

# Joint Project Watch

IASB/FASB joint projects from an IFRS perspective

December 2011

The standard-setting activities of the International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) (collectively, the Boards) on their many joint projects continue to move forward. The Boards are redeliberating several projects and have issued final standards on others. They have decided to re-expose their revenue and leases models, giving constituents another opportunity to provide feedback. We encourage you to actively follow the Boards' progress and to respond to requests for comment.

This publication provides a snapshot of key developments from an IFRS perspective each quarter, along with our observations about the potential implications for companies. We also include references to other Ernst & Young publications that provide more background and detail on the projects and proposals. These publications are available at [www.ey.com/ifrs](http://www.ey.com/ifrs).

The following sections are based on our observations of the standard-setter meetings. During redeliberations, the Boards make tentative decisions that may differ from earlier decisions and those in the exposure drafts (EDs).

At this point, the Boards' decisions and our observations are all subject to change.

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# Financial instruments

## Financial instruments – classification and measurement

**November 2009 & October 2010**  
Final standard

**December 2011**  
Amendments to IFRS 9

### Background

IFRS 9 *Financial Instruments* requires entities to classify financial assets on the basis of the objective of the entity's business model for managing the financial assets and the characteristics of the contractual cash flows. While the FASB's proposals would require fair value measurement for many financial assets and financial liabilities, IFRS 9 permits greater use of amortised cost.

### References

- ▶ [Applying IFRS: New mandatory effective date and transition disclosures \(January 2012\) EYG no. AU1067](#)
- ▶ [IFRS Developments Issue 23: Limited improvements to the IFRS 9 classification and measurement model \(January 2012\) EYG no. AU1062](#)
- ▶ [Implementing Phase 1 of IFRS 9 \(Second edition\) \(July 2011\) EYG no. AU0897](#)

### Overall project background

The financial instruments project addresses the following: classification and measurement; impairment; hedging; and offsetting. The Boards' overall objective is to simplify, improve and converge the accounting for financial instruments. Except for offsetting, the Boards initially deliberated these topics separately to accommodate different timelines and priorities, resulting in separate proposals. The IASB issued a final standard on classification and measurement (IFRS 9) and separate proposals on impairment and hedging, whereas the FASB issued one comprehensive ED. Recently, the IASB also issued clarifying amendments to IAS 32 *Financial Instruments: Presentation* related to offsetting of financial instruments together with related disclosures in IFRS 7 *Financial Instruments: Disclosures*.

### Q4 2011

- ▶ On 16 December 2011, the IASB issued *Mandatory Effective Date of IFRS 9 and Transition Disclosures (Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures)*. These amendments move the mandatory effective date of both the 2009 and 2010 versions of IFRS 9 from 1 January 2013 to 1 January 2015. The amendments continue to permit early application. The amendments no longer require restatement of comparative figures. Instead, they introduce to IFRS 7 additional disclosures on transition from IAS 39 to IFRS 9. The new disclosures are either required or permitted on the basis of the entity's date of transition and whether the entity chooses to restate prior periods.
- ▶ At its 13 December 2011 meeting, the IASB reached a tentative decision to consider making limited improvements to IFRS 9. While limiting the scope of the review, the IASB seeks to address the interaction between this standard's classification and measurement model and the accounting for insurance contract liabilities. The IASB also seeks to address specific application issues in IFRS 9 and consider possible alignment between IFRS 9 and the FASB's proposed classification and measurement model.

### Previous key developments

- ▶ IFRS 9 for financial assets was first published in November 2009. It was later updated in October 2010 to include financial liabilities. For more details on IFRS 9, refer to our publications listed under **References**.
- ▶ The FASB plans to complete its redeliberations on classification and measurement in the first quarter of 2012. The FASB will, at a minimum, expose the proposed amendments to the FASB Accounting Standards Codification (Codification), and may decide to fully re-expose the model, most likely in the first half of 2012. The IASB will then expose the FASB's final decisions to seek views from its constituents.

### What's next

The IASB plans to start deliberating the limited scope review of IFRS 9 in early 2012.

# Financial instruments *continued*

## Financial instruments – impairment

Q4 2009	Q1 2011	Q2 2012
Exposure draft	Supplement to exposure draft	Re-exposure

### Background

The Boards initially proposed different impairment models, but are now developing a joint approach to credit impairment based on variations of their previous proposals. Under the joint approach, financial assets would be split into three buckets, based on their underlying credit risk characteristics and the unit of evaluation.

### References

- ▶ [IFRS Developments Issue 21: Impairment - a major step forward in achieving convergence \(December 2011\) EYG no. AU1056](#)
- ▶ [IFRS Developments Issue 11: New credit impairment approach takes shape \(July 2011\) EYG no. AU0913](#)
- ▶ [IFRS Developments Issue 9: A new approach to credit impairment is in the works \(June 2011\) EYG no. AU0895](#)

### Q4 2011

- ▶ All financial assets would initially be included in Bucket 1, regardless of credit quality. The allowance for financial assets in Bucket 1 would capture losses expected in the next 12 months (e.g., the 12 month probability of default multiplied by the loss given default). The expected losses refer to shortfalls in all cash flows related to loss events expected over the next 12 months, not simply the cash shortfalls expected in the next 12 months.
- ▶ Assets would move into Bucket 2 or 3 when: (1) there has been a “more than insignificant” deterioration in credit quality; and (2) the likelihood of default is such that it is at least “reasonably possible” that the contractual cash flows may not be recoverable.
- ▶ For items in both Buckets 2 and 3, the allowance would capture lifetime expected losses, but the unit of evaluation would differ. Financial assets evaluated on a group basis would be categorised in Bucket 2, while items evaluated on an individual basis would be in Bucket 3.

### Previous key developments

- ▶ The guiding principle of the three-bucket approach reflects the general pattern of the deterioration in the credit quality of financial assets.
- ▶ Measurement of impairment would be based on expected losses rather than incurred losses. Entities would use the best available and supportable information at the date of estimation (historical, current and forecasted).

### What's next

The Boards are continuing to develop the new credit impairment approach, including its application to debt securities, purchased loans, loan commitments, and trade and lease receivables. The Boards also have not yet concluded on whether the new impairment approach is applicable to improvement in the credit quality of financial assets (i.e., whether the model would be symmetrical). The Boards plan to expose this approach in the second quarter of 2012.

# Financial instruments *continued*

## Financial instruments – hedge accounting

<b>Q4 2010</b> Exposure draft	<b>Q1 2012</b> Review draft	<b>Q2 2012</b> Final standard
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### Background

The IASB's proposed hedging model is designed to align the accounting for hedging activities more closely with risk management practices and to simplify certain aspects of hedge accounting. The FASB model would make it easier to qualify for hedge accounting than under existing US GAAP. The basic US GAAP framework, including what constitutes eligible hedge relationships, would not be significantly adjusted.

### References

- ▶ [IFRS Developments Issue 16: Hedge accounting - summary of redeliberations \(September 2011\) EYG no. AU0965](#)
- ▶ [IFRS Developments Issue 14: A step forward in hedge accounting \(August 2011\) EYG no. AU0926](#)
- ▶ [Hedge accounting under IFRS – a closer look at the changes and challenges \(February 2011\) EYG no. AU0765](#)

### Previous key developments

- ▶ When hedging a credit exposure using a credit derivative, an entity could, at any time, elect to account for the loan or loan commitment (i.e., the hedged item) at fair value through profit or loss. The difference between the fair value and the carrying amount when the election is made would be recognised in profit or loss immediately.
- ▶ The IASB identified two specific areas for which they proposed that a retrospective application would either be required (when accounting for the time value of options) or permitted (when accounting for the forward points of a forward contract).
- ▶ For hedging relationships with frequent de-designation and re-designation, the disclosure of the terms and conditions of the hedging instruments would not be required. Instead, the risk management approach must be described in more detail.
- ▶ In a change to the ED, the IASB would permit the forward points of a foreign exchange forward contract (i.e., the forward premium or discount compared to the spot rate) that exist at the inception of a hedging relationship to be recognised in profit or loss over time on a rational basis. The subsequent changes in the fair value of the forward contract would be recorded in other comprehensive income (OCI).
- ▶ In another change to the ED, for a cash flow hedge of the foreign currency risk of a net position, the offsetting items in the hedged net position would not be required to affect the profit or loss in the same reporting period. However, the initial hedge documentation would need to describe how such items (within the net position) will affect profit or loss.
- ▶ Hedge accounting would be permitted for equity investments measured at fair value through OCI. However, hedge accounting would not be allowed for other exposures that affect OCI, such as defined benefit obligations.
- ▶ In a change to the ED, the current accounting for fair value hedges would continue to apply.
- ▶ Hedge accounting would be permitted for components of financial and non-financial items, provided the risk component that is being hedged can be separately identified and reliably measured.
- ▶ There would be no bright line tests for hedge effectiveness assessments. A prospective hedge effectiveness test would be required based on the quantity of the hedged item that an entity actually hedges and the quantity of the hedging instrument that is actually being used to hedge that quantity of the hedged item. In addition, there must be an economic relationship between the hedged item and the hedging instrument, and the effect of credit risk must not dominate the changes in value that result from that relationship.
- ▶ The IASB decided that, after the inception of a hedging relationship, rebalancing would be required when an entity adjusts the quantities of the hedging instrument, or the hedged item in response to changes in circumstances that affect the hedge ratio.
- ▶ The IASB affirmed the ED's proposal that a hedge relationship may be discontinued only when it no longer meets the qualifying criteria. Voluntary discontinuation would be prohibited if the risk management objective remains unchanged.

### What's next

- ▶ As the IASB finished its redeliberations on general hedge accounting in September 2011, no new developments occurred in Q4 2011. The IASB expects to make a draft of the final standard available on its website in the first quarter of 2012. It will be available on the website for about 90 days. The final standard is expected in the second quarter of 2012.
- ▶ The IASB is developing proposals on macro hedge accounting and intends to issue a separate ED in the second half of 2012.

# Revenue recognition



## Background

The Boards wish to develop a single, common revenue recognition model that can be applied to a wide range of industries and transactions. IFRS is perceived as lacking necessary application guidance for revenue, while US GAAP has been criticised for complexity in the revenue recognition area. Revenue would be recognised when an entity satisfies its obligations to customers, which occurs when the good or service is transferred to the customer.

## References

- ▶ [IFRS Development for Real Estate: Revised revenue recognition proposals - implications for the real estate and construction industries \(December 2011\) EYG no. AU1057](#)
- ▶ [IFRS Developments - Issue 18: IASB and FASB issue revised revenue recognition proposal \(November 2011\) EYG no. AU1008](#)

## Q4 2011

- ▶ The Boards re-exposed their joint revenue recognition proposal. This will delay the project, likely until at least the fourth quarter of 2012, but will give constituents an opportunity to comment on the revised model.
- ▶ The proposed model would apply to most contracts with customers. Leases, insurance contracts, financial instruments and certain non-monetary transactions are excluded from the scope of the proposal.
- ▶ Certain aspects of the proposed model would result in a significant change from current practice, including:
  - ▶ An entity would account for promised goods or services separately if they are distinct. The determination of distinct considers both the individual goods and services promised as well as how those goods and services have been bundled in the arrangement. An entity would account for a bundle of goods and services as one performance obligation if the goods and services are highly interrelated and transferring them requires significant integration and modification by the entity.
  - ▶ Variable consideration would be estimated based on a probability weighting or the amount most likely to be received, whichever best predicts the amount to be received. Variable consideration would be allocated to performance obligations, but the entity would recognise as revenue only the amounts to which it is reasonably assured to be entitled.
  - ▶ A performance obligation is satisfied continuously if (1) the entity's performance creates or enhances an asset that the customer controls as the asset is being created or (2) the entity's performance does not create an asset with alternative use to the entity and certain criteria are met.
  - ▶ The scope of the onerous performance obligation test is limited to performance obligations satisfied over a period greater than one year (determined at contract inception). Any loss and corresponding liability would be measured using the lesser of the cost to fully satisfy the performance obligation or the cost to exit the contract.
  - ▶ Allowances for uncollectible amounts would be presented as a separate line item adjacent to revenue in the statement of comprehensive income. Changes in estimated or actual collections would be recognised in the same line item.
  - ▶ For contracts longer than one year, an entity would recognise the incremental costs of obtaining a contract as an asset (capitalisation is permitted but not required for contracts with a duration of less than one year). The costs incurred in fulfilling a contract (e.g., setup costs) would also be capitalised. Such costs would be recognised in the statement of comprehensive income consistent with the pattern of transfer of the related good or service.
  - ▶ All entities would apply the proposed model retrospectively, although some practical relief from full retrospective application would be permitted with appropriate disclosures. A final standard would not be expected to be effective before 1 January 2015.

## What's next

Comments on the ED are due by 13 March 2012.

# Leases



## Background

Although current requirements under IFRS and US GAAP are similar, the Boards consider this a priority project due to the need for significant improvement in the accounting for leases.

The joint IASB and FASB proposal would create a single lessee model that would apply to most leases and require the recognition of lease-related assets and liabilities on the balance sheet. The proposal would also address accounting by lessors. The proposed model would require entities to make a number of estimates and periodically reassess those estimates in accounting for leases. The standard would affect existing leases at transition.

## References

- ▶ [IFRS Development Issue 17: Operating lease accounting survives for some real estate lessors \(October 2011\) EYG no. AU0982](#)
- ▶ [IFRS Practical Matters: Lease accounting proposals - simplified, but not simple \(August 2011\) EYG no. AU0930](#)
- ▶ [Applying IFRS: Lessee model comes together as leases project progresses \(July 2011\) EYG no. AU0905](#)

## Q4 2011

- ▶ Lessors with leases of investment properties, including investment properties measured at cost, would apply operating lease accounting.
- ▶ Lessees and lessors could transition following either a full retrospective approach or a modified retrospective approach (i.e., an approach that allows certain types of relief that the Boards designed to reduce transition costs).

## Previous key developments

- ▶ The Boards decided to formally re-expose the standard because they made significant changes to the model proposed in 2010.
- ▶ The Boards clarified the key concepts underlying the definition of a lease to align control concepts with other standards. These changes could scope out certain contracts that are currently accounted for as leases.
- ▶ Lessees would be required to apply a single approach to all leases recognised on the balance sheet, and all leases (other than short-term leases) would have accelerated expense recognition.
- ▶ For leases other than leases of investment properties and short-term leases, lessors would recognise a lease receivable, a residual asset and any profit and loss at the commencement of each lease. Over the term of the lease, the lessor would recognise income related to interest on the receivable and accretion of the residual asset.
- ▶ Both lessees and lessors would be allowed to apply current operating lease accounting to short-term leases.
- ▶ The lease term for accounting purposes would include optional periods only when there is a significant economic incentive for the lessee to extend or not terminate the lease (e.g., renewal rates priced at a bargain, significant customisation or instalment costs). The accounting for purchase options included in lease arrangements would be consistent with the accounting for options to extend a lease.
- ▶ Variable lease payments based on performance or usage would not be included in the amounts recognised on the balance sheet, but instead would be recognised as expense or income when they are incurred or accrued.
- ▶ Reassessment of certain key considerations (e.g., lease term, variable lease payments that depend on an index or rate) would be required throughout the life of the lease. The reassessment requirements would vary, as would the offset recorded when the liability to make lease payments or lease receivables is adjusted.
- ▶ All non-lease components (including services and executory costs) of contracts containing both lease and non-lease components would be separated from the lease components, except in limited circumstances.
- ▶ No unique criteria would exist for sale-leasebacks. The determination of whether sale-leaseback transactions are accounted for as a sale and a lease, or as a financing transaction, would be based on the revenue recognition standard.

## What's next

The Boards are close to completing redeliberations and intend to issue an ED during the second quarter of 2012.

# Insurance contracts



## Background

The IASB's ED contains a proposal for a comprehensive model on the accounting for insurance contracts. The FASB issued a discussion paper (DP) to solicit input on both its preliminary views and the IASB's ED. The proposals are far-reaching and would have a significant effect on insurers.

## References

- ▶ [Insurance Accounting Alert: Boards discuss onerous contract testing and measurement of options and guarantees \(December 2011\) EYG no. AU1061](#)
- ▶ [Insurance Accounting Alert: IASB decides to consider limited improvement to IFRS 9; Boards discuss unbundling \(November 2011\) EYG no. AU1022](#)
- ▶ [Insurance Accounting Alert: Boards discuss fixed-fee service contracts \(October 2011\) EYG no. 1006](#)
- ▶ [Insurance Accounting Alert: Boards discuss risk adjustment and composite margin \(September 2011\) EYG no. AU0978](#)
- ▶ [Discount rates: one size does not fit all \(September 2011\) EYG no. AU0970](#)
- ▶ [IFRS 9 for Insurers - what to do now? \(August 2011\) EYG no. AU0940](#)

## Q4 2011

- ▶ Fixed-fee service contracts would be excluded from the insurance contracts model when: 1) pricing is not based on an assessment of risk associated with an individual customer; 2) compensation is typically in the form of service; and 3) risk transferred relates mostly to the over-utilisation of services.
- ▶ A practical expedient would permit insurers not to discount certain incurred claims under the premium allocation approach.
- ▶ Under the premium allocation approach, an insurance contract would be onerous if the expected present value of the future cash outflows from that contract (plus, for the IASB, the risk adjustment) exceeds the expected present value of the future cash inflows in the pre-coverage period or the carrying amount of the liability for the remaining coverage.
- ▶ The measurement of options and guarantees in certain participating contracts would be measured using a current market-consistent expected value approach.
- ▶ The IASB decided not to specify further guidance on the unit of account for the risk adjustment, but instead, reiterated that the risk adjustment would be determined in a manner that achieves the overall objective of *that adjustment*.
- ▶ The FASB agreed with the IASB's earlier decision that the fulfilment cash flows relating to policyholder participation features would be measured on the same basis as the underlying items in which the policyholder participates.

## Previous key developments

- ▶ The standard would not prescribe a particular method for determining the discount rate (e.g., top-down or bottom-up approach), but the rate would reflect the characteristics of the liability. The discount rate would be a current rate that is updated at each reporting period. The objective of the discount rate is the same for non-participating and participating contracts. However, to the extent that cash flows depend (wholly or partly) on the performance of specific assets, the insurer would adjust those cash flows using a discount rate that reflects that dependence.
- ▶ The IASB decided that the measurement model would contain an explicit risk adjustment and residual margin. While the FASB decided that the measurement of an insurance contract liability would include a single margin. The Boards will evaluate how differences in their approaches might be addressed through disclosures.
- ▶ The IASB decided that the residual margin would be adjusted (i.e., unlocked) on a prospective basis for favourable and unfavourable changes in estimates of cash flows and that the margin would be amortised over the coverage period.
- ▶ The objective of the risk adjustment in the IASB model is to determine the compensation an insurer requires for bearing the risk that the ultimate cash flows will exceed those expected. In a change from the ED, the IASB decided not to restrict the use of different techniques for estimating the risk adjustment. However, the IASB decided to retain the proposed disclosure of the confidence level equivalent in those estimations.
- ▶ Insurers would not recognise insurance contract assets and liabilities until the coverage period begins, although the contract would be subject to an onerous test.
- ▶ Acquisition costs included in the cash flows of insurance contracts would include only direct costs. The IASB would continue to include costs associated with both successful and unsuccessful efforts, while the FASB reaffirmed that only costs related to successful efforts would be included.

## What's next

The IASB plans to continue redeliberating jointly with the FASB over the next several months.

# Consolidation

## Background

The IASB issued a new consolidation standard in May 2011, establishing a single control model applicable to all entities. Under this standard, more judgement is required to determine whether one entity controls another. The FASB decided not to move to a single control model for all entities, and will propose only limited changes to its consolidation requirements. In the second half of 2011, the Boards issued proposals to define an investment company and to provide an exception to consolidation. The concept of an investment company is new to IFRS.

## IFRS 10 Consolidated Financial Statements

**May 2011**  
Final standard

### Highlights of the new consolidation standard

- ▶ Under IFRS 10, control exists when the reporting entity is exposed, or has rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its power over that other entity.
- ▶ IFRS 10 is effective for annual periods beginning on or after 1 January 2013 and will be applied retrospectively, with certain relief.
- ▶ IFRS 10 is similar to US GAAP for the consolidation of variable interest entities (VIEs), but creates new differences between IFRS and US GAAP in some areas, and some long-standing differences also remain. This includes differences with respect to the concept of de facto control and consideration of potential voting rights.
- ▶ Consistent with IFRS 10, the FASB is proposing to allow decision makers to perform a broader assessment of whether they are a principal or an agent for VIEs and voting interest partnerships (and similar entities).
- ▶ In December 2011, the IASB issued an ED that proposed clarifications to the transitional guidance in IFRS 10. The proposals are aimed at addressing constituent concerns that the transitional provisions of IFRS 10 were more burdensome than originally intended by the IASB.

### References

- ▶ [Applying developments for insurers: IFRS 10 Consolidated Financial Statements - an insurer's perspective \(December 2011\) EYG no. AU1055](#)
- ▶ [Applying IFRS: Challenges in adopting and applying IFRS 10 \(September 2011\) EYG no. AU0920](#)
- ▶ [IFRS Developments Issue 1: IASB issues three new standards: Consolidated Financial Statements, Joint Arrangements, and Disclosure of Interests in Other Entities \(May 2011\) EYG no. AU0839](#)
- ▶ [IFRS Practical Matters: What do the new consolidation, joint arrangement and disclosures accounting standards mean to you? \(June 2011\) EYG no. AU0853](#)

### What's next

Comments on the IASB's ED on transitional guidance in IFRS 10 are due on 21 March 2012 and an amendment is targeted for Q2 2012.

## Consolidation - Investment entities

**Q3 2011**  
Exposure draft

**Q1-Q2 2012**  
Roundtables

### Previous key developments

- ▶ The IASB's ED, issued in August 2011, proposes an exception for investment entities to the principle in IFRS that an entity consolidates all controlled entities. Instead, the ED proposes that an investment entity (as defined) would measure all controlled investments at fair value, with changes recognised in profit or loss.
- ▶ In October 2011, the FASB issued an ED with largely converged proposals related to the definition of an investment entity and the measurement requirements for its investments (i.e., fair value). However, the Boards diverged on whether an investment entity's fair value accounting would be retained by a non-investment entity parent. The FASB favours retention, whereas the IASB proposals would require the non-investment entity parent to consolidate the investment entity and its underlying investments.

### References

- ▶ [IFRS Developments Issue 15: Proposal for investment entities to measure investments at fair value \(August 2011\) EYG no. AU0939](#).

### What's next

- ▶ Comments on the IASB's ED were due by 5 January 2012. The comment deadline on the FASB's investment companies and investment property entities proposals was extended to 15 February 2012.
- ▶ The Boards plan to hold roundtables on the investment entities proposals after the comment periods end.

# Inactive projects

## Reporting discontinued operations

### Background

The Boards plan to align their definitions of discontinued operations and related disclosures.

## Emissions trading schemes

### Background

The Boards have acknowledged this area is becoming more important, as more countries adopt allocation and trading systems to control emissions.

## Financial instruments with characteristics of equity

### Background

The project to distinguish equity instruments from those that are assets or liabilities responds to criticism that the existing IFRS and US GAAP requirements are complex and inconsistent.

## Financial statement presentation

### Background

The proposed model would significantly change the way that entities present their statements of financial position, comprehensive income and cash flows. It would also require more disaggregation of information within the primary financial statements.

### What's next

The IASB will consider next steps for these projects at the beginning of 2012, as part of its agenda consultation process.

# Joint projects completed in 2011

## Financial instruments – balance sheet offsetting

**December 2011**  
**Amendments to IAS 32 and IFRS 7**

### Highlights from the amendments

- ▶ The existing offsetting criteria in IAS 32 are retained. The amendments address the inconsistencies in the interpretation of these criteria.
- ▶ New disclosures required by the amendment to IFRS 7 are intended to provide users of financial statements with information that is useful in (a) evaluating the effect or potential effect of netting arrangements on an entity's financial position; and (b) in comparing financial statements prepared in accordance with IFRS and US GAAP.
- ▶ These disclosures include: amounts netted in the balance sheet; amounts subject to an enforceable master netting arrangement or similar agreement that are not presented net in the balance sheet because the arrangement does not meet some of or all of the offsetting criteria in IAS 32; and amounts related to financial collateral.
- ▶ Entities will be required to disclose the above information in a tabular format and may choose to show certain items categorised by counterparty or type of financial instrument. Qualitative information about rights of setoff that do not result in net presentation is also required.
- ▶ The amendments to IAS 32 are effective for annual periods beginning on or after 1 January 2014. The new disclosures in IFRS 7 are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. Both require retrospective application.

### Differences remaining between IFRS and US GAAP

- ▶ Although the disclosure requirements will be converged with US GAAP, the differences in the criteria for offsetting, especially for derivatives entered into under a master netting agreement, remain.

### References

- ▶ [IFRS Developments Issue 22: Offsetting of financial instruments \(December 2011\)](#) EYG no. AU1053

## Presentation of other comprehensive income

**June 2011**  
**Amendments to IAS 1**

### Highlights from the amendments

- ▶ The amendments to IAS 1 *Presentation of Financial Statements* require entities to present items of net income, items of OCI and total comprehensive income either in a single continuous

statement or in two separate, but consecutive, statements. The option in US GAAP to present OCI in the statement of changes in stockholders' equity has been eliminated.

- ▶ The amendments require items of comprehensive income that are subject to reclassification to profit or loss in the future to be presented separately from items that will not be reclassified. There is no change to how earnings per share is calculated or reported. The amendments are effective for annual periods beginning on or after 1 July 2012.
- ▶ In December 2011, the FASB decided to reconsider the presentation requirements for reclassification adjustments, and, therefore, deferred the effective date of the amendment. The FASB expects to complete its reconsideration in 2012.

### References

- ▶ [IFRS Developments Issue 7: Changes to the presentation of other comprehensive income - amendments to IAS 1 \(June 2011\)](#) EYG no. AU0787

## Fair value measurement

**May 2011**  
**Final standard**

### Highlights of the new standard

- ▶ The IASB's new standard, IFRS 13 *Fair Value Measurement*, in combination with amendments to US GAAP by the FASB, generally converges the IFRS and US GAAP requirements for how to measure fair value and the related disclosures. IFRS 13 establishes a single source of requirements for how to measure fair value, when fair value is required or permitted by IFRS.
- ▶ While the FASB changed certain fair value principles in the interest of convergence, most of the amendments to US GAAP only clarify existing guidance in ASC 820. The effects of the amendments will likely vary by entity and for some entities they could be significant. IFRS 13 is effective for annual periods beginning on or after 1 January 2013 and must be applied prospectively. Early application is permitted.

### References

- ▶ [IFRS Developments Issue 2: Fair value measurement guidance converges \(May 2011\)](#) EYG no. AU0840
- ▶ [IFRS 13 Fair value measurement: 21st century real estate values - Implications for the real estate and construction industries \(May 2011\)](#) EYG no. AU0850
- ▶ [Supplement to IFRS Outlook Issue 77: Limited re-exposure of fair value measurement disclosures \(June 2010\)](#) EYG no. AU0586

# Joint project timeline

		2010	Q1 – Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 – Q4 2012
<b>Financial instruments</b>							
Classification and measurement	IASB	Final <sup>1</sup>	ED <sup>1</sup>	Final <sup>1</sup>			
	FASB	ED <sup>2</sup>	RT		ED <sup>3</sup>		
Impairment	IASB		SD			ED	
	FASB	ED <sup>2</sup>	RT	SD		ED <sup>3 &amp; 4</sup>	
Hedging – General	IASB		ED		Review draft	Final	
	FASB	ED <sup>2</sup>	RT	DP			
Hedging – Macro	IASB						ED
Balance sheet offsetting	IASB		ED	RT	Final		
	FASB		ED	RT	Final		
Revenue recognition	IASB	ED	RT		ED		
	FASB	ED	RT		ED		
Leases	IASB	ED	RT			ED	
	FASB	ED	RT			ED <sup>4</sup>	
Insurance contracts	IASB	ED	RT			Review draft or ED	
	FASB	DP	RT			ED <sup>4</sup>	
Consolidation	Joint <sup>5</sup>		ED <sup>5</sup>		RT		
	IASB	Review draft	Final				
	FASB	RT		ED <sup>6</sup>			

ED - Exposure draft RT - Roundtable SD - Supplementary document DP - Discussion paper RV - Request for views

<sup>1</sup> The IASB's final IFRS on classification and measurement for liabilities. In Q3 2011, the IASB issued an ED and, in Q4 2011, finalised the deferral of the mandatory effective date of IFRS 9.

<sup>2</sup> The FASB issued single comprehensive proposal on all three phases of this project.

<sup>3</sup> The FASB will, at a minimum, expose the proposed amendments to the Codification, and may decide to fully re-expose the model, most likely in the first half of 2012.

<sup>4</sup> Our expectation is the FASB will follow timing that is similar to the IASB's.

<sup>5</sup> The joint project relates only to consolidation by investment companies. The IASB issued its ED in Q3 2011. The FASB issued its ED in Q4 2011.

<sup>6</sup> FASB amendments to principal-asset guidance in ASC 810.

<sup>7</sup> In Q4 2011, the FASB deferred certain presentation requirements of ASU 2011-05. See detail above in **Joint Projects completed in 2011**.

Note: Timing for some FASB projects is presented based on discussions with staff and/or Board members and may differ from the technical plan on the FASB website.

## Inactive projects

Reporting discontinued operations

Emissions trading schemes

Reporting instruments with characteristics of equity

Financial statement presentation

## Recently completed projects

Balance sheet – offsetting

Presentation of other comprehensive income<sup>7</sup>

Fair value measurement

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