



IASB Update

From the International Accounting Standards Board

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 5 January 2010 for an additional Board meeting, when they discussed Leases and Insurance contracts. The US Financial Accounting Standards Board (FASB) participated via video conference.

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Leases

At their October 2009 joint meeting, the boards tentatively decided to exclude from the scope of the proposed new leases requirements contracts that represent the purchase or sale of the underlying asset. At this meeting, the boards discussed the situation when a contract is the purchase or sale of the underlying asset.

The boards decided tentatively that:

1. Contracts that transfer control of the underlying asset should be excluded from the scope of the proposed new leases requirements.
2. The proposed new leases requirements should provide indicators to help a reporting entity determine whether control has been transferred.
3. Management of the reporting entity should exercise judgement and consider all relevant facts and circumstances when determining whether control of the underlying asset has been transferred.
4. Situations in which control of the underlying asset has normally been transferred include:
 - a. Contracts where the title to the underlying asset automatically transfers
 - b. Contracts that include a bargain purchase option.

The boards instructed the staff to provide additional analysis on the definition of control, how control would be assessed, and other possible indicators of control in the context of a lease contract.

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Insurance contracts

The boards discussed:

- whether to account for insurance, investment and service components included in an insurance contract as if those components were separate contracts (unbundling).
- presentation of the performance statement.
- derivatives embedded within a host insurance contract.

Unbundling

The boards discussed whether to account for components of an insurance contract as if those components were separate contracts (ie unbundle those components). The IASB decided tentatively that, for recognition and measurement, an insurer should:

- [unbundle a component of an insurance contract if it is not interdependent with other components of that contract.](#)
- [not unbundle a component that is interdependent.](#)

The FASB decided tentatively that if unbundling is not required for recognition and measurement, it should not be a permitted option. The FASB asked staff to clarify further how unbundling for recognition and measurement relates to (a) the

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definition of an insurance contract and the scope of the proposed standard, (b) the presentation models for the performance statement, and (c) bifurcation of embedded derivatives.

Presentation of the statement of comprehensive income

The boards discussed five models for the presentation of the statement of comprehensive income for insurance contracts and:

- tentatively rejected a model that recognises revenue on the basis of written premiums (rather than recognising revenue as the insurer performs under the contract).
- asked the staff to clarify further the remaining models.

Embedded derivatives

The boards discussed two approaches to measuring derivatives embedded in insurance contracts:

- Measure at fair value (using existing guidance on when to bifurcate).
- Measure consistently with the measurement used for the host insurance contract.

Views diverged and no clear consensus emerged. The boards will return to the topic of embedded derivatives at a future meeting.

Next steps

The boards will continue their discussion of this project at their joint meeting in January.

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Future Board meetings

The Board will meet in public session on the following dates in 2010. Meetings take place in London, UK, unless otherwise noted.

- 18 - 22 January
- 15 - 19 February
- 2 February (PM)
- 10 February (PM)
- 15 - 19 March
- 22 - 24 March
- 19 - 23 April
- 17 - 21 May
- 14 - 18 June
- 19 - 23 July
- 13 - 17 September
- 18 - 22 October
- 25-27 October (Norwalk)
- 15 - 19 November
- 13 - 17 December

Please note that we are likely to add some meeting dates. We will include any such additional dates in future issues of IASB *Update*.

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Forthcoming comment deadlines

There are no comment deadlines to be met before the January 2010 Board meeting. For a full list of comment deadlines, visit the [Open to Comment](#) section of the IASB website.

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