

# IFRS outlook

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### **The Asian-Oceanian Standard-Setters Group - a growing voice to be heard at the table?**

The AOSSG was established in 2009 to promote and discuss IFRS in countries in the Asia-Oceania region. We spoke to Mohammad Faiz Azmi, Chairman of the AOSSG and the Malaysian Accounting Standards Board, and Kevin Stevenson, Chairman of the Australian Accounting Standards Board, to gain further insight into the work of the group and its objectives.

### **Our views on the *Extractive Activities* project**

In April 2010, the IASB published for public comment the results of a research project on a possible future IFRS for extractive activities in the form of a discussion paper. Learn about our views on the proposals and our suggestions for taking the project forward.

### **SEC solicits public comment on IFRS Work Plan topics**

The US Securities and Exchange Commission (SEC) recently issued two Notices for public comment on certain matters related to the readiness of the US reporting system to further incorporate IFRS. Find out the details of the Notices and where to get more information.

### **IFRS monthly update**

Find out what's new this month from the IASB. We also highlight the projects currently being discussed by the IASB.

### **Resources**

Look here for a list of our recent IFRS publications, including the supplements on recent IASB exposure drafts on the proposed accounting changes for leases and transition relief for first-time adopters of IFRS. Register as well for our upcoming webcast that will focus on proposed changes to lease accounting.

We welcome your feedback on *IFRS outlook*. Please contact us at [ifrs@ey.com](mailto:ifrs@ey.com). The next issue will be published in October 2010.

Ruth Picker  
Global Leader of IFRS Services

# The Asian-Oceanian Standard Setters Group – a growing voice to be heard at the table?



**Ruth Picker,**  
Global IFRS Leader



**Mohammad Faiz Azmi,**  
Chairman of the Malaysian Accounting Standards Board and current Chairman of the AOSSG



**Kevin Stevenson,**  
Chairman and Chief Executive Officer of the Australian Accounting Standards Board

The Asian-Oceanian Standard-Setters Group (AOSSG) was first established in November 2009 to serve as a mechanism and platform for countries in the region to discuss and share resolutions to emerging issues and contribute to the development of International Financial Reporting Standards (IFRS). Today the group represents 21 accounting standard-setters across the Asia and Oceania regions. The group has four objectives, set out under a Memorandum of Understanding (MOU) and signed by member countries:

- ▶ Promoting the adoption of, and convergence with, IFRS by jurisdictions in the region
- ▶ Promoting consistent application of IFRS by jurisdictions in the region
- ▶ Coordinating input from the region to the technical activities of the International Accounting Standards Board (IASB)

and

- ▶ Cooperating with governments, regulators and other regional and international organisations to improve the quality of financial reporting in the region.

The economic crisis and goal of the G-20 countries to achieve a single, high quality, global financial reporting standard have only highlighted the importance of the role that standard-setters around the world play. To gain further insights about where the AOSSG is heading and how the group intends to achieve its objectives, Ruth Picker, Global Leader of IFRS Services at Ernst & Young, spoke with Mohammad Faiz Azmi, Chairman of the Malaysian Accounting Standards Board and Chairman

of the AOSSG, and Kevin Stevenson, Chairman and Chief Executive Officer of the Australian Accounting Standards Board.

**Ruth Picker (RP): How does the AOSSG intend to achieve the objectives as set out in the MOU?**

**Mohammad Faiz Azmi (MFA):** All members of the AOSSG are invited to participate in meetings or working groups (WG) to provide their views and feedback on topics under discussion, mainly covering IASB projects. The AOSSG has, to date, established eight technical WGs that focus on the IASB's current projects, namely: financial instruments, presentation of financial statements, revenue, fair value measurement, leases, consolidation, insurance and emission trading schemes. The objective of the WGs is to assist the AOSSG in providing timely input and feedback to IASB. This ensures that the AOSSG plays a meaningful role in the formulation of a proposed new or revised IFRS by the IASB.

In addition, a technical WG on financial reporting relating to Islamic finance and IFRS was also set up as a result of the interest expressed by a number of members.

**Kevin Stevenson (KS):** Through the conferences and WGs, a good deal of dialogue is now happening, awareness of issues is being raised and understanding that any multi-country consideration of accounting standards has to put aside local legal issues. Those countries now developing their standard-setting practices can benefit by seeing how other countries are operating. All of our members are learning from each other's experiences and circumstances.

"We see the AOSSG providing balance in international debates ... we want to bring an objective, technical standard-setting approach to the table, in the context of the region's experiences and needs."

Kevin Stevenson, Chairman and Chief Executive Officer  
of the Australian Accounting Standards Board

**MFA:** The interaction between members and the IASB has also helped national standard-setters explain IFRS to their stakeholders.

**KS:** That's true. National standard-setters in the region can also leverage the weight of experience through the region and assist members in establishing an adequate regulatory environment in which IFRS can be applied. For example, balancing the demands for national sovereignty versus embracing IFRS in totality is a difficult line to tread. The issue of conversion versus convergence is a question being faced by many countries.

**RP: On the four key technical issues identified and discussed at the first AOSSG meeting, namely, financial instruments, revenue recognition, fair value measurement and financial statement presentation, what are the key achievements to date?**

**MFA:** The AOSSG has formed WGs to look into each of these areas and has made excellent headway. For example, the WG on financial instruments has successfully submitted to the AOSSG views on the Exposure Drafts (EDs) that relate to financial instruments and these have been submitted to the IASB. In addition, the WG on revenue is now working hard on the AOSSG response to the IASB ED on revenue. This WG is co-lead by Japan and Singapore.

**KS:** We have shown that working groups are able to establish protocols, meet timetables, consult with experts in the region and with the IASB members and staff and deliver high quality submissions on time. The submissions we are making are distinctive in style, objective and, we hope, thought-provoking.

**RP: The AOSSG is often seen as a "third block" to balance the views of Europe and the US in the IFRS standard-setting process. Is this a fair expectation? And, if so, how does the AOSSG intend to achieve this?**

**KS:** We do see the AOSSG providing balance in international debates, but not just because we are the national standard-setters group for four billion people or because commercial or other interests in the region might be impacted by particular standards. Rather, we want to bring an objective, technical standard-setting approach to the table, in the context of the region's experiences and needs. For example, when developing our submissions to the IASB, we have designed protocols to ensure issues identified and submissions drafted take into account the views of the working group and the wider membership. The aim is for submissions to accurately reflect the range of members' views. Individual members are encouraged to also make their own submissions.

**MFA:** This will help ensure the IFRSs developed are of international standing, rather than region/country specific. Also, as the Asia and Oceania region is an important engine for global economic growth, it has an essential role to play in the global financial market, including involvement in the development of international accounting standards. Therefore, it is also in the interest of AOSSG that the IFRSs address issues of economies in Asia and Oceania.

**RP: As countries within the group are at varying stages of IFRS adoption/convergence, how does the group expect to balance the needs of the various parties?**

**KS:** I think that, through AOSSG dialogue, we are more sensitive to the implementation issues faced by developing countries and countries in transition to IFRS. We can convey those practicalities to the IASB, possibly better than some individual countries are able.

**MFA:** I would also add that we are planning to conduct a survey to understand our members better so as to bring us closer to our objectives and to ensure that the AOSSG provides the necessary help to fellow members, depending on the status of each member country.

**RP: Is the AOSSG expected to change the way that local national standard-setters in this group work?**

**MFA:** Yes, I would like to believe it will improve domestic standard-setting. By participating in AOSSG meetings and WGs, comprising a smaller subset of member countries, members would derive valuable benefits through the processes of dialogue and working with colleagues from other jurisdictions who bring to the table collective ideas and thought leadership.

**RP: On the issue of independence (both perceived and real) from political and other stakeholder pressure, how does the AOSSG intend to address this?**

**MFA:** The AOSSG comprises national standard-setters, unlike some organisations, which may have vested interests in mind rather than standard-setting.

**KS:** National standard-setters themselves have a very real need for independence and are well used to dealing with vested interests. So our best protection is our own culture.

**MFA:** And perhaps the clearest way our intention can be evidenced through time is from the high quality of our technical submissions.

# The Asian-Oceanian Standard Setters Group – a growing voice to be heard at the table? *continued*

**RP: Related to the topic of independence, how is the AOSSG expected to be funded? What will the funding received be spent on?**

**MFA:** The AOSSG is self-funded by the respective national standard-setters. The AOSSG Chairman provides the AOSSG Secretariat and acts as a contact point for all members. Having said that, it is intended that the chairmanship and vice-chairmanship of the AOSSG is rotated amongst members at each annual general meeting. The second meeting of the AOSSG will be held later this month in Tokyo.

Going forward, as the AOSSG expands with more membership, there may be a need to share secretarial and other common costs, but we have not come to that stage yet.

**RP: The AOSSG has made tremendous progress since it was formed. Perhaps the next pertinent question is, where do you envision the AOSSG to be 10 years from now?**

**KS:** We currently have around 24 active countries and they cover the larger countries and some of the developing ones. Ten years from now, I would hope that the AOSSG has grown its membership base to have an active membership covering most of the 90 countries or dependencies comprising Asia and Oceania. I also hope to see the AOSSG become more involved in outreach activities with preparers of financial statements, investors and auditors.

**MFA:** I believe what we have achieved this year is just the start of more things to come. I am glad to hear that even now, the success of the AOSSG has so far attracted other regions to learn more about the AOSSG. As for the future, I would expect a more formal centralised structure to be set up within the AOSSG in the years to come to serve as a focal point for standard-setters in the region. We would also like to grow into a more confident and technically strong group and hopefully in time have more influence on international standards.

The second meeting of the AOSSG will be held in Tokyo on 29 and 30 September 2010.

[www.aossg.org](http://www.aossg.org) – the website of the AOSSG is currently under development, and when completed, will provide further details about the AOSSG and its activities.

# Our views on the IASB's *Extractive Activities* project

The minerals and oil and gas industries form an important part of the international capital markets. However, to date there has been little comprehensive financial reporting guidance available under IFRS. To address the lack of available guidance, in April 2010, the International Accounting Standards Board (IASB) published a discussion paper (DP) *Extractive Activities* for comment. The DP presents the results of a research project and contains the views of the project team.<sup>1</sup> Although discussed by the IASB, no tentative decisions were made, and the paper does not purport to represent the views of the IASB. The IASB intends to consider the responses received on the DP before deciding whether to add this project to its active agenda.

We recently submitted our comment letter to the IASB on the proposals in the DP. This article highlights some of our views and opinions expressed in that letter.

## Scope and direction of the project

We support the project team's endeavours to address the accounting for extractive activities. A feature of the oil and gas and minerals industries is that they engage in contractual arrangements and transactions that are often unique to those industries. Consequently, given the complex nature of businesses in these industries and the nature of arrangements that have developed over time, we believe that there are significant accounting issues that should be addressed.

For a final standard to be useful to the IASB's constituents, it should address not only common issues within the sector, but also the accounting issues that are unique to either the mining or the oil and gas industries. While the issues addressed in the DP are important, the current scope does not address many of these complex accounting issues. Examples of issues that should be considered are production sharing contracts, risk sharing arrangements (including among others, farm-in/farm-out arrangements, carried interests and unitisations) and entitlement arrangements.

To the extent that such issues are not going to be addressed in a comprehensive IASB project, they will likely be brought to the Board or the IFRS Interpretations Committee over time (for example, the Interpretations Committee have recently issued a draft interpretation *Stripping Costs in the Production Phase of a Surface Mine*). In addition, we expect there to be more focus on these issues (as well as new industry issues to arise) as a result of more countries with significant extractive industry activity moving to IFRS (for example, Brazil, Canada, Chile and Indonesia). As a result, we believe the project should be added to the IASB's agenda, and the

scope of the DP should be expanded to address the breadth of issues within the extractive activities industry that exist today. Such an expansion in the scope of the project may necessitate the project being conducted in phases.

Furthermore, we believe that this project should also be part of the Memorandum of Understanding (MoU) between the IASB and the US Financial Accounting Standards Board (FASB). Certain proposals included in the DP differ from the requirements of US GAAP. Given the G20 leaders request for "international accounting bodies to redouble their efforts to achieve a single set of high quality, global accounting standards", we believe that there should be consistency between IFRS and US GAAP for such an important and globally focused sector.

## Consistency with the *Framework* and implications for other industries

In the DP, the project team notes that their research has been undertaken in the context of the IASB's *Framework for the Preparation and Presentation of Financial Statements (Framework)*. The current definition of an asset includes a probability criterion, in that an asset is only recognised when "it is probable that the future economic benefits will flow to the entity." However, we believe that the project team's proposal that all information be treated as an enhancement of the asset, without consideration of the probability of recovery, is not consistent with the *Framework*.

Moreover, the extractive activities project team also acknowledged that their paper may be viewed as inconsistent with the requirements of IAS 38 *Intangible Assets*. We believe that it is important that the IASB consider why extractive activities are subject to different recognition criteria than other industries. This would be particularly relevant to research and development expenditures in other industries. For example, entities in the life sciences industry may have insufficient data to determine whether their research will generate future net cash flows, but are required to expense research costs as incurred under current IFRS.

## Recognition and unit of account

We believe that the recognition of exploration properties and the determination of the unit of account are critical to accounting for extractive activities. These form the building blocks for many subsequent accounting measurement issues, such as depletion, depreciation and amortisation and impairment.

The project team has provided a basis upon which a future IFRS can be drawn up, however, certain specific proposals raise concerns.

<sup>1</sup> The project team comprised of staff from the national standard setters in Australia, Canada, Norway and South Africa.

# Our views on the IASB's *Extractive Activities* project *continued*

These include:

- ▶ The project team's proposal that subsequent costs incurred are always considered information that enhances the value of that asset. While we agree that legal rights could form the basis for recognising a minerals or oil and gas property, we do not believe that all subsequent costs provide information that enhances the asset. The current definition of an asset includes a probability criterion in respect future economic benefits that will flow to the entity. Hence, 'bad information', such as the drilling of a dry well, should not be considered an enhancement of the asset.
- ▶ Further potential difficulty lies in the fact that significant quantities of reserves and resources may be subject to a contractual right, and are not necessarily under the reporting entity's control. These types of contractual arrangements and transactions may require a model other than that of a pure asset/control model as envisaged by the DP.
- ▶ Currently, the use of the 'full cost' or 'successful efforts' method during the exploration and evaluation phase is used by IFRS reporters in both the oil and gas and minerals sectors. The DP's proposal is, however, more aligned with the concept of the full cost method. This would eliminate the use of the successful efforts method. The successful efforts method is a well understood method of accounting for exploration assets and further research should be undertaken on the specific types of costs that should qualify for capitalisation, including 'subsequent costs incurred' as discussed above, before this method is eliminated.

While we agree that the geographical boundaries of the unit of account would initially be defined according to the exploration rights held, we consider that the unit of account may well expand (or contract) as the exploration, evaluation and development activities occur. An example would be when additional neighbouring exploration rights are acquired. In addition, as the unit of account impacts the depreciation of components and impairment of cash generating units, these linkages require further elaboration in a proposed standard.

## The measurement model

The project team's view is that historical cost should be used as the measurement basis for minerals and oil and gas properties. We concur with this view. We believe that historical cost is, currently, the appropriate measurement approach to be adopted as this is both consistent with other industries and well understood by users of the financial statements of extractive activities. The provision of other relevant information on the value of reserves and resources would be achieved through disclosure rather than measurement.

## Disclosure

Overall, we support the intent of the proposals in the DP to require consistent disclosure for extractive activities. However, there are specific issues that need to be addressed in a proposed standard:

- ▶ Reserve quantities – We agree with the requirement to disclose proved reserves as essential information for analysing an entity's oil and gas or mineral property. Although probable reserves are another source of useful information for users, such information is associated with a much higher degree of risk and uncertainty. In addition, the disclosure of probable reserves may result in increased litigation risk in some jurisdictions. Furthermore, probable reserves are not a required disclosure in certain jurisdictions. As a result, we believe that the IASB should allow disclosure on a voluntarily basis until these jurisdictional issues are resolved.
- ▶ Current value measurement disclosures – We believe that the degree of subjectivity and amount of judgment required in measuring current values do not support disclosing such information. Rather, entities should be required to disclose the underlying assumptions and other information used in estimating reserve quantities. This should be sufficient for users to complete their own assessment of fair value measures.
- ▶ 'Publish What You Pay' disclosures – We support the objectives of the disclosure proposals included in Publish What You Pay campaign, as this information enhances the understanding of the social responsibility of the reporting entity. However, we note that other organisations are proposing similar frameworks and disclosure principles. We therefore encourage the development of a single framework and disclosure principle for this type of reporting.

## Conclusion

Overall, we support the need for a separate extractive industries standard and believe that the proposals in the DP represent an appropriate foundation on which to develop a comprehensive standard. However, the many complex issues faced by the extractive industries require further research in order to ensure that the proposals capture the most important issues. Therefore, we would urge the IASB to expand the scope of the project, and to conduct the project jointly with the US FASB as part of the Memorandum of Understanding.

The IASB is in the process of considering comments received on the discussion paper. An agenda decision will be made in 2011 as to whether to add the project to the active agenda.

# SEC solicits public comment on IFRS Work Plan topics

The US Securities and Exchange Commission (SEC) has published two Notices soliciting public comment on matters that are part of the Work Plan of the SEC's Office of the Chief Accountant related to the readiness of the US reporting system to further incorporate IFRS.

One Notice seeks public comment on:

- ▶ US investors' current knowledge of, and preparedness for, IFRS,
- ▶ how investors educate themselves about changes in accounting standards in a timely manner, and
- ▶ the extent of effort (e.g., logistics, estimated time) necessary to improve investors' understanding of IFRS.

The second Notice requests public comment on the possible effects of using IFRS in the US financial reporting system on issuers' compliance with:

- ▶ Contractual arrangements that specify the use of US GAAP
- ▶ Corporate governance requirements (e.g., the ability of US issuers to identify audit committee financial experts under IFRS)
- ▶ Legal standards based on amounts determined for financial reporting purposes (e.g., application of statutes governing distributions to equity security holders)

In February 2010, the SEC reaffirmed its long outstanding commitment to the goal of a single set of high-quality global accounting standards and expressed its continued support for the convergence of US GAAP and IFRS. At that time, the SEC directed the Office of the Chief Accountant to execute a comprehensive Work Plan addressing specific factors and areas of concern before the SEC makes its final decision in 2011 on whether, when and how to further incorporate IFRS into the US reporting systems for US issuers. The first Work Plan progress report is expected in October 2010.

The Notices are available on the SEC website at [www.sec.gov/rules/other.shtml](http://www.sec.gov/rules/other.shtml). Comments are due by 18 October 2010.



# IFRS monthly update

## What's new this month?

The following table shows new publications issued by the IASB and the IFRS Interpretations Committee.

Projects	Publication	Status
<b>Leases</b>	<p><i>Exposure Draft (ED) – Leases</i></p> <p>The IASB and the US FASB have issued a joint ED on leases, one of the major projects in the Memorandum of Understanding. The ED proposes to remove the distinction between finance leases and operating leases so that all leases are accounted for consistently, applying a 'right of use' approach.</p> <p>View the ED at <a href="http://www.iasb.org">www.iasb.org</a>.</p> <p><i>Supplement to IFRS outlook Issue 79</i> contains details of the proposals and can be downloaded at <a href="http://www.ey.com/ifrs">www.ey.com/ifrs</a>.</p>	Open for comment until 15 December 2010
<b>Fair value measurement</b>	<p><i>Staff Draft – proposed IFRS on fair value measurement</i></p> <p>The IASB has published on its website a staff draft of the upcoming proposed IFRS on fair value measurement, reflecting tentative decisions made by the IASB and the US FASB to date. The staff draft is for informational purposes only and can be viewed at <a href="http://www.iasb.org">www.iasb.org</a>.</p> <p><i>Supplement to IFRS outlook Issue 80</i> contains details of the staff draft and can be downloaded at <a href="http://www.ey.com/ifrs">www.ey.com/ifrs</a>.</p>	Information only
<b>Accounting for stripping costs in the production phase of a surface mine</b>	<p><i>Draft IFRIC Interpretation – Stripping Costs in the Production Phase of a Surface Mine</i></p> <p>The IFRS Interpretations Committee has issued a draft interpretation providing guidance on accounting for stripping costs in the mining industry. The Committee has proposed that the costs should be accounted for as an additional component of an existing asset and should be written down over the reserves that directly benefit from the campaign.</p> <p>View the draft Interpretation at <a href="http://www.iasb.org">www.iasb.org</a>.</p> <p><i>Supplement to IFRS outlook Issue 81</i> contains further details of the proposals and can be downloaded at <a href="http://www.ey.com/ifrs">www.ey.com/ifrs</a>.</p>	Open for comment until 30 November 2010
<b>First-time adoption of IFRS</b>	<p><i>Exposure Draft (ED) – Removal of Fixed Dates for First-time Adopters – proposed amendments to IFRS 1</i></p> <p>The IASB has published an exposure draft proposing to remove the references to 1 January 2004 and replace it with a reference to the date of transition to IFRS. This will mean that first-time adopters of IFRS will not have to restate derecognition transactions that occurred before the date of transition.</p> <p>View the ED at <a href="http://www.iasb.org">www.iasb.org</a>.</p> <p><i>Supplement to IFRS outlook Issue 82</i> contains details of the proposed amendments and can be downloaded at <a href="http://www.ey.com/ifrs">www.ey.com/ifrs</a>.</p>	Open for comment until 27 October 2010

### Current discussions

The IASB held public meetings on 3 August 2010 and 24 August 2010.

The topics discussed were:

- ▶ Amortised cost and impairment – phase II of the project to replace IAS 39 *Financial Instruments: Recognition and Measurement*
- ▶ Hedge accounting – hedge effectiveness testing and eligible hedged items

- ▶ Income tax – feedback received on the pre-ballot draft of the exposure draft *Deferred Taxes: Recovery of Underlying Asset*

Further details can be found in the IASB Update, which contains a summary of the tentative decisions reached by the Board at these meetings at [www.iasb.org/updates/IASB+updates](http://www.iasb.org/updates/IASB+updates).

### IASB Work Plan

The IASB Work Plan outlines all of the projects the Board is currently working on, and includes projected publication dates. Further details of all the ongoing projects are available at [www.iasb.org/current+projects](http://www.iasb.org/current+projects).

# Resources



## Supplements to *IFRS outlook* issues 79 – 82

### Issue 79: Proposed accounting changes for leases

On 17 August 2010, the IASB and the US FASB issued an exposure draft of a proposed new standard on accounting for leases. This supplement provides a high-level summary of the proposed new model, which would effectively end off-balance sheet reporting for leases. This ED is a joint effort by the IASB and the US FASB to create a converged and consistent approach to lease accounting. We plan to provide a more in-depth publication in September 2010 to assist entities in better understanding the proposed model. Comments are due to the Boards by 15 December 2010.

### Issue 80: IASB staff draft on fair value measurement

The IASB posted a staff draft of the proposed standard on *Fair Value Measurement* to its website on 19 August 2010. The proposed standard *Fair Value Measurement* will establish a single source of guidance for all fair value measurements, when fair value is required or permitted by IFRS. The staff draft reflects the tentative decisions to date of the US FASB and the IASB regarding how to measure fair value. This staff draft may be useful for IFRS constituents who wish to interact with the IASB on their proposed *Fair Value Measurement* standard, or those who are planning to adopt the standard when it is issued.

### Issue 81: Accounting for surface mine stripping costs incurred during the production phase

On 26 August 2010, the IFRS Interpretations Committee (Interpretations Committee) issued a draft interpretation (DI) on stripping costs that are incurred during the production phase of a mine. This supplement provides a high-level summary of the DI. The Interpretations Committee reached a consensus that the costs of a stripping campaign should form a component of the underlying asset to which the benefits of the campaign relate. Subsequently, these costs would be depreciated or amortised on a rational and systematic manner over the useful life of the specific ore body that becomes available as a result of the stripping campaign. For further guidance on the DI, see the September 2010 edition of our *Mining and Metals Refining IFRS* newsletter. Comments are due to the Interpretations Committee by 30 November 2010.

### Issue 82: Transition relief proposed for first-time adopters

On 26 August 2010, the IASB issued an exposure draft, *Removal of Fixed Dates for First-time Adopters*, proposing to remove the fixed dates relating to the derecognition and day one gain or loss provisions in IFRS 1 *First-time Adoption of International Financial Reporting Standards* and replace them with a relative date, the date of transition to IFRSs. The proposal, if approved, would provide first-time adopters relief from retrospective restatement of affected transactions to the fixed dates in IFRS 1. This supplement summarises the proposals contained in the exposure draft and highlights its impact on first-time adopters.

### IFRS practical matters for the C-suite - What do the proposed lease accounting changes mean for you?

Our Global Financial Accounting and Advisory Services (FAAS) group has recently issued this publication that provides a summary overview of the technical accounting requirements of the proposed changes to lease accounting as well as highlights the more pervasive effects the proposed changes will have on a reporting entity – effects that extend beyond the accounting itself, including areas such as financial metrics, systems and tax implications, and stakeholder communications. The publication also discusses ways that we can help entities better understand and approach the proposed changes to lease accounting.

### IASB projects – A pocketbook guide

This is the second edition of our quarterly guide which summarises the key features of the various IASB projects, many of which are joint projects with the US FASB as part of ongoing efforts to converge IFRS and US GAAP. In particular, the pocketbook guide summarises the proposed standards based on the tentative decisions taken to date and sets out some of the potential financial and business implications of these decisions, together with our views on the projects. The time lines for completion of the various projects are aggressive and the ability to stay one step ahead in a sea of change is critical. Furthermore, the accounting changes arising from the introduction of these proposed standards are extensive and it is critical that feedback on potential issues is shared with the IASB before the standards become effective.

# Resources *continued*

## Archived IFRS webcast series

### **The IFRS insurance contracts exposure draft – a new IFRS accounting model for insurers**

Following the recent release of the IASB's planned ED for insurance contracts, insurance professionals need to understand the impact of the new ED and the upcoming proposals under IFRS 4 *Insurance Contracts*. The proposals for accounting for insurance contracts are likely to have a significant effect on all insurance companies. In addition to considering the likely implications for users and preparers of insurance entity financial statements, our panel of Ernst & Young professionals addressed how this ED interacts with other IASB and FASB projects, and compared the IASB and FASB proposals. Our panel also discussed the major building blocks of the model. These include: identifying the contract with a customer and the separate performance obligations in the contract; recognising revenue when the entity satisfies the performance obligations; determining the transaction price; and allocating the transaction price to the performance obligations. This webcast is relevant to everyone connected with the financial reporting of insurance entities, in particular, senior management, the finance and actuarial community, auditors and audit committee members. It will also assist users of insurance entity financial statements and help CFOs and controllers to identify and address the proposed changes that the new model will bring. To listen to the archived webcast, go to [ey.com/ifrs](http://ey.com/ifrs).

### **Revenue recognition under IFRS and US GAAP: proposed single model**

In June 2010, the IASB and the US FASB released a proposal to improve the accounting for revenue under both IFRS and US GAAP. The proposal is designed to provide a single revenue model for most transactions under both accounting frameworks. A panel of accounting specialists discussed how this proposal will affect all entities, with potentially significant changes for some IFRS reporters. Those likely to be most affected include: entities that recognise revenue using the percentage of completion method, e.g., the construction industry, entities with multiple-element arrangements and entities that give warranties on their products. To listen to the archived webcast, go to [ey.com/ifrs](http://ey.com/ifrs).

## Coming soon

### **Forthcoming IFRS publications**

#### **Lessons Learned: How did the financial crisis affect corporate financial reporting?**

What impact did the recent economic turbulence and the volume of financial reporting change have on corporate financial reporting? This publication presents selected findings from a recent financial statement survey and follows on from an Ernst & Young Thought Centre Webcast *Lessons learned from year-end reporting* presented live on 25 May 2010.

#### **Good Group (International) Limited 31 December 2010**

This publication contains an illustrative set of consolidated financial statements of Good Group (International) Limited, a fictitious group of companies for the year ended 31 December 2010. These illustrative financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) in issue as at 31 May 2010.

#### **Good Insurance (International) Limited 31 December 2010**

The 2010 edition of Good Insurance (International) Limited contains an illustrative set of consolidated financial statements of a listed, limited liability insurance company with subsidiaries, for the year ended 31 December 2010. The Group issues life and non-life insurance products (which comprise both general insurance and healthcare products) as well as some investment products. The Group also performs investment management services to policyholders of investment products that do not contain an insurance component. These illustrative financial statements are based on IFRS in issue at 31 May 2010. This publication focuses on IFRS disclosures specific to the insurance industry.



## Forthcoming IFRS webcasts

### Leasing under IFRS and US GAAP: proposed single model

**Thursday, 30 September 2010**

To register for this webcast, go to [ey.com/ifrs](http://ey.com/ifrs).

On 17 August, the IASB and US FASB released joint proposals to improve leasing accounting under both IFRS and US GAAP. These proposals affect virtually all entities with leasing activities and represent a fundamental change in lease accounting. They are designed to provide a single right-of-use model that would be applied to all leases within the scope of the new standard. This could effectively end off-balance sheet reporting for leases. The proposed model would also require entities to make a number of estimates and periodically reassess those estimates in accounting for leases.

In this webcast, a panel of professionals, including the IASB project manager on the leasing project, will discuss the new exposure draft. We will focus on the key steps to apply the model for both lessees and lessors. These include identifying whether a lease arrangement falls within the scope of the proposed model, the basis for determining estimates under the model and the accounting for changes to those estimates. The webcast will also offer participants the opportunity to raise questions.

This webcast will help CFOs and controllers in understanding the key elements of the model, the significant practical application challenges and the pervasive impact to an entity's business that the new model will bring.

During this webcast there will be some discussion of the FASB's proposed model for US GAAP, however, the focus of the webcast will be on the IASB's exposure draft for companies using IFRS. For more information specific to leasing under US GAAP and the FASB's Exposure Draft, please join the webcast on 22 September, titled: *The FASB's proposed lease accounting model* available at [ey.com](http://ey.com).

### 2010 update: implications for real estate

**Tuesday 12 October 2010**

To register for this webcast, go to [ey.com/ifrs](http://ey.com/ifrs).

Following our hugely successful *IFRS update for real estate* webcast in January, Ernst & Young's Global Real Estate group is delighted to invite you to the next in this series. In response to feedback, the webcast has been extended to 1.5 hours and George Yungmann from NAREIT will join a panel of Ernst & Young professionals who will again share their views and experience.

As year-end reporting is just around the corner, in this webcast we will discuss:

- ▶ The latest IFRS developments and their implications for the real estate sector, including changes to investment property, revenue recognition and leasing
- ▶ Major convergence projects and the implications for US GAAP
- ▶ What you should anticipate for the reporting season
- ▶ How these new standards and interpretations may affect your business

This is a great opportunity to learn more about these hot topics and understand the issues the real estate sector is facing.

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