IFRS News

Shedding light on the IASB's activities*

IFRS News – Issue 63
May 2008

In this issue…

Issue of the month

PRINT CONTINUED

Reducing complexity in reporting financial instruments – part 2

The IASB issued a discussion paper 'Reducing Complexity in Reporting Financial Instruments' in March 2008. It is the first step towards a new standard for reporting financial instruments that is principle-based and less complex than the current requirements under IAS 39. Part 2 of the article looks at the IASB's proposal that fair value is the only measure appropriate for all types of financial instruments. Jessica Taurae of the Global ACS Central team considers that proposal.

The discussion paper asserts that complexity in financial instrument accounting is driven by different measurement attributes. Moving to a single model is therefore the Board's suggested way to reduce complexity. The last section of the discussion paper sets out the Board's arguments as to why fair value is the only measure appropriate for all types of financial instruments. It sets out some concerns about using fair value to measure financial instruments in some circumstances. It also raises issues that need to be addressed before fair value measurement of financial instruments can become a general requirement.

Fair value: the only measure appropriate for all types of financial instrument?

The Board acknowledges that arguments can be made for measuring some types of financial instruments differently but concludes that fair value is the only measurement attribute suitable for all types of financial instruments. Measuring all types of financial instrument using a cost-based method is not a feasible alternative. For example, it is widely accepted that the cost of a derivative does not provide users of financial statements with information about future cash flows.

To explain its view, the Board has compared instruments with highly variable cash flows with those with fixed or only slightly variable cash flows. The Board considers all derivatives (including interest rate swaps) to be instruments with highly variable cash flows. It argues that fair value is the only relevant measure for derivatives because the initial cash flows for a particular instrument are not highly correlated with ultimate cash flows and therefore cost based measures have little or no relevance for assessing future cash flows.

Future cash flows are correlated with the initial cash flows for instruments with fixed or only slightly variable cash flows (such as debt instruments), where the instrument is held to maturity and credit risk is low. Low credit risk makes cash flows highly probable. The discussion paper acknowledges that, for those instruments, accreted cost is a feasible alternative to fair value and provides some relevant information to users.

Counter-arguments given in the discussion paper for the use of fair value for instruments with fixed or only slightly variable cash flows, include:

- having a single measurement method for all types of financial instrument would eliminate any confusion about the measurement of different financial assets;
- there would be no requirement for when and how to quantify impairment losses;
- fair value better reflects the price of a financial asset that would be received if an entity needed to sell an asset at the balance sheet date. The information is useful even if management has no plans to sell the asset;
- for financial assets: it provides information about anticipated future losses, not just losses that have been incurred;
- for financial assets: it provides information about improvements in credit risk since origination or acquisition;
- for financial liabilities: entities with comparable credit ratings and obligations will report liabilities at comparable amounts;
- for financial liabilities: fair value would result in an entity reporting the same measure for two equally secure payment obligations with identical cash flows; and
- fair value better reflects the cash flows that would be paid if liabilities were transferred at the measurement date.

Concerns about the fair value measurement of financial instruments

Three main concerns about fair value measurement of financial instruments are discussed: the relevance of a reported change in fair value; why should unrealised gains and losses affect profit or loss; and the difficulty and uncertainty in estimating fair values of financial instruments when no market-based information is available.

The key concern about the relevance of reported change in fair value results from the volatility that arises in profit or loss. Concerns have been raised that the volatility in profit or loss arising from factors beyond management's control should not be reported, as the volatility is caused by market forces.

The second concern is whether unrealised gains and losses in profit or loss can be misleading. The discussion paper considers:

- whether the information is sufficiently objective and reliable;
- what use is the information about gains and losses that may never be realised?
- why recognise an unrealised gain or loss on a financial liability when an entity's obligation is unchanged? and
- why recognise unrealised gains on financial liabilities when an entity's financial position worsens?

The third concern relates to the difficulty and uncertainty in estimating fair values when no market-based information is available. This will often require the use of valuation and other non-accounting experts who may not be widely available in some jurisdictions. It also acknowledges that judgement will be required by preparers in estimating fair values and that the requirement to measure all financial instruments at fair value will exacerbate these difficulties.

What remains to be done before fair value measurement is required?

The last section of the discussion paper highlights four main issues that need to be addressed before fair value measurement for financial instruments can become a general requirement. These are:

- presentation: how should the effects of changes in fair values be presented in profit or loss?
- disclosure: what information about financial instruments should be disclosed?
- measurement: what is the definition of fair value and how should fair values be measured?
- scope: what is the appropriate definition of a financial instrument? Which financial instruments, if any, should be outside the scope of a standard for financial instruments?

Full fair value for all financial instruments?

The discussion paper is an interesting contribution to the debate on fair values in the marketplace at the moment. The timing of moving to a full fair value model would be a key consideration to any decision as would the following:

- The Board has already identified that it needs to define fair value and how fair values should be measured. Without knowing what fair value means, it is difficult to conclude on its appropriateness.
- There is a need to consider the objectives of financial reporting and, in particular, whether the impact of current market conditions on fair values really helps users' analysis of issued debt or an asset that will be held to maturity.
- On that note, what do users want? Members of the CRUF[1] stated that fair value is a good idea but that an extra layer of information on cash flows that would be useful.
- Are valuation models sufficiently robust? The FSF[2] has requested the IASB to undertake a project to improve its guidance on determining fair values, particularly when markets are no longer active. The Board has been requested to form an expert advisory panel to assist them with this. It would be imprudent to push ahead with a full fair value model without the results of this analysis.
- Is any single number meaningful on its own? The world's leading regulators and supervisors[3] have all stated that transparency is key to understanding fair values and that the quality of disclosures about valuations, valuation methodologies, price verification process and the uncertainty associated with valuations must be enhanced. So a move to full fair value should be accompanied by more meaningful disclosures.

---

[1] From the Corporate Reporting User's Forum discussion at the joint IASB/FASB meeting on 22 April 2008.
[2] Financial Stability Forum in its *Report of the Financial Stability Forum on Enhancing Market and Institutional Resilience*, 7 April 2008.
[3] The Senior Supervisors Group's report *Leading practice disclosures for selected exposures*, April 2008.

Post-employment benefits DP

The IASB issued a discussion paper in March proposing the first stage of improvements to post-employment benefit accounting under IAS 19. The proposals represent a radical change to pension accounting for companies with defined benefit plans. Richard Davis explains.

The Board's intention is to improve the reporting and presentation of defined benefit plans. It also wishes to address perceived problems for plans that fall somewhere between defined benefit and defined contribution. The proposals create another category – 'contribution-based plans' – with specific recognition and measurement requirements, but they leave the requirements for defined benefit and defined contribution plans untouched.

Reporting and presentation

Some argue that getting rid of the deferred recognition options allowed under IAS 19 is overdue and a much needed fix to ensure a meaningful balance sheet – in particular, the corridor/spreading approach to recognition of actuarial gains and losses. The FASB addressed this issue as a quick fix in SFAS 158, before starting a wider-ranging and possibly protracted debate as phase 2 of their considerations.

Others argue that recognising in the income statement an assumed rate of return on assets, irrespective of what the actual return is, does not reflect reality. Looking back to the falling markets that followed the 'dot com boom', some companies recognised income with an expected rate of return that was greater than their disclosed profit for the year, even though their investments were dropping in value. In other words, the market value of investments was falling but income was being recognised for the expected return. The difference between the actual (negative) and expected (positive) returns was deferred as an actuarial loss.

If we accept the premise that smoothing tools are not appropriate, where in the performance statement should the resulting (potentially volatile and large) pension expense be recognised? The alternatives under the current IAS 19 are either all through profit or loss, or actuarial gains and losses through the SoRIE and everything else through profit or loss.

The discussion paper proposes three alternative approaches:

Approach 1	Everything is recognised in profit or loss.
Approach 2	The interest cost, actual return on assets and changes in the discount rate are recorded in other comprehensive income (SoRIE), and everything else in profit or loss.
Approach 3	The impact of changes in the discount rate and the difference between the actual return on plan assets and a (to be determined) measure of income on plan assets are recorded in other comprehensive income, and everything else in profit or loss.

These alternatives reflect two principles:

- there is a natural offset between the unwinding of the discount on the value of the liabilities and the return on plan assets set aside to match those liabilities, so the interest cost and at least some part of the investment return should be in the same part of the performance statement; and
- there is a difference between changes in the value of the liability (which arise from the present value approach – ie, interest cost and changes in the discount rate) and changes in the estimate of how much benefit will be paid (mortality, turnover and salary or pension increases).

These proposals would put more of the components of pension expense into profit or loss than the current SoRIE approach. Whether this would increase or reduce the profit or loss is another question, which depends on how good actuaries really are at predicting the future.

'Contribution-based plans'

The truly radical part of the proposals is the introduction of a new classification, 'contribution-based plans', and the use of a fair value measurement approach for these plans. The definition of contribution-based plans encompasses the current defined contribution plans and many other plans that are currently considered defined benefit. The introduction of a fair value measurement model also allows the standard to reflect the economics of plans that base their benefit on the higher of two alternatives.

The premise behind contribution-based plans is that there are many benefits that can be expressed in the form of a contribution – for example, a percentage of current salary or fixed amount – plus some form of indexation or return – for example, the actual return on a pool of assets or a stock market index or the movement in an index of consumer prices. The benefit earned in any year does not depend on future salaries

Consider a pension scheme where the benefit is a lump sum equal to contributions of 5% of salary each year plus the return on a stock market index. If the contributions are invested in an index tracker fund through a pension fund, the plan would currently be defined contribution. If the contributions are not invested in pension plan assets that guarantee the promised return, the plan would currently be defined benefit. The proposals would classify such a benefit promise as a contribution-based plan, no matter how the contributions are invested.

The proposed measurement approach for contribution-based plans is to attribute the benefits in line with the benefit formula and then measure the obligation at 'fair value assuming the terms of the benefit promise do not change'.

Going back to the example scheme above, the treatment for the defined contribution plan should not change. However, for the unfunded plan, instead of using a projected unit credit valuation with a high-quality corporate bond yield discount rate, management would use fair value assuming the terms of the benefit promise do not change. What does this mean in practice?

The unfunded promise will only be paid if the company is still solvent when the benefit falls due, so the fair value should reflect the default risk inherent in the promise. In principle, that should be the credit risk of the employer, depending where the pension benefits would fit in the order of priority on any winding-up.

This is a major change from current IAS 19. The measurement of the same benefit promise today for two different companies would be the same irrespective of differences in their credit rating or how they choose to finance the benefits. The proposals could lead to wide variations in the values placed on identical benefit promises by different employers.

An example of this divergence also arises when you look at benefits in payment. The measurement bases for defined benefit plans and contribution based plans are different. A pension of €1,000 a year would be measured at fair value if it was from a contribution-based plan and in accordance with current IAS 19 for a defined benefit plan. The extent of any difference will depend on how fair value is determined; but in many territories where pension plans are funded, pensions in payment are often given highest priority so that the default risk may be very small.

If fair value is an exit model, as in SFAS 157, one view is that the cost of buying an annuity from an insurance company is the fair value. The mortality assumptions used by insurance companies in many territories are more conservative, or perhaps less optimistic, than those used by pension funds. Insurance companies' often assume that the retiree will live longer and draw more benefits than the assumptions made by the employer. Also, the yields underlying annuity contracts are seldom as high as high-quality corporate bond yields. The value placed on a €1,000 p.a. pension from a contribution-based plan could be considerably higher than the value placed on the same pension payable from a defined benefit plan.

Looking to the future

What follows the revised version of IAS 19 that will result from this discussion paper? Phase 2 of the Board's review. It is difficult to see that the standard can maintain two models for valuing an identical obligation. This implies that either the measurement model for contribution-based plans will be relatively short-lived, or defined benefit plans will move to the same model.

The proposals will have significant impacts on the accounting for many forms of benefit design and could set the framework for benefits accounting for a long time to come. Preparers and users of accounts are encouraged to consider these proposals and respond to the Board's invitation to comment now, rather than wait for an exposure draft, or even a standard. The comment period ends on 26 September 2008.

IFRS pocket guide 2008

PricewaterhouseCoopers' *IFRS pocket guide 2008* is available this month.

It is intended to be used as an 'at-a-glance' guide, summarising the recognition and measurement requirements of IFRS published up to March 2008.

Order your hard copy now from www.cch.co.uk/ifrsbooks. Or download the PDF from www.pwc.com/ifrs

IASB member Zhang Wei-Guo

Zhang Wei-Guo joined the IASB in July 2007 as a full time member. He previously worked as Chief Accountant and Director General of the Department of International Affairs at the China Securities Regulatory Commission (CSRC). He has been involved in accounting standard-setting, auditor oversight, and cross-border regulatory co-operation issues at the CSRC and with the International Organization of Securities Commissions.

What have you found most enjoyable about your role at the Board so far?

There are two things I particularly enjoy. Firstly, we are achieving much wider adoption and convergence than anyone expected. China has already implemented the converged new accounting standards. Japan and Korea have announced their adoption or convergence programmes. The SEC has waived the US GAAP reconciliation requirements for foreign private issuers and is now seeking the possibility of allowing US domestic companies to use IFRS.

Secondly, I am working with a very good team, including board members and staff from more than 20 countries. They are professional and friendly, and have created a spirit of co-operation.

What do you want to be remembered for from your time at the IASB?

My philosophy is quite simple – try our best to solve issues in the most appropriate way. When someone retires or moves from their current position, he or she should be proud of the judgements and decisions that they have made. He or she will also hope others will learn from any mistakes he or she made.

What do you see as the most important project on the Board's agenda, and why?

Revenue may be one of the most important projects on the Board's agenda. Accounting and reporting for revenue was traditionally based on a revenue/expense view (or the income statement approach). Now we are moving to an asset/liability view (or the balance sheet approach). It will not only cover income statement items, but also touch many balance sheet items, including the timing of recognition, measurement, as well as presentation and disclosure issues. The Board's final decision will determine the extent of the possible changes.

Are there any new projects you would like to see added to the Board's agenda?

We are now in an environment where people have different views. Some want more problems to be resolved to enhance the quality of IFRS and to meet the needs of those countries in adopting or implementing IFRS. Others prefer a stable platform for a period. I think we need to scrutinise what should be put on the agenda and only put through amendments that are strictly necessary. Preparers, auditors, national standard-setters and other will inevitably raises issues to us, but the Board needs to be more careful when making this kind of tough decision.

What about the 'common control project'? It must be important to China.

It is quite important to China because there are many transactions in listed companies, either government or privately controlled, under common control. This is why the current accounting standards in China on business combinations divide into two parts: one on non-common control transactions, the other on common control transactions. When the Board sought advice from the Standards Advisory Committee, the members identified this as the number one project to be added to the agenda. To my surprise, many other countries, including those in Europe, also requested to add this project to the agenda. So the Board did so in December last year.

This is a difficult project. I think the Board has made the right decision to put it onto the agenda. The project will examine the definition of a business combination involving entities or businesses under common control and the methods of accounting for those transactions in the acquirer's consolidated and separate financial statements. The Board also decided to include demergers in the scope of the project because these two issues are often closely related.

How do you see standard setting evolving over the next five years?

First, more countries will either adopt IFRS or converge with IFRS. Among them, the most important decision is whether the US will allow domestic preparers to use IFRS.

My second prediction is how the Board resolves issues from different countries and regions. When IFRS is more and more widely used and strictly enforced, the result will inevitably be more questions from around the world. The Board will face some challenges from different regional issues.

Thirdly, the Board has to make a trade-off between expected stability and required changes to the standards.

The views expressed in this article are personal ones and not necessarily those of the IASC Foundation or the IASB.

India moves to full IFRS

India announced in July 2007 its plan to converge fully with IFRS by 2011. The announcement has been widely welcomed. Sanjay Hegde, the head of PwC's Capital Markets Group in India, talks to IFRS News about preparations.

What has happened since the Institute of Chartered Accountants of India (ICAI) announced that India would align its accounting standards to IFRS?

The prerequisite for achieving convergence successfully is to lay down the strategy. This includes a roadmap for achieving convergence in a systematic and consistent way, keeping in view India's legal, economic and other peculiarities.

The ICAI, which regulates the accounting profession in India, has embarked on its IFRS convergence exercise in earnest. The 2011 deadline allows us plenty of time (deliberately so).

The Accounting Standard Board (ASB) of ICAI was entrusted with the responsibility of preparing the 'Concept Paper on Convergence'. The paper's objective was to: (a) explore the approach for achieving convergence with IFRS, and (b) lay down a detailed road map. The ASB set up a Task Force comprising of members from different backgrounds – industry, profession, training, government, IASCF Trustees and others. The concept paper, including the road map, was published in the second half of 2007. It outlines the objectives, roles, responsibilities, strategy and action plans.

Will accounting prepared under Indian IFRS qualify as 'full IFRS', or will there be differences? If different, what will this mean for Indian entities?

The ICAI considered whether:

(a) the existing Indian Accounting Standards should be revised to make them fully compliant with IFRSs; or
(b) the IFRSs, including the IFRS reference numbers, should be adopted from 1 April 2011.

The ICAI believes that it would be more cumbersome to follow the first approach, and has therefore chosen option (b). The IFRSs will be issued as 'Indian ASs', which will be IFRS-equivalent. The existing Accounting Standard reference number will be given along with the IFRS number.

As far as the legal and regulatory aspects are concerned, the ICAI has decided that where there are conflicts between IFRS and Indian laws/regulations, the latter will prevail. The ICAI believes that this approach is appropriate because it would not be practicable to postpone full convergence until the relevant laws/regulations are amended, as such amendments may not take place for many years. For example, AS 21, Consolidated Financial Statements, defines 'control' as ownership of more than one-half of the voting power of an enterprise or control over the composition of the governing body of an enterprise. This definition is largely based on the definitions of 'holding company' and 'subsidiary company' as per the Companies Act, 1956. However, IAS 27, Consolidated and Separate Financial Statements, defines 'control' as "the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities". Therefore, until the corresponding amendments are made to the Companies Act, there would be ambiguity and so the current regulations would prevail.

The task force has also stratified the target companies into two groups: public interest entities (PIEs) and small and medium enterprises (SMEs).

PIEs include all companies:

(a) whose equity or debt securities are listed or are in the process of listing on any stock exchange, whether in India or outside;
(b) that are banks (including cooperative banks), financial institutions, mutual funds or insurance entities;
(c) whose turnover (excluding other income) exceeds rupees 1 billion* in the immediately preceding accounting year;
(d) that has public deposits and/or borrowings from banks and financial institutions in excess of rupees 250 million* at any time during the immediately preceding accounting year; or
(e) that is a holding or a subsidiary of an entity that is covered in (a) to (d) above.

The ICAI only wants PIEs to become IFRS compliant to start with. It believes that it may be appropriate to have a separate standard for SMEs. But SMEs do not need to adopt the IASB's 'IFRS for SMEs', for India to be an IFRS-compliant country.

What has been the response of CFOs, investors, analysts, preparers and others in India?

The announcement was received very positively by one and all, although for different reasons. An independent survey conducted in India found that 95% of CFOs of large Indian companies are interested in swiftly converging with global accounting standards, mainly IFRSs.

How prepared are Indian entities for the transition to IFRS?

That is difficult to answer. In any such large-scale transformation there are always different challenges at different stages. And different companies are placed differently to tackle those challenges. For example, a company that has a foreign parent and has been reporting under IFRS or parent company

* €1: Rs 62.92

GAAP for some time would probably find it relatively easy to transition to IFRS; but a company doing the transition from Indian GAAP to IFRS would find it tougher, particularly regarding the concepts related to fair value, investment property, business combinations and derivatives.

Current Indian GAAP, although styled on IFRS, deviates from it for various reasons – for example, maintaining consistency with the legal and regulatory requirements, the economic environment, levels of preparedness and conceptual differences – although the aim has always been to follow IFRS, to the extent possible, while formulating the Indian Accounting Standards.

However, one refreshing and positive aspect in India's case is the willingness to move to IFRS and the acceptance of the inevitable change. That could be a differentiating factor between the transition story in India compared with other countries. In fact, unlike the experience in other transitioning countries, many companies in India might go for a 'strategic approach' to adopting the standards. Given India's IT strength, companies may embed the systems along the way, rather than first converging to IFRS and then embedding or taking a tactical approach where high-level differences are identified and plugged, mostly on spreadsheets.

That said, it will take time to embed the requirements in systems and the business so that the management information systems, the accounts and the huge amount of disclosures can be generated readily and reliably.

What will be the biggest change for entities reporting under IFRS?

There will be many big changes, but if I have to pick one, I believe it will be the fair value accounting, be it IFRS 3, IAS 39, IAS 40 or IFRS 2, etc. All of these pose a challenge, not only because of the mindset (of the accounting professionals in industry and in practice) of prudence and cost-based accounting; but also, we will be asked questions like, "Why fair value? It couldn't prevent an Enron or a subprime situation in the world's biggest economy with the deepest and safest securities markets".

From a presentation and disclosure perspective, Indian companies are accustomed to following Schedule VI of the Companies Act of India with its standard presentation and disclosures. This will be a significant change for companies in their transition to IFRS. They will have to assess for themselves the various disclosures and presentations required for their company, especially considering IFRS 7, Financial Instruments: Disclosures, which is already proving to be a challenge for companies across the world.

IFRS 7 will be really demanding for banking and financial companies in India, which have traditionally reported following norms set by the Reserve Bank of India, ICAI, Companies Act and Banking Regulation Act, and IAS 39. This is not only because of the derivatives accounting, impairment reserve calculations and the requirement to carry most of your investments at fair value, but also because of the rigorous disclosures it requires. The data required for such disclosures will be substantial, as are the data points with which they are captured. Indian companies are not geared up for that at present and will find this a significant challenge.

What about IFRS 3R?

As mentioned above, we believe that different entities will find different standards a challenge to apply. However, in the international context, accounting standards that are extremely relevant today, particularly in the light of cross-border and domestic deals, are the standards on business combinations (IFRS 3) and consolidated financial statements (IAS 27 and SIC-12).

There is no comprehensive guidance available currently in Indian GAAP that addresses the accounting for special purpose vehicles. Professionals look to AS 21, Consolidated Financial Statements, which lays a lot of emphasis either on 'majority equity stake' or majority representation at the board when defining control. This will be difficult under IFRS, which has stricter guidance on interpreting control: "The power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities".

Companies moving to IFRS in India will have to think about their SPE structures and check whether they should be consolidated or not. In most cases under IFRS, SPEs will qualify for consolidation, affecting the balance sheet and the results of operations. Specifically, financial services companies may find their capital adequacy ratios impacted.

Another challenge will be the requirement to perform a fair value based purchase price allocation in a business combination. Indian GAAP requires a book-value-based goodwill accounting.

However I would like to emphasise that with clarity as to the approach and objectives and determination of the purpose, India is moving steadily but surely towards achieving goal of convergence with IFRS by 2011.

IASB project timetable

Project	ED published/ expected	Comment deadline	Standard published/ due	Effective date (early adoption permitted)
Joint IASB/FASB projects				
– Amendments to IFRS 3 and to IAS 27	12 July 2005	28 October 2005	10 January 2008	1 July 2009
_ IAS 31, Joint Ventures	September 2007	11 January 2008	Q3 or Q4 2008	Undecided
_ Amendment of IAS 33, Earnings per share	Q1 2008	Undecided	Some time in 2008	Undecided
– IAS 37	12 July 2005	28 October 2005	Q3 or Q3 2009	Undecided
– IAS 12, Income Taxes	Some time in 2008	Undecided	Some time in 2009	Undecided
– Amendment to IAS 20, Government Grants	Deferred until IAS 37 finalised	Undecided	Undecided	Undecided
– Leases	DP due Q1 2009	Undecided	Undecided	Undecided
– Revenue and related liabilities	DP due Q2 2008	Undecided	Undecided	Undecided
– Impairment	Active project	Undecided	Undecided	Undecided
IAS 1, Presentation of Financial Statements				
– Segment A	16 March 2006	17 July 2006	September 2007	1 January 2009
– Segment B	DP due Q3, 2008. ED due some time 2008	Undecided	Undecided	Undecided
IFRS 2 amendments – vesting conditions and cancellations	2 February 2006	2 June 2006	17 January 2008	1 January 2009
IAS 32 – Financial Instruments Puttable at Fair Value and Obligations arising on Liquidation	22 June 2006	23 October 2006	14 February 2008	1 January 2009
Amendment to IAS 24, Related Party Disclosures	22 February 2007	25 May 2007	Q1 2008	1 July 2009
IFRS for SMEs	15 February 2007	30 November 2007	Q4 2008	Undecided
IAS 39, Financial Instruments: portions ‘Exposures qualifying for hedge accounting’	6 September 2007	11 January 2008	Undecided	Retrospective application, but won’t be effective before Q2 2008
Annual improvement project	11 October 2007	11 January 2008	Undecided	Undecided
IFRS 1 and IAS 27, Cost of investment in a subsidiary, jointly-controlled entity or associate	13 December 2007	26 February 2008	Undecided	Undecided
Amendments to IFRS 2 and IFRIC 11 ‘IFRS 2 – Group and treasury share transactions’	13 December 2007	17 March 2007	Undecided	Not for 1 January 2009
IFRS 4, Insurance Contracts – phase 2	DP issued 3 May 2007. ED expected 2009	Undecided	Some time in 2010	Undecided
Post-retirement benefits (including pensions) ‘Amendments to IAS 19’	DP issued 27 March 2008; comment deadline 26 Sept 2008	Undecided	Undecided	1 January 2013
Fair value measurement guidance	DP issued 6 May 2007. Standard-by-standard review began 25 Feb 2008; roundtable discussions with constituents Q4 2008	Undecided	Undecided	Undecided
Consolidation (including SPEs)	DP due Q3 or Q4 2008	Undecided	Undecided	Undecided
Emission rights	Undecided (depends on IAS 20)	Undecided	Undecided	Undecided
IAS 39, Financial Instruments: Liabilities and equity – phase 2	DP issued 28 February 2008; comment deadline 5 Sept 2008	Undecided	Undecided	Undecided
Improvement to IAS 32: Financial instruments with characteristics of equity	DP issued 28 February 2008; comment deadline 5 Sept 2008	Undecided	Undecided	Undecided
IAS 39, Financial Instruments (replacement of existing standards) ‘Reducing complexity	DP issued 19 March 2008; comment deadline 26 Sept 2008	Undecided	Undecided	Undecided
Extractive activities	DP due late 2008	Undecided	Undecided	Undecided

IFRIC project timetable

Project	ED published/ expected	Comment deadline	Standard published/ due	Effective date
IFRIC 13 (D20), Customer Loyalty Programmes	7 September 2006	6 November 2006	June 2007	1 July 2008
IFRIC 14 (D19), IAS 19 – The Asset Ceiling: Availability of Economic Benefits and Minimum Funding Requirements	24 August 2006	31 October 2006	June 2007	1 January 2008
D21, Real estate sales	5 July 2007	5 October 2007	Undecided	Undecided
D22, Hedges of a Net Investment in a Foreign Operation	July 2007	19 October 2007	Undecided	Undecided
D23, Distribution of non-cash assets to owners	17 January 2008	25 April 2008	Undecided	Undecided
D24, Customer contributions	17 January 2008	25 April 2008	Undecided	Undecided

Note: these dates are provisional only and subject to change

EU endorsement status

IASB/IFRIC documents not yet endorsed

	Has EFRAG issued its endorsement advice?	Has the ARC voted on it?	When might endorsement be expected?*
Standards Revised IFRS 3, Business Combinations (Issued 10 January 2008)	Expected in Q3 2008	Expected at the October meeting	Q1 2009
Interpretations IFRIC 12, Service Concession Arrangements (Issued 30 November 2006)	√	Expected at either the June or July meeting	By the end of 2008
IFRIC 13, Customer Loyalty Programmes (Issued 28 June 2007)	Expected in April or May 2008	Expected at either the June or July meeting	By the end of 2008
IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction (Issued 05 July 2007)	√	Expected at either the June or July meeting	By the end of 2008
Amendments Amendment to IAS 23, Borrowing Costs (Issued 29 March 2007)	√	Expected at either the June or July meeting	By the end of 2008
Amendments to IAS 1, Presentation of Financial Statements: A Revised Presentation (Issued 06 September 2007)		Expected at either the June or July meeting	By the end of 2008
Amendments to IAS 27, Consolidated and Separate Financial Statements (Issued 10 January 2008)	Expected in Q3 2008	Expected at the October meeting	Q1 2009
Amendment to IFRS 2, Share-based Payment: Vesting Conditions and Cancellations (Issued 17 January 2008)	Expected in April or May 2008	Expected at either the June or July meeting	By the end of 2008
Amendments to IAS 32 and IAS 1, Puttable Financial Instruments and Obligations Arising on Liquidation (Issued 14 February 2008)	Expected in April or May 2008	Expected at the October meeting	Q1 2009

* The information shown in the 'When is endorsement expected?' column is the EU's best estimate of the latest date for endorsement, assuming endorsement is to occur.

The information in this table and the table on p10 are correct as at 21 April 2008.

IASB/IFRIC documents that have been endorsed

Regulations and amendments to Regulations legally come into force 3 days after publication in the Official Journal.

	Date of endorsement	Date of publication in the Official Journal
IFRS 8, Operating Segments	21 November 2007	22 November 2007
IFRIC 11, IFRS 2: Group and Treasury Share Transactions	1 June 2007	2 June 2007
IFRIC 10, Interim Financial Reporting and Impairment	1 June 2007	2 June 2007
IFRIC 9, Reassessment of Embedded Derivatives	8 September 2006	9 September 2006
IFRIC 8, Scope of IFRS 2	8 September 2006	9 September 2006
IFRIC 7, Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies	8 May 2006	9 May 2006
Amendments to IAS 21: The Effect of Changes in Foreign Exchange Rates	8 May 2006	9 May 2006
IFRS 7 Financial Instruments: Disclosures	11 January 2006	27 January 2006
IFRIC 6, Waste Electrical and Electronic Equipment	11 January 2006	27 January 2006
Amendments to IFRS 1 and IFRS 6	11 January 2006	27 January 2006
Amendments to IAS 39 and IFRS 4: Financial Guarantee		
Contracts	11 January 2006	27 January 2006
Amendment to IAS 1: Capital Disclosures	11 January 2006	27 January 2006
Amendment to IAS 39: Cash Flow Hedge Accounting	21 December 2005	22 December 2005
Amendment to IAS 39: The Fair Value Option	15 November 2005*	16 November 2005
IFRIC 5, Interests in Decommissioning Funds	8 November 2005	24 November 2005
IFRIC 4, Determining whether an arrangement contains a lease	8 November 2005	24 November 2005
Amendments to IAS 19, Employee Benefits: Actuarial Gains and Losses, Group Plans and Disclosures	8 November 2005	24 November 2005
IFRS 6, Mineral Resources	8 November 2005	24 November 2005
Amendment to IAS 39, Transition and Initial Recognition of Financial Assets and Financial Liabilities	25 October 2005	26 October 2005
Amendment to SIC-12	25 October 2005	26 October 2005
IFRIC 2, Members' Shares in Co-operative Entities and Similar Instruments	7 July 2005	8 July 2005
IFRS 2, Share-based Payments	4 February 2005	11 February 2005
Amendments to IASs 1, 2, 8, 10, 16, 17, 21, 24, 27, 28, 31, 33,	29 December 2004	31 December 2004
and 40.		
IAS 32, Financial Instruments: Disclosure and Presentation	29 December 2004	31 December 2004
IFRIC 1, Changes in Existing Decommissioning, Restoration and Similar Liabilities	29 December 2004	31 December 2004
IFRS 5, Non-current Assets Held for Sale and Discontinued Operations	29 December 2004	31 December 2004
IFRS 4, Insurance Contracts	29 December 2004	31 December 2004
Amendments to IAS 36 and IAS 38	29 December 2004	31 December 2004
IFRS 3, Business Combinations	29 December 2004	31 December 2004
IAS 39, Financial Instruments: Recognition and Measurement	19 November 2004*	9 December 2004
IFRS 1, First-time Adoption of IFRS	6 April 2004	6 April 2004
Extant standards and interpretations as at 1 March 2002, other than IAS 32 and 39 and related interpretations. (In other words, IASs 1, 2, 7, 8, 10, 11, 12, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 26, 27, 28, 29, 30, 31, 33, 34, 35, 36, 37, 38, 40 and 41; and SIC 1, 2, 3, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 18, 19, 20, 21, 22, 23, 24, 25, 27, 28, 29, 30, 31, 32 and 33.)	29 September 2003	13 October 2003

* Two parts of IAS 39 were not endorsed in 2004. One of those parts was subsequently endorsed in December 2005 at the same time as Amendment to IAS 39: The Fair Value Option. The other part relates to hedge accounting.

For further help on IFRS technical issues contact:

Business Combinations and Adoption of IFRS
mary.dolson@uk.pwc.com: Tel: + 44 (0)20 7804 2930
olivier.scherer@uk.pwc.com: Tel: +44 (0)20 7213 1497
shelley.h.so@uk.pwc.com: Tel: +44 (0)20 7804 8679
michael.j.stewart@uk.pwc.com: Tel: +44 (0)207 804 6829
caroline.woodward@uk.pwc.com: Tel: +44 (0)207 804 7392

Financial Instruments and Financial Services
pauline.wallace@uk.pwc.com: Tel: +44 (0)20 7804 1293
francesco.nagari@uk.pwc.com (insurance):
Tel: +44 (0)20 7804 2036

Liabilities, Revenue Recognition and Other Areas
tony.m.debell@uk.pwc.com: Tel: +44 (0)20 7213 5336
mark.lohmann@uk.pwc.com: Tel: +44 (0)20 7212 4482
richard.davis@uk.pwc.com (actuarial issues):
Tel: +44 (0)20 7212 4565

IFRS News editor
joanna.c.malvern@uk.pwc.com: Tel: +44 (0)20 7804 9377