Welcome to IASB Update

This IASB Update is a staff summary of the tentative decisions reached by the Board at a public meeting. As a project progresses, the Board can, and sometimes does, modify its earlier tentative decisions. Tentative decisions do not change existing requirements until those decisions are incorporated in a new or amended standard.

The International Accounting Standards Board met in London on 3 August 2010. The topics discussed were:

- Amortised cost and impairment
- Hedge accounting: hedge effectiveness testing
- Hedge accounting: eligible hedged items

Amortised cost and impairment

At this meeting, the Board continued its redeliberations on phase II of the project to replace IAS 39 Financial Instruments: Recognition and Measurement. The Board discussed an overview of key elements of an impairment model taking into consideration input from comment letters and outreach activities.

At this meeting, the Board discussed:

- the different types of credit loss that could be used, including different outlook periods regarding expected loss; and
- the key features of an expected loss model regarding when to recognise credit losses, possible variations and the interaction between each of the key features based on a lifetime expected loss approach.

No decisions were made.

Hedge accounting: hedge effectiveness testing

At this meeting the Board continued its discussions of hedge effectiveness testing (ie whether a hedging relationship qualifies for hedge accounting). The Board discussed a staff paper summarising the different approaches and elements for an effectiveness test.

No decisions were made.

Hedge accounting: eligible hedged items

At this meeting the Board discussed whether part of an existing item (eg part of a firm commitment or a debt instrument, etc) could be identified as a portion or 'layer' of an entire item for the purpose of designation as a hedged item.
The Board considered specific examples. For the type of examples presented, the Board tentatively decided that when an entity's risk management strategy is to hedge a portion or 'layer' of an entire item, any hedge designation for accounting purposes must be on the same basis.

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