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IAS Plus

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Published for our clients and staff globally

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IAS Plus website

Nearly 1.9 million people have visited our **www.iasplus.com** web site. Our goal is to be the most comprehensive source of news about international financial reporting on the Internet. Please check in regularly.

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For information about the content of **IAS Plus** *Global Edition please contact:*
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Accounting Standards for Non-Publicly Accountable Entities (formerly SMEs)	▪ Discussion Paper was issued in June 2004 ▪ Public round tables planned for September 2005
Amendments to IAS 32 and IAS 39	▪ Revised IAS 32 and 39 were issued December 2003 ▪ Revised IAS 39 reflecting macro hedging issued March 2004 ▪ Exposure drafts were issued on fair value option (April 2004) and other limited amendments (July 2004) ▪ Final revisions expected in 2nd quarter 2005 ▪ ED on shares puttable at fair value expected in 2nd half 2005 ▪ Effective date December 2005 year ends (limited amendment on forecast transactions would be effective 2006)
Business Combinations – Phase II — Application of the Purchase Method	▪ Exposure draft expected in 1st quarter 2005 ▪ Separate ED on minority interests expected in 1st quarter 2005 ▪ Separate ED on intangibles expected in 2nd quarter 2005 ▪ Timing of final statements not yet announced ▪ Expected effective date after 2005 year ends
Conceptual Framework	▪ Next step is a discussion paper
Consolidation (Including SPEs)	▪ Exposure drafts on control and SPEs expected after 2005
Convergence – Short-term Issues, IFRS and US GAAP.	**Asset Disposals/Discontinued Operations** ▪ IFRS 5 was issued in March 2004. Effective date December 2005 year ends. **IAS 12 Income Taxes** ▪ Exposure draft expected 2nd half of 2005 **IAS 14 Segment Reporting** ▪ Exposure draft on replacement of IAS 14 expected 2nd half of 2005 **IAS 19 Employee Benefits** ▪ Exposure draft of limited amendment was issued April 2004 ▪ Final IAS 19 Revised was issued in December 2004 **IAS 20 Government Grants** ▪ Exposure draft on replacement of IAS 20 expected 2nd quarter 2005 **IAS 37 Provisions** ▪ Exposure draft expected 1st quarter 2005
Financial Instruments: Disclosures	▪ Exposure draft ED 7 was issued July 2004 ▪ Final standard expected in 2nd half of 2005 ▪ Expected effective date after 2005 year ends, but permitted for December 2005 year ends
Extractive Industries	▪ Exposure draft ED 6 was issued in January 2004 ▪ IFRS 6 was issued in December 2004 ▪ Effective date 2006 year ends, but permitted for 2005 year ends
Insurance Contracts – Phase I	▪ IFRS 4 was issued in March 2004 ▪ Effective date December 2005 year ends
Insurance Contracts – Phase II	▪ Working group appointed in 2005 ▪ Next step is a discussion paper
Performance Reporting (Reporting Comprehensive Income)	▪ Working group appointed in 2005 ▪ Next step is a discussion paper
Revenue and Related Liabilities	▪ Discussion paper expected in 2nd half of 2005
Share-Based Payment	▪ IFRS 2 was issued in February 2004 ▪ Effective date December 2005 year ends

You will find more information about the IASB-ASBJ convergence project on the Japan country page on Deloitte's IAS Plus: **www.iasplus.com/country/japan.htm**

IASB and Japan agree on convergence project

The IASB and the Accounting Standards Board of Japan (ASBJ) have announced a joint project to reduce differences between IFRSs and Japanese accounting standards. Specific elements of the agreement, as noted in the press release, include:

- Identify and assess differences in existing standards on the basis of the boards' respective conceptual frameworks or basic philosophies with the aim of reducing those differences where economic substance or market environments such as legal systems are equivalent.
- Address the differences in their respective conceptual frameworks at a future time to be agreed by the boards.
- The boards will consider their respective due process requirements in arriving at agreement.
- The ASBJ will undertake a study to get an overall picture of major differences between Japanese accounting standards and IFRSs and will identify topics to be discussed.
- Adopt a phased approach to the comparative reviews of differences in individual standards.
- The scope of the first phase is standards in place as of 31 March 2004, excluding the following topics, which will be addressed in subsequent phases:
  - Standards under review or intended to be reviewed in the joint projects between the IASB and the US Financial Accounting Standards Board (FASB).
  - Standards that are divergent owing to differences in the respective conceptual frameworks or basic philosophies.
  - Standards recently developed.
  - Standards whose requirements are subject to legal restrictions or those currently considered inapplicable in Japan.

The IASB has begun a search for Mr. Stevenson's successor with a request for applicants.

Kevin Stevenson will leave the IASB

The IASB has announced that Kevin Stevenson will step down from his positions as IASB Director of Technical Activities and Chairman of IFRIC most likely by April 2005. Mr. Stevenson has served in those capacities since the inception of the IASB in 2001 and has led the staff in a productive programme of improvements to most of the old IASs, new IFRSs, Interpretations, and a substantial agenda of projects in process. Mr. Stevenson will return to his home country of Australia.

IASB Chairman comments on the next phase

In an interview published in the *Financial Times* on 9 November 2004, IASB Chairman Sir David Tweedie warned that the next phase of the Board's standard-setting efforts is likely to be more challenging – and cause more anguish – than the recent debate over IAS 39 in Europe. As examples of projects that are likely to cause controversy, Sir David cited leasing, insurance, performance reporting, and pensions, all of which he expects the Board to complete over the next three to five years. "There will be blood all over the streets," the FT quotes the Chairman as saying, in reference to the expected reaction of some affected companies.

News from IFRIC

We have summaries of all SIC and IFRIC interpretations on Deloitte's IAS Plus website: **www.iasplus.com**

Four Final IFRIC Interpretations

The International Financial Reporting Interpretations Committee (IFRIC) has issued the following Interpretations:

IFRIC 2 *Members' Shares in Co-operative Entities and Similar Instruments.* This interpretation gives guidance on how those redemption terms should be evaluated in determining whether the shares should be classified as financial liabilities or as equity.

IFRIC 3 *Emission Rights*. Specifies how to account for emissions allowances granted by government including the right to trade such allowances.

IFRIC 4 *Determining Whether an Arrangement Contains a Lease.* Provides guidance in accounting for arrangements that do not take the legal form of a lease but which convey rights to use assets in return for a payment or series of payments. Examples of such arrangements include outsourcing arrangements, telecommunication contracts that provide rights to capacity, and take-or-pay and similar contracts, in which purchasers must make specified payments regardless of whether they take delivery of the contracted products or services.

IFRIC 5 *Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds.* Some entities that have obligations to decommission assets or to perform environmental restoration or rehabilitation contribute to a fund established to pay the costs when they are incurred. IFRIC 5 addresses how a contributor should account for its interest in a fund and, when a contributor has an obligation to make additional contributions, how that obligation should be accounted for.

The full text of the draft interpretation may be downloaded from the IASB's website: **www.iasb.org**

You will find Deloitte's letters of comment to IASB here: **www.iasplus.com/ dttletr/comment.htm**

IFRIC draft interpretations on waste equipment and ESPPs

The IFRIC has invited comments on draft interpretation IFRIC D10 *Liabilities Arising from Participating in a Specific Market–Waste Electrical and Electronic Equipment*. Comments are due by 11 February 2005. D10 clarifies when original producers of electrical goods will need to recognise a liability for the cost of waste management relating to final disposal of waste electrical and electronic equipment by private households. The IFRIC concluded that the event giving rise to the liability for costs of such waste is participation in the market in the period in which the original seller's market share is determined for the purposes of allocating ultimate waste management costs. It is not the original production or sale of the equipment that triggers liability recognition.

In IFRIC D11 Changes in Contributions to Employee Share Purchase Plans (ESPPs), IFRIC proposes the accounting for when (a) an employee stops contributing to an ESPP or (b) an employee changes from one ESPP to another. Comments are requested by 1 March 2005.

We have summaries of all SIC and IFRIC interpretations on our IAS Plus website: **www.iasplus.com**

IFRIC issues amendment to SIC 12

The IFRIC has amended the scope of Interpretation SIC 12 *Consolidation–Special Purpose Entities* to remove the scope exclusion for equity compensation plans. Consequently, an entity that controls an employee benefit trust (or similar entity) set up for the purposes of a share-based payment arrangement will be required, in most instances, to consolidate that trust. The new amendment also expands the scope exclusion in SIC 12 for post-employment benefit plans to include other long-term employee benefit plans.

IASC Foundation News

The consultation document – *IASC Foundation Constitution: Proposals for Change* – may be downloaded from the IASB's website:
www.iasb.org

Comments invited on proposed constitution revisions

In November 2004, the Trustees of the International Accounting Standards Committee Foundation (IASCF) published and invited comment on a consultation document containing their proposals to amend the IASCF Constitution. The Constitution sets out the organisational framework of the IASCF and the International Accounting Standards Board. Comments are requested by 23 February 2005. Among the principal recommendations are these:

PROPOSED REVISIONS TO IASC FOUNDATION CONSTITUTION

International Accounting Standards Board:

- Retain the current two part-time members of the IASB.
- Broaden the criteria for selecting IASB members – 'professional competence and practical experience' would replace 'technical expertise'.
- Ease the required mix of backgrounds on the IASB. Currently a minimum of five practising auditors, three preparers, three users, and one academic are required. That would be changed to "an appropriate mix of practical experience among auditors, preparers, users, and academics", including at least one IASB member who has recent experience in each of those fields.
- Require nine votes (64%) by IASB members to approve an Exposure Draft, Standard, or Interpretation, rather than the current eight (57%).
- Enhance the IASB's due process by expanding its consultative arrangements and scope of liaison activities.
- Remove the restrictive wording in the constitution regarding the number of full-time Board members that will have liaison responsibilities without narrowly specifying with whom they will liaison.
- Require that the Board explain its reasons when the optional steps in its due process, such as field tests and public hearings, are not followed.

Trustees of the IASC Foundation:

- Expand the number of Trustees from 19 to 22 to broaden geographical representation and diversity of professional experience. Composition would be as follows:
- 6 Trustees appointed from North America;
- 6 Trustees appointed from Europe;
- 6 Trustees appointed from the Asia/Oceania region; and
- 4 Trustees appointed from any area, subject to establishing overall geographical balance.
- Allow the Chair of the IASC Foundation Trustees to serve as Chair for six years, even if that period is beyond the limit of two three-year terms for Trustees.
- The Trustees' annual review of the strategy and effectiveness of the Foundation and the IASB and its effectiveness should include consideration of the IASB's agenda. Trustees would be free to comment on and make suggestions regarding the Board's agenda but the IASB would have autonomy to determine its own technical agenda.
- Rather than necessarily developing educational programmes itself, the Foundation should foster and review the development of educational programmes and materials by others.

Standards Advisory Council:

- The Chair of the Standards Advisory Council would be appointed by the Trustees (three-year term, one renewal permitted) and would not be a member of the IASB or its staff (currently the IASB Chair also chairs the SAC).

You will find the latest list of IFRIC members here: **www.iasplus.com/restruct/advisory.htm**

Two new IFRIC members are named

The IASC Foundation has appointed two new IFRIC members: Michael E. Bradbury, Professor of Accounting, Unitec, New Zealand, and Jean-Louis Lebrun, Partner and Chairman of the Supervisory Board, Mazars, France. They will complete the remainder of the terms of two members who have recently retired from the IFRIC. They will be eligible for reappointment. The Trustees also announced that Junichi Akiyama, Professor of Accounting, Tama University, Japan, will step down from the IFRIC for personal reasons no later than 30 June 2005. The Trustees will invite applications for his successor.

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

Upcoming Meetings

IASB and SAC MEETINGS 2005	
London, UK	15-18 February 2005 (and 10-11 February 2005 with the Standards Advisory Council)
London, UK	14-18 March 2005
London, UK	18-22 April 2005
London, UK	16-20 May 2005
London, UK	20-24 June 2005 (and 27-28 June 2005 with the Standards Advisory Council)
London, UK	18-22 July 2005
London, UK	19-23 September 2005
Norwalk, CT, USA	17-21 October 2005
London, UK	14-18 November 2005 (and 10-11 November 2005 with the Standards Advisory Council)
London, UK	12-16 December 2005

IFRIC MEETINGS 2005	
London, UK	31 March - 1 April 2005
London, UK	2-3 June 2005
London, UK	28-29 July 2005
London, UK	1-2 September 2005
London, UK	3-4 November 2005
London, UK	1-2 December 2005
London, UK	3-4 February 2005

IFRS-Related News from the United States

More information is on the FASB's website: **www.fasb.org**

Steps toward convergence on income taxes

The US Financial Accounting Standards Board (FASB) has made several recent decisions about convergence of FASB and IASB income tax standards with respect to which tax rate to use in measuring deferred taxes:

- While FAS 109 requires the 'enacted' rate and IAS 12 requires the 'substantively enacted' rate, FASB would amend FAS 109 to clarify that a rate is regarded as enacted if only perfunctory actions are required for a measure to become law.
- If corporate income is taxed at different rates depending on whether that income is distributed to shareholders, FASB would continue to require measurement of deferred tax assets and liabilities using the distributed rate, while IASB agreed at its January meeting to stick with the IAS 12 requirement to use the undistributed rate. However, FASB agreed to require disclosure of the difference in the tax expense (or benefit) for the period that would result from the use of the undistributed rate.

More information is on the FASB's website: **www.fasb.org**

FASB moves inventory standard toward IAS 2

FASB has amended the US accounting standard on inventories to clarify that abnormal amounts of idle facility expense, freight, handling costs, and wasted materials (spoilage) should be recognised as current-period charges and to require the allocation of fixed production overheads to inventory based on the normal capacity of the production facilities. US GAAP still permits LIFO, which is no longer allowed under IAS 2.

You can find links to issues of *The CPA Letter* on the AICPA's website: **http://www.aicpa.org/pubs/cpaltr/index.htm**

Comments of AICPA Chair on IFRSs

In his monthly column in the November 2004 issue of the AICPA members' newsletter *The CPA Letter*, Robert L. Bunting, Chair, AICPA Board of Directors, writes about the growing importance of IFRSs in the USA: "As we move closer to 2005 and the beginning of a long-planned convergence between U.S. and international accounting standards, American CPAs will be increasingly affected by the decisions of the International Accounting Standards Board. The U.S. profession will be only one of many wishing to be heard in this standard-setting process. Our outreach efforts and our ability to coalesce with a variety of regulators and other interested parties will help determine our level of influence."

Home page of the US Senate Banking Committee: **http://banking.senate.gov/**

US Senate will monitor IASB-FASB convergence

The Chairman of the US Senate Committee on Banking, Housing, and Urban Affairs, which has responsibility for oversight of the SEC and US financial institutions, has announced that the Committee's tentative agenda for 2005 will include "harmonisation of accounting standards between the FASB and IASB".

Click on the “Speeches and Public Statements” link on the SEC’s website: **www.sec.gov**

SEC may ease reconciliation for IFRS filers

In a speech at the London School of Economics in January, US SEC Chairman William H. Donaldson said that the Commission is considering easing certain of its rules for non-US companies listed in the United States. He indicated that European companies using IFRSs might be allowed to reconcile only two years of financial statements to US GAAP instead of three:

> *The Commission recognizes the seismic change that conversion to IFRS represents for many European countries. We appreciate the European Union’s efforts in this area because we value the EU’s willingness to require the use of a single set of high quality accounting standards. This approach enhances investor understanding. We also understand that conversion to IFRS, while undoubtedly beneficial in the long run, could be difficult and expensive for some to implement in the immediate term. Consequently, the Commission has proposed amendments to our reporting requirements that would facilitate foreign private issuers’ conversion to IFRS. For those foreign issuers also listed on US exchanges, the SEC has long allowed these companies to use IFRS, provided the financial figures were reconciled to U.S. Generally Accepted Accounting Principles over a three-year period. Within the next few months, I fully expect the Commission will consider adopting a proposal to allow first-time users of IFRS to reconcile their financial statements to U.S. GAAP for only two years, and I am of the firm view that this would be a step in the right direction.*

Other changes under consideration include:

- Easier rules for foreign registrants to deregister their securities if they do not wish to continue to meet the US requirements.
- A possible delay, for non-US registrants, of the effective date of the requirements to include in their annual reports a report of management on the company’s internal control over financial reporting. Currently, a foreign private issuer that files its annual report on Form 20F or Form 40F must begin to comply in its first financial year ending on or after 15 July 2005.

The latest IFRS-US GAAP comparison is always here: **www.iasplus.com/usa/ifrsus.htm**

IFRS-US GAAP comparison is updated

We have updated our summary of key differences between IFRSs and United States GAAP to reflect standard-setting activity of the IASB and FASB in the second half of 2004.

News about IFRSs in Europe

Information about the status of adoption of IFRSs in Europe can be found on this page: **http://europa.eu.int/comm/internal_market/accounting/ias_en.htm**

EU publishes endorsed IFRSs

The European Union has published the following Commission Regulations in the *Official Journal of the European Union* on 31 December 2004, thereby formally bringing certain improved IASs and new IFRSs into law:

- Commission Regulation (EC) No 2238/2004 of 29 December 2004 amending Regulation (EC) No 1725/2003 adopting the following IFRSs for use in Europe: IFRS 1, IASs Nos. 1 to 10, 12 to 17, 19 to 24, 27 to 38, 40 and 41 and SIC Nos. 1 to 7, 11 to 14, 18 to 27, and 30 to 33. The regulation includes the full text of the following standards: IASs 1, 2, 8, 10, 16, 17, 21, 24, 27, 28, 31, 33, and 40.
- Commission Regulation (EC) No 2237/2004 of 29 December 2004 amending Regulation (EC) No. 1725/2003 adopting the following IFRSs for use in Europe: IAS No. 32 and IFRIC 1. The regulation includes the full text of the following standard and interpretation: IAS 32 and IFRIC 1.
- Commission Regulation (EC) No 2236/2004 of 29 December 2004 amending Regulation (EC) No 1725/2003 adopting the following IFRSs for use in Europe: IFRSs Nos. 1, 3 to 5, IASs Nos. 1, 10, 12, 14, 16 to 19, 22, 27, 28, 31 to 41 and SIC Interpretations Nos. 9, 22, 28 and 32. The regulation includes the full text of the following standards: IFRSs 3, 4, and 5 and IASs 36 and 38.

Please note that 'full text' means the body of the standard and does not include the introduction, implementation guidance, or basis for conclusions. All of the standards and interpretations are available in all of the official EU languages in the *Official Journal*.

The EU Internal Market home page, with links to Commissioner McCreevy's speeches, is here: **http://europa.eu.int/comm/internal_market/index_en.htm**

EC Commissioner McCreevy speaks about IASB

In a speech before the Economic and Monetary Affairs Committee of the European Parliament in Brussels on 1 February 2005, Charlie McCreevy, the new European Commissioner for Internal Market and Services, spoke about "democratic governance and political accountability of international standard setters". He specifically addressed the International Accounting Standards Board (IASB) and the International Auditing and Assurance Standards Board (IAASB). An excerpt:

> *The Commission is working hard to influence the reform process underway within the IASB and is looking very carefully at the arrangements proposed for the IAASB which will elaborate International Standards on Auditing. In considering this issue we must not lose sight of our overall goal, namely the adoption of international standards which will make it easier for companies to list in the EU and elsewhere across the globe. There are 3 key points:*
>
> - *First, that representation within the international standard setter and within a public oversight body should correspond more appropriately to jurisdictions that directly apply the standards.*
> - *Second, that effective oversight bodies which approve the work programme of an international standard setter should be in place....*
> - *Third, the funding system; the standard setters are currently sponsored by voluntary contributions from contributors ranging from central banks to listed companies, which raises potential issues of conflict of interest. I therefore welcome the Board of Trustees of the IASB's intention to change this.*

You can download the full text of Governor Large's comments from the November 2004 past news page of our IAS Plus website: **www.iasplus.com/ pastnews/2004nov.htm**

BOE governor urges fresh look at IAS 39

In remarks delivered at the 13th Central Banking Conference in London on 22 November 2004, Sir Andrew Large, Deputy Governor of the Bank of England, said that "the recent furore over IAS 39–the international accounting standard for financial instruments– has resulted in a situation which all agree is unsatisfactory". He called for a "re-examination of the basics aimed at securing agreement on fundamental principles" of financial instrument accounting. He raised questions about:

- *"The ability to obtain robust fair values for instruments which are not priced, even indirectly, in reasonably deep and liquid markets."*
- *"The economic relevance of unrealised gains and losses - particularly if they are not immediately realisable."*
- *"Further concerns about wider use of fair value accounting relate to the possible implications for volatility in financial markets and in the economy more widely. In my view, there is an important distinction to be drawn between accounting rules which capture accurately the volatility inevitably present in the real world, and 'spurious' volatility introduced by the accounting rules themselves."*

He suggested that "despite intensive work to improve accounting standards for financial instruments in recent years, fundamental issues with financial stability implications remain to be resolved."

Information about the status of adoption of IFRSs in Europe can be found on this page: **http://europa.eu.int/comm/ internal_market/ accounting/ias_en.htm**

European Commission endorses IAS 39 with 'carve-outs'

The European Commission has adopted a Regulation endorsing IAS 39 Financial Instruments: Recognition and Measurement, with the exception of certain provisions on the use of the full fair value option for liabilities and on hedge accounting. The Commission's announcement states that:

> *This text was supported both by a qualified majority of Member States at the Accounting Regulatory Committee (ARC) on 1 October and by the European Parliament. The Commission has also adopted a political declaration stating that it expects the International Accounting Standards Board (IASB) to bring forward the necessary amendments to the current full fair value option by December 2004 and to the provisions on hedge accounting by September 2005. Use of IAS 39, apart from the 'carved-out' sections, will be legally binding for all listed companies in the EU from 1st January 2005.*

UK Accounting Standards Board: **www.asb.org.uk**

UK ASB adopts IAS 39 in full (no "carve-outs")

The United Kingdom Accounting Standards Board has issued six standards that represent a major step towards aligning UK GAAP and IFRSs. The six standards are UK equivalents of IASs 21, 29, 32, 33, and 39 plus an amendment to the existing UK FRS 2. The UK's new equivalent of IAS 39 implements in full the measurement and hedge accounting provisions of IAS 39 without amendment, rather than the amended version of IAS 39 adopted by the European Commission that restricts the use of the full fair value option and permits hedge accounting for bank core deposits.

UK Accounting Standards Board:
www.asb.org.uk

UK ASB guidance on applying 'carved out' IAS 39

Following the 'carve outs' in the version of IAS 39 adopted by the European Commission in November 2004, the Accounting Standards Board has issued Guidance on the Application of IAS 39 by Entities Preparing their Financial Statements in Accordance with EU-Adopted IFRSs. The guidance is intended for entities in the UK and the Republic of Ireland, though many of the issues addressed have EU-wide application. The guidance covers hedge accounting, fair valuing financial assets, fair valuing financial liabilities, and transition. Commenting on the guidance Ian Mackintosh, Chairman of the ASB said:

> *We set out to give simple and straightforward advice on the carved out IAS 39. Unfortunately, we have found the situation to be complicated and sometimes unclear. Consequently our guidance is much more lengthy and inconclusive than we hoped and will need to be studied carefully by preparers.*

The press release is available on the January 2005 past news page of our IAS Plus website:
www.iasplus.com/pastnews/2005jan.htm

European insurers favour IAS 39 full fair value option

In a press release dated 17 January 2005, the Comité Européen des Assurances (the European Insurance Association) has expressed its support for allowing European companies following IFRSs to measure financial assets and liabilities at fair value with the fair value changes recognised in measuring profit or loss (the IAS 39 'fair value option'). Currently, IAS 39 as adopted by the European Commission prohibits European companies from applying the fair value option to liabilities. The CEA press release notes that "most European insurers make frequent use of this option for both financial assets and liabilities as a tool for providing more relevant information and simplifying the processes. They have been preparing for IAS 39 in the version including the unlimited fair value option."

EFRAG:
www.efrag.org

EFRAG appoints two working groups

The European Financial Reporting Advisory Group (EFRAG) has restructured its insurance subcommittee into an insurance accounting working group. Objectives of the group are to provide pro-active contribution to the work of the IASB in Phase II of its insurance project and to identify interpretation and implementation issues on insurance-specific matters.

EFRAG has also appointed a financial instruments working group with the twin goals of addressing current IAS 39 issues (such as potential solutions for the carve-out areas in IAS 39) and wider issues for longer-term revision of IAS 39.

EFRAG:
www.efrag.org

EFRAG recommends adoptions of interpretations in Europe

EFRAG has recommended that the European Commission adopt, for use in Europe:

- IFRIC 2 *Members' Shares in Co-operative Entities and Similar Instruments.*
- The changes to SIC 12 *Consolidation–Special Purpose Entities* that were adopted by the International Financial Reporting Interpretations Committee in November 2004.

Agenda and summary reports of ARC meetings can be found here: **http://europa.eu.int/comm/internal_market/accounting/committees_en.htm**

ARC will consider IFRIC 2 at upcoming meeting

The Accounting Regulatory Committee (ARC), which advises the European Commission on endorsement of IFRSs for use in Europe, will meet in Brussels in 25 February 2005 to consider, among other matters, a formal vote on whether to recommend IFRIC 2 Members' Shares in Co-operative Entities and Similar Instruments for use in Europe. Additional agenda items include discussion of IFRIC 3 Emission Rights; date of application of new standards and interpretations; the full fair value option and interest rate margin hedging under IAS 39; the IASCF constitution review; IASs/IFRSs translation arrangements for 2005; and the distribution of profits under a 'fair value regime'.

Download the legislation from the January 2005 past news page of our IAS Plus website: **www.iasplus.com/pastnews/2005jan.htm**

UK extends IFRSs to all companies

The United Kingdom has adopted a statutory instrument (legislation) that permits publicly traded companies and building societies to use IFRSs in their individual accounts and permits non-publicly traded companies to use IFRSs in both their individual and consolidated accounts.

Use of IFRSs Elsewhere in the World

New Zealand Australian Accounting Standards Board: **www.asrb.co.nz**

New Zealand adopts equivalents to IFRSs

On 24 November 2004, the New Zealand Accounting Standards Review Board approved the "stable platform" of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRSs). All reporting entities in New Zealand must comply with the NZ IFRSs for reporting periods beginning on or after 1 January 2007. Entities may early adopt from 1 January 2005.

All listed companies in Uruguay will use IFRSs

In Uruguay, pursuant to Decree 162/04 of 12 May 2004, all listed companies must use IFRSs for all periods beginning 1 June 2004. However, the Decree does not cover the revised versions of IASs and IFRSs approved by the IASB in 2003-2004. Also IAS 7 on the cash flow statement is optional

Canadian Institute of Chartered Accountants: **www.cica.ca**

Canada adopts financial instruments standards

The Canadian Accounting Standards Board (AcSB) has adopted a new standard on financial instruments that is a hybrid of IAS 39 and US GAAP. The new standard – Financial Instruments: Recognition and Measurement, Hedges, and Comprehensive Income:

- does not adopt either of the 'carve outs' from IAS 39 that were adopted by the European Commission (thus Canadian companies can use the full fair value option and cannot apply hedge accounting to bank core deposits),
- does not include the macro hedging provisions of IAS 39,
- takes the US position (SFAS 115) for available-for-sale financial assets that non-quoted equities are at cost, rather than the IAS 39 position that only those for which fair value cannot be determined are at cost,
- does not address derecognition because the AcSB has previously adopted a derecognition standard that is in line with the US model (SFAS 140), and
- is effective for annual and interim periods beginning on or after 1 October 2006 (for most companies this means initial application in calendar years beginning on 1 January 2007), with early adoption permitted.

Publications from Deloitte

Download *IFRS in your Pocket 2005* without charge: **www.iasplus.com/dttpubs/pubs.htm**

IFRS in your Pocket 2005

Deloitte has published the fourth edition of our popular quick reference guide to international financial reporting–*IFRS in your Pocket 2005*. This 76-page guide includes information about:

- IASB structure and contact details.
- Use of IFRSs around the world, including updates on Europe, Asia, USA, and Canada.
- Summaries of each IASB Standard (through IFRS 6) and Interpretation (through IFRIC 5), as well as the Framework and the Preface to IFRSs.
- Background and tentative decisions on all current IASB projects.
- IASC and IASB chronology.
- Other useful IASB-related information.

You can download the file from our IAS Plus website. Please contact your local Deloitte practice office to request a printed copy. We are pleased to grant permission for accounting educators and students to print copies of the PDF file for educational purposes.

Download the IFRS 6 newsletter without charge: **www.iasplus.com/iasplus/iasplus.htm**

Special IAS Plus newsletter explains IFRS 6

Deloitte's IFRS Global Office has published a Special Global Edition of our IAS Plus newsletter explaining IFRS 6 *Exploration for and Evaluation of Mineral Resources*. IFRS 6:

- permits entities to continue to use their existing accounting policies for exploration and evaluation assets, provided that such policies result in information that is relevant and reliable; and
- requires entities to assess any exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of the assets may exceed their recoverable amount. The recognition of impairment in respect of such assets is varied from that in IAS 36 Impairment of Assets but, once an impairment has been identified, it is measured in accordance with IAS 36.

Download the IFRIC update newsletter without charge: **www.iasplus.com/iasplus/iasplus.htm**

Special IAS Plus newsletter: IFRIC Update

A new Special Global Edition of our IAS Plus newsletter presents an International Financial Reporting Committee Update. The update covers IFRIC Interpretations 1 to 5 and the IFRIC amendment of SIC-12 *Consolidation–Special Purpose Entities*. Each Interpretation is summarised, and special first-time adoption issues are discussed.

Download these new German publications without charge at: **www.iasplus.com/dttpubs/pubs.htm**

Two new IFRS publications from Deloitte Germany

Deloitte (Germany) has developed two IFRS publications in German: model financial statements for 2005 and a guide to applying IFRS 1 First-time Adoption of IFRSs. Both are translations of similar English-language publications that can be found on our IASPlus website:

- Musterkonzernabschluss (Model Financial Statements) 2005 (94 pages)
- IFRS 1 Praxisratgeber 'Erstmalige Anwendung der IFRS' (145 pages)

You can access all of our IFRS e-learning modules by clicking on the light bulb icon on the left side of Deloitte's IAS Plus home page:
www.iasplus.com

150,000 e-learning downloads in 2004

During 2004, 150,000 IFRS e-learning modules were downloaded from IASPlus by people in over 150 countries. Deloitte's e-learning was launched at the end of January 2004. Many of the downloaded modules have multiple users because organisations are permitted to install them on their own servers for the internal use of their employees or students. In addition, tens of thousands of additional modules have been completed online and offline by Deloitte staff. Thirty-two modules are now available.

Download the director's guide to IFRSs without charge at:
www.iasplus.com/dttpubs/pubs.htm

Directors' guide to transition to IFRSs

Deloitte's London IFRS Centre of Excellence has developed a 16-page *Director's Guide to IFRSs* as an insert in the December Edition of PLC Director Magazine. Titled Preparing for IFRS – A Director's Guide: Countdown to Transition, the guide includes suggestions for explaining the IFRS change to investors and strategies for smoothing the changeover.

Download the report *Is European Retailing Ready for IFRSs?* at:
www.iasplus.com/dttpubs/pubs.htm

Is the European retail industry ready for IFRSs?

A Deloitte European workgroup carried out a benchmarking study whose aim was to discover:

- How ready large European retailers are for IFRSs?
- The preferred accounting options retailers are contemplating to meet the challenges raised by the new standards?
- Whether those solutions are appropriate and workable?
- Whether there is consistent understanding of the application of IFRSs across the industry?

The conclusions of the benchmarking are startling:

- The European retail industry may not yet be fully ready for IFRSs.
- Some retailers have underestimated the scale of the work needed to prepare for certain aspects of IFRSs.
- If current practices are maintained, companies may find themselves applying the standards in very different ways.
- IFRSs don't just pose technical challenges for the industry – they also create stakeholder communication issues.

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