

Joint Project Watch

IASB/FASB joint projects from an IFRS perspective

March 2011

Keeping up with 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 can be challenging. But with several major projects in active stages, it's important that you start thinking about the potential effects of new standards on your company. The Boards are scheduled to complete work on many of these projects in 2011.¹

This publication is designed to provide a snapshot of key developments from an IFRS perspective each month, 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.

The following sections are based on our observations of the standard setter meetings. The Boards are actively redeliberating many of these projects, making tentative decisions that may be different from earlier decisions and those in the exposure drafts (EDs). At this point, the Boards' decisions and our observations are all subject to change.

Joint projects

Financial instruments.....	1
Revenue recognition.....	5
Leases.....	6
Fair value measurement.....	7
Insurance contracts.....	8
Consolidation.....	9
Other joint projects.....	10
Presentation of other comprehensive income.....	10
Reporting discontinued operations.....	10
Emissions trading schemes.....	11
Financial instruments with characteristics of equity.....	11
Financial statement presentation.....	11
Joint Project Timeline.....	12

¹ Refer to the Joint Project Timeline for details and recent developments related to expected timing.

Financial instruments

Overall project background

The financial instruments project addresses: classification and measurement; impairment; hedging; and offsetting. Except for offsetting, the Boards initially deliberated these topics separately, resulting in different conclusions on similar issues and 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.

Financial instruments – classification and measurement

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 proposal would require fair value measurement for many financial assets and financial liabilities, IFRS 9 permits more use of amortised cost.

Key developments to date

IFRS 9 was first published in November 2009 for financial assets and updated in October 2010 for financial liabilities. For more details of IFRS 9, refer to our publications on this topic.

References

- ▶ [Supplement to IFRS Outlook Issue 89: IASB completes phase 1 of IFRS 9: Financial Instruments - Classification and Measurement \(November 2010\)](#)
- ▶ [Implementing phase 1 of IFRS 9: Financial instruments \(June 2010\)](#)
- ▶ [Supplement to IFRS Outlook Issue 60: IASB publishes IFRS 9: phase 1 of the standard to replace IAS 39 \(November 2009\)](#)

Financial instruments continued

Financial instruments – impairment



Background

Although their original proposals on impairment differ significantly, the Boards jointly issued a supplement to their EDs (Supplementary Document) proposing a joint model. In that document, the Boards also asked for feedback on their separate approaches to impairment. The comment period for the Supplementary Document ends on 1 April 2011.

Key developments to date

- ▶ The Boards sought input from stakeholders on a joint impairment model.
- ▶ Under the joint model, credit losses would be based on all available information, including historical data, current economic conditions and supportable forecasts of future economic conditions. This proposal expands on the IASB's original proposal in the ED for estimating losses. It is a change from the original FASB proposal under which only past events and current conditions could be considered.
- ▶ The joint model would require full recognition of all expected losses in the "bad book" (e.g., those loans that management identifies as doubtful of collection), plus recognition of losses in the "good book" at the higher of either of the following:
 - (a) The time-proportional expected credit losses of the portfolio (i.e., expected losses are recognised ratably over the expected term of the loans)
 - (b) The credit losses expected to occur in the foreseeable future (no less than 12 months) (the floor)
- ▶ The Boards also sought constituent feedback on approaches they have been developing separately. The IASB's separate approach is essentially the same as the joint approach, except that the good book does not include the floor. The FASB's separate approach would require an entity to recognise immediately all credit losses expected to occur in the foreseeable future.

Tentative decisions in March 2011

- ▶ Losses would be estimated with the objective of an expected value (i.e., identify possible outcomes, estimate the likelihood of each outcome and calculate a probability-weighted average). However, flexibility would be provided in that any reasonable method (e.g., loss rate method) could be used to estimate credit losses to achieve the objective of expected value.
- ▶ A single impairment model would apply to all originated and purchased good book financial assets. Interest on purchased good book financial assets would be recognised based on contractual cash flows. These assets would be immediately evaluated for credit losses in accordance with the proposed joint model.
- ▶ Interest on purchased financial assets that are classified as being in the bad book would be recognised based on expected cash flows. This would result in no immediate recognition of impairment loss.

What's next

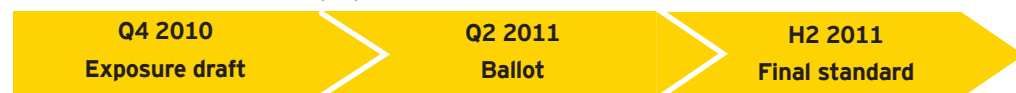
The Boards will continue to discuss issues from their original EDs that are outside the scope of the Supplementary Document. Refer to the Joint Project Timeline for details and recent developments related to the expected project timing.

References

- ▶ [Supplement to IFRS Outlook Issue 95: IASB and US FASB propose a joint approach to accounting for credit losses \(February 2011\)](#)
- ▶ [IFRS Outlook: Impairment of financial assets - where is it heading? \(July 2010\)](#)
- ▶ [Supplement to IFRS Outlook Issue 61: New proposals for financial instruments at amortised cost \(November 2009\)](#)

Financial instruments continued

Financial instruments – hedging



Background

The IASB's hedging model would better align the accounting for hedging activities with risk-management practices and would 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.

Key developments to date

- ▶ Under the proposed approach in the IASB ED, there would be a better link between an entity's risk management strategy, the rationale for hedging and the impact of hedging on the financial statements. 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 measured.
- ▶ There would be no bright line tests under the IASB's hedging model for hedge effectiveness assessments. Hedge effectiveness testing would only be required prospectively using a methodology that is driven by the entity's risk management policies.
- ▶ In February 2011, the FASB issued a discussion paper (DP) that seeks comments from its constituents on the IASB's hedging model.

What's next

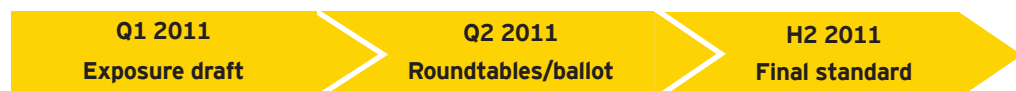
- ▶ The deadline for responses to the FASB DP is 25 April 2011. The comment period for the IASB ED ended on 9 March 2011.
- ▶ The IASB will begin its redeliberations following feedback received through comment letters and outreach activities. Refer to the Joint Project Timeline for details and recent developments related to the expected project timing.

References

- ▶ [Hedge accounting under IFRS - a closer look at the changes and challenges \(February 2011\)](#)
- ▶ [Supplement to IFRS Outlook issue 91: Hedge accounting under IFRS - all set for change \(December 2010\)](#)

Financial instruments continued

Financial instruments – balance sheet offsetting



Background

The Boards issued a joint proposal on the offsetting criteria for financial instruments, in an effort to eliminate a significant difference between IFRS and US GAAP.

Key developments to date

The Boards issued a joint proposal that would amend and converge the requirements for balance sheet offsetting under both IFRS and US GAAP.

- ▶ The proposal would replace the current IFRS requirement for financial assets and financial liabilities.
- ▶ Offsetting of assets and liabilities would be required when an entity has both an unconditional, legally enforceable right of set-off and intends to settle either on a net basis or simultaneously. The realisation of a financial asset and the settlement of a financial liability are considered to be simultaneous only when they are settled at the same moment.
- ▶ The proposal is similar to the existing IFRS requirements except as described below:
 - ▶ The proposal would clarify that the right of set-off must be legally enforceable in all circumstances (i.e., in the normal course of business, as well as on the default, insolvency or bankruptcy of a counterparty).
 - ▶ It is likely that contracts executed with a clearing house would no longer be deemed to constitute simultaneous settlement. Consequently, an entity would be able to set off financial assets and financial liabilities entered into with a clearing house only if the realisation/ settlement occurs at the same moment. This does not necessarily happen in practice due to processing constraints.

Key developments to date (continued)

- ▶ The proposal would require extensive disclosures of the effect of rights of set-off and related arrangements, such as collateral agreements, on an entity's financial position.
- ▶ The proposal would eliminate the exception in US GAAP that allows offsetting for some arrangements in which the right of set-off is conditional (e.g., upon bankruptcy, insolvency or default of a counterparty) and there is no intention to set off, or such intention is conditional. This would have a significant effect on the balance sheets of many financial institutions and other entities in the US that have large portfolios of derivative contracts.
- ▶ The proposal would also eliminate the separate guidance in US GAAP for offsetting repurchase agreements and reverse repurchase agreements, as well as certain offsetting practices within the broker dealer, construction and depository and lending industries.

What's next

Comments on the ED are due on 28 April 2011. Refer to the Joint Project Timeline for details and recent developments related to the expected project timing.

References

- ▶ [Supplement to IFRS Outlook Issue 94: Offsetting of financial instruments: Is convergence on the horizon? \(February 2011\)](#)

Revenue recognition



Background

Both Boards have a strong interest in developing 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, whereas US GAAP has been criticised for the complexity of its guidance on revenue recognition. The joint proposal of the IASB and FASB would use a contract-based asset and liability approach. Revenue would be recognised when an entity satisfies its obligations to customers, which occurs when control of an asset is transferred to the customer.

References

- ▶ [The road to convergence: The revenue recognition proposal - retail and consumer products \(March 2011\)](#)
- ▶ [Revenue recognition under IFRS: What do respondents think of the proposed changes? \(December 2010\)](#)
- ▶ [Revenue from contracts with customers: The road to convergence - what the revenue proposals mean in practice \(October 2010\)](#)
- ▶ [IFRS practical matters: Revenue - will your key performance measures change? \(September 2010\)](#)
- ▶ [Supplement to IFRS Outlook Issue 75: IASB and FASB propose a single revenue recognition model \(June 2010\)](#)

Key developments to date

- ▶ The Boards continue to believe that revenue should be recognised upon the transfer of goods and services to the customer, but have tentatively decided to treat goods and services differently. While goods are transferred when the customer obtains control (consistent with the original proposal), the Boards decided that services are transferred as the entity performs the agreed-upon services. These revisions make clear that continuous revenue recognition for some services, including those typically provided by the construction industry, is appropriate. The Boards agreed to criteria to help an entity determine whether a performance obligation constitutes a good or a service.
- ▶ Whether a good or service is “distinct” is a key determinant in identifying separate performance obligations under the proposed model. In a change from the ED, the Boards tentatively agreed that an entity’s commitment to provide multiple goods and services as a single integrated item represents a single performance obligation. Otherwise, the determination is based on whether the entity sells the good or service separately or the customer can use the delivered item on its own or with readily available resources.
- ▶ To determine whether an onerous performance obligation exists, all remaining performance obligations within the contract would be evaluated in the aggregate. This is a change from the proposal in the ED, which required each individual performance obligation to be separately evaluated.

Tentative decisions in March 2011

- ▶ In a change from the ED, initial estimates of bad debts would not be reflected as an adjustment to revenue with subsequent changes in estimate recognised as income or expense. Rather, bad debts (both initial estimates and subsequent changes in those estimates) would be reported separately in the financial statements in a line item that would be presented adjacent to revenue (as contra revenue).
- ▶ While reaffirming that the time value of money must be reflected when financing is a significant component of a transaction, the Boards agreed to provide additional guidance to clarify when that would be the case. Additionally, a practical expedient would provide that time value of money does not have to be considered if there is less than one year between the transfer of goods or services and the customer’s payment.
- ▶ The onerous test, i.e., whether the direct costs of fulfilling the performance obligations exceed the amount of transaction consideration related to those obligations, would apply to all contracts, including those intentionally priced at a loss in expectation of profits to be generated on subsequent contracts with the customer.

What’s next

The Boards have discussed, but not yet reached consensus, on certain key issues (i.e., variable transaction consideration, fulfilment costs). The Boards plan to redeliberate these issues in April 2011 and, as indicated in the Boards’ work plans, they still expect to complete all decisions on this project by June 2011. Refer to the Joint Project Timeline for details and recent developments related to the expected project timing.

Leases

Q3 2010
Exposure draft

Q4 2010/Q1 2011
Roundtables

Q2 2011
Ballot

H2 2011
Final standard

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 model that would be applied to most leases and require the recognition of lease-related assets and liabilities on the balance sheet. The proposed model also would require entities to make a number of estimates and periodically reassess those estimates in accounting for leases. As proposed, the standard would affect existing leases at transition and no leases would be grandfathered.

References

- ▶ [Supplement to IFRS Outlook Issue 98: A clearer picture of leases on the balance sheet \(April 2011\)](#)
- ▶ [Supplement to IFRS Outlook Issue 96: Lease term and variable lease payments simplified \(February 2011\)](#)
- ▶ [Proposed accounting for leases \(November 2010\)](#)
- ▶ [IFRS practical matters for financial services: What do the proposed lease accounting changes mean for financial institutions? \(September 2010\)](#)
- ▶ [IFRS practical matters for the C-suite: Leases - what do the proposed lease accounting changes mean for you? \(August 2010\)](#)
- ▶ [Supplement to IFRS Outlook Issue 79: Proposed accounting changes for leases \(August 2010\)](#)

Key developments to date

- ▶ 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 installment costs).
- ▶ Certain variable lease payments would be included in recognised lease-related assets and liabilities using a higher threshold (such as 'reasonably certain') than had been originally proposed. As a result, some performance- and usage-based contingent rents would be excluded from lease-related assets and liabilities.
- ▶ The Boards discussed allowing straight-line recognition of lease income and expense for leases that do not have a significant financing element and are investigating how to distinguish between the two types of leases (leases that have a significant financing element and leases that do not).

Tentative decisions in March 2011

- ▶ In a change from the ED, accounting for purchase options included in lease arrangements would be consistent with the accounting for options to extend a lease. That is, if the lessee has a significant economic incentive to exercise the purchase option, the exercise price would be included in the lease payments and the right-of-use asset would be amortised over the economic life of the underlying asset. In addition, the Boards tentatively decided not to include guidance for distinguishing a lease from a purchase or sale of an underlying asset in the leases standard.
- ▶ 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 without considering whether any of the components are distinct. The non-lease components would be accounted for separately (i.e., not as part of the lease) except for certain limited circumstances in which lessees are not able to determine the allocation between lease and non-lease components. Under the IASB's ED, for lessees and lessors applying the performance obligation approach, only distinct services would be separated from the lease.
- ▶ Both lessees and lessors would be allowed to apply current operating lease accounting to short-term leases. Entities could make an accounting policy election (on an asset class basis) to keep leases with a maximum possible term of 12 months off of the balance sheet and recognise lease income/expense on a straight-line basis.
- ▶ Determination of whether sale-leaseback transactions are accounted for as a sale and a lease or as a financing transaction would be based on revenue recognition criteria (i.e., the criteria developed in the joint revenue recognition project). In a change from the ED, a sale-leaseback would no longer be required to meet additional restrictive criteria beyond what would be necessary under the criteria for revenue recognition for the seller-lessee to recognise a sale and any related gain or loss.

What's next

The Boards are seeking feedback from selected constituents on changes to the proposal and continue to redeliberate additional topics, including the definition of a lease, lessor accounting, subsequent measurement and transition. Refer to the Joint Project Timeline for details and recent developments related to the expected project timing.

Fair value measurement

Q2 2010
Exposure draft

Q2 2011
Final standard

Background

The IASB proposal, in combination with a proposal from the FASB, would generally converge the IFRS and US GAAP requirements for how to measure fair value and the related disclosures. The IASB's new standard would establish a single source of guidance for fair value measurements, when fair value is required or permitted by IFRS. The FASB's proposals, while not intended to result in significant changes to practice, would clarify certain of the existing fair value principles under US GAAP and amend others.

References

- ▶ [Supplement to IFRS Outlook Issue 80: IASB staff draft on fair value measurement \(August 2010\)](#)
- ▶ [Supplement to IFRS Outlook Issue 77: Limited re-exposure of fair value measurement disclosures \(June 2010\)](#)

Key developments to date

- ▶ The new standard would not change *when* an entity is required to use fair value, but instead, would provide guidance on *how* to measure fair value under IFRS when fair value is required or permitted by IFRS.
- ▶ Fair value would be defined as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”; it would be an exit price.
- ▶ A fair value measurement would assume that the transaction to sell the asset or transfer the liability takes place either in the principal or in the most advantageous market (in the absence of the principal market).
- ▶ Market participants would be defined as the “buyers and sellers in the principal (or most advantageous) market for the asset or liability”.
- ▶ The new standard would apply both to determining fair value for financial assets and liabilities and non-financial assets and liabilities.
- ▶ When determining fair value, management would be required to use a fair value hierarchy that classifies the inputs used to measure fair value into three levels. An entity would be required to measure fair value using the valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs.
- ▶ The concepts of “highest and best use” and “valuation premise” would not be relevant for financial instruments and liabilities. The Boards have clarified that if the unit of account for the item being measured is not clear from other standards, entities should assume that market participants would transact in a way that maximises value.
- ▶ Measuring financial assets and liabilities with offsetting risks on a portfolio basis would be allowed as an exception to fair value principles, if certain criteria are met.
- ▶ The application of a “blockage factor” would be prohibited on all levels of the fair value hierarchy. The Boards clarified that other premiums/discounts (e.g., control premiums) may be applied when they would be considered by market participants based on the unit of account for the item being measured, when the unit of account is not clear.
- ▶ New fair value disclosures would be required.

Tentative decisions in March 2011

- ▶ The IFRS for fair value measurement would be effective for annual periods beginning on or after 1 January 2013. Early application would be permitted.

What's next

- ▶ A final IFRS and final amendments to US GAAP are expected in Q2 2011.

Insurance contracts



Background

The IASB's ED contains a proposal for a comprehensive model on the accounting for insurance contracts. The FASB issued a DP to solicit input on 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 Supplement: Boards continue their redeliberations \(March 2011\)](#)
- ▶ [Insurance Accounting Alert: IASB and FASB begin re-deliberations \(February 2011\)](#)
- ▶ [Insurance Accounting Alert: Insurance Working Group meets to discuss the IASB Insurance Exposure Draft \(November 2010\)](#)
- ▶ [Insurance Accounting Alert \(special edition\): Proposal for accounting for insurance contracts \(July 2010\)](#)

Key developments to date

- ▶ In a change from the ED/DP, 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 Boards clarified that, although the requirement to use an expected value of fulfilment cash flows refers to the mean, practical implementation would depend on circumstances and there is no need for all possible scenarios to be identified.
- ▶ The Boards confirmed their view that no gain would be recognised at the inception of a contract while a loss at issue must be recognised.

Tentative decisions in March 2011

- ▶ The Boards reaffirmed the definition of an insurance contract in the ED/DP, which would require an insurer to consider whether there is a possibility of loss on a present value basis.
- ▶ The Boards reached different conclusions about which acquisition costs would qualify to be included in cash flows of insurance contracts. The IASB decided to include all costs that the insurer incurs in acquiring the portfolio (including costs associated with unsuccessful efforts). The FASB, however, decided that acquisition costs should be limited to those related to successful efforts and direct costs related to the acquisition of a portfolio of contracts. This is a change from the ED/DP proposal that provided that acquisition costs be identified at a contract level.
- ▶ The discount rate used to measure all insurance contracts would be a current rate that is updated in each reporting period (i.e., the discount rate is not locked). 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.
- ▶ Insurers would not recognise insurance contract assets and liabilities until the coverage period begins, although the contract would be subject to an onerous test. This is a change from the ED/DP that required initial recognition when an insurer becomes a party to the contract.
- ▶ A contract renewal would be treated as a new contract when the insurer is no longer required to provide coverage or when the existing contract does not confer any substantive rights to the policyholder. For those contracts that do not contain a financing element, the determination of whether a contract confers substantive rights to the policyholder would be based on the right to re-price the portfolio of contracts that the contract belongs to, rather than the contract of a particular policyholder.
- ▶ In a change from the ED, the IASB decided to retain the existing approach in IFRS to account for financial guarantee contracts. An issuer of a financial guarantee contract would be permitted to account for the contract as an insurance contract if the issuer had previously asserted that it regards the contract as an insurance contract. In all other cases, the issuer would account for the financial guarantee contract in accordance with the financial instruments standard. The FASB will discuss financial guarantee arrangements in a future meeting.

What's next

The IASB plans to continue redeliberating jointly with the FASB over the next several months. Refer to the Joint Project Timeline for details and recent developments related to the expected project timing.

Consolidation

Q4 2008
Exposure draft

Q3 2010
Staff draft

Q2 2011
Final standard

Background

Under the IASB proposal, which includes a single consolidation model applicable to all entities, more judgement would be required to determine whether one entity controls another. In addition, the IASB is jointly considering with the FASB issues relating to the accounting by investment entities.

References

- ▶ [Supplement to IFRS Outlook Issue 84: Consolidated financial statements \(October 2010\)](#)
- ▶ [IFRS Outlook: Investment companies - consolidate or measure at fair value \(March 2010\)](#)

Key developments to date

- ▶ Control would exist 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.
- ▶ After hearing from constituents, the FASB decided not to develop a single consolidation model for all entities and will not converge with the IASB's proposal at this time. Accordingly, some of the significant IFRS and US GAAP differences with respect to the concept of *de facto* control and consideration of potential voting rights will not be eliminated. However, the FASB has tentatively decided to amend its principal/agent guidance for variable interest entities (VIEs). In addition, it plans to amend certain guidance for voting interest partnerships (and similar entities). This will result in substantial convergence between IFRS and US GAAP on consolidation of VIEs (or structured entities) and related disclosures.
- ▶ The Boards plan to issue EDs with largely converged proposals related to the definition of an investment entity and the measurement requirements for its investments (i.e., fair value).
- ▶ The IFRS on consolidation would be effective for annual periods beginning on or after 1 January 2013.

What's next

- ▶ The IASB plans to issue a new standard that will replace portions of its current standards on consolidation in Q2 2011. It also expects to issue another new standard that will include disclosure requirements about subsidiaries, joint arrangements, associates and structured entities in Q2 2011.
- ▶ The FASB plans to propose amendments to its principal/agent and partnership guidance in Q2 2011.
- ▶ In addition, the Boards plan to issue their proposals for investment entities in Q2 2011.

Other joint projects

Presentation of other comprehensive income



Background

The goal is to make the components of other comprehensive income more transparent and make IFRS and US GAAP financial statements more comparable.

Key developments to date

- ▶ Preparers reporting under IFRS would continue to be permitted to present net income and other comprehensive income either in a single continuous statement or in two separate statements. The option in US GAAP to present other comprehensive income in the statement of changes in stockholders' equity would be eliminated.
- ▶ Items of other comprehensive income subject to reclassification to profit or loss in the future would be presented separately from items that will never be reclassified.
- ▶ There would be no change to how earnings per share is calculated or reported.

What's next

A final standard is expected in Q2 2011.

References

- ▶ [Supplement to IFRS Outlook Issue 74: Proposed changes to the presentation of other comprehensive income \(May 2010\)](#)

Reporting discontinued operations



Background

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

Key developments to date

- ▶ Discontinued operations would continue to be presented in a separate section on the face of an entity's financial statements.
- ▶ A discontinued operation would be defined as a component that has either been disposed of, or is classified as held for sale, and meets any one of the following criteria:
 - ▶ Represents a separate major line of business or major geographical area of operations
 - ▶ Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations
 - ▶ Is a business that meets the criteria to be classified as held for sale on acquisition
- ▶ Disclosures about continuing involvement in the discontinued operation after the disposal date would be required.

Tentative decisions in March 2011

- ▶ The IASB will not issue an ED in the second quarter, as originally planned, and will discuss, in Q3 2011, whether re-exposure of the additional disclosure requirements is necessary. The proposed definition of discontinued operations does not represent a significant change to IFRS.

What's next

The IASB will discuss further whether re-exposure is necessary. Meanwhile, the FASB plans to re-expose the proposed guidance in Q2 2011.

Other joint projects continued

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.

What's next

The Boards will continue discussions after June 2011.

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.

What's next

The Boards will continue discussions after June 2011.

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 Boards will continue discussions after June 2011.

References

- ▶ [Supplement to IFRS Outlook Issue 78: IASB staff draft of new presentation model for financial statements \(July 2010\)](#)

Joint Project Timeline

	2010		Q1 2011	Q2 2011		Q3 2011	Q4 2011
Statement of comprehensive income	Joint	ED			Final		
Fair value measurement	Joint	ED ¹			Final ²		
Financial Instruments	IASB	ED ³	Final ⁴	SD ⁵	Ballot*		Final
	FASB	ED	RT	SD/DP ⁵	Final ⁶		
Balance sheet offsetting	IASB			ED	RT	Ballot*	Final
	FASB			ED	RT	Final	
Revenue recognition	IASB	ED	RT		Ballot*		Final
	FASB	ED	RT		Final		
Leases	IASB	ED	RT		Ballot*		Final
	FASB	ED	RT		Final		
Consolidation	Joint ⁷				ED		Final
	IASB	Staff Draft			Final		
	FASB	RT			ED ⁸	Final ⁸	
Financial statement presentation	Joint ¹⁰	Staff draft					
Reporting discontinued operations	IASB ⁹						
	FASB				ED		Final
Financial instruments with characteristics of equity	Joint ¹⁰						
Insurance contracts	IASB	ED	RT		Ballot*		Final
	FASB	DP	RT				
Emissions trading schemes	IASB ¹⁰						
	FASB						ED
Effective dates and transition	Joint	DP/RV ¹¹					

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

* The IASB recently amended the timing of several projects in its work plan. This updated work plan indicates that the IASB plans to complete the internal balloting (i.e., review and voting) process for new IFRSs on financial instruments, revenue recognition, leases, and insurance contracts in June 2011, but will not issue the final standards until the second half of 2011. However, all deliberations on the projects are expected to be complete by 30 June 2011. The balloting takes place outside IASB meetings, and the IASB procedures do not require the balloting draft to be released to the public, although the IASB would not be prohibited from doing so. The final text is available only after all outstanding issues are resolved.

- The FASB's ED includes various amendments and implementation guidance to achieve convergence. The IASB re-exposed one new disclosure requirement.
- The disclosures related to measurement uncertainty will be finalised separately from the main project.
- IASB ED related to the hedging portion of its project.
- IASB's final IFRS on classification and measurement of liabilities.
- The Boards issued a Supplementary Document on impairment in January 2011. The FASB issued a discussion paper requesting input on the IASB's hedging proposal.

- The FASB's deliberations on proposed hedging requirements will begin in Q2 2011. The FASB indicated that a final standard including the credit impairment model will be issued in 2011.
- IASB and FASB project related only to consolidation by investment entities.
- FASB amendments to principal-agent guidance.
- The IASB will further discuss whether re-exposure of the additional disclosure requirements is necessary.
- The Boards will continue discussions after June 2011.
- FASB discussion paper and IASB request for views.

Ernst & Young
Assurance | Tax | Transactions | Advisory

About Ernst & Young

Ernst & Young is a global leader in assurance, tax, transaction and advisory services. Worldwide, our 141,000 people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve their potential.

Ernst & Young refers to the global organization of member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit www.ey.com

© 2011 EYGM Limited.
All Rights Reserved.

EYG no. AU0818



In line with Ernst & Young's commitment to minimize its impact on the environment, this document has been printed on paper with a high recycled content.

About Ernst & Young's International Financial Reporting Standards Group

The move to International Financial Reporting Standards (IFRS) is the single most important initiative in the financial reporting world, the impact of which stretches far beyond accounting to affect every key decision you make, not just how you report it. We have developed the global resources – people and knowledge – to support our client teams. And we work to give you the benefit of our broad sector experience, our deep subject matter knowledge and the latest insights from our work worldwide. It's how Ernst & Young makes a difference.

In line with Ernst & Young's commitment to minimise its impact on the environment, this document has been printed on paper with a high recycled content.

This publication contains information in summary form and is therefore intended for general guidance only. It is not intended to be a substitute for detailed research or the exercise of professional judgment. Neither EYGM Limited nor any other member of the global Ernst & Young organization can accept any responsibility for loss occasioned to any person acting or refraining from action as a result of any material in this publication. On any specific matter, reference should be made to the appropriate advisor.