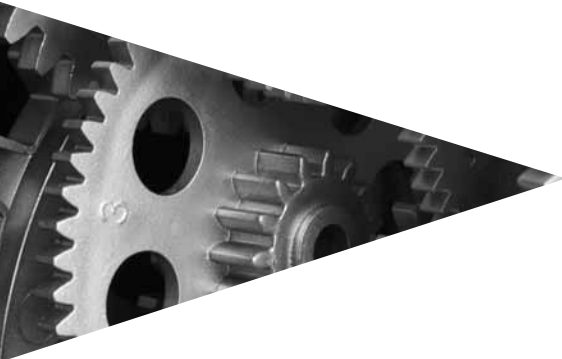


IFRS outlook



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Building a bridge between valuation and accounting standards

The International Valuation Standards Board issued its 9th Exposure Draft (ED) on valuations standards in June 2010. Learn how the ED interacts with IFRS requirements and our views on the IFRS aspects of the ED.

Proposed amendments to IAS 19: too much too soon?

Earlier this year, the IASB proposed short-term improvements to the accounting for defined benefit plans in IAS 19 *Employee Benefits*. Read about our concerns over the proposals and our suggestions for taking the project forward.

IFRS monthly update

Find out what's new this month from the IASB. We also highlight recent discussions by the IASB and the IFRS Interpretations Committee.

Resources

Look here for a list of our recent IFRS publications, including *Lessons learned: How did the financial crisis affect corporate financial reporting?* Register as well for the upcoming replay of our webcast that focuses on the implications of the latest IFRS developments for the real estate sector.

We welcome your feedback on *IFRS outlook*. Please contact us at ifrs@ey.com. The next issue will be published in November 2010.

Ruth Picker
Global Leader of IFRS Services

Building a bridge between valuation and accounting standards



A bridge is needed between valuation and accounting standards. Valuations of assets and liabilities being presented in financial statements prepared in accordance with International Financial Reporting Standards (IFRS), hereinafter IFRS valuations, can be complex and often require preparers to use extensive judgment. Increasingly, preparers turn to external valuation professionals to assist them with these valuations. However, IFRS does not always align measurement requirements with valuation theory; nor are accounting standards written for valuers. As such, it would be helpful if accountants and valuers could speak a common language.

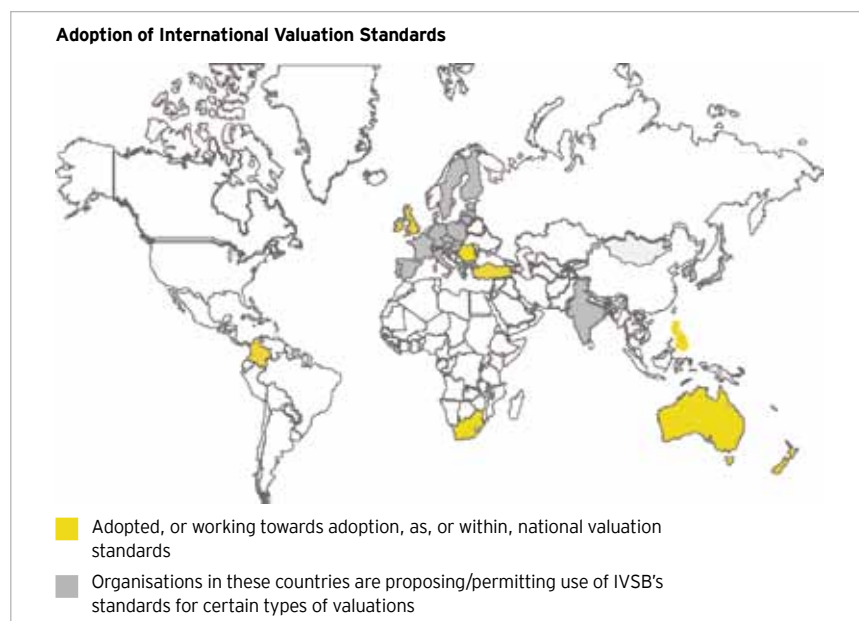
In June 2010, the International Valuations Standards Board (IVSB) issued its 9th *International Valuation Standards Exposure Draft* (ED). One aspect of the ED is the application of valuation standards to the preparation of IFRS valuations.

Here, we provide an overview of the IVSB's proposed interaction with IFRS requirements and our views on the IFRS aspects of the ED.

What is the International Valuations Standards Board?

For over 25 years, the IVSB has been developing valuation standards. Membership is open to users, providers, professional institutes, educators and regulators of valuation services. The IVSB is not a professional body and has no regulatory powers of its own. However, its valuation standards have been widely adopted as, or within, national valuation standards (see figure 1). Other countries have also permitted the IVSB's standards to be used as guidance by valuers.

Figure 1: The use of International Valuation Standards globally



“It would be helpful if accountants and valuers could speak a common language.”

The IVSB's valuation standards were originally developed in relation to property valuations, but their remit has broadened over time. To date, the objective of these standards has been to provide guidance to assist valuers. With the release of the new ED, the IVSB indicated a shift in thinking: to make the standards “accessible not only to valuation practitioners, but also to their clients and any third parties who may rely on valuations”.

How has the International Accounting Standards Board (IASB or the Board) dealt with fair value?

There is growing use of valuation-based terminology in IFRS, for example, the basis for conclusions to IAS 40 *Investment Property* references the IVSB's valuations standards. However, for the most part, IFRS application guidance related to valuations has mainly been developed by the IASB.

Many standards in IFRS require or permit measurement of assets, liabilities or transactions at fair value. To date, a range of guidance is spread throughout a number of standards and is not always consistent. However, the IASB is currently working on a joint fair value measurement project with the US Financial Accounting Standards Board (FASB) to address this issue. Their objectives include clarifying the definition of fair value and establishing a single framework for measuring fair value.

How we see it

Ideally, terms that are derived from a valuation framework should be owned by the IVSB globally and terms that are derived from an accounting framework should be owned by accounting standard-setters.

Convergence of terminology between valuation standards and IFRS is critical, particularly to ensure that common terms have common meanings. In order to maximise the potential benefits of convergence, clear lines of ownership are needed.

The scope of the ED

The IVSB's ED proposes to address all types of valuations, regardless of whether they are prepared for financial reporting purposes. The IVSB has categorised the standards as General Standards, Application Standards and Asset Standards. Recognising the increasing use and importance of fair value in financial reporting, the majority of the Application Standards relate to financial reporting. The Application Standards describe purposes

for which valuations are required, relate those to the General Standards and set out specific valuation requirements, if any, for each purpose.

In the wake of the recent financial crisis, the IVSB's objective in refocusing these standards has been to “demonstrate that there are effective and robust standards in place that are widely recognised and accepted”. The IVSB indicated its intention to publish technical papers and other education material, separately from the ED, to aid valuers. Valuation methodology is beyond the scope of the ED. Instead, the ED focuses on defining common principles, establishing bases of value, outlining what should be considered in the scope of work and what should be reported to a user of a valuation.

How we see it

The scope of valuation standards should remain sufficiently broad and robust to deal with any valuations that may be undertaken, whether or not they are being prepared for financial reporting purposes.

It would be helpful if the IVSB also provided valuers with detailed application guidance on the methodologies it supports. We understand the IVSB intends to develop detailed technical guidance separately from its valuation standards. We support the acceleration of this process.

The ED's interaction with IFRS

One theme of the ED's Application Standards is the application of valuation standards to valuations prepared in accordance with IFRS. Rather than separately addressing IFRS, the IVSB has referred to IFRS concepts and requirements throughout the ED.

The ED attempts to provide guidance on IFRS measurement to valuers in a language that valuers understand. It repeats and/or summarises IFRS requirements, guidance, interpretations, discussion papers, or exposure drafts issued by the IASB or the IFRS Interpretations Committee. However, there is no cross-referencing to IFRS, and thus this approach does not always adequately capture the IFRS requirements. For example, the impairment section of the ED does not discuss the requirement to perform impairment testing on a pre-tax basis, nor does it specify the restrictions imposed by IAS 36 *Impairment of Assets* on value-in-use calculations.

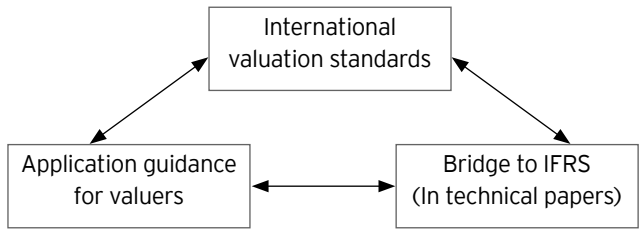
Building a bridge between valuation and accounting standards *continued*

How we see it

In our view, the responsibility to build a bridge between valuation standards and accounting standards lies with the accounting standard-setters. While we are supportive of the IVSB's endeavour to address IFRS valuations within its valuation standards, the onus must lie with accounting standard-setters to ensure their requirements are clearly understood. If necessary, the requirements of IFRS should be mapped to the valuations standards. However, we would strongly support the joint development of bridging guidance or technical papers by both the IVSB and accounting standard-setters.

Any IFRS-related guidance should be separated from valuation standards. We would prefer the IVSB cross-reference to IFRS and related guidance through bridging guidance or technical papers (see figure 2). Directly repeating IFRS requirements and guidance within valuation standards creates a maintenance risk for the IVSB, particularly given the ongoing development of accounting standards by the IASB. In addition, summarising IFRS guidance within valuation standards, without adequate cross-referencing to IFRS, could be misleading and result in valuations that are not IFRS-compliant.

Figure 2: How we see building the bridge between accounting and valuation standards



Terminology

The IVSB intends to develop consistent valuation terminology globally. The ED assists this process by defining general valuation concepts and principles. While IFRS establishes common terms for the IASB's constituents, valuation terminology currently varies widely between countries.

The ED also attempts to cross-reference IFRS terminology to the valuation standards equivalent. For example, the clarification by the IVSB that fair value as defined by the IASB is distinct from the definition of fair value in general use by the IVSB is useful.

How we see it

The IVSB's intention to develop consistent valuation terminology is a positive step forward. Clear definition of the respective terms by both valuation and accounting standard-setters is important in the convergence process. We recognise that the convergence of terminology may be a long-term goal. Therefore, in the interim, we strongly support the development of guidance to bridge the terminology gap.

Of particular concern is the use of the same terms in both IFRS and the ED but with different meanings (e.g., fair value). This will inevitably lead to confusion. Therefore, clearer explanations are needed of any differences between terms. Mapping of terminology should be done jointly by valuation standard-setters and accounting standard-setters to ensure greater consistency.

Valuation reporting

Valuation reporting is a key source of information used by preparers and auditors of IFRS-compliant financial statements. A key user-concern is ensuring compliance with the relevant requirements in IFRS. The ED establishes principles for valuation reporting and it considers the fundamentals that should be included within any valuation report, for example, the obligation to clearly disclose the scope of work, which is critical to ensuring high quality valuation reporting.

How we see it

To improve the quality of valuation reporting, especially when it is performed for IFRS reporting purposes, valuation standards should explicitly include requirements to:

- ▶ Disclose the valuation methodology and detailed assumptions applied
- ▶ State compliance with, or preparation in accordance with, the relevant bridging guidance when stating compliance with international valuation standards, assuming bridging guidance is jointly developed by the IVSB and IASB.

Conclusion

Overall, we support the IVSB's ED and the structure it provides for valuations. However, we believe that the bridge between valuation standards and IFRS should not be part of the ED, but should be issued as necessary technical notes. The release of the ED is timely, particularly given the IASB and FASB's joint fair value project. The IVSB has taken the first step toward bridging the gap between accounting and valuation standards. It remains to be seen how accounting standard-setters will respond.

The comment period for the IVSB ED ended on 3 September 2010. The IVSB intends to review responses to the ED and issue a final standard in due course.

Proposed amendments to IAS 19: too much too soon?

On 29 April 2010, the IASB issued the Exposure Draft *Defined Benefit Plans – Proposed amendments to IAS 19* (the ED). This ED proposes short-term improvements to IAS 19 and will be followed by a comprehensive review of the accounting for long-term employee benefits (expected to start no earlier than mid-2011).

The headline message in the ED is the proposal to remove the 'corridor mechanism' that many companies use for accounting for pension obligations to defer actuarial gains and losses. This will mean that all changes in the value of long-term employee benefits will be recognised as they occur. Those movements are recorded in profit or loss and other comprehensive income (OCI) as follows:

- ▶ Profit or loss will be charged with a service cost and a finance cost or credit. The finance cost or credit is the product of the net balance sheet liability, or asset, and the discount rate used to measure the obligation.
- ▶ 'Remeasurements' will be recorded in other comprehensive income. These are all other movements in the balance sheet amount (essentially these are currently described as actuarial gains and losses).

Consequently, this proposal withdraws the current option to recognise all movements in profit or loss, and removes the concept of expected returns on plan assets. It is proposed that these requirements will not only be applicable to post-employment benefits, but also to other long-term employee benefits. This is because the distinction, for accounting purposes, between post-employment benefits and other long-term benefits is to be removed.

For a more detailed look at the ED and its likely impact on businesses, go to our *Supplement to IFRS outlook issue 70: Employee benefits: significant changes proposed by the International Accounting Standards Board* available at www.ey.com/ifrs.

We recently submitted our comment letter on this ED to the IASB. Below, we have set out our overall views as well as specific concerns about these important proposals.

On the whole, we agree that the short-term improvements to IAS 19 that are being proposed can provide users of financial statements with better information about long-term employee benefits. To achieve this objective, we support:

- ▶ The removal of the 'corridor mechanism'

And

- ▶ A reappraisal of disclosures

However, we have reservations about certain of the other proposals in the ED.

Some of the proposed amendments would introduce completely new accounting requirements, such as the proposed determination of the finance cost component that would remove the concept of the expected return on plan assets. Consequently, we believe the scope of the project should be limited to the removal of the corridor mechanism and a reassessment of the substantial disclosure requirements for post-employment benefits under current IAS 19.

In addition, we think that some of the proposals in the ED should be deferred until the completion of other IASB projects, which may have considerable relevance to the recognition and measurement of long-term employee benefits and the classification as net income or OCI, for example:

- ▶ Financial statement presentation
- ▶ Insurance contracts
- ▶ Non-financial liabilities (IAS 37 replacement)
- ▶ Financial instruments (IAS 39 replacement)

Our main concerns on the specific proposals of this ED are:

1. Immediate recognition of unvested past service cost

When a plan is amended, the ED proposes that all related unvested past service costs must be recognised immediately, rather than amortised over the remaining vesting period.

First of all, we do not see a pressing need to change the current requirements of IAS 19 for the recognition of unvested past service cost, since this is not an area that has resulted in diversity in practice. We believe that any change to the current approach should be suspended, pending the comprehensive review of the accounting for long-term employee benefits announced by the IASB.

Proposed amendments to IAS 19: too much too soon? *continued*

Second, from a more technical perspective, IAS 19 outlines the objective to account for an exchange transaction and we believe that a prospective recognition of unvested past service cost aligns better with this objective than immediate recognition on the date of the amendment. Before the date on which the plan is amended (or there is a constructive obligation to do so), the employees have not rendered services entitling them to the additional benefits, meaning that there is no exchange transaction for the additional benefits from the plan amendment.

For these reasons, we believe that this proposal should not be included in the ED. Such issues would be better addressed in the comprehensive review of IAS 19.

2. Disaggregation and presentation of defined benefit cost

Current IAS 19 credits the income statement with an expected return on plan assets, being the product of the long-term expected yield of the assets held and their opening fair value (adjusted for significant cash flows to or from the fund). Income is also currently charged with an interest cost on the defined benefit obligation based on corporate bond yields. The ED proposes to replace these two income statement entries with a single item being the product of a corporate bond yield and the net deficit or surplus of the plan. The practical impact is to replace expected asset returns with a return based on bond yields.

We disagree with this proposal; it represents neither the long-term expected return nor the current period's actual return. It does not reflect differences in asset allocation and, in our view, has little predictive value.

Furthermore, the ED proposes that this net finance item be determined by multiplying the discount rate fixed as at the beginning of the period by the surplus or deficit *throughout* the period.

Multiplying a fixed opening interest rate with an adjusted net defined benefit liability (asset) would not only be a conceptual mismatch, but would also require some sort of real-time tracking of the deficit (surplus) in the plan as it will continually fluctuate with benefits paid, fair value changes in plan assets, contributions made, etc. This is something that most entities have not done so far. Therefore, it would be in conflict with the IASB's benefits and costs assessment presented in the ED that assumes the cost of the proposals should be minimal, because entities applying the current IAS 19 already obtain much of the information required to apply the proposed amendments.

Furthermore, the decision whether service and finance cost have to be disaggregated and presented in different profit or loss captions should wait for the financial statement presentation project because it is not just a matter of removing a presentation choice. A general principle which distinguishes operating results from finance cost should be determined first.

Similarly, the decision to recognise the remeasurement effects only in OCI may also require reconsideration pending deliberation by the IASB on responses to proposed changes to IAS 1 related to the presentation of OCI, which likely will address concerns of some constituents with the non-recycling of certain OCI items.

3. Removal of the other long-term employee benefits category

With respect to the proposed removal of the category 'other long-term benefits', we believe that using the OCI approach, for example, for routine medium-term performance related bonuses, introduces profit or loss/OCI arbitrage based on the assessment of future performance. This is because current service costs in income are based on the assessment of future performance while actuarial variances are reported in OCI.

An example would be a bonus granted subject only to continuing employee service for three years. Throughout the three years of service, remuneration expense is recognised on the basis of the entity's expectations about forfeiture. If, during the second year, more employees leave the entity than expected, service cost and accrual of interest are still recognised in profit or loss up to the date when the employees leave, with a subsequent actuarial gain recognised in other comprehensive income as a change in actuarial assumptions.

In particular, we believe that a single category for long-term employee benefits increases the divergence with IFRS 2. Convergence between IAS 19 and IFRS 2 is preferable.

4. Settlements

In the ED, settlement gains or losses are considered to be actuarial variances and, as such, are remeasurements. Therefore, settlements will be recorded in OCI rather than in profit or loss, as at present. This will apply to both routine and non-routine settlements.



We are concerned with the proposal that all non-routine settlements should be treated in the same way. In some scenarios, such as the purchase of matching insurance, it seems sensible to view settlements as actuarial losses. However, for a directly negotiated settlement with an employee, expensing in profit or loss seems preferable – particularly given the difficulty of distinguishing the settlement element from an increased service costs and/or past service costs. Accordingly, we think any change should wait until a general principle is developed to determine which elements are reported in profit or loss and which in OCI.

5. Disclosures

All in all, the ED still contains 11 paragraphs (or about four pages) of disclosure requirements for long-term employee benefits. Accordingly, the number of disclosures required will still be substantial and some of them may well cause additional costs, for example, the determination of the accumulated benefit obligation. Therefore, and for the reason discussed in 2 above, we disagree with the IASB that the costs involved in the adoption and continuing application of the proposed amendments would be minimal. In addition, we are unconvinced that some disclosures, such as the accumulated benefit obligation, will provide relevant information to the users of financial statements.

Overall, we believe that the IASB should further streamline the disclosure requirements by considering carefully which information helps users of financial statements in making their decisions. In particular, we think the IASB should work more closely with the Employee Benefits Working Group that it established in 2007.

Concluding remarks

With respect to the current environment for standard-setting activity, the importance of IFRS and US GAAP convergence cannot be over-emphasised. This would be consistent with the views expressed by the IASB and the US Financial Accounting Standards Board (FASB) (together, the Boards) in their September 2008 Memorandum of Understanding progress report. The Boards identified 'post-employment benefits (including pensions)' as one of the areas for improvement in IFRSs and US GAAP, where the Boards are at different stages in standard development and will seek a common standard. Although it is not a joint project, the Boards intend to follow each other's progress to minimise differences in the

near term and ease development of common standards over the longer term. Given the Boards' commitment, we are deeply concerned that the IASB is proposing significantly different conclusions on the accounting for long-term employee benefits compared with US GAAP.

Considering also that this project is intended as an interim step to be followed by a comprehensive review, we believe the scope of the project should be limited to proposals that increase comparability (such as the removal of the corridor approach). In addition, we support a reappraisal of the disclosure requirements that are substantial at present. They could be reduced and replaced to provide more useful information to users of financial statements.

The comment period for the ED ended on 6 September 2010. The IASB expects to publish the final amendments to IAS 19 in the first quarter of 2011.

IFRS monthly update

What's new this month?

The following table shows new publications issued by the IASB.

Projects	Publication	Status
Conceptual framework	<p><i>Conceptual Framework for Financial Reporting – Objectives and Qualitative Characteristics</i> The IASB and US FASB have published revisions to their conceptual frameworks for IFRSs and US GAAP, respectively. These revisions deal with the objective and qualitative characteristics of financial reporting.</p> <p>A <i>Supplement to IFRS outlook</i>, providing more information on the revisions, will be available shortly at www.ey.com/ifrs.</p>	Effective upon issuance; no transition requirements
Derecognition – disclosures	<p><i>Disclosures – Transfers of Financial Assets (Amendments to IFRS 7)</i> The IASB has amended the required disclosures relating to transfers of financial assets. The objective of the amendments is to help users of financial statements evaluate the risk exposures relating to such transfers and the effect of those risks on an entity's financial position.</p> <p><i>Supplement to IFRS outlook Issue 85</i> provides more information on the amendments and is available at www.ey.com/ifrs.</p>	Effective for annual periods beginning on/after 1 July 2011 (early adoption permitted)
Consolidation	<p><i>Staff Draft – Proposed IFRS on consolidation</i> The IASB has published on its website a staff draft of the upcoming proposed IFRS on consolidation. The proposed IFRS will replace IAS 27 <i>Consolidated and Separate Financial Statements</i> and SIC-12 <i>Consolidation – Special Purpose Entities</i> with a single standard on consolidation. The staff draft will be considered by the US FASB and its constituents as part of the FASB's deliberations on changes to US GAAP. View the staff draft at www.iasb.org.</p> <p><i>Supplement to IFRS outlook Issue 84</i> contains details of the staff draft and can be downloaded at www.ey.com/ifrs.</p>	Information only
Income taxes	<p><i>Exposure Draft (ED) – Deferred Tax: Recovery of Underlying Assets</i> This ED proposes to amend one aspect of IAS 12 <i>Income Taxes</i> to require that deferred tax assets or liabilities for certain specified assets be measured based on the presumption that the carrying amounts of the underlying asset will be recovered entirely through sale.</p> <p>View the ED at www.iasb.org.</p> <p><i>Supplement to IFRS outlook Issue 83</i> contains details of the proposals and can be downloaded at www.ey.com/ifrs.</p>	Open for comment until 9 November 2010
First-time adoption of IFRSs	<p><i>Exposure Draft (ED) – Severe Hyperinflation (Proposed amendments to IFRS 1)</i> This ED proposes to add an exemption to IFRS 1. This exemption would allow an entity that has been subject to severe hyperinflation to measure assets and liabilities at fair value and use that fair value as the deemed cost of those assets and liabilities in the opening IFRS statement of financial position.</p> <p>View the ED at www.iasb.org.</p> <p>A <i>Supplement to IFRS outlook</i>, providing more information on the ED, will be available shortly at www.ey.com/ifrs.</p>	Open for comment until 30 November 2010



Current discussions

The IASB held meetings from 14 to 16 September 2010, and on 24 September 2010 and 5 October 2010. The FASB joined the IASB for some of these sessions.

Tentative decisions were made regarding a number of projects, including fair value option for financial liabilities, financial instruments, amortised cost and impairment, hedge accounting, financial instruments with the characteristics of equity, emissions trading schemes and liabilities. 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.

IFRS Interpretations Committee

The IFRS Interpretations Committee (the Interpretations Committee), formerly known as IFRIC, met in London on 2 and 3 September 2010 and discussed active projects on IFRS 2 *Share-based Payment* – vesting and non-vesting conditions and on IAS 27 *Consolidated and Separate Financial Statements* – put options over non-controlling interests. The Interpretations Committee also reviewed a number of tentative agenda decisions and potential agenda items.

Details of the decisions made at this meeting can be found in the IFRIC Update at www.ifrs.org/Updates/IFRIC+Updates/IFRIC+Updates.htm.

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 on all the ongoing projects are available at www.iasb.org/current+projects.

Other standard-setters

Asian-Oceanian Standard-Setters Group (AOSSG)

In the September 2010 issue of *IFRS outlook*, we spoke to Kevin Stevenson, Chairman of the Australian Accounting Standards Board, in an article *The Asian-Oceanic Standard-Setters Group – a growing voice to be heard at the table?* Subsequent to that article, Kevin has been appointed as the Vice Chairman of the AOSSG at the second meeting of the organisation held in Tokyo on 29 and 30 September 2010. The Chairmanship and the Vice Chairmanship of the AOSSG are rotated amongst members, with the Vice Chairman expected to be appointed as the new Chairman, at each annual meeting.

Kevin said that the second annual AOSSG meeting saw a robust exchange of views with a large IASB contingent led by Sir David Tweedie. “The technical working groups showed that they had developed incisive views on all of the current projects”. He added, “there can be little doubt that the AOSSG is going to be a sizeable (now 26 countries) and constructive force in the development and implementation of IFRS. We are developing a positive and technical style of engagement – which must be very encouraging to the IASB when compared to more political and reactionary approaches often seen elsewhere and with which this burgeoning region [Asia-Oceania] is increasingly frustrated”.

Resources

The publications below are all available at www.ey.com/ifrs.

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 our recent financial statement survey, which focused on financial statements prepared in accordance with IFRS by 60 public companies across different sectors (excluding financial services). It follows on from a recent Ernst & Young Thought Center Webcast entitled *Lessons Learned from year-end reporting*.

IFRS practical matters for financial services – What do the proposed lease accounting changes mean for financial institutions?

This publication follows on from the *Supplement to IFRS outlook Issue 79: Proposed accounting changes for leases*, which was issued when the Exposure Draft Leases (ED) was published in August 2010. While this publication provides a summary overview of the technical accounting requirements of the proposal, its primary focus is to highlight the more pervasive effects the proposal would have on financial institutions. The customer leasing business of many financial institutions could be affected, as well as areas such as financial metrics, systems, tax, and stakeholder communications. This publication also discusses ways Ernst & Young can help financial institutions better understand and approach the proposals in the ED.

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.

Supplements to IFRS outlook

Issue 83: Deferred tax: recovery of underlying assets (proposed amendments to IAS 12)

The IASB has issued an exposure draft of proposed amendments to one aspect of IAS 12 *Income Taxes* ('amendments'). This supplement provides a high-level summary of the proposed amendments, which would require that deferred tax assets or liabilities for certain specified assets be measured based on the presumption that the carrying amount of the underlying asset will be recovered entirely through sale. The amendments are intended to provide a practical approach for measuring deferred tax in circumstances where it would be difficult and subjective to determine the expected manner of recover of the underlying asset. Comments on the exposure draft are due by 9 November 2010.

Issue 84: Consolidated financial statements

This supplement summarises the staff draft of the proposed standard *Consolidated Financial Statements*, posted to the IASB website on 29 September 2010. The new IFRS will replace portions of IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation—Special Purpose Entities* with a single standard on consolidation. The US FASB will consider the staff draft at public round table meetings on 25 October to consider whether to go ahead with an exposure draft that is consistent with the IASB's proposals. The IASB plans to release the new standard, which converges with US GAAP, in the fourth quarter of 2010.)



Issue 85: New disclosures for derecognition of financial instruments

The IASB issued Amendments to IFRS 7: *Financial Instruments: Disclosures* on 7 October 2010 to enhance the transparency of disclosure requirements for the transfer of financial assets. The amendments will help users to understand the implications of transfers of financial assets and the potential risks that may remain with the transferor. This supplement considers these new requirements and their possible impact.

Archived webcast

Thursday 30 September: Leasing under IFRS and US GAAP: proposed single model

The IASB and US FASB released joint proposals to improve lease accounting under both IFRS and US GAAP on 25 August 2010. The proposals could 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, which 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.

A panel of professionals, including the IASB's project manager on the leasing project discussed the exposure draft, focusing on the key steps to apply the model for lessees and lessors. These included 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. This archived webcast aims to help CFOs and controllers in understanding the key elements of the new model, the significant practical application challenges and the pervasive impact to an entity's business that it will bring. To listen to this webcast, go to www.ey.com/ifrs.

Coming soon

IFRS webcast replay

Tuesday 19 October 2010: 2010 IFRS update: implications for real estate

To register for this webcast, go to www.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.

Refining IFRS – IASB extractive activities project – the responses are in ...

This is the latest newsletter in our 'Refining IFRS' series. These short papers focus on the unique but complex issues faced by mining and metals companies applying IFRS and are released by our global Mining and Metals Center on a bimonthly basis. This edition outlines some of the key themes that emerged from the responses to the IASB's discussion paper on extractive activities.

Good Mining (International) Limited Illustrative financial statements for the year ended 31 December 2010

This publication contains an illustrative set of consolidated financial statements of Good Mining (International) Limited, a fictitious mining company 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.

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