

June 2001

Board Meeting Highlights

The International Accounting Standards Board met in London, UK, on 26-28 June 2001, where it:

- Discussed a draft of a revised Preface to the IASB standards;
- Received reports and presentations from IASB Staff on various projects in progress;
- Continued its discussions regarding the IASB agenda to be presented to the Standards Advisory Council in July 2001.

Preface to the IASB Standards

The Board discussed a draft of a revised Preface to the IASB standards. It confirmed its tentative conclusion that there should be no distinction between 'black' and 'grey' letter paragraphs in the IASB standards and that the distinction in IASC Standards is one of style as opposed to substance. The Board also confirmed its intention to reconsider those transactions and events for which IASB Standards permit a choice of accounting treatment. The proposal will be discussed with the Standards Advisory Council in July 2001.

Business Combinations

The Board discussed certain issues that it might consider if a project on business combinations were to be accepted onto its agenda. A project on business combinations would likely be addressed in two phases. The first phase may include a consideration of the:

- definition of a business combination;
- methods of accounting for business combinations;
- definition of transactions among enterprises under common control;
- requirements for subsequently measuring goodwill;
- presentation and treatment of negative goodwill; and
- requirements for recognising restructuring provisions.

The Board tentatively agreed that the basis of presentation financial statements of joint ventures and the accounting for transactions among enterprises under common control might be included in a future phase of the project. While the Board believed that there is no need to consider the requirements for reverse acquisitions, it proposed to recommend to the Standing Interpretations Committee that it consider providing implementation guidance on how to account for reverse acquisitions.

Reporting Recognised Income and Expense

The Board discussed certain aspects of reporting the effects of certain accounting changes, correction of errors and the presentation of extraordinary and unusual items in the financial statements.

The Board tentatively agreed that a change in an accounting estimate should be recognised in current income. However, given the diversity of current practice, they asked the Staff to prepare further information on how to distinguish a change in estimate from a change in accounting policy.

The Board tentatively agreed that discretionary changes in accounting policy should be accounted for as a retrospective restatement of prior periods. The Board noted that its view on this topic does not prejudice its future discussion of the accounting when an entity when it adopts IASB standards for the first time as its primary basis of accounting.

The Board tentatively agreed that there should be no distinction between degrees of error in financial statements and that all material errors should be corrected in the period discovered by restating the period in which the error occurred.

The Board had a preliminary discussion on whether it should retain the notion of an 'extraordinary item' and whether it should be appropriate to have special presentation requirements for such items. They also discussed certain presentation alternatives for 'unusual' items. The discussion was exploratory, to assist the Staff as they prepare material on the presentation of recognised income and expense, and no tentative decisions were requested.

Measurement

The IASB received presentations on measurement. The discussions focused on the role of fair value, value in use and replacement cost. The Board will continue its discussions at a later date.

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Banking Activities: Disclosure and Presentation

The Board continued its consideration of a proposed project to update the disclosure and presentation guidance for banking activities. It believes that there are two options: (a) revise IAS 30; and (b) withdraw IAS 30 and enhance other Standards with related requirements, as necessary, to address issues for financial institutions. The Board requested that Staff and the Advisory Group reconsider these options.

Improvements to IASB Standards

The IASB received a report on progress made on the potential project on improvements to existing IASB standards. The Board affirmed its intention to pursue a project to reduce or eliminate accounting alternatives, redundancies and conflicts within the standards.

The Board will discuss this potential project with the Standards Advisory Council in July 2001.

Board Agenda

The Board discussed the potential Agenda that it will discuss with the Standards Advisory Council in July 2001. At present, it believes that the following projects are 'high priority' projects:

- Improvements to existing IASB Standards
- Transition
- Bank disclosures
- Business combinations – accounting method, treatment of goodwill, etc.
- Business combinations – joint venture accounting, etc.
- Consolidation policy
- Derecognition of financial instruments
- Financial instruments at fair value
- IAS 39 – limited amendments (exclusive of derecognition)
- Insurance contracts
- Measurement
- Performance reporting
- Share-based payments

Projects tentatively assigned a secondary priority are:

- Impairment
- Intangible assets (generally)
- Intangible assets (research and development issues)
- Leases

Other topics for which the Board has not assigned a priority *or* for which it needs more time to research issues prior to placing a project on its agenda:

- Derecognition (generally)
- Extractive industries
- Financial reporting by small and medium-sized entities
- IASB Framework – elements definition
- Liability recognition, revenue recognition and the difference between debt and equity
- Presentation of management's discussion and analysis (operating and financial review)
- Revaluation of non-financial assets

Next Meeting

The IASB will next meet **25-27 July 2001** in London, UK. The meeting will be held at the IASB, 30 Cannon Street London EC4M 6XH. Agenda details and Observer registration information has been posted to the IASB Website, www.iasb.org.uk.

Subsequent IASB meetings are expected to be as follows:

- London, UK: 11-13 September 2001
- Washington, DC, USA: 16-19 October 2001
- London, UK: 27-29 November 2001
- Paris, France: 18-20 December 2001

Meeting with Standards Advisory Council

The IASB will meet with the Standards Advisory Council (SAC) on **23-24 July 2001**. The meeting will be held at the Renaissance London Chancery Court Hotel, 252 High Holborn, London WC1V 7EN. Agenda details will be posted to the IASB website www.iasb.org.uk.

Change of Address

As of 4 June 2001, all technical activities of the International Accounting Standards Board are located at the following address:

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