

## Audit

# IAS Plus.

Published for our clients and staff globally

### Deloitte global IFRS leadership team

#### IFRS global office

Global IFRS leader

Ken Wild

kwild@deloitte.co.uk

#### IFRS centres of excellence

##### Americas

D. J. Gannon

iasplusamericas@deloitte.com

##### Asia-Pacific

###### Hong Kong

Stephen Taylor

iasplus@deloitte.com.hk

###### Melbourne

Bruce Porter

iasplus@deloitte.com.au

##### Europe-Africa

###### Johannesburg

Graeme Berry

iasplus@deloitte.co.za

###### Copenhagen

Jan Peter Larsen

dk\_iasplus@deloitte.dk

###### London

Veronica Poole

iasplus@deloitte.co.uk

###### Paris

Laurence Rivat

iasplus@deloitte.fr

## International financial reporting news

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### IAS Plus website

Over 5.0 million people have visited our [www.iasplus.com](http://www.iasplus.com) web site for the latest news about international financial reporting. Please check in regularly.

For information about the content of **IAS Plus (Global)** please contact: Carsten Friedrich, Editor: [iasplusnewsletter@deloitte.co.uk](mailto:iasplusnewsletter@deloitte.co.uk)

IASB PROJECT TIMETABLE – ACTIVE PROJECTS	
<b>Annual Improvements</b>	<ul style="list-style-type: none"> <li>• Omnibus Exposure Draft (ED) expected October 2007</li> <li>• Final IFRS expected first half 2008</li> </ul>
<b>Accounting Standards for Small and Medium-sized Entities</b>	<ul style="list-style-type: none"> <li>• Recognition and measurement questionnaire issued April 2005</li> <li>• Public round tables held October 2005</li> <li>• ED issued 15 February 2007</li> <li>• Final IFRS expected second half 2008</li> </ul>
<b>Business Combinations – Phase II – Purchase Method and Non-controlling Interest* – Liabilities (IAS 37 amendments)</b>	<ul style="list-style-type: none"> <li>• Separate EDs issued June 2005</li> <li>• Public round-tables held November 2005</li> <li>• Round-tables on liabilities held fourth quarter 2006</li> <li>• Final IFRS on business combinations expected third quarter 2007</li> <li>• Final IFRS on liabilities expected second half 2008</li> </ul>
<b>Conceptual Framework</b> Eight phases in all	<ul style="list-style-type: none"> <li>• Discussion Paper (DP) on objectives and qualitative characteristics was issued July 2006. ED expected fourth quarter 2007</li> <li>• Round-tables on measurement held first half 2007</li> <li>• DP on reporting entity expected third quarter 2007</li> <li>• DP on elements and recognition expected second half 2008</li> </ul>
<b>Consolidation, including SPEs*</b>	<ul style="list-style-type: none"> <li>• DP expected first half 2008</li> </ul>
<b>Convergence – Short-term Issues, IFRSs and US GAAP*</b>	<p><b><u>IAS 12 Income Taxes</u></b></p> <ul style="list-style-type: none"> <li>• ED expected fourth quarter 2007</li> <li>• Final IFRS expected second half 2008</li> </ul> <p><b><u>IAS 31 Joint Ventures</u></b></p> <ul style="list-style-type: none"> <li>• ED expected third quarter 2007</li> <li>• Final IFRS expected 2008</li> </ul> <p><b><u>Impairment</u></b></p> <ul style="list-style-type: none"> <li>• Staff research has begun</li> </ul>
<b>Earnings per Share amendment</b>	<ul style="list-style-type: none"> <li>• ED expected third quarter 2007</li> <li>• Final IFRS expected 2008</li> </ul>
<b>Fair Value Measurement Guidance*</b>	<ul style="list-style-type: none"> <li>• DP issued 30 November 2006</li> <li>• ED expected second half 2008</li> </ul>
<b>Financial Statement Presentation (Performance Reporting)*</b> Phase A: IAS 1: A Revised Presentation Phase B: Presentation	<ul style="list-style-type: none"> <li>• Working group appointed in 2005</li> <li>• Phase A: ED issued March 2006</li> <li>• Phase A: Final IFRS expected third quarter 2007</li> <li>• Phase B: DP expected fourth quarter 2007</li> </ul>
<b>Government Grants and Emission Rights Trading*</b>	<ul style="list-style-type: none"> <li>• Work deferred pending IAS 37 amendments project</li> </ul>
<b>IFRS 1 Amendment – Cost of Investment in Subsidiary in Separate Statements of Parent</b>	<ul style="list-style-type: none"> <li>• Added to agenda March 2006</li> <li>• ED issued 25 January 2007</li> <li>• Final IFRS expected fourth quarter 2007</li> </ul>
<b>IFRS 2 Amendment – Vesting Conditions and Cancellations</b>	<ul style="list-style-type: none"> <li>• ED issued February 2006</li> <li>• Final amendment expected third quarter 2007</li> </ul>
<b>Insurance Contracts – Phase II</b>	<ul style="list-style-type: none"> <li>• DP issued 3 May 2007</li> <li>• ED expected second half 2008</li> </ul>
<b>Leases*</b>	<ul style="list-style-type: none"> <li>• Added to agenda July 2006</li> <li>• Working Group being formed</li> <li>• DP expected first half 2008</li> </ul>

<b>Post-retirement Benefits (including Pensions)*</b>	<ul style="list-style-type: none"> <li>• Staff research under way</li> <li>• Working Group was formed March 2007</li> <li>• DP expected fourth quarter 2007</li> </ul>
<b>Puttable Instruments</b>	<ul style="list-style-type: none"> <li>• ED was issued June 2006</li> <li>• Final IFRS expected third quarter 2007</li> </ul>
<b>Revenue Recognition*</b>	<ul style="list-style-type: none"> <li>• DP expected first half 2008</li> </ul>
<b>Related Party Disclosures</b>	<ul style="list-style-type: none"> <li>• ED was issued February 2007</li> <li>• Final IFRS expected first half 2008</li> </ul>

<b>IASB PROJECT TIMETABLE – RESEARCH AGENDA</b>	
<i>Projects agreed in the February 2006 IASB-FASB convergence agreement:</i>	
<b>Derecognition*</b>	<ul style="list-style-type: none"> <li>• Staff research report expected fourth quarter 2007</li> </ul>
<b>Financial Instruments*</b>	<ul style="list-style-type: none"> <li>• Working group appointed</li> <li>• Staff research questionnaire issued March 2006</li> <li>• DP expected fourth quarter 2007</li> </ul>
<b>Intangible Assets*</b>	<ul style="list-style-type: none"> <li>• Staff research under way</li> <li>• Agenda decision expected fourth quarter 2007</li> </ul>
<b>Liabilities and Equity*</b>	<ul style="list-style-type: none"> <li>• DP expected third quarter 2007</li> </ul>
<i>Other IASB Research Projects:</i>	
<b>Extractive Industries</b>	<ul style="list-style-type: none"> <li>• Group of national standard setters conducting research</li> <li>• DP expected first half 2008</li> </ul>
<b>Management Commentary</b>	<ul style="list-style-type: none"> <li>• DP issued October 2005</li> </ul>

\* IASB projects with milestones agreed in the February 2006 IASB-FASB Memorandum of Understanding on convergence – download the MoU at [www.iasplus.com/pressrel/0602roadmapmou.pdf](http://www.iasplus.com/pressrel/0602roadmapmou.pdf).

This timetable is derived from the IASB's published timetable supplemented by decisions and comments made at recent meetings of the Board. You will find details on each project, including decision summaries from each Board meeting, at [www.iasplus.com/agenda/agenda.htm](http://www.iasplus.com/agenda/agenda.htm).

The DP can be downloaded from the IASB's website:  
[www.iasb.org](http://www.iasb.org)

We have published a special edition of the IAS Plus newsletter summarising the DP. You can find it here:  
[www.iasplus.com/iasplus/0706insurance.pdf](http://www.iasplus.com/iasplus/0706insurance.pdf)

On IAS Plus you can download the press release:  
[www.iasplus.com/pressrel/0706smefieldtests.pdf](http://www.iasplus.com/pressrel/0706smefieldtests.pdf)  
and the Field Test Questionnaire:  
[www.iasplus.com/agenda/smefieldtests.zip](http://www.iasplus.com/agenda/smefieldtests.zip)

More information about the SME field tests on the IASB's website:  
[www.iasb.org](http://www.iasb.org)

## IASB News

### IASB Discussion Paper on insurance contracts

The IASB has published a Discussion Paper (DP) *Preliminary Views on Insurance Contracts*. Comments are requested by 16 November 2007. Thereafter, the IASB will develop firm proposals for an exposure draft to be published towards the end of 2008. Allowing for a further period of public consultation, the IASB expects the new standard to be in place in 2010.

The DP proposes that an insurer should measure its insurance liabilities using the following three building blocks:

- Explicit, unbiased, market-consistent, probability-weighted and current estimates of the contractual cash flows.
- Current market discount rates that adjust the estimated future cash flows for the time value of money.
- An explicit and unbiased estimate of the margin that market participants require for bearing risk (a risk margin) and for providing other services, if any (a service margin).

These principles would apply to all types of insurance contracts.

The DP suggests that an informative and concise name for a measurement that uses the three building blocks is "current exit value". The DP defines current exit value as the amount the insurer would expect to pay at the reporting date to transfer its remaining contractual rights and obligations immediately to another entity. A measurement at current exit value is not intended to imply that an insurer can, will or should transfer its insurance liabilities to a third party. Indeed, in most cases, insurers cannot transfer the liabilities to a third party and would not wish to do so. Rather, the purpose of specifying this measurement objective is to provide useful information that will help users make economic decisions. In addition, "current exit value" is not meant to imply that the insurer does not intend to settle its obligations with the policyholder. Ultimate settlement with the policyholder would clearly be an important consideration in the price that the third party would charge for assuming the liabilities.

The paper addresses several other topics, including policyholder behaviour, participating contracts, and the reporting of changes in insurance liabilities.

### IASB begins field testing of SME Exposure Draft

The IASB has launched a comprehensive programme for field testing the proposals in the Exposure Draft of an *IFRS for Small and Medium-sized Entities* (IFRS for SMEs) during the comment period. The testing will help to identify aspects of the exposure draft that may need reconsideration.

Companies taking part in the field test are asked to provide background information about themselves, submit their most recent annual financial statements under their existing accounting framework, prepare financial statements in accordance with the proposed IFRS for SMEs for the same financial year, and respond to a series of questions designed to identify any specific problems the company encountered in applying the exposure draft.

## IASB begins field testing of SME Exposure Draft, continued

The IASB has published a Field Test Questionnaire and related Compliance Checklist for the proposed IFRS for SMEs. This checklist identifies all of the accounting recognition and measurement requirements in the Exposure Draft. It is intended to allow users of the draft IFRS for SMEs to pinpoint quickly those sections and paragraphs that are directly relevant to them. The Questionnaire is currently available in English, Spanish and French.

The IASB has established a separate email address for the SME field test correspondence: [smefieldtests@iasb.org](mailto:smefieldtests@iasb.org).

The IASB, in co-operation with national and international organisations around the globe, is identifying field test companies and will assist them in applying the requirements proposed in the exposure draft and in responding to the field test questionnaire. Field testers are asked to provide their information by 31 October 2007.

## Our View: Deloitte Letters of Comment

Deloitte letters of comment to the IASB, IFRIC, IASCF, IASC, and SIC may be found here:

[www.iasplus.com/dttletr/comment.htm](http://www.iasplus.com/dttletr/comment.htm)

Deloitte letters of comment to the IAASB may be found here:

[www.iasplus.com/dttletaudit/commentaudit.htm](http://www.iasplus.com/dttletaudit/commentaudit.htm)

### Related Party Disclosures exposure draft

The exposure draft Proposed Amendments to *IAS 24 Related Party Disclosures* relates to disclosures of relationships and transactions among state-controlled entities and to the definition of related parties.

Here is an excerpt from our comment letter:

*The ED addresses a very real practical issue for jurisdictions where state-controlled and state-influenced entities play a major role. We have previously sent an agenda submission to the IFRIC raising our concerns regarding whether compliance by such entities with the disclosure requirements of the current version of IAS 24 is achievable in certain jurisdictions. In general, we are supportive of the approach proposed in the ED for easing the disclosure burden for entities controlled or significantly influenced by the state.*

*Similarly, we are pleased to see the Board addressing a number of inconsistencies in the definition of a related party and proposing to improve the wording in the Standard. We believe that the proposals would improve the definition, but that it is still unclear and difficult to understand in places. We also find the wording in many areas of the revised Standard somewhat ambiguous and so, in some cases, we are forced to deduce the intentions of the Standard, rather than being able to understand the words used. We believe that the lack of clarity could cause significant problems to readers if English is not their first language and also when the Standard is translated into other languages.*

*Although we have noted some significant reservations with the ED, we feel that the IASB is heading in the right direction. If the Board focuses on developing the key points, e.g. the definition of 'state' and the application of the indicators of influence, and also works to clarify the language of the Standard, then we are optimistic that it will result in an improvement in disclosures made under the Standard.*

### Fair Value Measurement discussion paper

The discussion paper sets out the IASB's preliminary views on how to measure fair values when fair value measurement is already prescribed under existing IFRSs and identifies differences between SFAS 157 and fair value measurement guidance in existing IFRSs. It does not propose any extensions of the use of fair values. The discussion paper is built around FASB's recently issued *SFAS 157 Fair Value Measurements*. SFAS 157 establishes a single definition of fair value together with a framework for measuring fair value for financial reports prepared in accordance with US GAAP.

Here is an excerpt from our comment letter:

*Constituents are better served with a consistent definition of fair value across different accounting standards when fair value is intended to have the same meaning across those accounting standards. As the Board recognises in its invitation to comment there are differences in the meaning of fair value in current standards. Before an exposure draft can be issued, a thorough analysis of all standards is needed to establish where the term fair value is currently used, what it is intended to mean. Without this analysis we do not believe an overarching measurement standard, defining current value measurements, can be developed. In addition, fair value measurement, as defined in the DP, is only one measurement attribute. We are not convinced that this represents the most relevant attribute for all items.*

*The DP concludes fair value is an exit price based on a transfer (as opposed to a settlement). Current IFRSs use the term fair value as meaning sometimes an entry price, sometimes an exit price, sometimes based on a transfer and sometimes based on a settlement. We believe that rather than removing these different terms by having a standardised definition of fair value which we believe in some instances would lead to an inappropriate treatment, recognition should be given to these different terms as we believe that all of them have a place in accounting literature. As such, the term 'fair value' should be dropped as it means different things to different people.*



### Comments on proposed amendments to IFRS 1

We submitted a letter in response to the IASB's January 2007 Exposure Draft of proposed Amendments to *IFRS 1 First-time Adoption of International Financial Reporting Standards: Cost of an Investment in a Subsidiary*. The Exposure Draft proposes to allow a parent to use a "deemed cost" to measure its investment in subsidiaries when it first adopts IFRSs. This deemed cost can be determined by reference to the parent's investment in the net assets of the subsidiary or the fair value of the parent's investment. In addition, the proposals would alleviate the need to restate the pre-acquisition accumulated profits of the subsidiary in accordance with IFRSs for the purposes of classifying dividends.

Here is an excerpt from our comment letter:

*We welcome the fact that the Board has taken this issue on to its agenda. The proposals in the Exposure Draft address a real concern that it may be impracticable to apply IAS 27 with full retrospective effect on transition. This is creating a significant barrier, in some jurisdictions, to the adoption of IFRSs for the separate financial statements of parent companies. Addressing the issue should therefore lead to wider use of IFRSs and reduced costs for companies because they will no longer have to prepare financial statements under local GAAP.*

### Comment letters to the IAASB

Deloitte has recently submitted letters of comment to the International Auditing and Assurance Standards Board (IAASB) on the following proposed International Standards on Auditing. In each case, while offering some suggestions for improvement, we concluded that "we are supportive of the development of this guidance and believe, overall, that the redrafting of the proposed standard was completed in accordance with the clarity conventions and criteria adopted by IAASB".

- ISA 230 (Redrafted) Audit Documentation
- ISA 260 (Revised and Redrafted) Communication with Those Charged with Governance
- ISA 320 (Revised and Redrafted) Materiality in Planning and Performing an Audit and Proposed ISA 450 (Redrafted) Evaluation of Misstatements Identified During the Audit
- ISA 540 (Revised and Redrafted) Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures
- ISA 560 (Redrafted) Subsequent Events
- ISA 610 (Redrafted) The Auditor's Consideration of the Internal Audit Function
- ISA 720 (Redrafted) The Auditor's Responsibility in Relation to Other Information in Documents Containing Audited Financial Statements

The Deloitte comments can be found here:

[www.iasplus.com/dttletr/0706ecifrs8cover.pdf](http://www.iasplus.com/dttletr/0706ecifrs8cover.pdf)  
[www.iasplus.com/dttletr/0706ecifrs8questionnaire.pdf](http://www.iasplus.com/dttletr/0706ecifrs8questionnaire.pdf)

### Deloitte view on endorsement of IFRS 8 in Europe

The European Commission conducted a public consultation regarding the endorsement of *IFRS 8 Operating Segments* before finalising a report on the potential impact of endorsement for submission to the European Parliament in September 2007. The Commission's public consultation involved a questionnaire to which responses were due 29 June 2007. The issue is whether it is appropriate to endorse IFRS 8 for use in the EU, thereby superseding IAS 14 Segment Reporting, which is currently in use in the EU. The Deloitte IFRS specialists centres in a number of the Deloitte European firms have jointly replied to the Commission's consultation supporting the endorsement of IFRS 8. The letter notes that IFRS 8 has currently received a positive advice from the EFRAG (the "technical level" of the EU endorsement process for accounting standards) and the ARC (the "political" level of the endorsement process). Deloitte advocates immediate endorsement of IFRS 8 in the EU.

Here is an excerpt from our comment letter:

*...a segment reporting approach that is based on information provided to, and by, management is more likely to help reduce the difference between the data used for financial statements purposes and the data used in other reports for internal and external communication purposes. We also expect that it will result in an increase in the reliability of the data presented. For these reasons, even if IFRS 8 was not our preferred approach for segment reporting, we consider that it provides valuable information to the users of financial statements. Accordingly, purely on this basis, we believe it worth of endorsement in Europe.*

*Actions that lengthen the endorsement process of new or revised IFRS for use in the EU can only be damaging to European entities and put them at disadvantage compared to other entities world-wide. We are concerned that the timing of the European endorsement process can be jeopardised by some objector groups which may not be truly representative of a majority view.*

See our story on page 16 of this IAS Plus Newsletter for more information about the endorsement of IFRS 8 in Europe.



## News from IFRIC

More information about IFRIC and Interpretations:  
[www.iasplus.com/interps/interps.htm](http://www.iasplus.com/interps/interps.htm)

Click here for the press release:  
[www.iasplus.com/pressrel/0707ifric14pr.pdf](http://www.iasplus.com/pressrel/0707ifric14pr.pdf)

We have published a special edition of the IAS Plus newsletter summarising the Interpretation. You can find it here:

[www.iasplus.com/iasplus/0706ifric13.pdf](http://www.iasplus.com/iasplus/0706ifric13.pdf)

### IFRIC issues Interpretation on pension asset ceiling

The International Financial Reporting Interpretations Committee has issued an Interpretation, IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*.

IFRIC 14 provides general guidance on how to assess the limit in IAS 19 Employee Benefits on the amount of a pension fund surplus that can be recognised as an asset. It also explains how the pensions asset or liability may be affected when there is a statutory or contractual minimum funding requirement. The Interpretation will standardise practice and ensure that entities recognise an asset in relation to a surplus on a consistent basis. No additional liability need be recognised by the employer under IFRIC 14 unless the contributions that are payable under the minimum funding requirement cannot be returned to the company. IFRIC 14 is likely to have the most impact in countries that have a minimum funding requirement and where there are restrictions on a company's ability to get refunds or reduce contributions. IFRIC 14 is effective for annual periods beginning on or after 1 January 2008. Earlier application is permitted.

### New IFRIC Interpretation on customer loyalty programmes

The International Financial Reporting Interpretations Committee has issued an Interpretation, *IFRIC 13 Customer Loyalty Programmes*. IFRIC 13 addresses accounting by entities that grant loyalty award credits (such as "points" or travel miles) to customers who buy other goods or services. Specifically, it explains how such entities should account for their obligations to provide free or discounted goods or services ("awards") to customers who redeem award credits. The IFRIC also published some information questions and answers as a simple introduction to IFRIC 13 (available from the IASB's website).

Key provisions of IFRIC 13 are:

- An entity that grants loyalty award credits shall allocate some of the proceeds of the initial sale to the award credits as a liability (its obligation to provide the awards). In effect, the award is accounted for as a separate component of the sale transaction.
- The amount of proceeds allocated to the award credits is measured by reference to their fair value, that is, the amount for which the award credits could have been sold separately.
- The entity shall recognise the deferred portion of the proceeds as revenue only when it has fulfilled its obligations. It may fulfil its obligations either by supplying the awards itself or by engaging (and paying) a third party to do so.
- If at any time the expected costs of meeting the obligation exceed the consideration received, the entity has an onerous contract for which IAS 37 would require recognition of a liability.
- IFRIC 13 is effective for annual periods beginning on or after 1 July 2008, with earlier application permitted.
- If IFRIC 13 causes an entity to change its accounting policy for customer loyalty awards, IAS 8 applies.

Click here for the press release:

[www.iasplus.com/pressrel/0707ifricd21.pdf](http://www.iasplus.com/pressrel/0707ifricd21.pdf)

### IFRIC draft Interpretation on real estate sales

The International Financial Reporting Interpretations Committee has released for public comment a Draft Interpretation D21 *Real Estate Sales*. The comment deadline is 5 October 2007.

IFRIC D21 aims to standardise accounting practice among real estate developers for sales of units, such as apartments or houses, “off plan”, that is, before construction is complete or even has begun. At present, real estate developers interpret IFRSs differently and record revenue for the sale of the units at different times. Some record revenue only when they have handed over the completed unit to the buyer, while others record revenue earlier, as construction progresses, by reference to the stage of completion of the development. IFRIC D21 proposes that revenue should be recorded as construction progresses only if the developer is providing construction services, rather than selling goods (completed real estate units). It proposes features that indicate that the seller is providing construction services. In many countries, these features tend currently not to be present in typical off plan sale agreements.

Click here for a complete list of IFRIC members:

[www.iasplus.com/restruct/ifric.htm](http://www.iasplus.com/restruct/ifric.htm)

### Four new IFRIC members appointed

The Trustees of the International Accounting Standards Committee Foundation (IASCF) have appointed four new members of the International Financial Reporting Interpretations Committee (IFRIC) effective 1 July 2007:

- **Guido Fladt**, Partner, PricewaterhouseCoopers, Germany; Member, Global PwC Corporate Reporting Task Force
- **Bernd Hacker**, Head of Standard Setter Liaison and Financial Instruments Accounting Policies, Siemens, Germany
- **Darrel Scott**, Head of Group Finance, FirstRand Banking Group, South Africa
- **Andrew Vials**, Partner in charge of the UK firm’s Department of Professional Practice, Accounting and Reporting, KPMG.

The appointments are for three year terms ending on 30 June 2010, with eligibility for one renewal term. The new appointees replace four retiring IFRIC members, and their appointments retain IFRIC’s current size of 12 members.

Except for administrative and personnel matters, all of these meetings are open to public observation. Registration forms are on IASB's website: [www.iasb.org](http://www.iasb.org)

IASB and IFRIC meetings are also webcast.

## Upcoming meeting dates

<b>IASB and SAC MEETINGS 2007</b>	
London, UK	17 to 21 September 2007
London, UK	24 to 25 September 2007 – World Standard Setters Meeting
London, UK	15 to 19 October 2007
Norwalk, CT, USA	22 to 23 October 2007 – Joint IASB/FASB Meeting
London, UK	12 to 16 November 2007, and 8 to 9 November 2007 with the Standards Advisory Council
London, UK	10 to 14 December 2007
<b>IASB and SAC MEETINGS 2008</b>	
London, UK	21 to 25 January 2008
London, UK	14 to 15 February 2008 with the Standards Advisory Council, and 18 to 22 February 2008
London, UK	10 to 14 March 2008
London, UK	14 to 18 April 2008
London, UK	21 to 22 April 2008 – Joint IASB/FASB Meeting
London, UK	19 to 23 May 2008
London, UK	16 to 20 June 2008, and 23 to 24 June 2008 with the Standards Advisory Council
London, UK	21 to 25 July 2008
London, UK	11 to 12 September 2008 – World Standard Setters Meeting
London, UK	15 to 19 September 2008
London, UK	13 to 17 October 2008
Norwalk, CT, USA	20 to 22 October 2008 – Joint IASB/FASB Meeting
London, UK	13 to 14 November 2008 with the Standards Advisory Council, 17 to 21 November 2008
London, UK	15 to 19 December 2008
<b>IFRIC MEETINGS 2007</b>	
London, UK	6 to 7 September 2007
London, UK	1 to 2 November 2007
<b>IFRIC MEETINGS 2008</b>	
London, UK	10 to 11 January 2008
London, UK	6 to 7 March 2008
London, UK	8 to 9 May 2008
London, UK	10 to 11 July 2008
London, UK	4 to 5 September 2008
London, UK	6 to 7 November 2008
<b>IASB FOUNDATION TRUSTEES MEETING 2007</b>	
United States	31 October to 1 November 2007

Click here for the press release:

[www.iasplus.com/pressrel/0707stephencooper.pdf](http://www.iasplus.com/pressrel/0707stephencooper.pdf)

You can download the communiqué here:

[www.iasplus.com/iosco/0704iosco.pdf](http://www.iasplus.com/iosco/0704iosco.pdf)

You can download the proposals from IAASB's website:

[www.ifac.org/iaasb](http://www.ifac.org/iaasb)

## IASC Foundation News

### Stephen Cooper appointed to the IASB

The Trustees of the IASCF have appointed Stephen Cooper, Managing Director and head of valuation and accounting research at UBS Investment Bank, as a part-time member of the IASB. Mr Cooper has been appointed for the five years ending on 30 June 2012. Mr Cooper brings practical experience as an active analyst on accounting and valuation matters. In his capacity at UBS, where he will continue to work part-time, Mr Cooper advises UBS's equity research analysts and institutional clients on valuation and accounting issues. As a member of the Corporate Reporting User Forum and a member of the IASB's Analyst Representative Group and Financial Statement Presentation working group, Mr Cooper has been actively involved in the IASB's work.

### Other News

#### Final Communiqué from IOSCO's annual conference on IFRSs

The International Organization of Securities Commissions (IOSCO) held its 32nd Annual Conference on 9-12 April 2007 in Mumbai. The Final Communiqué of the Conference made the following comments about IFRSs:

*The need to progress toward internationally recognised financial reporting standards has been a central issue in the global financial services markets for some time. IOSCO has done much in this field and has consistently focused on convergence, implementation and also application, through the building of an IOSCO Database which is administered by the IOSCO General Secretariat that will facilitate the sharing by securities regulators of decisions relating to the enforcement of IFRSs. In January 2007, the IOSCO IFRS Database became fully operational and the indications are that the database will provide a useful reference source for regulators that will further aid coordination and convergence.*

### News from IFAC

#### Three proposed International Standards on Auditing

The International Auditing and Assurance Standards Board (IAASB) has published exposure drafts of three proposed International Standards on Auditing (ISAs) for public comment. One (ISA 200) is a revision of the existing standard. The other two are redrafts in accordance with the IAASB's new drafting conventions designed to enhance the clarity of its pronouncements:

- ISA 200 (Revised and Redrafted) *Overall Objective of the Independent Auditor, and the Conduct of an Audit in Accordance with International Standards on Auditing.*
- ISA 250 (Redrafted) *The Auditor's Responsibilities Relating to Laws and Regulations in an Audit of Financial Statements.*
- ISA 500 (Redrafted) *Considering the Relevance and Reliability of Audit Evidence.*

Comments on the ED of ISA 250 are requested by 15 September 2007 and comments on the ED of ISA 200 and ISA 500 are requested by 31 July 2007.

## IFRS-related news from the United States

Click here to download the proposal:

[www.iasplus.com/usa/0706secifrsproposal.pdf](http://www.iasplus.com/usa/0706secifrsproposal.pdf)

The IASB press release can be found here:

[www.iasplus.com/pressrel/0706reconciliationpr.pdf](http://www.iasplus.com/pressrel/0706reconciliationpr.pdf)

To download the press release of the committee members click here:

[www.iasplus.com/europe/0706beresradwinpr.pdf](http://www.iasplus.com/europe/0706beresradwinpr.pdf)

### SEC releases its proposal to eliminate the reconciliation for IFRS filers

The US Securities and Exchange Commission has published the text of its proposal to accept from foreign private issuers their financial statements prepared in accordance with IFRS as published by the IASB without reconciliation to generally accepted accounting principles (“GAAP”) as used in the United States. The proposal would amend Form 20-F and make conforming changes to Regulation S-X to accept financial statements prepared in accordance with the English language version of IFRS as published by the IASB without reconciliation to US GAAP when contained in the filings of foreign private issuers with the Commission. The changes would apply starting with their 2008 annual reports, which would be filed in 2009. The proposal notes that “current requirements regarding the reconciliation to U.S. GAAP will not change for a foreign private issuer that uses a basis of accounting other than the English language version of IFRS as published by the IASB”. There is a 75-day comment period. The proposal includes a link for submitting comments electronically.

In a Press Release, Sir David Tweedie, IASB chairman, commented on the importance of the SEC decision:

*The SEC's proposal shows its recognition of the tangible benefits of a single set of financial reporting standards used in the world's integrating capital markets and the relevance of the continuing IASB-FASB convergence process to the economies of the US and the rest of the world. If approved, the rule will eventually reduce significantly the barriers to capital flows between countries using full IFRSs and the United States. We appreciate the SEC's continued support of our work. Our ultimate aim at the IASB is to have a single set of accounting standards used worldwide. The SEC's proposal is an important step in achieving that goal, but much work remains to be done.*

Also, the SEC is expected to issue during the next several months a “concept release” targeted at US domestic issuers. That release will invite comments on whether US issuers should be permitted to use IFRSs in preparing their financial statements. On the basis of the feedback it receives, the Commission will consider whether to issue a proposing release changing the requirements for domestic companies. That release could come in 2008 or 2009.

EU framework release:

[www.iasplus.com/europe/0704euusummit.pdf](http://www.iasplus.com/europe/0704euusummit.pdf)

US framework release:

[www.iasplus.com/europe/0704useusummit.pdf](http://www.iasplus.com/europe/0704useusummit.pdf)

### US-EU summit meeting agrees goal of mutual GAAP recognition

The leaders of the United States (President George W Bush) and the European Union (Angela Merkel, the current President of the European Council, and Jose Manuel Barroso, President of the European Commission) held a political summit meeting in Washington on 30 April 2007.

Among other things, they reached agreement on a Framework for Advancing Transatlantic Economic Integration Between the United States of America and the European Union. The framework commits the US and the EU to accelerate work on key “priority projects” in the areas of intellectual property rights, secure trade, investment, financial markets, and innovation.

### US-EU summit meeting agrees goal of mutual GAAP recognition, continued

As part of the financial markets project, the US and the EU agreed to “promote conditions for the US Generally Accepted Accounting Principles and International Financial Reporting Standards to be recognised in both jurisdictions without the need for reconciliation by 2009 or possibly sooner”. The US and the EU also agreed to “fully support roadmap discussions between the European Commission and the Public Company Accounting Oversight Board in the area of auditor oversight”.

Click here for the SEC press release:

[www.iasplus.com/pastnews/usa/0704secsox404.pdf](http://www.iasplus.com/pastnews/usa/0704secsox404.pdf)

### SEC will simplify implementation of SOx Section 404

The US Securities and Exchange Commission (SEC) has endorsed a number of steps designed to make the internal control provisions of Section 404 of the Sarbanes-Oxley Act of 2002 “more efficient and cost effective”.

Steps the Commission has agreed to take include:

- Swift consideration of the PCAOB’s new auditing standard Auditing Standard No. 2 *An Audit of Internal Control over Financial Reporting Performed in Conjunction with an Audit of Financial Statements*.
- Aligning the SEC’s proposed new management guidance under Section 404 with the new AS-5
- Scaling the 404 audit to account for the particular facts and circumstances of companies, particularly smaller companies
- Encouraging auditors to use professional judgment in the 404 process, particularly in using risk-assessment; and
- Following a principles-based approach to determining when and to what extent the auditor can use the work of others.

You can download the PCAOB report here:

[www.iasplus.com/usa/0704pcaobreport.pdf](http://www.iasplus.com/usa/0704pcaobreport.pdf)

### PCAOB report on internal control audits

The US Public Company Accounting Oversight Board (PCAOB) has issued a report on the second year implementation of its Auditing Standard No. 2 *An Audit of Internal Control over Financial Reporting Performed in Conjunction with an Audit of Financial Statements*. The report is based on PCAOB inspections that looked at portions of approximately 275 audits of internal control over financial reporting (ICFR) by registered public accounting firms.

Press release:

[www.iasplus.com/usa/0705feisoxcosts.pdf](http://www.iasplus.com/usa/0705feisoxcosts.pdf)

### FEI survey shows decline in Sarbanes-Oxley compliance costs

Financial Executives International (FEI) has published its sixth Sarbanes-Oxley compliance survey, which found that Section 404 (internal controls) compliance costs for large SEC registrants for 2006 were 23% less than comparable 2005 totals. FEI attributed the reduction to “companies’ increased efficiencies in complying with Section 404”.

Respondents to the survey made a number of positive comments about SOx 404:

- 60% agreed that compliance with Section 404 has resulted in more investor confidence in their financial reports.
- 46% agreed that financial reports are more accurate.
- 48% agreed that financial reports are more reliable.
- 34% agreed that compliance with Section 404 has helped prevent or detect fraud.



You can download the Four-Point-Plan here:

[www.iasplus.com/usa/0703feicomplexity.pdf](http://www.iasplus.com/usa/0703feicomplexity.pdf)

### FEI plan to combat financial reporting complexity

Financial Executives International (FEI) has issued a “four-point plan to combat financial reporting complexity...”. The capital markets are not well served, and US competitiveness is hindered, when scarce financial resources are not used in value-enhancing business initiatives but to satisfy disclosure and accounting requirements that fail to meet cost-benefit tests. The FEI's Four-Point Plan recommends action by both FASB and IASB, including global convergence and mutual recognition.

FEI's Recommendations to Address Complexity in Financial Reporting include:

1. *The FASB and SEC, in coordination with key financial reporting stakeholders (preparers, auditors and financial statement users), should take steps to end the proliferation of detailed rules.*
  - a. *Agree to a stable platform for a specified period of time, during which no new accounting standards would be issued. Efforts would be shifted from new standards to completion of the conceptual framework, including the development of a comprehensive accounting and disclosure model that is integrated with the codification project.*
  - b. *Upon completion of the model work jointly with the IASB to evaluate proposals by stakeholders to improve and simplify the most complex standards by making them more principles-based, and eliminate important differences between US GAAP and IFRS. Stakeholders in the financial reporting process should continue to encourage global convergence and mutual recognition of high-quality accounting standards.*
2. *Congress should consider meaningful class-action reform.*
3. *The SEC and PCAOB should develop a framework that provides effective regulation in a principles-based environment, one that balances the objective of investor protection with the need to maintain market competitiveness.*
4. *Stakeholders should come together to form an independent 'Committee on Complexity'.*

## News about IFRSs in Europe

Click here to download the questionnaire:

[www.iasplus.com/europe/0706ifrs8consultation.pdf](http://www.iasplus.com/europe/0706ifrs8consultation.pdf)

The Deloitte comments can be found here:

[www.iasplus.com/dttletr/0706ecifrs8cover.pdf](http://www.iasplus.com/dttletr/0706ecifrs8cover.pdf)

[www.iasplus.com/dttletr/0706ecifrs8questionnaire.pdf](http://www.iasplus.com/dttletr/0706ecifrs8questionnaire.pdf)

For the draft resolution of the European Parliament click here:

[www.iasplus.com/europe/0704resolutionifrs8.pdf](http://www.iasplus.com/europe/0704resolutionifrs8.pdf)

The regulations can be found here:

[www.iasplus.com/europe/0706ifric10.pdf](http://www.iasplus.com/europe/0706ifric10.pdf)

[www.iasplus.com/europe/0706ifric11.pdf](http://www.iasplus.com/europe/0706ifric11.pdf)

### European Commission seeks input on IFRS 8

The European Commission conducted a public consultation regarding the endorsement of IFRS 8 Operating Segments before finalising a report on the potential impact of endorsement for submission to the European Parliament in September 2007. The Commission seeks input from a broad range of constituents, including preparers, users, auditors, standard setters, and academics, via a questionnaire that it has posted. Responses to the questionnaire were requested by 29 June 2007.

### European Parliament resolution opposes IFRS 8

Publication of IFRS 8 in the Official Journal (the final step in endorsement) has been delayed because of concerns expressed by the Economic and Monetary Affairs Committee of the European Parliament, including:

- Changing from IAS 14 to IFRS 8 is a move “from a regime which clearly defines how listed EU companies should define and report on segments to an approach that permits management itself to define operating segments as management finds suitable and which furthermore requires a lower level of disclosure”.
- IFRS 8 should, but does not, include a defined measure of segment profit or loss, as IAS 14 does.
- IFRS 8 does not require companies to use IFRS measures in their disclosures about operating segments, which may have a negative impact on the comparability of financial information and thus may pose difficulties for users (for example, investors).
- Adopting IFRS 8 would “import into EU law an alien standard [SFAS 131] without having conducted any impact assessment”.

Voting on the resolution by was postponed until the Parliament's September meeting.

### EU adopts IFRIC 10 and IFRIC 11 for use in Europe

The European Union has published two Commission Regulations in the Official Journal of the EU, thereby adopting IFRIC 10 and IFRIC 11 for use in Europe:

- Regulation (EC) No 610/2007 amending Regulation (EC) No 1725/2003 of 01 June 2007 adopting IFRIC 10 Interim Financial Reporting and Impairment.
- Regulation (EC) No 611/2007 amending Regulation (EC) No 1725/2003 of 01 June 2007 adopting IFRIC 11 IFRS 2 – Group and Treasury Share Transactions.

Click here to download the paper:  
[www.iasplus.com/efrag/0706stewardship.pdf](http://www.iasplus.com/efrag/0706stewardship.pdf)

### European paper on stewardship as a financial reporting objective

The European Financial Reporting Advisory Group (EFRAG) and a number of other European accounting standard-setters – under the lead of the UK Accounting Standards Board (ASB) – have published a brief paper discussing the rationale for including stewardship, or directors' accountability to shareholders, as a separate objective of financial reporting. The paper notes that the IASB and FASB proposed in their July 2006 Discussion Paper (DP) Preliminary Views on an Improved Conceptual Framework for Financial Reporting that the converged framework should specify only one objective of financial reporting, that of "decision-usefulness" for resource allocation. They argued that this objective "encompasses providing information useful in assessing management's stewardship". The European paper seeks to demonstrate that:

- There is a broad consensus amongst the majority of the respondents that the stewardship/accountability objective should be a separate objective of financial reporting;
- Stewardship/accountability is linked to agency theory and is a broader notion than resource allocation as it focuses on both past performance and how the entity is positioned for the future. It should therefore be retained as a separate objective of financial reporting to ensure that there is appropriate emphasis on company performance as a whole and not just on potential future cash flows; and
- Stewardship/accountability has implications for financial reporting that can be demonstrated by way of examples.

Click here for a download of the SARG meeting minutes:  
[www.iasplus.com/europe/0703sargminutes.pdf](http://www.iasplus.com/europe/0703sargminutes.pdf)

### Minutes of first SARG meeting

The European Commission has posted the minutes of the first meeting of the Standards Advice Review Group (SARG), which was held on 2 March 2007 in Brussels. The SARG's role is to assess whether the endorsement advice given by the EFRAG is well balanced and objective. The SARG will deliver its advice to the Commission normally within three weeks. The final advice will be published on the Commission's website. The meeting focussed on the EC's process for endorsing IFRSs.

You will find EFRAG's report here:  
[www.iasplus.com/efrag/2006efragannualreview.pdf](http://www.iasplus.com/efrag/2006efragannualreview.pdf)

### EFRAG 2006 annual review

The European Financial Reporting Advisory Group (EFRAG) has published its Annual Review for 2006. The Chairman's report identifies a range of key events and activities in 2006, including:

- IFRS implementation in Europe
- A new formal working arrangement with the European Commission, Accounting Regulatory Committee, Roundtable for Consistent Application of IFRSs, and Standards Advice Review Group
- New endorsement process under the IAS Regulation giving the European Parliament more influence in the endorsement process.
- Pro-Active Activities in Europe (PAAinE)
- IFRS convergence prospects with US GAAP
- Meetings with the European national standard setters
- Establishment of an EFRAG User Panel
- Technical work responding to IASB Exposure Drafts and Discussion Papers and IFRIC Draft Interpretations and giving endorsement advice on issued standards and interpretations.

### SIC 7 Introduction of the Euro will have new relevancy

The European Commission has proposed that Cyprus and Malta be approved to adopt the Euro on 1 January 2008, joining the 13 current Euro countries. The European Central Bank has made a similar recommendation. EU Finance Ministers will reach a final decision in July after consultation with the European Parliament and a discussion by European leaders at the June EU Summit. Interpretation SIC 7 *Introduction of the Euro* provides guidance on accounting for an entity's transition to the Euro. It was issued in 1998 in anticipation of the initial use of the Euro as an accounting currency in 1999 and as a circulating currency in 2002.

On IAS Plus you can download the press release: [www.iasplus.com/europe/0706cesrequivalencepr.pdf](http://www.iasplus.com/europe/0706cesrequivalencepr.pdf) and CESR's proposal: [www.iasplus.com/europe/0706cesrequivalenceadvice.pdf](http://www.iasplus.com/europe/0706cesrequivalenceadvice.pdf)

### CESR proposal for assessing IFRS "equivalence"

The Committee of European Securities Regulators (CESR) has submitted to the European Commission recommendations for a mechanism for determining the equivalence of the generally accepted accounting principles of third countries (non-EU countries) to IFRSs as adopted in the EU.

The key elements in CESR's proposal are:

- The national standard setter (and/or another suitable public body) in a country seeking equivalent status should assess whether that country's required disclosures, measurement and recognition principles, and financial statement presentation are materially the same as IFRSs and where they are not, assess the differences.
- If there are no significant differences between the third country GAAP and IFRSs, such GAAP may be deemed equivalent without the need for additional rectification disclosures.
- Even if significant differences exist, the third country GAAP may be considered equivalent to IFRSs if those differences identified can be rectified at company level by non-complex disclosures. Those additional non-complex disclosures should be subject to audit.
- Prior to giving any advice to the Commission on whether to accept an equivalence assessment, CESR would seek reactions from market users regarding the third country GAAP and the proposed rectifications via public consultation.
- Once all other steps have been fulfilled, and using the definition of equivalence CESR has already provided, an "overall" assessment of equivalence should be made in the final instance by the European Commission via a comitology process.
- For the purposes of establishing equivalence, CESR assumes that third country GAAPs are properly applied including the provision of any rectifying disclosures necessary. CESR further assumes that the necessary filters for ensuring market confidence are in place for third country issuers using or participating in the EU capital markets.
- Finally, CESR considers that an assessment of the reliability of the audit conducted on the financial statements of issuers using an equivalent GAAP should be a step in the mechanism.

In addition to its proposed mechanism for determining equivalence, CESR suggests the European Commission considers extending the existing transitional measures for those GAAPs currently converging to IFRS if certain conditions are met. Should the Commission adopt such transitional measures, CESR would recommend they not be extended beyond 2012. A CESR study earlier this year found that at least 33 different non-EU national GAAPs are used on EU regulated exchanges.

Click here for a download of the ARC meeting summary:  
[www.iasplus.com/europe/0703arc.pdf](http://www.iasplus.com/europe/0703arc.pdf)

### IFRS matters discussed at ARC's 16 March 2007 meeting

The European Commission has posted a summary of the discussions at the Accounting Regulatory Committee (ARC) and Contact Committee on 16 March 2007.

Presented below is a brief summary of selected IFRS-related matters discussed.

- **IFRIC 12 Service Concession Arrangements.** Views of ARC members were divided regarding whether the ARC should recommend endorsement, including possibly some type of transitional modification of IFRIC 12 for use in Europe. No endorsement vote is expected before October 2007.
- **Effective dates of IFRSs.** The Commission Services presented the issue of suitable wording for the date of application of IFRSs and IFRICs adopted in Commission Regulations. Two alternatives were discussed. Member States appeared to support unanimously the following approach for the "date of applicability" clause in the endorsing Commission Regulations endorsing IFRSs and IFRICs: The endorsed IFRS or IFRIC should apply to the company's first financial year beginning after a specific date.
- **IFRS branding.** The ARC discussed an IASB plan to modify IAS 1 to require companies to disclose any differences between full IFRSs and the company's reporting framework if that framework is based on, but not fully compliant with, full IFRSs.
- **Equivalence of IFRSs and Third-Country GAAP.** The Commission Services described the key points to be covered in its first report to the European Securities Committee and European Parliament under the two legislative measures adopted in late 2006. It will describe the work timetables towards convergence to IFRSs in Canada, Japan, and the US.
- **Simplification of accounting rules for small and medium-sized entities (SMEs) – possible revision of the 4th and 7th Directives.** The ARC discussed a range of issues relating to SMEs, including introduction of a category of "micro entities" and relieving small entities of any requirement to publish annual accounts. Regarding the IASB's Proposed IFRS for SMEs: "The majority of Member States confirmed that the exposure draft of the IFRS SME standard would not be suitable for most SMEs in Europe, as it does not contain enough simplifications. Member States also explicitly expressed their opposition to making a future SME standard binding for non-listed companies in the EU."

The IASB chairman's presentation:  
[www.iasplus.com/resource/0704tweedieparliament.pdf](http://www.iasplus.com/resource/0704tweedieparliament.pdf)

### IASB Chairman addresses EU Parliamentary committee

On 10 April 2007, IASB Chairman Sir David Tweedie made a presentation to the Economic and Monetary Affairs Committee of the European Parliament in Brussels. His remarks covered:

- Steps that the IASB and the Trustees have taken to improve the accountability and transparency of the organisation, including recent decisions regarding the Trustees' oversight of the IASB, feedback given by the IASB to commentators on our proposals, and the Board's engagement with the European Parliament.
- An update of convergence efforts with the United States.
- Progress toward an International Financial Reporting Standard aimed at small and medium-sized entities (SMEs).

Press release:  
[www.iasplus.com/europe/0704seccesr.pdf](http://www.iasplus.com/europe/0704seccesr.pdf)

Press release:  
[www.iasplus.com/europe/0704cesrpr.pdf](http://www.iasplus.com/europe/0704cesrpr.pdf)  
Extracts from Enforcement  
Decisions:  
[www.iasplus.com/europe/0704cesrexttracts.pdf](http://www.iasplus.com/europe/0704cesrexttracts.pdf)

AASB 2007-4 can be  
downloaded here:  
[www.aasb.com.au](http://www.aasb.com.au)

### **CESR-SEC discuss IFRS-US GAAP and information sharing**

The heads of the US Securities and Exchange Commission and the Committee of European Securities Regulators (CESR) met on 27 April 2007 in Brussels to take stock of progress on the *SEC and CESR Joint Financial Reporting Work Plan* that was published in August 2006, and to discuss future collaboration. The discussion focused on developments in the United States and the European Union with respect to IFRSs and US GAAP issues. The chairs of the SEC and CESR also agreed in principle, subject to final approval by their respective bodies, to a template for bilateral protocols between the SEC and each of CESR's member jurisdictions covering the confidential exchange of information regarding dual-listed issuers.

### **Extracts of European IFRS enforcement decisions**

The Committee of European Securities Regulators (CESR) has published extracts from its database of enforcement decisions taken by EU National Enforcers participating in European Enforcers Co-Ordination Sessions (EECS). EU National Enforcers of financial information monitor and review financial statements and consider whether they comply with IFRSs and other applicable reporting requirements, including relevant national law.

### **Use of IFRSs elsewhere in the world**

#### **Australia: Guidance on applying amendments to A-IFRSs**

The Australian Accounting Standards Board has approved Amending Standard AASB 2007-4 *Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments*. AASB 2007-4, in effect, undoes most of the changes that the AASB had made to IFRSs when it initially adopted them as Australian Equivalents of IFRSs (A-IFRSs), bringing A-IFRSs much closer to their IFRS equivalents:

- In all, 34 different Standards are affected by AASB 2007-4.
- New accounting policy options are introduced.
- A large number (but not all) of the Australian-specific disclosures and requirements have been eliminated.
- AASB 2007-4 applies to annual reporting periods beginning on or after 1 July 2007, but may be early adopted.

Deloitte (Australia) has published *Accounting Alert 2007/09* to provide guidance on applying AASB 2007-4.

Appendices to Alert 2007/09 include:

- A listing list of all AASB Standards affected by AASB 2007-4.
- A detailed summary of all the non-editorial changes and their impacts on the various Standards, providing a checklist for people to utilise in their consideration and implementation of AASB 2007-4.
- Examples of disclosures if applying AASB 2007-4 results in a change in accounting policy.

Adoption of a new accounting policy as a result of AASB 2007-4 is a voluntary change in accounting policy under AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* (equivalent of IAS 8). AASB 108 only permits a voluntary change in accounting policy if the entity can demonstrate that change results in the financial report providing reliable and more relevant information on the entity's financial position, performance and cash flows.



More information on our Brazil page:  
[www.iasplus.com/country/brazil.htm](http://www.iasplus.com/country/brazil.htm)

### **Brazil: Proposal to require IFRSs for all listed companies**

The Brazilian Securities and Exchange Commission has published an Exposure Draft of a proposal to require all companies listed on the BOVESPA (Sao Paulo Stock Exchange) to publish consolidated financial statements fully compliant with IFRSs starting with financial years ending 31 December 2010. Earlier adoption would be encouraged. Approximately 350 companies are listed on BOVESPA. In March 2006, the Board of Directors of the Central Bank of Brazil formally decided to require all Brazilian banks (domestic or foreign), and all financial institutions licensed by Central Bank to do business in Brazil (including leasing companies and savings and loan institutions), to fully comply with IFRSs beginning with the financial statements for the year ending 31 December 2010.

Download the implementation plan here:  
[www.iasplus.com/ca/0705/implementationplan.pdf](http://www.iasplus.com/ca/0705/implementationplan.pdf)

### **Canada: Plan for incorporating IFRSs into Canadian GAAP**

The Accounting Standards Board of Canada (AcSB) has published an update to its Implementation Plan for Incorporating International Financial Reporting Standards into Canadian GAAP. The plan envisions a changeover to the new standards of 1 January 2011. The plan includes a comparison of IFRSs and Canadian standards as of 31 March 2007, as well as the AcSB's expectations as to which IFRSs are likely to be adopted in Canada before the changeover to IFRSs for publicly accountable enterprises. The comparison is also available as a separate document.

## **IFRS publications from Deloitte**

Download IFRSs in your Pocket 2007 here:  
[www.iasplus.com/dttpubs/pocket2007.pdf](http://www.iasplus.com/dttpubs/pocket2007.pdf)

### **IFRS in your pocket 2007**

We have published the sixth edition of our popular guide to IFRSs – *IFRSs In Your Pocket 2007*. This 100-page guide includes information about:

- IASB structure and contact details.
- Use of IFRSs around the world, including updates on Europe, Asia, USA, and Canada.
- Summaries of each IASB Standard (through IFRS 8 and the amendment to IAS 23) and Interpretation (through IFRIC 12), as well as the Framework and the Preface to IFRSs.
- Background and tentative decisions on all current IASB projects.
- IASC and IASB chronology.
- Update on IFRS-US GAAP convergence.
- Other useful IASB-related information.

We are pleased to grant permission for accounting educators and students to print copies of the PDF file for educational purposes. Please contact your local Deloitte practice office to request a printed copy.

Download from:  
[www.iasplus.com/dttpubs/0706ias34guide.pdf](http://www.iasplus.com/dttpubs/0706ias34guide.pdf)

### New Deloitte Guide to IAS 34

The Deloitte IFRS Global Office has published the 2007 edition of Interim Financial Reporting: A Guide to IAS 34. IAS 34 prescribes the minimum content for an interim financial report, and the principles for recognition and measurement in financial statements for a financial reporting period shorter than a full financial year. This guide provides an overview of the Standard, application guidance and examples, a model interim financial report, and an IAS 34 compliance checklist.

Contents of the Deloitte Guide to IAS 34 are:

- 1. Introduction and scope
- 2. Content of an interim financial report
- 3. Condensed or complete interim financial statements
- 4. Selected explanatory notes
- 5. Accounting policies for interim reporting
- 6. General principles for recognition and measurement
- 7. Applying the recognition and measurement principles
- 8. Impairment of assets
- 9. Measuring interim income tax expense
- 10. Earnings per share
- 11. First-time adoption of IFRSs
- Model interim financial report
- IAS 34 compliance checklist

Download from:  
[www.iasplus.com/dttpubs/2007ifrs2guide.pdf](http://www.iasplus.com/dttpubs/2007ifrs2guide.pdf)

### Updated Deloitte Guide to IFRS 2 Share-based Payment

The Deloitte IFRS Global Office has published a new IAS Plus Guide to IFRS 2 Share-based Payment 2007. The guide not only explains the detailed provisions of IFRS 2 but also deals with its application in many practical situations. Because of the complexity and variety of share-based payment awards in practice, it is not always possible to be definitive as to what is the “right” answer. However, in this guide Deloitte shares with you our approach to finding solutions that we believe are in accordance with the objective of the Standard.

When IFRS 2 was issued in 2004, the idea of recording an expense for share-based awards at their fair value in the income statement seemed to be revolutionary. Three years later, despite the ongoing arguments about “increased volatility” in earnings, preparers and users are generally accustomed to the concept that when an entity grants a share-based award to its service-suppliers (employees and others), it should recognise an expense. The bigger challenges today lie with more practical concerns. To name just a few:

- How to determine fair value for awards with more complex terms and conditions?
- When to classify transactions as cash- or equity-settled?
- Whether amendments to terms and conditions represent modifications or replacements?
- How to account for transactions with multiple features and several potential outcomes?
- And perhaps the most common issue in practice: how to account for share-based awards in the individual financial statements of group entities in situations when, for example, the parent grants share-based awards to employees of its subsidiaries? IFRIC 11 has partly addressed this issue - but many questions remain.

Download from:  
[www.iasplus.com/au/0706whatsnew.pdf](http://www.iasplus.com/au/0706whatsnew.pdf)

### New Deloitte Australia “what’s new” checklist

Deloitte (Australia) has published *What’s New for June 2007*. This guide provides a high level overview of new and revised financial reporting requirements that need to be considered for financial reporting periods ending on 30 June 2007. Entities can use this listing to perform a quick check that all new financial reporting requirements have been fully considered as part of their June reporting close process.

Download the comparison here:  
[www.iasplus.com/dttdpubs/0705luxembourgifrsus.pdf](http://www.iasplus.com/dttdpubs/0705luxembourgifrsus.pdf)

### Comparison of Luxembourg GAAP, IFRSs and US GAAP

We have posted *Lux GAAP–IFRS–US GAAP: A Comprehensive Comparison*, published by Deloitte SA (Luxembourg). This publication sets out the key differences between Luxembourg GAAP, IFRSs, and US GAAP as of 28 February 2007.

Regarding Luxembourg GAAP, the report states:

*IFRS will be introduced into the local Luxembourg commercial law as an alternative to the current Luxembourg accounting principles. The international standards have already been included as an accounting option for credit institutions. The Luxembourg authorities are working on a draft commercial law, this will give the option to use IFRS for statutory accounts, to any limited companies registered in Luxembourg.*

Download from:  
[www.iasplus.com/dttdpubs/0705postretirement.pdf](http://www.iasplus.com/dttdpubs/0705postretirement.pdf)

### New publication on post-employment benefits

Deloitte & Touche LLP (United States) has published *A Roadmap to the Accounting and Regulatory Aspects of Postretirement Benefits Including an Overview of Statement 158*. This publication summarises the common types of postretirement benefits, their funding requirements, and associated statutory and accounting guidance in the United States. An appendix contains a comparison of the accounting for postretirement benefits under US GAAP and IFRSs.

Download the publication here:  
[www.iasplus.com/uk/0705insurance.pdf](http://www.iasplus.com/uk/0705insurance.pdf)

### Implications of the IASB Insurance discussion paper

Deloitte (United Kingdom) has published a Special Edition of the *Insurance Market Update Newsletter* on Phase II of the IASB’s project to develop an IFRS for Insurance Contracts. The newsletter discusses the recent IASB Discussion Paper (DP) on *Insurance Contracts*. The newsletter expresses Deloitte’s general support of the overall approach of valuing insurance liabilities on a market consistent basis. It notes, however, that the current exit value (“CEV”) approach proposed in the DP raises many questions the industry will need to consider. It is important that market participants continue to provide input in the development of the principles into a standard across the life and non-life insurance industry. The newsletter identifies the key implications of the proposals in the DP. See our story on page 4 of this IAS Plus Newsletter and the special edition of our IAS Plus Newsletter for more information about this discussion paper.

You will find links to all IAS Plus newsletters here:

[www.iasplus.com/iasplus/iasplus.htm](http://www.iasplus.com/iasplus/iasplus.htm)

You can also sign up for free subscription by e-mail on the IAS Plus home page:

[www.iasplus.com](http://www.iasplus.com)

### Three special editions of our IAS Plus Newsletter

#### IFRIC 13

Deloitte's IFRS Global Office has published a special edition IAS Plus Newsletter on IFRIC 13 Customer Loyalty Programmes. IFRIC 13 addresses the accounting by entities that provide their customers with incentives to buy goods or services by providing awards (called "award credits" in the Interpretation) as part of a sales transaction. Common examples are airline and hotel loyalty schemes and credit card reward schemes. IFRIC 13 requires the entity that grants the awards to account for the sales transaction that gives rise to the award credits as a "multiple element revenue transaction" and allocate the fair value of the consideration received or receivable between the award credits granted and the other components of the revenue transaction. This newsletter explains the requirements of IFRIC 13.

#### Insurance Discussion Paper

Deloitte's IFRS Global Office has published a special edition of our IAS Plus Newsletter titled Phase II of IFRS for Insurance Contracts – IASB Discussion Paper. On 3 May 2007, the IASB released for comment a Discussion Paper on accounting for insurance and reinsurance contracts (the DP). This is the second phase of the insurance contracts project which in 2005 introduced IFRS 4 Insurance Contracts. The proposals set out in the DP would introduce fundamental changes to insurance accounting and focus on market-consistent measurement of insurance liabilities. This will affect the way investors, regulators, and other stakeholders assess the insurance industry. This special edition of our IAS Plus newsletter, prepared by insurance specialists, summarises and comments on the measurement issues raised in the DP.

#### Borrowing cost amendments

Deloitte's IFRS Global Office has published a special edition of our IAS Plus Newsletter titled IASB Issues Revised Standard on Borrowing Costs. On 29 March 2007 the IASB amended IAS 23 Borrowing Costs to eliminate the option to recognise all borrowing costs immediately as an expense. To the extent that borrowing costs relate to the acquisition, construction, or production of a qualifying asset, the revised IAS 23 requires that they be capitalised as part of the cost of that asset. All other borrowing costs should be expensed as incurred. The amendments eliminate the main difference in the fundamental accounting recognition principle between IFRSs and US GAAP in this area, although significant measurement differences remain. The revised Standard applies to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. Earlier application is permitted.

#### Updated summary of IPSASs

We have updated our booklet summarising the provisions of all International Public Sector Accounting Standards (IPSAS) to include all IPSASs currently in issue, namely IPSASs 1 to 24. These summaries are intended as general information and are not a substitute for reading the entire Standard. IPSASs are developed by IFAC's International Public Sector Accounting Standards Board (IPSASB). This update adds summaries of IPSASs 22 to 24, which were not included in the previous edition, as well as summaries of two outstanding exposure drafts from the IPSASB.

You can download this publication from the IPSASB page on our website:

[www.iasplus.com/ifac/2007ipsassummary.pdf](http://www.iasplus.com/ifac/2007ipsassummary.pdf)

Download from:  
[www.iasplus.com/dttpubs/0705mindthegaap.pdf](http://www.iasplus.com/dttpubs/0705mindthegaap.pdf)

### New publication on tax reporting challenges

Deloitte & Touche (United Kingdom) has published *Mind the GAAP: Best Practice Tax Reporting in a Changing Environment*. This publication contains recommendations as to how companies might address the challenges of tax reporting in financial statements brought about by recent changes including IFRSs and auditor independence. The report draws on market research that investigates how large businesses in the UK are managing the challenges of tax reporting.

The publication presents Deloitte's recommendations as to how companies can get to a "fit for purpose" year end. Key recommendations for companies include the adoption of tax basis balance sheets, full quarterly tax reporting, and real time audits which conclude on the tax reporting impact of significant transactions, as they happen, to enable early identification of material issues.

Download the FEI Top 10 here:  
[www.iasplus.com/usa/2007feitopten.pdf](http://www.iasplus.com/usa/2007feitopten.pdf)

### Understanding FEI's top 10 financial reporting issues for 2007

Financial Executives International (FEI) recently released a list of 10 prominent financial reporting issues that require special attention in 2007. To help financial executives and audit committees understand these issues, Deloitte & Touche LLP (United States) has prepared a special edition of *Audit Committee Brief* on FEI's Top 10 Financial Reporting Issues for 2007. The summary also sets forth additional resources relevant to each topic.

FEI's 10 prominent financial reporting issues that require special attention in 2007 are:

- Internal Controls
- Uncertain Tax Positions
- XBRL
- Fair Value
- Servicing Assets and Liabilities
- Complexity in Financial Reporting
- Derivatives
- Pensions
- Earnings per Share
- Business Combinations

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[www.iasplus.com/rss/rss.xml](http://www.iasplus.com/rss/rss.xml)

### RSS feed added to IAS Plus

We have added an RSS feed to IAS Plus. RSS (Really Simple Syndication) is an easy way for you to be automatically updated on key additions to the IAS Plus website. You can subscribe to RSS feeds (sometimes called XML feeds) from multiple websites, scan through all their latest headlines in one place, and directly access content of interest with a single click. We have put a permanent link to our RSS page at the top of the left column of to our IAS Plus home page. When you click on that link, you will be taken to our RSS page.

- Some browsers, including MSIE 7 and Firefox, automatically support RSS. When you go to our RSS page, those browsers will ask if you want to subscribe.
- You can also subscribe directly in Outlook 2007.
- If your browser doesn't do that (eg MSIE 6) you can subscribe by signing up for a web-based service (such as MyYahoo!, a personalised Google homepage or Google reader, Bloglines, etc.).

## *The most comprehensive IFRS news on the Net*

The IAS Plus website, maintained by Deloitte, provides the most comprehensive information on the Internet about international financial reporting. It is aimed at accounting professionals, businesses, financial analysts, standard-setters and regulators, and accounting educators and students. The site, which is totally free of charge, has a broad array of resources about the International Accounting Standards Board and International Financial Reporting Standards, including:

- A news page (updated almost daily). Day-by-day past news back to December 2000.
- Detailed summaries of all Standards and Interpretations.
- E-learning modules for each IAS and IFRS – made available at no charge in the public interest.
- Model IFRS financial statements and disclosure checklists.
- Downloadable Deloitte publications relating to IFRSs (over 60 publications available).
- Background and updates on all IASB and IFRIC agenda projects, including decision summaries of all IASB meetings.
- Comparisons of IFRSs and various national GAAPs.
- Complete history of the adoption of IFRSs in Europe, with links to all the relevant documents.
- Information about adoptions of IFRSs elsewhere around the world.
- Updates on national accounting standards development in over 75 countries throughout the world.
- A resource library of important documents relating to International Financial Reporting Standards.
- Description of the IASB structure, component bodies, and key organisations with which it interrelates.
- History of the IASB, including a comprehensive chronology.
- Links to nearly 200 global IFRS-related websites.
- Even some tools to help in your work, such as world time clock, 9-year calendar, unit conversions, amortisation calculator, telephone codes, currency converter, stock market indexes, worldwide weather, and a calculator.
- 5,000,000 visitors through June 2007.

# [www.iasplus.com](http://www.iasplus.com)



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