

STAFF PAPER

16 April–18 April 2012

REG FASB | IASB Meeting

Project	Financial Instruments: Impairment		
Paper topic	Cover Memo		
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Summary of Agenda Papers

1. In continuing to develop the ‘three-bucket’ impairment approach, the following papers have been prepared for the April 2012 meeting:
 - (a) IASB Agenda Paper 5A/FASB Memorandum 142: Further discusses the articulation of the expected credit losses objective and the 12 months expected losses objective.
 - (b) IASB Agenda Paper 5B/FASB Memorandum 143: Analyses whether an expected loss model would be operational for trade receivables without a significant financing component.

2. The following table summarises the joint staff recommendations for the agenda papers:

Topic	Joint Staff Recommendation
Agenda Paper 5A/FASB Memorandum 142	
<p>Question 1</p> <p>Measurement objective of expected credit losses</p>	<p>An estimate of expected credit losses shall reflect the following:</p> <p>(a) All reasonable and supportable information considered relevant in making the forward-looking estimate.</p> <p>(b) A range of possible outcomes that considers the likelihood and reasonableness of those outcomes (that is, it is not merely an estimate of the ‘most likely outcome’).</p> <p>(c) The time value of money.</p> <p>In estimating expected credit losses, a reporting entity shall consider information that is reasonably available without undue cost and effort.</p>
<p>Question 2</p> <p>Bucket 1 measurement objective</p>	<p>The staff are not unanimous in their recommendation</p>
Agenda Paper 5B/FASB Memorandum 143	
<p>Question 1</p> <p>Application of the ‘three-bucket’ model to trade receivables</p>	<p>The staff recommend that an expected loss approach should be applied to trade receivables without a significant financing component, along with a practical expedient clarifying that a provision matrix can be used</p>