equity and debt instruments, and providing or settling loans and other forms of credit (paragraph OB2 of the *Conceptual Framework*).

A2. Other aspects of the *Conceptual Framework* (a reporting entity concept, the qualitative characteristics of, and the constraint on, useful financial information, elements of financial statements, recognition, measurement, presentation and disclosure) flow logically from the objective.

A3. The primary users of financial reporting are the existing and potential investors, lenders and other creditors. The boards decided to focus on this group of external users because many of them are unable to require reporting entities to provide information directly to them and must rely on general purpose financial reports for much of the financial information that they need. Other types of users, eg regulators or management, have the ability to access additional financial information.

Financial information about the reporting entity's activities

A4. Information about a reporting entity's financial position (the entity's resources and claims against the entity) and financial performance during a period (changes in its economic resources and claims other than by obtaining additional resources directly from investors and creditors) is useful in assessing the entity's past and future ability to generate net cash inflows. That information indicates the extent to which the reporting entity has increased its available economic resources, and thus indicates its capacity for generating net cash inflows through its operations rather than by obtaining additional resources directly from investors and creditors (paragraphs OB12 and OB18 of the *Conceptual Framework*).

A5. Elements directly related to the measurement of financial position are assets, liabilities and equity (paragraph 4.4 of the *Conceptual Framework*).

(a) An asset is a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity.

(b) A liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.

(c) Equity is the residual interest in the assets of the entity after deducting all of its liabilities.

What is an asset?
(Paragraphs 4.8–4.14 of the *Conceptual Framework*)

A6. The future economic benefit embodied in an asset is the potential to contribute, directly or indirectly, to the flow of cash and cash equivalents to the entity. The potential may be a productive one that is part of the operating activities of the entity. It may also take the form of convertibility into cash or cash equivalents or a capability to reduce cash outflows, such as when an alternative manufacturing process lowers the costs of production.

A7. An entity usually employs its assets to produce goods or services that are capable of satisfying the wants or needs of customers; because these goods or services can satisfy these wants or needs, customers are prepared to pay for them and hence contribute to the cash flow of the entity. Cash itself renders a service to the entity because of its command over other resources.

A8. The future economic benefits embodied in an asset may flow to the entity in a number of ways. For example, an asset may be:

(a) used singly or in combination with other assets in the production of goods or services to be sold by the entity;

(b) exchanged for other assets;

(c) used to settle a liability; or

(d) distributed to the owners of the entity.

A9. Many assets, for example, property, plant and equipment, have a physical form. However, physical form is not essential to the existence of an asset; hence patents and copyrights, for example, are assets if future economic benefits are expected to flow from them to the entity and if they are controlled by the entity.

A10. Many assets, for example, receivables and property, are associated with legal rights, including the right of ownership. In determining the existence of an asset, the right of ownership is not essential; thus, for example, property held on a lease is an asset if the entity controls the benefits which are expected to flow from the property. Although the capacity of an entity to control benefits is usually the result of legal rights, an item may nonetheless satisfy the definition of an asset even when there is no legal control. For example, know-how obtained from a development activity may meet the definition of an asset when, by keeping that know-how secret, an entity controls the benefits that are expected to flow from it.

A11. The assets of an entity result from past transactions or other past events. Entities normally obtain assets by purchasing or producing them, but other transactions or events may generate assets; examples include property received by an entity from government as part of a programme to encourage economic growth in an area and the discovery of mineral deposits. Transactions or events expected to occur in the future do not in themselves give rise to assets; hence, for example, an intention to purchase inventory does not, of itself, meet the definition of an asset.

A12. There is a close association between incurring expenditure and generating assets but the two do not necessarily coincide. Hence, when an entity incurs expenditure, this may provide evidence that future economic benefits were sought but is not conclusive proof that an item satisfying the definition of an asset has been obtained. Similarly the absence of a related expenditure does not preclude an item from satisfying the definition of an asset and thus becoming a candidate for recognition in the balance sheet; for example, items that have been donated to the entity may satisfy the definition of an asset.

Qualitative Characteristics of useful financial information (Chapter 3 of the *Conceptual Framework*)

A13. The qualitative characteristics of useful information identify the types of information that are likely to be most useful to users for making decisions.

A14. If financial information is to be useful, it must be relevant and faithfully represent what it purports to represent. The usefulness of financial information is enhanced if it is comparable, verifiable, timely and understandable.

A15. Relevant financial information is capable of making a difference in the decisions made by users. Financial information is capable of making a difference in decisions if it has predictive value, confirmatory value or both. Materiality is an entity-specific aspect of relevance.

A16. Financial reports represent economic phenomena in words and numbers. Financial information is faithfully represented if it represents the economic phenomena in words and numbers that it purports to represent. To be a perfectly faithful representation, a depiction would have three characteristics. It would be complete, neutral and free from error. Of course, perfection is seldom, if ever, achievable. The Board’s objective is to maximise those qualities to the extent possible.

A17. A faithful representation, by itself, does not necessarily result in useful information. For example, an estimate of the amount of an asset’s carrying amount should be adjusted to reflect an impairment in the asset’s value. However, if the level of uncertainty in the estimate is sufficiently large, that estimate is not particularly useful. In other words, the relevance of the asset being faithfully represented is questionable. If there is no alternative representation that is more faithful, that estimate may provide the best available information.

Measurement of the elements of financial statements (Paragraph 4.54–4.56 of the *Conceptual Framework*)

A18. Measurement is the process of determining the monetary amounts at which the elements of financial statements are to be recognised and carried in the statement of financial position and statement of comprehensive income.

A19. Descriptions of some measurement bases described in the *Conceptual Framework* are below:

(a) *Historical cost*. Assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of the proceeds received in exchange for the obligation, or in some circumstances (for example, income taxes), at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

(b) *Current cost*. Assets are carried at the amount of cash or cash equivalents that would have to be paid if the same or an equivalent asset was acquired currently. Liabilities are carried at the undiscounted amount of cash or cash equivalents that would be required to settle the obligation currently.

(c) *Realisable (settlement) value*. Assets are carried at the amount of cash or cash equivalents that could currently be obtained by selling the asset in an orderly disposal. Liabilities are carried at their settlement values; that is, the undiscounted amounts of cash or cash equivalents expected to be paid to satisfy the liabilities in the normal course of business.

(d) *Present Value.* Assets are carried at the present discounted value of the future net cash inflows that the item is expected to generate in the normal course of business. Liabilities are carried at the present discounted value of the future net cash outflows that are expected to be required to settle the liabilities in the normal course of business.

International Financial Reporting Standards

Conceptual Framework

World standard-setters

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Purpose

2

- *S*ets out agreed concepts that underlie financial reporting
  - Objective, qualitative characteristics, element definitions, …
- The IASB uses the *Conceptual Framework* to set standards:
  - enhances consistency across standards
  - enhances consistency across time as Board members change
  - provides a benchmark for judgments
- Preparers use *Framework* to develop accounting policies in the absence of specific standard (IAS 8 hierarchy)

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Importance of a Conceptual Framework

3

- Individual concepts held by each member
  - Agreement would require intersection of personal frameworks
  - Compounded by changes in board membership
  - Greater risk of
    - Transitory concepts & resulting standards
    - Different conclusions on identical issues
    - Ad hoc decisions leading to inconsistent standards

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Current FASB and IASB Frameworks

4

- Basic structure of both frameworks
  - Objective of financial reporting
  - Qualitative characteristics
  - Elements of financial statements
  - Recognition
  - Measurement

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Converged Frameworks

5

- Similar conclusions on accounting issues
- Converged and improved global accounting standards

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Joint Conceptual Framework Project

6

- Added to agenda in October 2004
- Objective:
  - To develop an improved and common conceptual framework that will provide a sound foundation for the development of accounting standards

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Project Plan

7

- Eight phases:
  - Objective of financial reporting and qualitative characteristics of financial reporting information
  - Elements of financial statements and recognition
  - Measurement
  - Reporting entity
  - Presentation and disclosure, including reporting boundaries
  - Purpose and status in GAAP hierarchy
  - Applicability to the not-for-profit sector and governmental business entities (GBEs)
  - Entire framework, remaining issues if any

Project Plan

8

- The project focus is on:
  - Omissions in the original frameworks
  - Clarify
  - Concepts applicable to private sector business entities
- Not intended to be a fundamental rethink of the existing frameworks

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Phase 1: Objective and Qualitative Characteristics

9

- Completed September 2010
- *Framework for the Preparation and Presentation of Financial Statements* (1989) **is now**
- *Conceptual Framework for Financial Reporting 2010*
- As each phase is completed removing old text and replacing with new text

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Financial statements vs. Financial Reporting

10

- Name change first thing of importance
- Encompass information beyond traditional financial statements
  - Reflects the terms of reference of the IASB
- Definition of financial reporting and its boundaries dealt with in latter phase

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Objective of Financial Reporting

11

'Provide financial information about the reporting entity that is useful to existing and potential investors, lenders, and other creditors in making decisions about providing resources to the entity.'

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Objective of Financial Reporting

12

- Primary users
  - Provide resources, but cannot demand information
  - Common information needs

Assess the prospects for future net cash inflows

- Buy, sell, hold
- Efficient and effective use of resources

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Qualitative Characteristics

13

- Fundamental
  - Relevance – capable of making a difference in users decisions
    - Predictive Value
    - Confirmatory Value
    - Materiality (entity-specific)
  - Faithful representation (replaces reliability) – faithfully represents phenomena it purports to represent
    - Completeness
    - Neutrality
    - Free from error

Qualitative Characteristics

14

- Enhancing Qualitative Characteristics
  - Comparability
  - Verifiability
  - Timeliness
  - Understandability
- Pervasive Constraint
  - Cost

Reporting Entity

15

- No reporting entity concept to guide
  - Yet we report about it
- Objective of reporting entity phase:
  - To determine what constitutes a reporting entity for the purposes of financial reporting
- Published Discussion Paper in mid-2008
- Published Exposure Draft 11 Mar 2010
  - Comment period ended16 July 2010

Defining the reporting entity

16

- Circumscribed area of economic activity
  - Activities are being, have been, or will be conducted
  - Activities can be objectively distinguished
  - Provides information for users to make decisions
- Not necessarily a legal entity
  - Branch or segment of a legal entity could be a reporting entity
- Consolidated financial statements are general purpose
  - May also be a group of entities under common control
  - Parent-only financial statements useful with consolidated financial statements

Next steps

17

- Reporting Entity phase
  - ED: 11 March 2010
  - Comments by 16 July 2010
  - Discussions to resume 2011-2012

Other phases – all on hold

18

- Elements
  - Started on defining an asset and a liability
  - Other elements not considered yet
  - Recognition (do we need it?), derecognition
- Measurement
  - Identify the different measurement bases
  - Applying the QCs on when to apply them
- Presentation and disclosure

Questions or comments?

19

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World Standard-setters Meeting

Thursday 15 and Friday 16 September 2011
The Grosvenor House Hotel (London)

Consolidation: investment companies

Jan Engstrom
Member
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Patrina Buchanan
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September 2011

International Financial Reporting Standards

Introducing Investment Entities Exposure Draft

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IFRS

Agenda

- Background
- Proposals:
  - Investment entities
  - Accounting – controlled entities
  - Accounting – other investments
  - Parents and consolidation
  - Disclosures
- Interaction between IFRS 10/11, IAS 28 and ED Investment Entities
- Timeline and structure

IFRS

Background: The issue

- General IFRS requirements:
  - No exemptions from consolidation for controlled entities (subsidiaries)
- Issue:
  - Would users of financial statements of investment entities be better served if all of the investments, including subsidiaries, held by investment entities were measured at fair value through profit or loss?
- Other national accounting standards provide similar fair value requirements

IFRS

Proposals: Investment entities

- Proposals limited to "investment entities"
- *Investment entity* must meet all six criteria:
  - Nature of investment activity
  - Business purpose
  - Unit ownership
  - Pooling of funds
  - Fair value management
  - Disclosures to investors
  - Need not be a legal entity

IFRS

Proposals: Accounting for controlled entities

- Investment entities shall account for all controlled entities at fair value through profit or loss
- Exception for service subsidiaries—these are consolidated (services must be for the investment entity's own investment activities)

IFRS

Proposals: Accounting for other investments

- Investment entities shall account for all associates and joint ventures at fair value through profit or loss
- Change to current exemption from equity accounting:
  - No longer a choice
  - Applies only if entity qualifies as investment entity
- Investment properties – apply IAS 40 fair value model

IFRS

Proposals: Parents and consolidation

Parents of investment entities

- If parent not an investment entity, consolidation required (fair value accounting is not “rolled up”)
- If parent is also an investment entity, measure investment in investment entity subsidiary at fair value (i.e. not a “roll up” of subsidiary’s accounting)

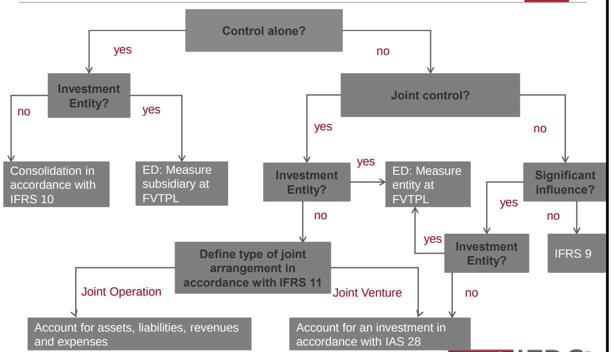
IFRS

Proposals: Disclosures

- Principle:
  - Provide information needed to evaluate nature and financial effects of investment activities
- Specific disclosures include:
  - Information about investees
  - Investment entity parents to disclosures information about investees of investment entity subsidiaries
  - Information about support given to controlled investees

IFRS

Interaction between IFRS 10,11, IAS 28 and ED: Investment Entity



IFRS

Timeline and structure

- Comment period ends at 5 January 2012
- Target Date to finalise H2 2012
- ED structured as a standalone IFRS only to help solicit comments
- 1 January 2013 effective date
  - Aligned with IFRSs 10-12
  - Earlier application permitted *only* if applied as a package with IFRSs 10-12

IFRS

Questions or comments?

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IFRS

World Standard-setters Meeting

Thursday 15 and Friday 16 September 2011
The Grosvenor House Hotel (London)

Emissions trading schemes

Darrel Scott
Member
IASB

Allison McManus
Technical Manager
IASB

September 2011

International Financial Reporting Standards

Emissions Trading Schemes

Darrel Scott, IASB Member and Allison McManus, Technical Manager, IASB

The views expressed in this presentation are those of the presenter, not necessarily those of the IASB or IFRS Foundation

IFRS

Agenda

1. **Project background**
2. What are the main accounting issues?
3. Presentation and disclosure
4. Where are we in the project? Next steps?

Growth of emissions trading schemes

- Climate change is a critical issue
- Jurisdictions seeking to reduce emissions
- Emissions trading schemes are a low cost solution
- More jurisdictions implementing some form of scheme

How do participants account for the rights and obligations created by the scheme?

Current accounting practices

European Emissions Trading Scheme (EU ETS)

World Capital Initiative (WCI)

New Zealand Emissions Trading Scheme

Tokyo Emissions Trading Scheme

Republic of Korea cap-and-trade scheme

Regional Greenhouse Gas Initiative (RGGI)

AB 32 Cap-and-Trade (California)

US Acid Rain Program

Greenhouse Gas Reduction Scheme (GGAS)

Many existing and proposed schemes

No current international guidance

Divergent accounting practices

Adding ETS to the current agenda

Need to eliminate divergent accounting practices

Requests from other national standard setters to add project to agenda

Add ETS project to the current agenda

2007
FASB and IASB decide to make ETS a joint project

Boards tentatively decided that scope of project will include *rights and obligations* arising under ETS

Scope of the project

2 main types of schemes

Cap & trade

Baseline and credit

Rights and obligations under an emissions trading scheme

Related issues
(may be partly in the scope of other standards)

- Forestry
- Project-based activities

Main types of schemes - Cap & trade v Baseline & credit

	Cap & trade	Baseline & credit
Overall cap (emissions target)	Units of emissions (eg tonnes of CO_2) that may be released within commitment period	
Implementation of overall cap	Allocation or auction of allowances to individual emitters up to overall cap	Baselines are assigned to individual emitters up to the overall cap Credits issued only if emissions are below baseline at end of the year
Trading mechanism	Allowances are tradable	Credits are tradable, baseline is not
Remittance obligation	Allowances covering *total* emissions	Credits covering emissions in *excess* of baseline

Related issues

Forestry

Allowances received for sequestering carbon.

Only required to return allowances when carbon released.

Project-based activities

Project developer receives credits (eg CERs) for reducing emissions below a specified benchmark.

Agenda

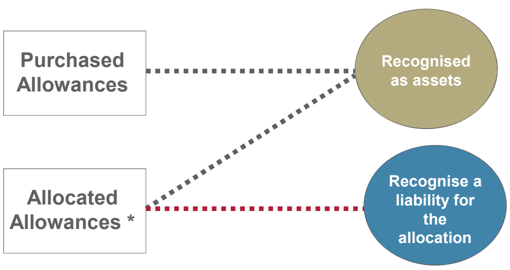
1. Project background
2. **What are the main accounting issues?**
3. Presentation and disclosure
4. Where are we in the project? Next steps?

What are the main accounting issues?

- What *elements* should an entity recognise in its financial statements for emissions trading schemes?
  - Allowances and baselines – are they assets?
  - What are the obligations/liabilities in each scheme? (most contentious issue)
- How do you *measure* the assets and liabilities?

Initial focus: cap and trade schemes

Cap and trade scheme - recognition



*received from the scheme administrator for no monetary consideration

Cap and trade - measuring the assets

Alternative 1: Measure the assets initially and subsequently at fair value

Alternative 2: Measure the assets based upon their *'intended use'*

a) *held for use:* measure assets initially at fair value, no remeasurement

b) *trading:* measure assets initially and subsequently at fair value

Cap and trade - measuring the assets

13

Same measurement principles for purchased and allocated allowances

Tentative decision of the boards:
Alternative 1
'assets measured initially and subsequently at fair value'
why: allowances like a currency

Considered:
Alternative 2
'intended use model'
why: complex to apply, would reduce comparability between entities, and difficult to define categories

Cap and trade – assets and liabilities

14

Tentative decision:
Assets measured initially and subsequently at fair value

How does the measurement of the assets relate to the measurement of the liabilities?

Cap and trade - measuring the liabilities

15

The liability for the allocation results from the allocation of allowances

Is the liability for the allocation measured at the number of allowances that were allocated (ie a maximum)? (Q)

Should the measurement of the liability be consistent with the allowances? (P)

How do an entity's emissions (*or expected emissions?)* interact with the liability for the allocation?

Measuring the liability for the allocation

16

Price X Quantity

Measure price consistently with the allowances*

Maximum quantity: number of allowances allocated (ie a 'cap')

* Initially and subsequently at fair value. When liabilities are not covered by allowances, they are also measured initially and subsequently at fair value.

What if the entity doesn't expect to return the maximum? How will the quantity to be returned be measured?

Measuring the Quantity to be returned

17

Alternative 1:	measure the quantity by estimating the expected outcome (ie the *expected return* approach)
Alternative 2:	measure the quantity of allowances to be returned as the number of allocated allowances received, derecognise the liability only when the entity reduces emissions (ie the *derecognition* approach)

Evaluating the alternatives

18

Expected return approach

- Relevant; considers a reasonable number of outcomes and their probability
- Some believe calculation is complex

Derecognition approach

- Closest to derecognition criteria in other standards
- Conservative, some believe too conservative

Measure liabilities – interaction with emissions

The liability for the allocation results from the allocation of allowances

Is the liability for the allocation measured at the number of allowances that were allocated (ie a maximum)? **(Q)**

Should the measurement of the liability be consistent with the allowances? **(P)**

How do an entity's emissions (*or expected emissions?*) interact with the liability for the allocation?

Interaction with emissions

When does an entity recognise a liability for emissions in excess of the quantity of allowances allocated?

View 1:
A liability for excess emissions is recognised when actual emissions exceed the quantity of allowances allocated

View 2:
A liability for (expected) excess emissions is recognised as entity emits throughout the period

Rationale for View 1 and View 2

View 1 – when allocation exceeded	View 2 – throughout the period
No additional present obligation until emissions exceed allocation	Emitting changes measurement of liability (ie changes the total expected number of allowances to be returned/submitted)

Agenda

1. Project background
2. What are the main accounting issues?
3. **Presentation and disclosure**
4. Where are we in the project? Next steps?

Presentation – gross v. net v. linked

- The boards considered 3 alternatives for presenting the asset and liabilities in an emissions trading scheme:
  - Gross
  - Net
  - Linked (ie assets and liabilities are presented gross, amounts are presented together and total to a net emission asset or liability of the face of the statement of financial position)
- **Tentative decision**: linked presentation

Disclosure (and other presentation)

- Not yet discussed by the boards
- Some disclosures may depend on model

Question:
What information about the scheme do users need?

Possible disclosures

- Risks and opportunities arising from the scheme
- Allowances that an entity has a right to receive in the future as an allocation
- Quantity of allowances on hand (including the number received as an allocation)
- Method and assumptions used in estimating the quantity of allowances to be returned/submitted
- Fair value of allowances (if not initially and subsequently measured at fair value)
- Other disclosures?

Agenda

1. Project background
2. What are the main accounting issues?
3. Presentation and disclosure
4. **Where are we in the project? Next steps?**

Where are we in the project?

- Project is in the early stages; boards have not yet issued a document for comment
- 2010: few (but important!) tentative decisions of the boards
- Many issues yet to be discussed by the boards
  - baseline and credit schemes
  - right to future allocations
  - project-based activities
  - forestry
- Project will be considered as part of agenda consultation process….

Agenda consultation - the objective

- What should be our broad strategic direction ?
- How should we allocate our time and resources and balance the development of financial reporting with the maintenance of the IFRSs?
  - What should we do with the projects that have been paused?
  - Which areas are of key importance for financial reporting?

In the meantime…

- Obtaining feedback on the tentative decisions of the boards (through outreach)
- Monitoring development of schemes

Where to get more information

Find out more at:
http://www.ifrs.org/Current+Projects/IASB+Projects/Emission+Trading+Schemes/Emissions+Trading+Schemes.htm

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World Standard-setters Meeting

Thursday 15 and Friday 16 September 2011
The Grosvenor House Hotel (London)

Disclosure

Stephen Cooper
Member
IASB

Holger Obst
Technical Manager
IASB

Patricia McBride
Technical Director
NZ Accounting Standards Board

Susan Cosper
FASB

Françoise Flores
Chair
EFRAG

World Standard-setters Meeting

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NOTES

World Standard-setters Meeting

Thursday 15 and Friday 16 September 2011
The Grosvenor House Hotel (London)

IFRS 10 *Consolidations*, IFRS 12 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*

Alan Teixeira
Senior Director of Technical Activities
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Project	**IFRS 10 *Consolidated Financial Statements* – IFRS 11 *Joint Arrangements* – IFRS 12 *Disclosure of Interests in Other Entities***
Topic	**Cover note**

Background

1. In this session, the staff will provide an overview of IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*. More information about the IFRSs and the projects leading to their publication can be found on our website at http://www.ifrs.org/Current+Projects/IASB+Projects/Consolidation/Consolidation.htmand and http://www.ifrs.org/Current+Projects/IASB+Projects/Joint+Ventures/Joint+Ventures.htm

2. At the session, the staff will take the WSS through the attached presentations.

October 2011

International Financial Reporting Standards

Introducing
IFRS 10 *Consolidated Financial Statements* and related disclosures in IFRS 12 *Disclosures*

The views expressed in this presentation are those of the presenter, not necessarily those of the IFRS Foundation or the IASB

IFRS

Important improvements

- IFRS 10,11 and 12 were published on 12 May 2011
- They create a consistent, principle based package for the involvement of companies with other entities
- Enhance convergence with US GAAP in key areas
- Conclude an important component of our response to the financial crisis

IFRS

Interaction between IFRS 10,11,12, and IAS 28

Control alone?
yes
no
Consolidation in accordance with IFRS 10
Disclosures in accordance with IFRS 12
Joint control?
yes
no
Define type of joint arrangement in accordance with IFRS 11
Significant influence?
Joint Operation
Joint Venture
yes
no
Account for assets, liabilities, revenues and expenses
Disclosures in accordance with IFRS 12
Account for an investment in accordance with IAS 28
Disclosures in accordance with IFRS 12
IFRS 9

IFRS

Consolidated Financial Statements and related Disclosures

25 May 2011

IFRS

Why we undertook the project

Issues – IAS 27 / SIC12	Solution – IFRS 10, 12
Inconsistencies in practice • Tension between IAS 27 (control) and SIC 12 (risk and rewards) • Inconsistent application	• A single control model for all entities • Clear principles of control • Additional application guidance
Disclosures and financial crisis • Sufficient guidance for structured entities? • Reputational risk as a basis for consolidation? • Inadequate disclosures?	• SIC 12 performed well. Use of existing principles to create a sound foundation for SPEs • Enhanced disclosures particularly for unconsolidated structured entities

IFRS

The control model – overview

Definition of control:
An investor controls an investee when the investor is exposed, or has rights, to **variable returns** from its involvement with the investee and has the **ability to affect those returns** through its **power** over the investee.

✓ Single consolidation model for all entities, including structured entities

✓ Consolidation based on control – 'power so as to benefit' model
- Controller must have some exposure to risks and rewards.
- Exposure is an indicator of control but is not control of itself
- Power arises from rights—voting rights (either majority or less than a majority), potential voting rights, other contractual arrangements, or a combination thereof.

IFRS

The control model – overview (cont')

Assessing control of an investee:

- Consider the purpose and design
- Identify the activities of the investee that significantly affect the returns of the investee (ie the relevant activities)
- Identify how decisions about relevant activities are made
- Determine whether the rights of the investor give it the ability to direct the relevant activities
- Determine whether the investor is exposed, or has rights, to the variability associated with the returns of the investee
- Determine whether the investor has the ability to use its power over the investee to affect its own returns

Main decisions

1. "De facto" control

- Entity can control with less than 50% of voting rights.
- Factors to consider include:
  - Size of the holding relative to the size and dispersion of other vote holders
  - Potential voting rights
  - Other contractual rights
- If the above not conclusive consider additional facts and circumstances that provide evidence of power (eg voting patterns at previous board meeting, etc)

2. Structured entities

- General principles apply for assessing control for all types of entities.

Main decisions

3. Pot ential Voting Rights

- Substantive potential voting rights (PVR) can give the holder power
- Consider the terms and conditions, including:
  - Whether there are any barriers that prevent the holder from exercising
  - Whether exercise of the rights would be beneficial to the holder
  - Whether the rights are exercisable when decisions need to be made

4. Agency relationships

- Consider all of the following factors:
  - scope of the decision-making authority
  - rights held by other parties (ie kick-out rights)
  - remuneration of the decision-maker
  - other interests that the decision maker holds in the investee

Main decisions

5. Disclosures

- Enables investors to assess the nature of, and changes in, the risks associated with its interests in (un)consolidated structured entities

6. Effective Date

- Aligned effective date for IFRS 10, IFRS 11 and IFRS 12
  - Annual periods beginning on or after 1 January 2013
  - Earlier application permitted if applied as a package

Questions or comments?

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16 September 2011

International Financial Reporting Standards

World standard-setters conference

Joint Arrangements and related Disclosures

The views expressed in this presentation are those of the presenter, not necessarily those of the IFRS Foundation or the IASB

IFRS

IAS 31: What needed to be improved

2

Structure of the joint arrangement

Not structured through an entity

Structured through an entity

Jointly controlled operations

Jointly controlled assets

Jointly controlled entities

Accounting for assets, liabilities, revenues and expenses in accordance with the contractual arrangements

option

Proportionate consolidation

Equity method

*The structure of the arrangement is the **only** driver for the accounting*

*When arrangements are structured in entities, preparers have an **accounting option***

IFRS

IAS 31: What needed to be improved (continued)

3

This results in:

- arrangements that entitle the parties to similar rights and obligations are accounted for differently and, conversely,
- arrangements that entitle the parties to different rights and obligations are accounted for similarly.

IFRS

The principle in IFRS 11

4

IFRS 11 establishes a **principle-based approach** for the accounting for joint arrangements:

Parties to a joint arrangement recognise their **rights and obligations** arising from the arrangement

IFRS

IFRS 11: The assessments required

5

1st assessment

JOINT CONTROL

Do all the parties, or a group of the parties, have **joint control** of the arrangement?

No → Outside the scope of IFRS 11

Yes

2nd assessment

Classification of the JOINT ARRANGEMENT

Analysis of the **parties' rights and obligations** arising from the arrangement

Joint Operation

Joint Venture

IFRS

IFRS 11: Assessing joint control

6

Does the contractual arrangement give all the parties, or a group of the parties, control of the arrangement collectively?

No → Outside the scope of IFRS 11

Yes

Do decisions about the relevant activities require the unanimous consent of all the parties, or of a group of the parties, that collectively control the arrangement?

No → Outside the scope of IFRS 11

Yes

The arrangement is jointly controlled the arrangement is a joint arrangement.

IFRS

IFRS 11: Assessing the classification of the arrangements

7

Not structured through a separate vehicle *

Structured through a separate vehicle *

Assess the parties' **rights and obligations** arising from the arrangement by considering:

(a) the *legal form* of the separate vehicle
(b) the *terms of the contractual arrangement*, and, if relevant,
(c) *other facts and circumstances*

Parties have rights to the assets and obligations for the liabilities

Parties have rights to the net assets

Joint operation

Joint venture

Accounting for **assets, liabilities, revenues and expenses** in accordance with the contractual arrangements

Accounting for an **investment** using the **equity method**

Assessment of the parties' rights and obligations

Accounting reflects the parties' rights and obligations

(*): A *separate vehicle* is a separately identifiable financial structure, including separate legal entities or entities recognised by statute, regardless of whether those entities have a legal personality.

IFRS 11: Assessing the classification (arrangements structured through a separate vehicle)

8

Legal form of the separate vehicle	Does the legal form of the separate vehicle give the parties rights to the assets, and obligations for the liabilities, relating to the arrangement?	Yes →	Joint Operation
	No ↓		
Terms of the contractual arrangement	Do the terms of the contractual arrangement specify that the parties have rights to the assets, and obligations for the liabilities, relating to the arrangement?	Yes →	Joint Operation
	No ↓		
Other facts and circumstances	Have the parties designed the arrangement so that a) its activities primarily aim to provide the parties with an output (ie the parties have rights to substantially all the economic benefits of the assets held in the separate vehicle) and (b) it depends on the parties on a continuous basis for settling the liabilities relating to the activity conducted through the arrangement?	Yes →	Joint Operation
	No ↓		
	Joint Venture		

IFRS 11: Improvements

9

- Enhanced *verifiability* and *understandability*
  - the accounting reflects more faithfully the economic phenomena that it purports to represent
- Improved *consistency*
  - it provides the same accounting outcome for each type of joint arrangement; and
- More *comparability* among financial statements
  - it will enable users to identify and understand similarities in, and differences between, different arrangements

IFRS 12: Disclosures for joint arrangements

10

Description of the nature, extent and the financial effects of an entity's interests in joint arrangements

Joint operations

Joint ventures

Summarised financial information for each individually material joint venture and in total for all other joint ventures.

Questions or comments?

11

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IFRS	**World Standard Setters Meeting**	Agenda reference	**Agenda Paper 6a**
	Staff Paper	Date	**16 September 2011**

Contact(s)	**Hilary Eastman**	heastman@ifrs.org	+44 20 7246 6470
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Project	**IFRS 13 *Fair Value Measurement***
Topic	**Cover note**

Background

1. In this session, the staff will provide an overview of IFRS 13 *Fair Value Measurement*, including a comparison of IFRS 13 with Topic 820 *Fair Value Measurement* in US GAAP. More information about the IFRS and the project leading to its publication can be found on our website at http://www.ifrs.org/Current+Projects/IASB+Projects/Fair+Value+Measurement/Fair+Value+Measurement.htm.

2. At the session, the staff will take the WSS through the attached presentation.

International Financial Reporting Standards

IFRS 13
Fair Value Measurement

World Standard Setters Meeting
September 2011

The views expressed in this presentation are those of the presenter, not necessarily those of the IASB or IFRS Foundation.

IFRS

Agenda

IFRS

Scope of IFRS 13
"Where fair value is used in IFRSs"

- Does not introduce new fair values or change which assets and liabilities are measured at fair value in IFRSs
- Excluded from scope:
  - IFRS 2
  - IAS 17
- Disclosures not required for:
  - IAS 19, IAS 26
  - IAS 36 fair value less costs of disposal
- Not required for measurements similar to fair value:
  - IAS 2
  - IAS 37
  - IAS 36 (value in use)

IFRS

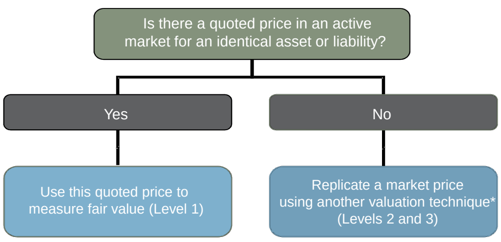
Clarifying the measurement objective

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

- Exit price
  - Use vs sale of asset
  - Fulfilment of liability
- Market-based
  - Not entity-specific
- Orderly transaction
  - Not forced sale or liquidation (even with exit price notion)
- Current price
  - Market conditions at the measurement date

IFRS

Clarifying the measurement objective



* A valuation technique must maximise the use of *relevant* observable inputs and minimise the use of unobservable inputs.

IFRS

The asset or liability:
"What" is being measured?

- Unit of account
  - IAS 41: A biological asset shall be measured on initial recognition and at the end of each reporting period at its fair value less costs to sell…
- Characteristics
  - Which characteristics would a market participant buyer take into account?
    - Age and remaining economic life
    - Condition
    - Location
    - Restrictions on use or sale

IFRS

Highest and best use: “What” is being measured?

7

- Fair value assumes a non-financial asset is used by market participants at its highest and best use
  - The use of a non-financial asset by market participants that maximises the value of the asset
    - Physically possible
    - Legally permissible
    - Financially feasible
- Highest and best use is usually (but not always) the current use
  - If for competitive reasons an entity does not intend to use the asset at its highest and best use, the fair value of the asset still reflects its highest and best use by market participants (defensive value)
- Does not apply to financial instruments or liabilities

IFRS 13 Fair Value Measurement

IFRS

Valuation premise: “What” is being measured?

8

- A non-financial asset either:
  - Provides maximum value through its use in combination with other assets and liabilities as a group
    - Is its value influenced by it being ‘operated’ with other assets?
    - An example: equipment used in production facility
  - Provides maximum value through its use on a stand-alone basis
    - Is its value independent of its use with other assets?
    - An example: a vehicle or an investment property
- Does not apply to financial instruments or liabilities

IFRS 13 Fair Value Measurement

IFRS

The exit transaction: “Where” would a transaction happen?

9

- In the principal market:
  - The market with the greatest volume and level of activity for the asset or liability
- Or (if no principal market) in the most advantageous market:
  - The market that maximises the amount that would be received to sell the asset and minimises the amount that would be paid to transfer the liability
- In most cases, these markets will be the same
  - Arbitrage opportunities will be competed away

IFRS 13 Fair Value Measurement

IFRS

Market participants: “Who” would transact for the item?

10

- Market participants are buyers and sellers in the principal (or most advantageous) market who are:
  - Independent of each other (ie not related parties)
  - Knowledgeable and sufficiently informed about the asset or liability and the transaction (eg due diligence efforts)
  - Able to enter into a transaction for the asset or liability
    - Has a use for the asset
    - Can fulfil the obligation
  - Willing to enter into a transaction for the asset or liability
    - Not forced or otherwise compelled
- Market participants act in their economic best interest

IFRS 13 Fair Value Measurement

IFRS

Liabilities and shareholders’ equity: Transfer notion

11

- Fair value assumes a transfer to a market participant who takes on the obligation
  - The liability or equity instrument is not extinguished in the transfer
- If there is a corresponding asset (eg a debt instrument), use that value as a starting point for measuring the liability
- Fair value reflects the effect of non-performance risk
  - The risk that the entity will not fulfil the obligation
  - Includes credit risk

IFRS 13 Fair Value Measurement

IFRS

Fair value disclosures

12

- More information for Level 3:
  - Quantitative disclosure of unobservable inputs and assumptions used
  - Reconciliation of opening to closing balances
  - Description of valuation process in place
  - Sensitivity analysis:
    - Narrative discussion about sensitivity to changes in unobservable inputs, including inter-relationships between inputs that magnify or mitigate the effect on the measurement
    - Quantitative sensitivity analysis for financial instruments

IFRS 13 Fair Value Measurement

IFRS

Effective date and transition

13

- Effective 1 January 2013
- Earlier application permitted
- Prospective application (ie no restatement of fair values from previous periods)

IFRS 13 *Fair Value Measurement*

IFRS™

Comparison with US GAAP

14

- IFRS 13 and Topic 820 are nearly identical (word for word)

Topic	Reason for difference
NAV practical expedient	Different accounting for investment companies (which in IFRSs may or may not mean investments are measured in accordance with IFRS 13) means IASB cannot yet allow a practical expedient.
Deposit liabilities	Different requirements in IFRSs and US GAAP (in different locations) for measuring fair value of deposit liabilities
Disclosures	• IFRS does not allow net presentation of derivatives • IFRS requires quantitative sensitivity analysis for financial instruments • In IFRS non-publicly accountable entities are covered by SME standard

IFRS 13 Fair Value Measurement

IFRS™

Questions or comments?

15

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IFRS 13 Fair Value Measurement

IFRS™

IFRS

World Standard Setters Meeting

Staff Paper

Agenda reference	**Agenda Paper 7**
Date	**16 September 2011**

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Project	**Revenue recognition**
Topic	**Cover note**

Overview

1. This paper provides participants at the World Standard Setters meeting with a summary of the proposals in the forthcoming Exposure Draft on revenue from contracts with customers, which is planned for publication early in the fourth quarter of 2011.
2. This paper is for information only. It has been prepared to accompany the project update that IASB staff will provide at the World Standard Setters meeting on Friday 16 September 2011.

Main Proposals

3. The core principle of these proposed requirements is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.
4. To achieve that core principle, an entity would apply the following five steps:

    (a) Step 1: Identify the contract with a customer.

    (b) Step 2: Identify the separate performance obligations in the contract.

    (c) Step 3: Determine the transaction price.

    (d) Step 4: Allocate the transaction price to the separate performance obligations in the contract.

(e) Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

5. The proposed requirements also specify the accounting for some costs to obtain or fulfill a contract with a customer. An entity would recognize as an asset the incremental costs of obtaining a contract that the entity expects to recover. To account for the costs of fulfilling a contract with a customer, an entity would apply the requirements of other standards (for example, IAS 2 *Inventories*, IAS 16 *Property, Plant and Equipment* or IAS 38 *Intangible Assets*), if applicable. Otherwise, an entity would recognize an asset from the costs to fulfill a contract if those costs meet all of the following criteria:

   (a) Relate directly to a contract (or a specific anticipated contract)

   (b) Generate or enhance resources of the entity that will be used in satisfying performance obligations in the future

   (c) Are expected to be recovered.

Step 1: Identify the contract with a customer

6. A contract is an agreement between two or more parties that creates enforceable rights and obligations. An entity would apply the proposed revenue requirements to each contract with a customer unless specified criteria are met for the combination of contracts.

Step 2: Identify the separate performance obligations in the contract

7. A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer. If an entity promises in a contract to transfer more than one good or service to the customer, the entity would account for each promised good or service as a separate performance obligation only if it is distinct. If a promised good or service is not distinct, an entity would combine that good or service with other promised goods or services until the entity identifies a bundle of goods or services that is distinct. In some cases, that would result in an entity accounting for all the goods or services promised in a contract as a single performance obligation.

8. A good or service is distinct if either of the following criteria is met:

    (d) The entity regularly sells the good or service separately.

    (e) The customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer.

9. Notwithstanding those criteria, a good or service in a bundle of promised goods or services is not distinct and, hence, the entity would account for the bundle as a single performance obligation, if both of the following criteria are met:

    (f) The goods or services in the bundle are highly interrelated and transferring them to the customer requires the entity also to provide a significant service of integrating the goods or services into the combined item(s) for which the customer has contracted.

    (g) The goods or services are significantly modified or customized in order to fulfill the contract.

Step 3: Determine the transaction price

10. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (for example, sales taxes). To determine the transaction price, an entity would consider the effects of:

    (h) *Variable consideration*—If the amount of consideration in a contract is variable, an entity would determine the transaction price by estimating either the expected value (that is, probability-weighted amount) or the most likely amount, depending on which method the entity expects to better predict the amount of consideration to which the entity will be entitled.

    (i) *The time value of money*—An entity would adjust the promised amount of consideration to reflect the time value of money if the contract has a financing component that is significant to the contract. In assessing whether a financing component is significant to a contract, an entity would consider various factors. As a practical expedient, an entity would not need to assess whether a contract has a significant financing component if the entity expects at contract inception that the period between payment by the customer and the transfer of the promised goods or services to the customer will be one year or less.

(j) *Noncash consideration*—If the customer promises consideration in a form other than cash, an entity would measure the noncash consideration (or promise of noncash consideration) at fair value. If an entity cannot reasonably estimate the fair value of the noncash consideration, it would measure the consideration indirectly by reference to the standalone selling price of the goods or services promised in exchange for the consideration.

(k) *Consideration payable to the customer*—If an entity pays, or expects to pay, consideration to the customer (or to other parties that purchase the entity's goods or services from the customer) in the form of cash or credit, or other items that the customer can apply against amounts owed to the entity, the entity would account for the payment (or expectation of payment) as a reduction of the transaction price or as a payment for a distinct good or service (or both).

11. An entity would not consider the effects of customer credit risk when determining the transaction price. Rather, an entity would apply IAS 39 *Financial Instruments: Recognition and Measurement* (or IFRS 9 *Financial Instruments* if the entity has adopted IFRS 9) to recognize and measure an allowance for any amounts of promised consideration that the entity assesses to be uncollectible because of customers' credit risk. Any amounts recognized in profit or loss would be presented both initially and subsequently as a separate line item adjacent to the revenue line item (as contra revenue).

Step 4: Allocate the transaction price to the separate performance obligations in the contract

12. For a contract that has more than one separate performance obligation, an entity would allocate the transaction price to each separate performance obligation in an amount that depicts the amount of consideration to which the entity expects to be entitled in exchange for satisfying each separate performance obligation.

13. To allocate an appropriate amount of consideration to each separate performance obligation, an entity would determine the standalone selling price at contract inception of the good or service underlying each separate performance obligation and allocate the transaction price on a relative standalone selling price basis. If a standalone selling price is not observable, an entity would be required to estimate it.
14. The proposed requirements specify the circumstances in which an entity would allocate a discount or a contingent payment entirely to one (or some) performance obligation(s) in the contract rather than to all performance obligations in a contract.
15. An entity would allocate to the separate performance obligations in the contract any subsequent changes in the transaction price on the same basis as at contract inception. Amounts allocated to a satisfied performance obligation would be recognized as revenue, or as a reduction of revenue, in the period in which the transaction price changes.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

16. An entity would recognize revenue when (or as) it satisfies a performance obligation by transferring a promised good or service to a customer. A good or service is transferred when (or as) the customer obtains control of that good or service.
17. For each separate performance obligation, an entity would determine whether the entity satisfies the performance obligation over time by transferring control of a good or service over time. If an entity does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.
18. An entity transfers control of a good or service over time and, hence, satisfies a performance obligation and recognizes revenue over time if at least one of the following two criteria is met:

    (l) The entity's performance creates or enhances an asset (for example, work in process) that the customer controls as the asset is created or enhanced.

    (m) The entity's performance does not create an asset with alternative use to the entity and at least one of the following criteria is met:

        (i) The customer receives a benefit as the entity performs.

(ii) Another entity would not need to substantially reperform the work the entity has completed to date if that other entity were to fulfill the remaining obligation to the customer.

(iii) The entity has a right to payment for performance to date and the entity expects to fulfill the contract as promised.

19. If a performance obligation is not satisfied over time, an entity satisfies the performance obligation at a point in time. To determine the point in time when a customer obtains control of a promised asset and an entity satisfies a performance obligation, the entity would consider indicators of the transfer of control which include, but are not limited to, the following:

(n) The entity has a present right to payment for the asset.

(o) The customer has legal title to the asset.

(p) The entity has transferred physical possession of the asset.

(q) The customer has substantially all the risks and rewards of ownership of the asset.

(r) The customer has accepted the asset.

20. For each separate performance obligation that an entity satisfies over time, an entity would recognize revenue over time by consistently applying a method of measuring the progress toward complete satisfaction of that performance obligation. Appropriate methods of measuring progress include output methods and input methods. As circumstances change over time, an entity would update its measure of progress to depict the entity's performance to date.

21. If the amount of consideration to which an entity will be entitled is variable, the cumulative amount of revenue the entity recognizes for satisfied performance obligations should not exceed the amount to which the entity is reasonably assured to be entitled. An entity is reasonably assured to be entitled to the amount of consideration allocated to satisfied performance obligations only if both of the following criteria are met:

(s) The entity has experience with similar types of performance obligations (or has other evidence such as access to the experience of other entities).

(t) The entity's experience (or other evidence) is predictive of the amount of consideration to which the entity will be entitled in exchange for satisfying those performance obligations.

22. An entity would be required to consider various indicators to determine whether the entity's experience (or other evidence) is predictive of the amount of consideration to which the entity will be entitled.

When Would the Proposals Be Effective?

23. The Boards decided that on the basis of their current timetable for the project, a final revenue standard would not be effective earlier than for annual reporting periods beginning on or after January 1, 2015. That timing would ensure that for an entity providing two years of comparative annual financial information (in addition to information for the current year), the standard would be issued before the beginning of the earliest comparative annual period presented. The FASB decided that early application would not be permitted. The IASB decided that early application would be permitted.

International Financial Reporting Standards

Revenue from Contracts with Customers

World Standard-setters Conference September 2011

Reasons for undertaking the project

2

- Project objective—to develop a single, principle-based revenue standard for IFRSs and US GAAP
- The revenue standard aims to improve accounting for contracts with customers by:
  - providing a more robust framework for addressing revenue issues as they arise
  - increasing comparability across industries and capital markets
  - requiring better disclosure

Reasons for re-exposure

3

- Draft revenue standard will be re-exposed for public comment in early Q4 2011
- Re-exposure was not a required due process step
- The Boards decided to re-expose because
  - revenue has a prominent role in financial statement analysis
  - the Boards wanted to avoid the possibility of unintended consequences in the final standard

Feedback on 2010 Exposure Draft

4

- Exposure Draft published in June 2010
- Nearly 1000 responses received and extensive outreach undertaken (including public roundtables)
- Overall, the feedback indicated general support for the project and for the following core principle:

Recognise revenue to depict the transfer of goods or services in an amount that reflects the consideration expected to be received in exchange for those goods or services

- But…

Feedback on 2010 Exposure Draft (cont)

5

Topic	Feedback
Control	• Clarify the principle/indicators for determining when goods or services are transferred • Control is difficult to apply to construction and services contracts
Performance obligations	• Clarify the principle/indicators for identifying separate performance obligations • Risk of breaking up some contracts (eg construction) more than users would find useful
Transaction price	• The concepts would be difficult to implement (probability-weighted estimates, collectibility, time value of money)
Other	• Concerns about proposals on onerous performance obligations • Disclosure requirements are excessive • Full retrospective transition would be too costly

What's changed?

6

Core principle in 2010 Exposure Draft:

Recognise revenue to depict the transfer of goods or services in an amount that reflects the consideration expected to be received in exchange for those goods or services

Steps to apply the core principle:

1. Identify the contract(s) with the customer
2. Identify the separate performance obligations
3. Determine the transaction price
4. Allocate the transaction price
5. Recognise revenue when a performance obligation is satisfied

What's changed? (cont)

7

A change to the core principle:

Recognise revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange

Steps to apply the core principle are the same:

1. Identify the contract(s) with the customer → 2. Identify the separate performance obligations → 3. Determine the transaction price → 4. Allocate the transaction price → 5. Recognise revenue when a performance obligation is satisfied

IFRS

Step 1: Identify the contract(s)

8

- Combine contracts
- Contract modifications
  - account as a separate contract if:
    - promised goods or services are distinct, and
    - amount of additional consideration reflects the entity's standalone selling prices of the goods or services
  - otherwise, re-evaluate remaining performance obligations

1-Identify the contract(s) with the customer → 2-Identify separate performance obligation(s) → 3-Determine the transaction price → 4-Allocate the transaction price → 5-Recognise revenue

IFRS

Step 2: Identify the separate performance obligation(s)

9

- Separate performance obligations are identified for each distinct good or service
- A good or service is distinct if either
  - the entity regularly sells the good or service separately
  - the customer can benefit from the good or service on its own or together with other readily available resources
- However…

1-Identify the contract(s) with the customer → 2-Identify separate performance obligation(s) → 3-Determine the transaction price → 4-Allocate the transaction price → 5-Recognise revenue

IFRS

Step 2: Identify the separate performance obligation(s)

10

- … A good or service that is part of a bundle of goods or services is not distinct if both:
  - the goods or services are highly interrelated and the entity provides a significant service to 'integrate' those goods or services into items that the customer has contracted for; and
  - the goods or services are significantly modified or customised to fulfil the contract

1-Identify the contract(s) with the customer → 2-Identify separate performance obligation(s) → 3-Determine the transaction price → 4-Allocate the transaction price → 5-Recognise revenue

IFRS

Step 3: Determine the transaction price

11

- Transaction price is the amount of consideration to which an entity expects to be entitled to receive in exchange for transferring goods or services
- Estimate variable consideration using the method that is a better prediction of the amount of consideration to which the entity is entitled:
  - expected value, or
  - most likely amount

1-Identify the contract(s) with the customer → 2-Identify separate performance obligation(s) → 3-Determine the transaction price → 4-Allocate the transaction price → 5-Recognise revenue

IFRS

Step 3: Determine the transaction price

12

- Time value of money
  - only if there is a financing component that is significant to the contract
  - one year practical expedient
- Collectibility
  - present effects of allowances for uncollectible amounts as contra revenue

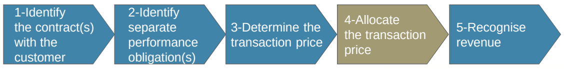
1-Identify the contract(s) with the customer → 2-Identify separate performance obligation(s) → 3-Determine the transaction price → 4-Allocate the transaction price → 5-Recognise revenue

IFRS

Step 4: Allocate the transaction price

13

- Objective of the allocation is to depict the amount to which the entity expects to be entitled in exchange for satisfying each separate performance obligation
  - generally allocate on a relative selling price basis
  - selling prices estimated if necessary (residual method may be used)
  - allocation of discounts and contingent amounts

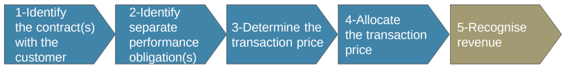


IFRS

Step 5: Recognise revenue

14

- Recognise revenue when a performance obligation is satisfied by transferring a good or service to customer
- Revenue measured at amount allocated to the performance obligation unless entity not reasonably assured to be entitled to that amount
- Separate guidance for:
  - performance obligations satisfied over time
  - performance obligations satisfied at a point in time

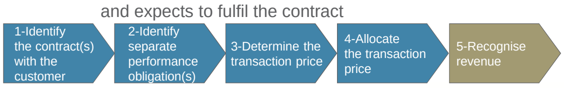


IFRS

Step 5: Recognise revenue

15

- A performance obligation is satisfied over time if entity's performance
  - creates/enhances asset that customer controls, or
  - does not create asset with alternative use to entity *and*
    - customer receives benefit as entity performs, or
    - another entity would not need to substantially re-perform work completed to date, or
    - entity has right to payment for work completed to date and expects to fulfil the contract



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Other changes

16

- Onerous performance obligations
  - recognise a loss if the least cost of exiting the obligation exceeds the amount of consideration
  - applies to performance obligations greater than one year
- Acquisition costs
  - asset recognised for incremental acquisition costs (eg sales commissions) if expected to be recovered
- Disclosure of remaining performance obligations
  - not required for many time & materials contracts
- Retrospective application
  - four practical expedients proposed

IFRS

Next steps

17

- Draft revenue standard will be re-exposed for public comment in early Q4 2011
  - 120 day comment period
- Final standard planned for mid 2012
- Effective date no earlier than 1 January 2015

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Where to get more information

18

- Visit the project web site and subscribe for email alerts:
  http://go.iasb.org/revenue+recognition
- Project staff
  - Henry Rees hrees@ifrs.org
  - Glenn Brady gbrady@ifrs.org
  - Allison McManus amcmanus@ifrs.org
  - April Pitman apitman@ifrs.org
  - Kenny Bement kbbement@fasb.org

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Questions or comments?

19

Expressions of individual views by members of the IASB and
its staff are encouraged. The views expressed in this presentation are those of the presenter. Official positions of the IASB on accounting matters are determined only after extensive due process and deliberation.

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International Financial Reporting Standards

Leases

World Standard-setters Conference September 2011

The views expressed in this presentation are those of the presenter, not necessarily those of the IASB or IFRS Foundation.

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Why a leases project?

2

- Existing lease accounting doesn't meet users' needs
  - Accounting depends on classification
  - Leasing is a form of financing
  - Users adjust financial statements to recognise assets and liabilities arising in operating leases
- Complexity
  - Dividing line between finance/capital and operating is difficult to define and arbitrary

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Leases project timeline

3

2009	2010	2011	2012
March 2009 **Discussion Paper** *Leases: Preliminary Views*	August 2010 **Exposure Draft** *Leases*	Q4 2011 **Second Exposure Draft** *Leases*	H2 2012 **Final Standard** *Leases*
Comment period 4 months 302 comment letters received	Comment period 4 months 786 comment letters received	Re-expose proposals	Effective date: TBD
Primarily focused on lessee accounting	Contained proposals for both lessees and lessors	Will contain proposals for both lessees and lessors	Will contain guidance for both lessees and lessors

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Exposure Draft: Right-of-use model

4

Lessees	Lessors	
Right of use asset and Liability to make lease payments	Right to receive lease payments and depending on risks or benefits of underlying asset	
	Derecognition Residual asset	*Performance obligation* Underlying asset and Lease liability

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Feedback received

5

- General support for a right-of-use model
  - basic lessee accounting principle widely accepted ie leases create assets and liabilities
- Concerns about complexity of model as applied to lessees
  - measurement complexity, costs of reassessments
- Conceptual concerns about how model applied to lessors
  - representation of economics
  - relationship to lessee model

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Redeliberations – lessee basic model

6

- Feedback
  - 'frontloading' expense in P&L
  - elimination of rent expense
- Boards considered a dual accounting approach
  - finance lease (in substance purchase) – as ED
  - other than finance lease (operating lease) – on balance sheet, but straight-line rental expense
- Boards decided to confirm single approach in ED

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Reducing complexity – lessees

7

	ED	Redeliberations
Lease term (term options)	• Longest possible lease term more likely than not to occur • Reassessed	• Option period included if lessee has significant economic incentive to exercise • Reassessed other than for market conditions
Variable lease payments	• Included in lease liability on probability-weighted basis • Reassessed	• Excluded from liability (unless in-substance fixed or based on an index or rate) and accounted for as incurred • Reassessed for spot/index
Short-term leases (lease term ≤ 12 mths)	• Liability/asset recognised with no discounting	• No liability/asset recognised • Rent expense

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Redeliberations – lessor basic model

8

Lessor has provided the right to use an underlying asset and has obtained the right to receive rentals.
Lessor retains remaining rights to residual interest.

Receivable & residual approach			
Balance Sheet		**Income Statement**	
• Residual interest*	X	• Profit on transfer of right-of-use (gross or net based on business model)	X
		• Accretion of residual	X
• Right to receive lease payments	X	• Interest income	X

* Measured at an allocation of carrying amount of underlying asset

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Redeliberations – lessor (continued)

9

- If profit on right of use not reasonably assured
  - residual asset = cost of underlying asset less lease receivable
  - profit recognised over lease term
- Receivable and residual approach does not apply to
  - investment property measured at fair value → IAS 40 model
  - short-term leases → operating lease accounting
- Many of the decisions taken to reduce complexity for lessees will also flow through to lessors

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Redeliberations – other issues

10

- Definition of a lease
  - Revised guidance regarding elements of a lease
- Separating leases and services
  - Separately account for non-lease elements
- Sale and leaseback transactions
  - If sale, account for as sale then leaseback

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What happens next?

11

Q3/Q4 2011	Q4 2011	2011 2012	H2 2012
Wrap up redeliberations*	**Publish Revised Exposure Draft** Comment letter period TBD	**Consultation** Outreach Working group meetings **Redeliberations**	**Issue Final Standard** Effective date: TBD

*__Remaining redeliberations:__
- Subsequent measurement—Lessors
- Presentation—Lessors
- Disclosures—Lessors
- Transition
- Effective date

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Questions or comments?

12

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