

IAS Plus.

Published for our clients and staff in the Asia-Pacific region

Deloitte global IFRS leadership team

IFRS global office

Global IFRS leader

Ken Wild

kwild@deloitte.co.uk

IFRS centres of excellence

Americas

D. J. Gannon

iasplusamericas@deloitte.com

Asia-Pacific

Hong Kong

Stephen Taylor

iasplus@deloitte.com.hk

Melbourne

Bruce Porter

iasplus@deloitte.com.au

Europe-Africa

Johannesburg

Graeme Berry

iasplus@deloitte.co.za

Copenhagen

Jan Peter Larsen

dk_iasplus@deloitte.dk

London

Veronica Poole

iasplus@deloitte.co.uk

Paris

Laurence Rivat

iasplus@deloitte.fr

IAS Plus website

Over 4.6 million people have visited our www.iasplus.com web site for the latest news about international financial reporting. Please check in regularly.

International financial reporting news

IASB project timetable: Pages 2-3.

IASB news: Revised IAS 23 on borrowing costs (page 4). ED on related party disclosures (page 4). IFRS Bound Volume 2007 (page 5). Employee Benefits Working Group (page 5). IASB Chairman's thoughts on principle-based standards (page 6). Overview of the ED of an IFRS for SMEs (page 6).

News from IFRIC: Patricia O'Malley will become IFRIC Co-ordinator (page 6).

Upcoming meeting dates: Page 7.

IASC Foundation news: Proposal to increase IFRIC to 14 members (page 7). IFRIC Due Process Handbook (page 8).

Other news: IOSCO work plan and IFRSs (page 8). New book on history of the IASC is published (page 8).

News from IFAC: IFAC handbooks on audit, ethics, and the public sector (page 9). IAASB ED on related parties (page 9). Forum of Firms paper on application of IFRSs (page 9).

IFRS-related news from the United States: SEC concern about 'IFRSs as adopted in...' (page 10). SEC roundtable on the roadmap (page 10). FASB adopts fair value option (page 11). Transatlantic auditor oversight (page 12).

News about IFRSs in Europe: CESR report on 'equivalence' of GAAPs (page 13). EFRAG recommends IFRIC 12 (page 13). EC accounting strategy for 2008 (page 14). EC Roundtable for Consistent Application of IFRSs (page 14). EC opinions on consolidated and separate statements (page 15). ICAEW studies IFRS implementation in Europe (page 15). New EFRAG members (page 16).

Rest of the world: Korea (page 16). Japan (page 17).

New publications from Deloitte: Model IFRS financial statements for 2006 (page 17). Comparison of IFRSs and US GAAP (page 17). *iGAAP 2007 Financial Instruments* (page 17). Three special editions of our IAS Plus newsletter (page 18). Summary of IPSASs (page 18). Model IFRS financials statements in Danish (page 19). Deloitte website on Chinese standards (page 19).

For information about **IAS Plus** (Asia-Pacific) please contact:

Stephen Taylor: <mailto:stetaylor@deloitte.com.hk>

Paul Pacter: info@iasplus.com

IASB PROJECT TIMETABLE – ACTIVE PROJECTS	
Annual Improvements	<ul style="list-style-type: none"> • Exposure Draft (ED) expected first half of 2007
Accounting Standards for Small and Medium-sized Entities	<ul style="list-style-type: none"> • Recognition and measurement questionnaire issued April 2005 • Public round tables held October 2005 • ED issued 15 February 2007 • Final IFRS second half 2008
Business Combinations – Phase II – Purchase Method and Non-controlling Interest* –Liabilities (IAS 37 amendments)	<ul style="list-style-type: none"> • Separate EDs issued June 2005 • Public round-tables held November 2005 • Round-tables on liabilities held fourth quarter 2006 • Final IFRS on business combinations expected second half 2007 • Final IFRS on liabilities expected first half 2008
Conceptual Framework Eight phases in all	<ul style="list-style-type: none"> • Discussion Paper (DP) on objectives and qualitative characteristics was issued July 2006. ED expected second half 2007 • Round-tables on measurement held first half 2007 • DP on reporting entity expected first half 2007 • DP on elements and recognition expected first half 2008
Consolidation, including SPEs*	<ul style="list-style-type: none"> • DP expected third quarter 2007 • ED(s) expected second half 2008
Convergence – Short-term Issues, IFRSs and US GAAP*	<p><u>IAS 12 Income Taxes</u></p> <ul style="list-style-type: none"> • ED expected fourth quarter 2007 • Final IFRS 2008 <p><u>IAS 31 Joint Ventures</u></p> <ul style="list-style-type: none"> • ED expected second quarter 2007 • Final IFRS expected 2008 <p><u>Impairment</u></p> <ul style="list-style-type: none"> • Staff research has begun
Earnings per Share amendment	<ul style="list-style-type: none"> • ED expected third quarter 2007 • Final IFRS expected 2008
Fair Value Measurement Guidance*	<ul style="list-style-type: none"> • DP issued 30 November 2006 • ED expected first half 2009
Financial Statement Presentation (Performance Reporting)* Phase A: IAS 1: A Revised Presentation Phase B: Presentation	<ul style="list-style-type: none"> • Working group appointed in 2005 • Phase A: ED issued March 2006 • Phase A: Final IFRS expected first half 2007 • Phase B: DP expected second half 2007 and ED in 2008
Government Grants and Emission Rights Trading*	<ul style="list-style-type: none"> • Work deferred pending IAS 37 amendments project
IFRS 1 Amendment – Cost of Investment in Subsidiary in Separate Statements of Parent	<ul style="list-style-type: none"> • Added to agenda March 2006 • ED issued 25 January 2007 • Final IFRS expected fourth quarter 2007
IFRS 2 Amendment – Vesting Conditions and Cancellations	<ul style="list-style-type: none"> • ED issued February 2006 • Final amendment expected second quarter 2007
Insurance Contracts – Phase II	<ul style="list-style-type: none"> • DP expected second quarter 2007 • ED expected second half 2008
Leases*	<ul style="list-style-type: none"> • Added to agenda July 2006 • Working Group being formed • DP expected second half 2008

Post-retirement Benefits (including Pensions)*	<ul style="list-style-type: none"> • Staff research under way • Working Group was formed March 2007 • DP expected second half 2007
Puttable Instruments	<ul style="list-style-type: none"> • ED was issued June 2006 • Final IFRS expected third quarter 2007
Revenue Recognition*	<ul style="list-style-type: none"> • DP expected second half 2007
Related Party Disclosures	<ul style="list-style-type: none"> • ED was issued first quarter 2007 • Final IFRS expected 2008

IASB PROJECT TIMETABLE – RESEARCH AGENDA

<i>Projects agreed in the February 2006 IASB-FASB convergence agreement:</i>	
Derecognition*	<ul style="list-style-type: none"> • Staff research report being developed
Financial Instruments*	<ul style="list-style-type: none"> • Working group appointed • Staff research questionnaire issued March 2006 • DP expected fourth quarter 2007
Intangible Assets*	<ul style="list-style-type: none"> • Staff research under way • Agenda decision expected second half 2007
Liabilities and Equity*	<ul style="list-style-type: none"> • DP expected third quarter 2007
<i>Other IASB Research Projects:</i>	
Extractive Industries	<ul style="list-style-type: none"> • Group of national standard setters conducting research • DP expected first half 2008
Management Commentary	<ul style="list-style-type: none"> • DP issued October 2005

* IASB projects with milestones agreed in the February 2006 IASB-FASB Memorandum of Understanding on convergence – download the MoU at www.iasplus.com/pressrel/0602roadmapmou.pdf.

This timetable is derived from the IASB's published timetable supplemented by decisions and comments made at recent meetings of the Board. You will find details on each project, including decision summaries from each Board meeting, at www.iasplus.com/agenda/agenda.htm

You can purchase copies of the revised IAS 23 on the IASB's website:
www.iasb.org

The ED can be downloaded from the IASB's website:
www.iasb.org

IASB News

Revised IAS 23 requires capitalisation of borrowing costs

The International Accounting Standards Board has issued a revised IAS 23 Borrowing Costs. The main change from the previous version is to remove the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalise borrowing costs as part of the cost of such assets.

The revised IAS 23 does not require the capitalisation of borrowing costs relating to (a) assets measured at fair value or (b) inventories manufactured or produced in large quantities on a repetitive basis, even if they take a substantial period of time to get ready for use or sale. The revised standard applies to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. Earlier application is permitted.

Proposal to amend related party disclosure standard

The IASB has published an exposure draft of proposed amendments to IAS 24 Related Party Disclosures. The amendments would:

- Exempt some state-controlled entities from related party disclosures.
- Change the definition of a 'related party'.

Comment deadline is 25 May 2007.

The ED proposes to reduce the disclosure requirements in IAS 24 for some entities that are related only because they are each state-controlled or significantly influenced by the state. The changes respond to concerns expressed by interested parties about the difficulties that these entities have in obtaining the information required by IAS 24. In many cases, the entities affected may not even know that they are related to others controlled or influenced by the state. The IASB concluded that for those entities affected the cost of complying with IAS 24 is likely to outweigh the benefits of the disclosures to users of their financial statements. The exemption proposed is limited to those circumstances in which it is clear that the related entities are not influencing each other.

The ED also would modify the definition of 'related party'. The main amendments to the definition are:

- The inclusion, in the definition of a related party, of the relationship between a subsidiary and an associate of the same entity, in the individual or separate financial statements of both the subsidiary and the associate.
- The removal, from the definition of a related party, of situations in which two entities are related to each other because a person has significant influence over one entity and a close member of the family of that person has significant influence over the other entity.
- The inclusion, within the definition of a related party, of two entities where one is controlled, jointly controlled, or significantly influenced by a member of key management personnel (KMP) and the other is the entity managed by the person that is a member of KMP.

You can order the 2007 IFRS Bound Volume on the IASB's website:

www.iasb.org

The price is £60 plus shipping. Discounts apply to low and middle income countries and orders for more than 10 copies. Electronic versions are also available. Translations into other languages will be published soon.

You can find more information about the employee benefits project here:

www.iasplus.com/agenda/pensions.htm

2007 IFRS Bound Volume is published

The International Accounting Standards Board has published the *2007 Bound Volume of International Financial Reporting Standards*. This bound volume includes all IFRSs, International Accounting Standards (IASs), IFRIC and SIC Interpretations, and IASB-issued supporting documents, including application guidance, illustrative examples, implementation guidance, bases for conclusions, and dissenting opinions approved at 1 January 2007.

The main changes from the 2006 Bound Volume are the inclusion of:

- IFRS 8 Operating Segments.
- Four new Interpretations
 - IFRIC 9 Reassessment of Embedded Derivatives
 - IFRIC 10 Interim Financial Reporting and Impairment
 - IFRIC 11 IFRS 2–Group and Treasury Share Transactions
 - IFRIC 12 Service Concession Arrangements
- Amendments to other IFRSs resulting from these pronouncements
- The Due Process Handbook for the IASB, which was published in April 2006
- A brief history of each pronouncement, which has been added to its title page

IASB Employee Benefits Working Group

The IASB has formed an Employee Benefits Working Group to provide expert advice in its project on post-employment benefits. Working group members include people with extensive practical experience in the operation, management, valuation, financial reporting, auditing or regulation of a variety of post-employment benefit arrangements. The members and official observers are:

Members:

- Matthew Annable, Barclay Global Investors, UK
- David Blackwood, ICI, UK
- Kim Bromfield, KPMG, South Africa
- Frank D'Andrea, Hydro One Inc, Canada
- Yasuyuki Fujii, Sumitomo Trust & Banking Co, Japan
- Ron Gebhardtshauer, American Academy of Actuaries, US
- Ji-Hyun Han, Kyobo Life Insurance Company & Accounting Corporation, Korea
- Zainal Abidin Mohd. Kassim, Mercer, Malaysia
- Dane Mott, Bear Stearns, US
- Manuel Peraita, International Actuarial Association, Spain
- Uday Phadke, Mahindra & Mahindra Limited, India
- Regis Renard, AON, Belgium
- Diana Scott, Towers Perrin, US
- Crispin Southgate, Pentangle Pensions Consulting, UK
- Ralph L Ter Hoeven, Deloitte, The Netherlands
- Hans Wagner, AXA, France

Official Observers:

- European Financial Reporting Advisory Group (EFRAG)
- European Commission (EC)
- International Organization of Securities Commissions (IOSCO)

The news story dated 21 March 2007 on the March past news page on IAS Plus has links to the text of Sir David's Remarks and his PowerPoint Slides: www.iasplus.com/pastnews/2007mar.htm

Both the ED and the Overview can be downloaded from the IASB's website: www.iasb.org

More information about IFRIC and Interpretations: www.iasplus.com/interps/interps.htm

IASB Chairman's thoughts on principle-based standards

IASB Chairman Sir David Tweedie recently delivered the Ken Spencer Memorial Lecture at the University of Melbourne, Australia. The title: *'Keep it simple, stupid!' Can global standards be principle-based?* Here are a few of Sir David's observations:

The attributes of a good principle-based standard:

- Is written in plain English.
- Is easily explained.
- Makes intuitive sense.
- Fairly presents the facts.

The changes that are necessary for principle-based standards to succeed:

- Changes in the way accountants are trained.
- Greater user sophistication.
- No second-guessing by regulators.
- Don't ask for rules/interpretations.
- Support for careful judgement.

Overview of the ED of an IFRS for SMEs

In February 2007, the IASB published an Exposure Draft of an International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs). See the February 2007 issue of the IAS Plus newsletter for details. Comment deadline is 1 October 2007.

The IASB has published a staff overview of the exposure draft. The overview is intended as a high level introduction to the proposals. However, it has not been approved by the IASB, and it is not intended to serve as the basis for commenting on the exposure draft.

News from IFRIC

Patricia O'Malley will become IFRIC Co-ordinator

From 1 July 2007, Patricia O'Malley will become the Co-ordinator of the International Financial Reporting Interpretations Committee (IFRIC). She retires as a member of the IASB on 30 June. Ms O'Malley will replace the current IFRIC Co-ordinator Allan Cook, who retired on 31 March 2007. IFRIC's role is to "interpret the application of International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) and provide timely guidance on financial reporting issues not specifically addressed in IASs and IFRSs, in the context of the IASB Framework". The Co-ordinator is the senior staff person for IFRIC.

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

IASB and IFRIC meetings are also webcast.

Upcoming meeting dates

IASB and SAC MEETINGS 2007	
London, UK	16 to 20 April 2007
London, UK	23 to 24 April 2007 – Joint IASB/FASB Meeting
London, UK	14 to 18 May 2007
London, UK	18 to 22 June 2007, and 25 to 26 June 2007 with the Standards Advisory Council
London, UK	16 to 20 July 2007
London, UK	17 to 21 September 2007
London, UK	24 to 25 September 2007 – World Standard Setters Meeting
London, UK	15 to 19 October 2007
Norwalk, CT, USA	22 to 23 October 2007 – Joint IASB/FASB Meeting
London, UK	12 to 16 November 2007, and 8 to 9 November 2007 with the Standards Advisory Council
London, UK	10 to 14 December 2007

IFRIC MEETINGS 2007	
London, UK	3 to 4 May 2007
London, UK	12 to 13 July 2007
London, UK	6 to 7 September 2007
London, UK	1 to 2 November 2007

IASC FOUNDATION TRUSTEES MEETING 2007	
Madrid	2 to 3 July 2007
United States	31 October to 1 November 2007

IASC Foundation News

The proposed amendment is set out in a consultative document *Enlarging the IFRIC* available on the IASC Foundation's Website: www.iasb.org

Proposal to increase IFRIC to 14 members

The International Accounting Standards Committee Foundation has proposed to increase the size of the International Financial Reporting Interpretations Committee (IFRIC) from 12 to 14 voting members.

From the comments received in the consultations on the IFRIC Due Process Handbook, the Trustees of the IASC Foundation concluded that the IFRIC would benefit from a greater diversity of members with practical experience in the application of International Financial Reporting Standards (IFRSs) and analysis of financial statements using IFRSs. This is particularly important in the light of the expanding adoption of IFRSs throughout the world. As the size of the IFRIC is prescribed by the IASC Foundation's Constitution, the proposed change must await an amendment to the Constitution. Comments should be submitted in writing to be received by 31 July 2007.

The handbook may be downloaded from the IASB's website:
www.iasb.org

New IFRIC Due Process Handbook

The trustees of the IASC Foundation (IASCF) have published the Due Process Handbook for the IFRIC. When the trustees initiated a review of the organisation's Constitution in November 2003, they identified the resources and effectiveness of the IFRIC as one of the major issues to review. In March 2005 the IASCF invited comment on a consultation paper IFRIC Review of Operations, and in May 2006 the trustees published the IFRIC due process handbook in draft for public comment. The trustees approved an amended version at their meeting in January 2007.

Other News

www.iosco.org

IOSCO work plan and IFRSs

The Technical Committee (TC) of the International Organization of Securities Commissions (IOSCO) has invited comments on its Work Plan and Priorities. The work plan includes monitoring the work of, and providing input to, the IASB and the International Auditing and Assurance Standards Board. In 2007, IOSCO plans to publish a report of the regulation of non-audit services provided by auditors and to hold roundtable meetings on audit quality. IOSCO invites comments by 8 June 2007. Here is an excerpt from the plan relating to IFRSs.

Monitoring developments and the enforcement of accounting standards

IOSCO closely monitors the developments in International Financial Reporting Standards (IFRSs), comments on proposed changes and routinely discusses standard-setting work with representatives of the International Accounting Standards Board (IASB). IOSCO encourages a reduction in the complexity of accounting standards and in the number of exceptions to principles. It also calls for an appropriate balance between the costs and benefits of accounting standards.

IOSCO has always stressed the importance of implementing IFRSs consistently throughout the world. In order to support this objective, the TC has developed the IOSCO IFRS Regulatory Interpretation and Enforcement Database. Access to this database is available to securities regulators that have signed a participation agreement and is designed for sharing regulatory interpretation and enforcement decisions related to IFRSs. The IOSCO database is compatible with a similar database maintained by CESR and has been operational since January 2007.

More information and ordering details are on the Oxford University Press website:
www.oup.com

New book on history of the IASC 1973-2000

The Oxford University Press has published *Financial Reporting and Global Capital Markets: A History of the International Accounting Standards Committee, 1973-2000*, by Kees Camfferman and Stephen A. Zeff. The book examines the history of the IASC from 1973 to 2000, including its foundation, operation, changing membership and leadership, achievements and setbacks, the development of its standards, and its restructuring leading up to the creation of the IASB in 2001.

News from IFAC

www.ifac.org

IFAC handbooks on audit, ethics, public sector

The International Federation of Accountants (IFAC) has released its 2007 handbooks on auditing, ethics and public sector accounting. The 2007 editions of the *Handbook of International Auditing, Assurance, and Ethics Pronouncements* and the *Handbook of International Public Sector Accounting Pronouncements* can be ordered in print or downloaded at no charge in PDF format from the IFAC website.

You can download the proposals from IAASB's website:

www.ifac.org/iaasb

IAASB exposure draft on related parties

The International Auditing and Assurance Standards Board (IAASB) has invited comments on an exposure draft of a proposed International Standard on Auditing (ISA) 550 *Related Parties*. The IAASB is also seeking comments on proposed ISA 570 *Going Concern*, which has been redrafted in the new style designed to enhance the clarity of IAASB pronouncements.

The related party ED provides guidance on an auditor's consideration of related parties and related party transactions in an audit of financial statements. It includes a new definition of a 'related party'. Under the ED, an auditor has three objectives in considering related parties: to obtain sufficient evidence about the required accounting and disclosure of related party information and transactions; to understand how related party transactions and relationships affect the view given by the financial statements; and to identify fraud risk factors arising from related party relationships that may require further consideration.

Comments on the ED of ISA 550 are requested by 30 June 2007. Comments on the ED of proposed ISA 570 are requested by 31 May 2007.

[www.ifac.org/
Forum_of_Firms](http://www.ifac.org/Forum_of_Firms)

Forum of Firms paper on application of IFRSs

IFAC's Forum of Firms has released a new good practices document entitled *Perspectives on the Global Application of IFRS*. Launched in January 2001, the Forum of Firms (FOF) is an organisation of international firms that perform audits of financial statements that are or may be used across national borders. The new FOF guidance document was developed by the FOF's Transnational Auditors Committee, which is chaired by P Nicholas Fraser of Deloitte (France). It is based on interviews with ten Forum members, illustrates the progress made with IFRSs, and sets out examples of good practices that the network firms are implementing.

When the document refers to IFRSs, it includes not only IFRSs as issued by the IASB but also:

- IFRS as adopted by the European Union
- Australian GAAP (which incorporates Australian equivalents to IFRS)
- Hong Kong Financial Reporting Standards
- South African GAAP (which closely follows IFRS)

"This does not mean that the firms endorse departures from IFRS as issued by the IASB. Ideally, the firms would prefer all countries adopting IFRS to do so without variation. But the firms recognise the practical reality that these limited differences in IFRS frameworks exist."

IFRS-related news from the United States

www.sec.gov/news/speech/2007/spch030807rcc.htm

SEC concern about 'IFRSs as adopted in...'

In an address in London titled SEC Regulation Outside the United States, Commissioner Roel C Campos of the US Securities and Exchange Commission (SEC) expressed concern about jurisdictions adopting their own versions of IFRSs. An excerpt:

I must, however, focus on one curious aspect of the roadmap in practice, which is the lack of foreign private issuers filing audited financial statements with the SEC that either use or are compliant with IFRS in the manner in which it is issued by the IASB. We had expected to see approximately 300 or so companies file their 2005 financial statements prepared using IFRS. Instead, we received only about 40 filings – hardly a critical mass. This fact is perplexing, given that the early goal is – to quote the roadmap itself – 'to see convergence in action.' So, the question is: why did only 40 companies so file?

The answer is that there are likely a number of different reasons, and our Deputy Chief Accountant Julie Erhardt discussed the possibilities in a speech she gave at the AICPA conference last December. I want to focus on just one of the reasons here, which is that, in many cases, financial statements prepared in accordance with home country adaptation of IFRS did not also contain a reference by both the company and its auditor that the financial statements also complied with IFRS in the form issued by the IASB. Indeed, the roadmap contemplated that we would see filings of financial statements prepared using IFRS as promulgated by the IASB. However, various jurisdictions have not accepted IFRS exactly as promulgated by the IASB, and have instead made various changes thereto. Consequently, as Julie noted, we have seen filings containing financial statements based upon national jurisdictional adaptations of IFRS. In and of themselves, these financial statements certainly fit within the SEC's filing requirements, but without the reference to IFRS as promulgated by the IASB, they do not appear to be financial statements that fit under the one set of global accounting standards that we wrote about in the roadmap.

Now, we certainly understand why a jurisdiction may wish to adopt its own version of IFRS. However, one goal of the roadmap was to allow the elimination of the reconciliation requirement, and as a consequence, have two versions of robust standards developed by independent standard setters in the U.S. capital markets, not thirty different versions. The question then occurs: how do we reach the 'critical mass' – to use a term from the roadmap – of filers using IFRS as promulgated by the IASB? What will happen this year – year two of the roadmap? While the answer is not clear at this time, I think that serious discussion by issuers with their auditors may be necessary. I am hopeful that auditors could prepare opinions stating that the audited financial statements were prepared according to IFRS as promulgated by the IASB, and not solely the 'Jurisdiction X IFRS'. In any event, we need to get to the bottom of this issue, and see more companies filing audited financial statements in the manner contemplated by the roadmap. My bottom line, though, is that the roadmap is going well overall and that we will achieve our objectives.

You will find links to both Chairman Cox's address and Commissioner McCreevy's address, as well as to a webcast of the roundtable, here:

www.iasplus.com/pastnews/2007mar.htm

SEC roundtable on IFRS 'roadmap'

On 6 March 2007, the US SEC conducted a public roundtable on the IFRS 'roadmap' at its offices in Washington. SEC Chairman Christopher Cox and European Commissioner for the Internal Market and Services Charlie McCreevy both made opening addresses. Their remarks were followed by three panel discussions on topics related to the potential effects of a co-existence of IFRS and US GAAP models in the US capital markets.

Here is an excerpt from the remarks of SEC Chairman Christopher Cox:

The rationale for a global standard, rather than the Babel of competing and sometimes contradictory national standards, has been often stated. But it is so important that it bears repeating. Global accounting standards would improve investor confidence in the market, so long as the standards are high-quality, comprehensive and rigorously applied. They'd allow investors to draw better comparisons among investment options. They'd also lower costs for issuers, who would no longer have to incur the cost of preparing financial statements using different sets of accounting standards. And those lower costs would benefit the company's shareholders, who ultimately bear the burden of the entire cost of the financial reporting system.

Here is an excerpt from Commissioner McCreevy's comments:

I am convinced accepting IFRS without reconciliation in the US capital markets will have very positive effects. It will bring more openness to capital markets, it will benefit US investors, and it will facilitate access for third country issuers to US financial markets. And contribute to a more coherent global regulatory structure. Let me underline this: this is in the US' interest, just as much as in ours and can and will be done in a way that will benefit and safeguard US investors.

FAS 159 may be downloaded without charge from FASB's website:

www.fasb.org

FASB adopts fair value option for financial instruments

The US Financial Accounting Standards Board (FASB) has issued a standard that provides companies with an option to report selected financial assets and liabilities at fair value. Statement 159 The Fair Value Option for Financial Assets and Financial Liabilities also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. FAS 159 is effective for an entity's first financial year beginning after 15 November 2007, with earlier adoption permitted. Under FAS 159, the fair value option:

- May be applied instrument by instrument, with a few exceptions, such as investments otherwise accounted for by the equity method
- Is irrevocable (unless a new election date occurs)
- Is applied only to entire instruments and not to portions of instruments.

The FAS 159 fair value option is similar, but not identical, to the fair value option in IAS 39 Financial Instruments: Recognition and Measurement. The IAS 39 fair value option is subject to certain qualifying criteria not included in FAS 159, and it applies to a slightly different set of instruments.

FASB's press release:
www.fasb.org/news/nr030607.shtml

Joint press release:
www.iasplus.com/usa/0703auditoversight.pdf

On IAS Plus you can download the SEC Press Release:
www.iasplus.com/usa/0703secdereistration.pdf
and the full final rules:
www.iasplus.com/usa/0703secdereistrationrules.pdf

New US private company financial reporting committee

The FASB and the American Institute of Certified Public Accountants have jointly formed a Private Company Financial Reporting Committee (PCFRC). The primary objective of the PCFRC will be to provide recommendations to the FASB that will help the Board determine whether and where there should be specific differences in prospective and existing accounting standards for private companies. The IASB has recently published an Exposure Draft of a Proposed IFRS for SMEs.

PCAOB Chairman, EU Commissioner discuss auditor oversight

Mark Olson, Chairman of the US Public Company Accounting Oversight Board (PCAOB), and Charlie McCreevy, European Union Commissioner for Internal Market and Services, met on 6 March 2007 to discuss steps to enhance cooperation between the PCAOB and European auditor oversight bodies and advance collaborative efforts in 2007. Chairman Olson and Commissioner McCreevy agreed to launch "roadmap discussions on cooperation between the PCAOB and EU regulators". They have mandated their staff to commence work and will review progress at their next meeting. The goal is to enable the PCAOB and EU auditor regulators that have independent and rigorous oversight systems to move toward full mutual reliance by 2009. Both sides will take stock and review progress in October 2007. The joint press release notes:

Currently, there are over 760 non-US firms from 83 countries registered with the PCAOB, including approximately 265 firms located in the European Union, some portion of which will be subject to inspection. Once registered with the PCAOB, non-US firms meeting certain criteria are subject to the inspection requirements of the Sarbanes-Oxley Act. Similarly, under the European Union's new Directive on Statutory Auditors, certain non-European audit firms will be required to be inspected by European regulators unless their home-country system is considered to be equivalent to the public oversight requirements set forth in the Directive.

SEC eases deregistration for foreign issuers

The SEC has published new rules that make it easier for foreign companies to deregister their securities in the United States. Under the new rules, a foreign entity may deregister if the US average daily trading volume of the securities has been no greater than 5 percent of the average daily trading volume of that class of securities on a worldwide basis for a recent 12-month period (and some other conditions are met). Under the old rules, a foreign issuer could not deregister if it has more than 300 record holders who are US residents, even if, on the basis of trading volume, there is relatively little interest in the issuer's securities among American investors.

News about IFRSs in Europe

You will find CESR's report here:
www.iasplus.com/europe/0703cesrequivalence.pdf

CESR report on 'equivalence' of CA, JP, US GAAPs

The Committee of European Securities Regulators (CESR) has published a report that responds to a request from the European Commission for information about three matters:

- **CA, JP, US work plans.** The work plans and timetables of the Canadian, Japanese, and US accounting standard setters toward convergence with IFRSs. CESR did not evaluate the progress toward convergence but, rather, collected information "available from public sources".
- **Equivalence definition.** A recommended definition of equivalence of non-EU GAAPs and IFRSs. CESR concludes that "the criteria for deciding equivalence should be that investors should be able to make a similar decision irrespective of whether they are provided with financial statements based on IFRSs or on third country [non-EU] GAAP". However, CESR notes that the definition is only one part of the framework for assessing equivalence. Equivalence also requires reliable (a) "filters at country levels for ensuring market confidence", (b) audit assurance, and (c) enforcement to ensure that the non-EU GAAPs are applied and complied with properly.
- **Use of 'third country' GAAPs.** A summary of which third country (non-EU) GAAPs are currently used in the EU regulated markets. CESR found that at least 33 different non-EU national GAAPs are used on EU regulated exchanges. CESR also identified around 130 non-EU issuers using Member States' GAAPs, such as UK GAAP. CESR did not find any legal requirements in EU Member States to reconcile non-EU GAAPs with IFRSs.

The report is titled *CESR's advice to the European Commission on the work programmes of the Canadian, Japanese and US standard setters, the definition of equivalence and the list of third country GAAPs currently used on the EU capital markets.*

www.efrag.org

EFRAG recommends IFRIC 12 in Europe

The European Financial Reporting Advisory Group, whose members hold sharply divided views on IFRIC 12 Service Concession Arrangements, has submitted to the EC's Accounting Regulatory Committee its recommendation that IFRIC 12 be endorsed for use in Europe.

The Commissioner's speech:
[www.iasplus.com/
europe/0703mccreevy.pdf](http://www.iasplus.com/europe/0703mccreevy.pdf)

EC accounting strategy for 2008 will focus on SMEs

In a speech to the European Parliament's Legal Affairs Committee, Charlie McCreevy, the European Commissioner for Internal Market and Services, outlined the Commission's internal market policy strategy for 2008. He noted that the strategy focuses on three areas – patents, company law, and accounting and auditing – and that the accounting strategy focuses on SMEs. Here is an excerpt from Commissioner McCreevy's remarks:

It should not come as a surprise that we need to reduce the administrative burdens in the areas of company law, accounting and auditing. The basic features of the market have changed: new technologies, the introduction of the euro, enlargement, globalisation and demographic developments have dramatically affected the overall context of European integration and brought about considerable pressure to adapt. The legal environment has also evolved with the adoption of international standards in the field of accounting and auditing and the development of the jurisprudence of the Court of Justice....

In the field of accounting and auditing, we are focusing on the possibilities of reducing costs for SMEs. Of course, we need to keep improving the quality of accounting and auditing in the EU. However, the existing rules demand administrative work which companies, and particularly small and medium-sized ones, find sometimes unnecessarily burdensome. Our job is to reconcile these different interests in the best possible way.

[www.iasplus.com/
europe/roundtable.htm](http://www.iasplus.com/europe/roundtable.htm)

EC Roundtable for the Consistent Application of IFRSs

The European Commission's Roundtable for the Consistent Application of IFRSs met on 26 January 2007. The purpose of the Roundtable, which was formed in 2006, is to identify cases where the accounting treatment in Europe under IFRSs is so divergent, significant, and widespread as to warrant 'common concern' among the different groups of participants (preparers, auditors, national standard setters, regulators). When such issues of common concern are identified, the Roundtable generally recommends referring them to IFRIC, though circumstances could also arise where the matter should be addressed directly to the IASB Board. The Roundtable itself will not make any interpretations. At the 26 January 2007 meeting, the Roundtable discussed six new issues. Two of those will be developed into Technical Papers for a further discussion at the next meeting. The two issues are:

- Regulatory Assets and Liabilities
- IAS 17 Leases – exercise of renewal/extension options

The Roundtable also discussed a Paper on the Treatment of IFRIC Rejections. The Roundtable also noted that the US Securities and Exchange Commission is requiring SEC registrants who file on the basis of 'IFRSs as Adopted by the EU' to provide a reconciliation from 'IFRSs as Adopted...' to full IFRSs, as well as to US GAAP.

www.iasplus.com/europe/0702annualaccounts.pdf
and
www.iasplus.com/europe/0702annualaccountsbefore.pdf

EC opinions on consolidated and separate statements

At the 2 February 2007 meeting of the European Commission's Accounting Regulatory Committee, the Commission presented two final interpretive opinions dealing respectively with the meaning of 'annual accounts' and the possibility to issue annual accounts prepared in accordance with IFRS before consolidated ones. Both relate to application of the requirements of IAS 27 Consolidated and Separate Financial Statements within the European Union:

If a parent company in the EU is not required by the Seventh Directive to prepare consolidated accounts, can it issue IFRS 'annual accounts' (its own separate financial statements) in conformity with IFRSs?

In almost all circumstances, if a company is a parent, IAS 27 requires the preparation of consolidated financial statements. Under IAS 27, the parent's separate financial statements are an additional set of financial statements not required by IAS 27. The Commission has concluded, however, that the Seventh Directive takes precedence in Europe in determining when consolidated statements must be prepared. Therefore, if the Seventh Directive does not require consolidated financial statements, a parent company can prepare its separate financial statements using IFRSs. The Commission's view is that "the IAS 27 requirements to prepare consolidated accounts do not apply."

Can a company that prepares both individual and consolidated accounts in accordance with IFRSs adopted for use in Europe issue the individual accounts before issuing the consolidated accounts?

In rejecting an agenda topic in March 2006, the IFRIC concluded that separate financial statements issued before consolidated financial statements could not be considered to comply with IFRSs, because separate financial statements are required by IAS 27 paragraph 42 to identify the consolidated financial statements to which they relate. However, the European Commission has concluded that the interpretation under the EU IAS Regulation is different. If a company chooses or is required to prepare its annual accounts in accordance with IFRSs as adopted by the EU, it is permitted to prepare and file them independently from the preparation and filing of its consolidated accounts – and thus in advance – where the national law transposing the Directives requires or permits separate publication.

Further information about the project, including contact details, can be found on the project's web page.
www.icaew.co.uk/index.cfm?route=145382

ICAEW studies IFRS implementation in Europe

The European Commission has asked the Institute of Chartered Accountants in England and Wales (ICAEW) to analyse the implementation of IFRSs across the EU. The project team, which is led by David Cairns, is reviewing the IFRS consolidated financial statements of 200 stock exchange listed companies. The project team would like help in identifying non-listed companies that have published IFRS consolidated financial statements or IFRS legal entity financial statements. It also is keen to hear from EU companies (or their auditors) that have used fair value accounting for financial instruments in national GAAP financial statements (as permitted by the Fair Value Directive).

www.efrag.org

New members appointed to EFRAG

The Supervisory Board of the European Financial Reporting Advisory Group (EFRAG) has approved the following composition of the EFRAG Technical Expert Group effective 1 April 2007:

- Stig Enevoldsen, Auditor, Denmark – TEG Chairman (reappointed)
- Mike Ashley, Auditor, member of the UK ASB (reappointed)
- Alan Dangerfield, Industry, Switzerland (new appointment)
- Francoise Flores, Industry, France
- Manuel Garcia-Ayuso, Academic, Spain
- Catherine Guttmann, Insurance Advisor, France (reappointed)
- Roberto Monachino, Banking specialist, Italy
- Hans Schoen, Auditor, The Netherlands (new appointment)
- Thomas Seeberg, Industry, Germany (reappointed)
- Anna Sirocka, Auditor, Poland
- Mike Starkie, Industry, UK (reappointed)
- Carsten Zielke, User, Germany

Use of IFRSs elsewhere in the world

www.kasb.or.kr/enghome.nsf

Korea will move toward IFRSs

The Financial Supervisory Commission and the Korea Accounting Institute have announced a roadmap for the adoption of Korean equivalents of International Financial Reporting Standards (K-IFRSs). The announcement ceremony took place in Seoul on 15 March. IASB Chairman Sir David Tweedie made congratulatory remarks.

Some points included in the Korean 'roadmap toward IFRSs':

- **Listed companies.** Listed companies (excluding financial institutions) will be required to prepare their annual financial statements under K-IFRSs beginning in 2011 and will be permitted to do so beginning in 2009. Until adopting K-IFRSs, listed companies will continue to use current Korean Accounting Standards.
- **Unlisted companies.** Unlisted companies will be allowed to use 'simplified accounting procedures' that KASB will adopt by 2011 but may elect to issue K-IFRS financial statements. Until KASB's simplified standards are in place, unlisted companies will continue to use their current Korean Accounting Standards.
- **Consolidation.** Currently, Korean companies both listed and unlisted are required to prepare separate company financial statements as their primary published financial statements. In addition they submit consolidated financial statements to the government, and consolidation is based on greater than 30% ownership. Under IFRSs, where there is a parent-subsidiary relationship, consolidated financial statements are required as the primary statements, with consolidation on the basis of control (generally greater than 50% ownership).
- **Interim reports.** While all listed companies must prepare quarterly and semi-annual financial statements, those with assets below KRW2 trillion (about US\$2.2 billion) will not be required to prepare interim statements on a consolidated basis until 2013. All must disclose non-financial items quarterly and semi-annually on a consolidated basis.

IASB press release:
www.iasplus.com/pressrel/0703iasbasbj.pdf

IASB and ASBJ hold convergence discussions

Representatives of the IASB and the Accounting Standards Board of Japan met on 27 and 28 March 2007 in Tokyo to discuss convergence of Japanese GAAP and International Financial Reporting Standards. The agenda included:

- The progress that has been made by the ASBJ in the areas of intangible assets, retrospective restatement, and scope of consolidation (including special purpose entities and consolidation of foreign subsidiaries).
- IASB projects on post-retirement benefits, measurement, conceptual framework, and business combinations.

IFRS publications from Deloitte

Download from:
www.iasplus.com/fs/fs.htm

IFRS model financial statements for 2006

Deloitte has released model IFRS financial statements for 2006, and a related IFRS presentation and disclosure checklist. The statements illustrate the application of the presentation and disclosure requirements of IFRSs by an entity that is not a first-time adopter of IFRSs. They also contain additional disclosures that are considered to be best practice, particularly where such disclosures are included in illustrative examples provided with a specific Standard.

Download the comparison here:

www.iasplus.com/country/compare.htm

New comparison of IFRSs and US GAAP

Deloitte's IFRS Global Office has published a new Comparison of International Financial Reporting Standards and United States GAAP as of 28 February 2007. While this comparison is comprehensive, it does not attempt to capture all of the differences that exist or that may be material to a particular entity's financial statements. Our focus is on differences that are commonly found in practice. The significance of the differences enumerated in this publication – and others not included – will vary with respect to individual entities depending on such factors as the nature of the entity's operations, the industry in which it operates, and the accounting policy choices it has made.

We are pleased to grant permission for accounting educators and students to make copies for educational purposes.

iGAAP 2007 Financial Instruments: IAS 32, IAS 39 and IFRS 7 Explained (628 pages, March 2007) can be purchased through CCH Online (www.cch.co.uk) or by phone at +44 (0) 870 777 2906 or by email: customer.services@cch.co.uk.

iGAAP 2007 Financial Instruments is published

Deloitte & Touche LLP (United Kingdom) has developed iGAAP 2007 Financial Instruments: IAS 32, IAS 39 and IFRS 7 Explained (Third Edition), which has been published by CCH. This publication is a comprehensive guide for financial instruments accounting under IFRSs. The 2007 edition expands last year's edition with further interpretations, examples, discussions from the IASB and the IFRIC, updates on comparisons of IFRSs with US GAAP for financial instruments, as well as a new chapter on IFRS 7 Financial Instruments: Disclosures including illustrative disclosures.

You will find links to all IAS Plus newsletters here:

www.iasplus.com/iasplus/iasplus.htm

You can also sign up for free subscription by e-mail on the IAS Plus home page:

www.iasplus.com

You can download this publication from the IPSASB page on our website:

www.iasplus.com/ifac/ipsasb.htm

Three special editions of our IAS Plus Newsletter

Proposed related party amendments

Deloitte's IFRS Global Office has published a special edition of our IAS Plus Newsletter titled *IASB Proposes Amendments for Related Party Disclosures*. This newsletter explains the IASB's recent proposals to amend IAS 24 Related Party Disclosures. See our story on page 4 of this IAS Plus Newsletter for more information about this Exposure Draft.

Amendment to IFRS 1

Deloitte's IFRS Global Office has published a special edition of our IAS Plus Newsletter titled *Relief Proposed for Measuring Investments in Subsidiaries on First-time Adoption*. On 25 January 2007, the IASB published an Exposure Draft that would amend IFRS 1 First-time Adoption of International Financial Reporting Standards. The proposals respond to concerns about difficulties encountered by parent entities in measuring the cost of investments in subsidiaries when adopting IFRSs for the first time. This newsletter explains the proposals. The IASB has requested comments by 27 April 2007.

Proposed IFRS for SMEs

Deloitte's IFRS Global Office has published a special edition of our IAS Plus Newsletter titled *IASB offers IFRS relief for SMEs*. On 15 February 2007, the IASB published an Exposure Draft of a proposed International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) that could be applied by eligible SMEs instead of the full suite of IFRSs. The aim of the proposed standard is to provide a simplified, self-contained set of accounting principles that are appropriate for smaller, non-listed entities and that are based on full IFRSs. This newsletter explains the proposals. The IASB has requested comments by 1 October 2007.

Summary of International Public Sector Accounting Standards

Deloitte has published a booklet summarising the provisions of all International Public Sector Accounting Standards (IPSAS) in issue at 1 September 2006, namely IPSASs 1 to 21. These summaries are intended as general information and are not a substitute for reading the entire Standard. IPSASs are developed by IFAC's International Public Sector Accounting Standards Board (IPSASB). IPSASs 22 to 24 have recently been issued, and we expect to update this publication shortly to include summaries of these new IPSASs.

Download from:
www.iasplus.com/fs/fs.htm
and also
[www.iasplus.com/
country/denmark.htm](http://www.iasplus.com/country/denmark.htm)

Model IFRS financial statements in Danish

Deloitte (Denmark) has published the *Danish Language Model IFRS Financial Statements for 2006*. The statements reflect the requirements of Danish law as well as IFRSs. Each item in the financial statements is cross-referenced to the relevant source.

www.casplus.com

New Deloitte website on Chinese accounting standards

Deloitte (China) has launched a new Chinese language website www.casplus.com devoted to Chinese Accounting Standards (CASs). On 15 February 2006, the Ministry of Finance of the People's Republic of China issued a new set of Accounting Standards for Business Enterprises (ASBEs), comprising a basic standard and 38 specific standards. The ASBEs became mandatory for all PRC listed companies on 1 January 2007. Other PRC enterprises are encouraged to apply the ASBEs.

The CAS Plus website will contain information about the latest developments in accounting standards and the accounting systems in China as well as information on international financial reporting. It will also feature the reference material specially developed by the Deloitte experts available to download, including a comparison between IFRSs and PRC GAAP, model financial statements, and a disclosure checklist.

IFRS eLearning in Chinese

For several years, Deloitte has made available, in the public interest and without charge, its English language IFRS e-learning training materials. Well over one million modules have already been downloaded by users outside Deloitte. These high quality e-learning materials are currently being translated into Chinese, and some are already available on the www.casplus.com website.

Accounting Standards Update in the Asia-Pacific Region

AUSTRALIA

Contact: Bruce Porter
bruporter@deloitte.com.au

In the first quarter of 2007 the Australian Accounting Standards Board (AASB) continued its discussion on differential reporting and SMEs. At its March meeting the AASB confirmed that a two-tier approach should apply to the corporate reporting sector and that all financial reports that are lodged with the Australian regulator, the Australian Securities and Investments Commission, are to be considered general purpose financial reports for the purposes of the forthcoming exposure draft (ED) on an Australian SME Standard.

However, the Board agreed that for corporates that do not satisfy the definition of a publicly accountable entity (as defined by the IASB) but are envisaged as being of high public interest because of their economic importance or dominant market position, a size test should be devised to differentiate between those that should follow A-IFRS and those that should follow an Australian SME Standard. Similar tests will also be proposed for non-corporate for-profit entities.

The AASB agreed not to propose any disclosure concessions for wholly-owned subsidiaries that follow A-IFRS. Instead, the AASB proposed that such entities should follow A-IFRS if they are publicly accountable, whereas those that are not would follow an Australian SME Standard in its entirety (that is, including all disclosures) unless they chose to use A-IFRS.

The Board agreed that not-for-profit entities and public sector entities should generally be regarded as publicly accountable, but due to cost-benefit considerations, a two-tiered system based on a size test is appropriate. The top-tier would apply A-IFRS and the second tier would apply an Australia SME Standard.

The AASB will consider a draft Australian preface to the IASB's ED of IFRS for SMEs for consideration at its April 2007 meeting with a view to exposing the document in Australia in May.

The AASB has approved AASB 8 Operating Segments, confirming its scope to be limited to for-profit entities with publicly traded securities. Although it is applicable to annual reporting periods beginning on or after 1 January 2009, the Standard can be early adopted. Therefore, reporting entities that do not have publicly traded securities can early adopt the standard and thereby avoid segment reporting.

In March 2007 the AASB began its review of submissions on ED 151 Australian Additions to, and Deletions from, IFRS. The vast majority of the proposals in the ED were confirmed, including the introduction of a number of IFRS options not previously available under A-IFRS. A draft amending Standard is to be considered at the AASB's April meeting.

AUSTRALIA, continued

The AASB has also approved the following during February and March:

- Interpretation 11 AASB 2 – Group and Treasury Transactions (equivalent to IFRIC 11),
- Interpretation 12 Service Concession Arrangements (equivalent to IFRIC 12),
- ED 152 Proposed Amendments to AASB 1 First time Adoption of Australian Equivalents to International Financial Reporting Standards – Cost of an Investment in a Subsidiary,
- ED 153 Proposed Amendments to AASB 124 Related party Disclosures – State-controlled Entities and the Definition of a Related Party, and
- ED 154 Proposed Amendments to AASB 102 – Inventories Held for Distribution by Not-for-Profit Entities.

The AASB also discussed accounting by superannuation plans and continued to progress GAAP/GFS harmonisation and other not-for-profit entity issues (including the measurement of inventories).

HONG KONG

Contact: Stephen Taylor
stetaylor@deloitte.com.hk

In January 2007, HK(IFRIC)–Int 11, IFRS 2 - Group and Treasury Share Transactions was released based on its international equivalent, IFRIC 11. Further, in March 2007, HKFRS 8 Operating Segments and HK(IFRIC)–Int 12 Service Concession Arrangements were also released, based on their international counterparts IFRS 8 and IFRIC 12.

On 17 and 18 January 2007 Hong Kong was the location of the round-table discussions by the IASB and the US Financial Accounting Standards Board (FASB) on measurement in conjunction with their joint conceptual framework project.

INDONESIA

Contact: Rosita Uli Sinaga
rsinaga@deloitte.com

Exposure Drafts of revisions to the accounting standards below were issued by the Financial Accounting Standards Board (DSAK) of the Indonesian Institute of Accountants and are outstanding as of April 2007:

- Revision to PSAK 13, Investment Property (revised 2006).

This standard will replace PSAK 13, Investment (1994) and particularly will address the topic of investment properties. In the preparation of this exposure draft, DSAK referred to IAS 40, Investment Property.

- Revision to PSAK 16, Fixed Assets (revised 2004).

Issued in September 2004, this standard will replace PSAK 16, Fixed Assets and Other Assets, especially on accounting treatment for revaluation of fixed assets. In the preparation of this exposure draft, DSAK referred to IAS 16, Property, Plant and Equipment.

- Revision to PSAK 30, Leases (revised 2006).

This standard is a revision to PSAK 30, Accounting for Leases (1994) and will address the accounting policies and proper disclosure, either for lessee or lessor, in leasing transactions. This standard was developed based on IAS 17, Leases.

INDONESIA, continued

- Revision to PSAK 50, Financial Instruments: Presentation and Disclosure (revised 2006).

This standard is revision to PSAK 50 (1998), Accounting for Investment in Certain Securities and will address the accounting treatment related to presentation and disclosure of all financial instruments, including derivative instruments. In the preparation of this exposure draft, DSAK referred to IAS 32, Financial Instrument: Disclosure and Presentation.

- Revision to PSAK 55, Financial Instruments: Recognition and Measurement (revised 2006).

This standard is revision to PSAK 55 (revised 1999), Accounting for Derivative Instruments and Hedging Activities and will address the accounting treatment related to recognition and measurement of financial instruments, including derivative instruments and hedging. In the preparation of this exposure draft, DSAK referred to IAS 39, Financial Instrument: Recognition and Measurement.

- Revision to Conceptual Framework for the Preparation and Presentation of Financial Statements for Shari'a Transactions (revised 2006).

This framework is improvement of the previous Conceptual Framework for the Preparation and Presentation of Financial Statements for Shari'a Transactions (2002). This framework should be applied as an accounting treatment basis for all shari'a transactions in shari'a entities as well as in conventional entities.

- Revision to PSAK 59, Accounting for Shari'a Banking.

DSAK has issued ED PSAK 101 – 106 to replace PSAK 59, Accounting for Shari'a Banking. Standards related to shari'a accounting will use block number of PSAK 101 to 200. Currently, EDs issued consist of:

- ED PSAK 101 (revised 2006), Presentation of Shari'a Financial Statements.
- ED PSAK 102 (revised 2006), Accounting for Murabahah.
- ED PSAK 103 (revised 2006), Accounting for Salam.
- ED PSAK 104 (revised 2006), Accounting for Istishna'.
- ED PSAK 105 (revised 2006), Accounting for Mudharabah.
- ED PSAK 106 (revised 2006), Accounting for Musyarakah.

JAPAN
Contact: Yasuyuki
Miyasaka
 yasuyuki.miyasaka
 @tohatsu.co.jp

The following accounting and auditing standards and related publications were issued in Japan during the first quarter of 2007:

Issued	Issuer	Document Description
7 Feb. 2007	ASBJ	Amendments to PITF (Practical Issues Task Force) No. 2, Transfers between Retirement Benefit Plans
15 Feb. 2007	BAC	Standard for Implementation of Evaluation and Audit for Internal Control over Financial Reporting
9 Mar. 2007	ASBJ	Exposure Draft of Partial Amendments to Accounting Standard for Retirement Benefit
14 Mar. 2007	ASBJ	ASB Standard No.12, Accounting Standard for Quarterly Financial Statements ASB Guidance No.14, Guidance on Accounting Standard for Quarterly Financial Statements
27 Mar. 2007	BAC	Review Standard for Quarterly Financial Statements
29 Mar. 2007	ASBJ	ASB Guidance No.15, Implementation Guidance for Disclosure of Certain Special Purpose Entities
29 Mar. 2007	ASBJ	Exposure Draft of PITF, Practical Guidance for Accounting for Trust
30 Mar. 2007	ASBJ	ASB Standard No.13, Accounting Standard for Lease Transactions ASB Guidance No.16, Guidance on Accounting Standard for Lease Transactions
*ASBJ: Accounting Standards Board of Japan BAC: Business Accounting Council		

Standard for Implementation of Evaluation and Audit for Internal Control over Financial Reporting

On February 15, 2007, Internal Control Committee of BAC issued Exposure Draft of Standard for Implementation of Evaluation and Audit for Internal Control over Financial Reporting. The Draft is the status of the Guidance of the Standard issued by BAC on December 8, 2005, effective for fiscal years beginning on or after April 1, 2008.

The Standard and draft Guidance, so-called "J-SOX Rule", require management of the company to examine and evaluate its own internal control over financial reporting, and auditors to audit the report of evaluation prepared by the management. The rule is implemented from fiscal years beginning on or after April 1, 2008.

JAPAN, continued

ASB Standard No. 12, Accounting Standard for Quarterly Financial Statements

On March 14, 2007, ASBJ issued Accounting Standard for Quarterly Financial Statements. The Financial Instruments and Exchange Law of Japan requires listed companies to submit their quarterly financial statements from fiscal years beginning on or after April 1, 2008, which consist of a balance sheet, an income statement, a cash flow statement, and selected footnotes. The standard requires companies to adopt the same accounting policies and procedures as those for annual closing, except for certain items.

ASB Standard No. 13, Accounting Standard for Lease Transactions

On March 30 2007, ASBJ issued Accounting Standard for Lease Transactions. A Japanese company is currently allowed not to capitalise finance leases that do not transfer ownership of the leased property to the lessee if certain 'as if capitalized' information is disclosed in the footnote. The new standard requires that companies should recognise all finance leases on the balance sheet, except for lease arrangements that are either less than 3 million yen or less than one year. The rule is effective for fiscal years beginning on or after April 1, 2008. Early adoption is permitted.

MALAYSIA
Contact: Hiew Kim Tiam
khiew@deloitte.com

1. Limited amendment to FRS 121

On 15 February 2007, the Malaysian Accounting Standards Board (MASB) issued a limited amendment to FRS 121, which will result in exchange differences arising from investment in foreign operations to be recognised in equity. Previously, exchange differences arising from such transactions between companies in a group would be accounted for in the income statement or equity depending on the currency of the monetary item.

The amendment is identical to the provisions of the limited revision to IAS 21 and will apply to annual periods beginning on or after 1 July 2007.

2. Six New Accounting Interpretations

On 15 February 2007, MASB issued six new Interpretations of a number of existing standards:

Interpretation [Int.]	Title	IFRIC Interpretation [IFRIC Int.]
IC Int. 1	Changes in Existing Decommissioning, Restoration & Similar Liabilities	IFRIC Int. 1
IC Int. 2	Members' Shares in Co operative Entities and Similar Instruments	IFRIC Int. 2
IC Int. 5	Rights to Interests arising from Decommissioning, Restoration & Environmental Rehabilitation Funds	IFRIC Int. 5
IC Int. 6	Liabilities arising from Participating in a Specific Market – Waste Electrical & Electronic Equipment	IFRIC Int. 6
IC Int. 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies	IFRIC Int. 7
IC Int. 8	Scope of FRS 2	IFRIC Int. 8

MALAYSIA, continued

The above interpretations are identical to the respective IFRIC Interpretations and apply to annual periods beginning on or after 1 July 2007.

3. Exposure draft to amend ten accounting standards

On 15 March 2007, MASB has released Exposure Draft ED 55 Proposed Amendments to Financial Reporting Standards for public comment. The purpose of ED 55 is to remove the remaining differences between ten existing Financial Reporting Standards (FRSs) and International Accounting Standards (IASs), to eventually result in these FRSs being virtually identical to the respective IASs.

The 10 Standards are:

- FRS 107 (2004) Cash Flow Statements;
- FRS 111 (2004) Construction Contracts;
- FRS 112 (2004) Income Taxes;
- FRS 118 (2004) Revenue;
- FRS 119 (2004) Employee Benefits;
- FRS 120 (2004) Accounting for Government Grants and Disclosure of Government Assistance;
- FRS 123 (2004) Borrowing Costs;
- FRS 126 (2004) Accounting and Reporting by Retirement Benefit Plans;
- FRS 134 (2004) Interim Financial Reporting; and
- FRS 137 (2004) Provisions, Contingent Liabilities and Contingent Assets

4. Two draft Accounting Interpretations

On 30 March 2007, MASB has released Draft IC Interpretation 9 Reassessment of Embedded Derivatives and Draft IC Interpretation 10 Interim Financial Reporting and Impairment for public comment. These interpretations are similar to the international interpretations, IFRIC Interpretation 9 and IFRIC Interpretation 10.

NEW ZEALAND

Contact: Denise

Hodgkins

dhodgkins@deloitte.co.nz

IASB Equivalent Standards Issued by the Accounting Standards Review Board (ASRB)

The following pronouncements have recently been approved by the ASRB and are currently going through the final publication process. As such these pronouncements are subject to final editorial and formatting changes:

- New Zealand equivalent to IFRIC Interpretation 11 IFRS 2–Group and Treasury Share Transactions (NZ IFRIC 11)
- New Zealand Equivalent to IFRIC Interpretation 12 Service Concession Arrangements (NZ IFRIC 12)
- New Zealand Equivalent to International Financial Reporting Standard 8 Operating Segments (NZ IFRS 8)

**NEW ZEALAND,
continued**

**IASB Exposure Drafts and Discussion Papers Issued by the
Financial Standards Review Board (FRSB)**

- IASB Exposure Draft of a Proposed International Financial Reporting Standard for Small and Medium-sized Entities

New Zealand specific matters:

The FRSB is also taking this opportunity to undertake a comprehensive review of differential reporting in New Zealand. The FRSB has issued a Request for Comment on the proposed IFRS for SMEs and other issues regarding financial reporting by SMEs in New Zealand.

- Request for Comment on Exposure Draft of Proposed Amendments to NZ IAS 24 Related Party Disclosures

New Zealand specific matters:

The FRSB is proposing to:

- (a) remove the existing exemption in NZ IAS 24 that applies to some public benefit (public sector/not for profit) entities; and
 - (b) add an exemption to apply to some public benefit entities in respect of transactions with key management personnel, provided specified criteria are met.
- IASB ED Proposed Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards - Cost of an Investment Subsidiary
 - IASB DP Fair Value Measurements
 - ED 110 Credit Rating Disclosures and the Scope of Requirements for Insurance Contracts

Legislative Update

In November 2006, a number of changes to the Financial Reporting Act 1993 and the Companies Act 1993 were approved with the objective of removing unneeded or excessive preparation, audit and filing requirements.

It is important to understand these changes and the impact on the requirement to prepare, audit, and file financial statements. As this area is complex, it is recommended that the specific wording of the Act is consulted when assessing the impact.

Overview of key changes:

- The effective dates of the legislation and the accounting periods affected varies and in some cases is not yet finalised (at time of writing – March 2007).
- Exempt company thresholds have been lifted.
- A new category called non-active entities has been created. Non-active entities do not need to prepare or file audited entity financial statements.
- The requirement to file audited entity and group financial statements for overseas companies and related entities has been changed. For example, a large criteria has been introduced for certain entities, and there is a new exemption for subsidiaries of NZ incorporated companies whose entity and group audited financial statements have been prepared and filed. Note – this is a filing change only, and does not change the preparation and audit requirements.

**NEW ZEALAND,
continued**

- The definition of an issuer has been expanded to include every recipient of money from conduit issuers.
- All issuers must prepare group financial statements, which therefore includes wholly owned issuers which were previously exempt.
- There is the opportunity for certain discretionary exemptions by the Securities Commission and the Registrar.
- There is the opportunity for the ASRB to provide exemptions from the requirement to comply with an applicable financial reporting standard (which may impact an entity's ability to assert compliance with IFRS).
- Rather than pursuing convictions for failing to comply, the Registrar can now impose infringement fees of \$7,000 in certain circumstances.
- Entities have the opportunity to provide annual reports electronically, and to provide and concise annual reports (also electronically).

**PHILIPPINES
Contact: Cindy F. Ortiz
cfortiz@deloitte.com.ph****Philippine Financial Reporting Standards Council (FRSC)**

The Philippine Financial Reporting Standards Council (FRSC) issued the following IASB documents for comment:

- Exposure Draft of Proposed Amendments to IFRS 1, First-time Adoption of International Financial Reporting Standards—Cost of an Investment in a Subsidiary
- Exposure Draft of Proposed Amendments to IAS 24, Related Party Disclosures – State-controlled Entities and the Definition of a Related Party
- Exposure Draft of International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs)

The FRSC also approved the issuance of the following interpretations and new accounting standard:

- Philippine Interpretation IFRIC–11, Group and Treasury Share Transactions

Philippine Interpretation IFRIC–12, Service Concession Arrangements

- Philippine Financial Reporting Standard 8, Operating Segments.

The FRSC has also approved an amendment to PAS 101, Financial Reporting Standards for Non-Publicly Accountable Entities – Change in Effective Date. The effective date of the standard for 2005 to 2007 has been deleted.

When PAS 101 was approved in October 2005, it was expected that the IASB, based on its project timetable at that time, would issue an exposure draft on accounting by NPAEs in March 2006 and the final standard in 2007. Accordingly, PAS 101 was made effective for 2005 to 2007, unless revoked earlier.

A draft standard for NPAEs, now referred to as small -and medium-sized entities (SMEs), was recently issued by the IASB, with a final standard in mid-2008.

With this development, PAS 101 will continue in effect until it is withdrawn by the FRSC.

PHILIPPINES, continued

Philippine Securities and Exchange Commission Notice

The Philippine Securities and Exchange Commission in its meeting on March 1, 2007 issued a notice that resolved that pending finalisation of the revised Pre-Need Uniform Chart of Accounts (PNUCA) and the acceptable accounting standards for the pre-need companies, the following shall be complied with by the said entities:

1. Submit on or before due date their 2006 audited financial statements on the basis of the applicable accounts in the existing PNUCA and the effective Philippine Accounting Standards (PAS)/Philippine Financial Reporting Standards (PFRS) except for the accounting treatment on revenues and financial liabilities which shall be recognized and measured in accordance with the existing acceptable practices of the industry;
2. Pre-need companies that have issued life plans must adopt and implement in their 2006 audited financial statements the requirements of (a) PFRS 4 (Insurance Contracts) to account for the said life plan product; and (b) the appropriate standard for such other plans they may have.

The above pronouncement forms part of the generally accepted accounting principles in the Philippines.

TAIWAN

Contact: Jerry Tsai
jerrytsai@deloitte.com.tw

Accounting Standards:

SFAS 39 Share-based Payment was under the first reading starting 25 January 2007.

SFAS 38 Non-Current Assets Held for Sale and Discounted Operations was issued on 30 November 2006 and effective for periods beginning on or after 1 January 2007.

Amendments of SFAS 7 Consolidated Financial Statements, SFAS 25 Business Combinations – Accounting Treatment under Purchase Method, and SFAS 35 Accounting for Impairment of Assets were also released on 30 November 2006 to correspond with the issue of SFAS 38.

SFAS 37 Intangible Assets was issued on 20 July 2006 and effective for periods beginning on or after 1 January 2007.

Auditing Standards:

Statements on Standards for Valuation Service was under the third reading starting 6 March 2007.

Auditing Standard No. 44 Audit Documentation was under the first reading starting 26 December 2006.

Auditing Standard No. 43 The Auditor's Responsibility to Consider Fraud in an Audit of Financial Statements was issued on 1 September 2006 and became effective for audits of financial statement for periods ending on or after 31 December 2006.

THAILAND
Contact: Russell Toy
rutoy@deloitte.com

Accounting Standards in Thailand are issued by the Federation of Accounting Professions (FAP) which was established in 2004.

The FAP has issued the following draft guidelines:

- Accounting for Derivatives and Embedded Derivatives
- Accounting for Securitisations

The FAP had issued exposure drafts which would revise existing TAS to conform with International Financial Reporting Standards (IFRSs):

- TAS No. 29, Leases (IAS 17)
- TAS No. 31, Inventories (IAS 2)
- TAS No. 32, Property, Plant and Equipment (IAS 16)
- TAS No. 35, Presentation of Financial Statements (IAS 1)
- TAS No. 36, Impairment of Assets (IAS 36)
- TAS No. 44, Consolidated and Separate Financial Statements (IAS 27)
- TAS No. 45, Investments in Associates (IAS 28)
- TAS No. 46, Interests in Joint Ventures (IAS 31)
- TAS No. 47, Related Party Disclosures (IAS 24)
- TAS No. 51, Intangible Assets (IAS 38)
- TAS No. 55, Accounting for Government Grants and Disclosure of Government Assistance (IAS 20)
- TAS No 57, Agriculture (IAS 41)

The FAP has also issued an exposure draft accounting standard that covers investment property, based on IAS No. 40.

The most comprehensive IFRS news on the Net

The IAS Plus website, maintained by Deloitte, provides the most comprehensive information on the Internet about international financial reporting. It is aimed at accounting professionals, businesses, financial analysts, standard-setters and regulators, and accounting educators and students. The site, which is totally free of charge, has a broad array of resources about the International Accounting Standards Board and International Financial Reporting Standards, including:

- A news page (updated almost daily). Day-by-day past news back to December 2000.
- Detailed summaries of all Standards and Interpretations.
- E-learning modules for each IAS and IFRS – made available at no charge in the public interest.
- Model IFRS financial statements and disclosure checklists.
- Downloadable Deloitte publications relating to IFRSs (over 60 publications available).
- Background and updates on all IASB and IFRIC agenda projects, including decision summaries of all IASB meetings.
- Comparisons of IFRSs and various national GAAPs.
- Complete history of the adoption of IFRSs in Europe, with links to all the relevant documents.
- Information about adoptions of IFRSs elsewhere around the world.
- Updates on national accounting standards development in over 75 countries throughout the world.
- A resource library of important documents relating to International Financial Reporting Standards.
- Description of the IASB structure, component bodies, and key organisations with which it interrelates.
- History of the IASB, including a comprehensive chronology.
- Links to nearly 200 global IFRS-related websites.
- Even some tools to help in your work, such as world time clock, 9-year calendar, unit conversions, amortisation calculator, telephone codes, currency converter, stock market indexes, worldwide weather, and a calculator.
- 4,600,000 visitors through March 2007.

www.iasplus.com

Subscribe to the IAS Plus Newsletter

This newsletter is published quarterly. We also publish special editions summarising key IASB and IFRIC proposals and pronouncements. We will be happy to notify you by email when each new IAS Plus Newsletter is published. The email will include a link for an effortless download. We also email any important news arising between issues of IAS Plus, such as announcements of new IASB EDs and Standards and IFRIC draft and final Interpretations. If you would like to be added to our e-mail alert list, you can subscribe online at www.iasplus.com/subscribe.htm. There is no charge.

Electronic editions of **IAS Plus** are available at www.iasplus.com/iasplus/iasplus.htm

About Deloitte Touche Tohmatsu

Deloitte refers to one or more of Deloitte Touche Tohmatsu, a Swiss Verein, its member firms, and their respective subsidiaries and affiliates. Deloitte Touche Tohmatsu is an organisation of member firms around the world devoted to excellence in providing professional services and advice, focused on client service through a global strategy executed locally in nearly 140 countries. With access to the deep intellectual capital of approximately 135,000 people worldwide, Deloitte delivers services in four professional areas – audit, tax, consulting and financial advisory services – and serves more than one-half of the world's largest companies, as well as large national enterprises, public institutions, locally important clients, and successful, fast-growing global growth companies. Services are not provided by the Deloitte Touche Tohmatsu Verein, and, for regulatory and other reasons, certain member firms do not provide services in all four professional areas.

As a Swiss Verein (association), neither Deloitte Touche Tohmatsu nor any of its member firms has any liability for each other's acts or omissions. Each of the member firms is a separate and independent legal entity operating under the names "Deloitte", "Deloitte & Touche", "Deloitte Touche Tohmatsu", or other related names.

For more information on Deloitte Touche Tohmatsu please access our website at www.deloitte.com.

About this Publication

This publication contains general information only and is not intended to be comprehensive or to provide specific accounting, business, financial, investment, legal, tax or other professional advice or services. This publication is not a substitute for such professional advice or services, and it should not be acted on or relied upon or used as a basis for any decision or action that may affect you or your business. Before making any decision or taking any action that may affect you or your business, you should consult a qualified professional advisor.

Whilst every effort has been made to ensure the accuracy of the information contained in this publication, this cannot be guaranteed, and neither Deloitte Touche Tohmatsu nor any related entity shall have any liability to any person or entity that relies on the information contained in this publication. Any such reliance is solely at the user's risk.

© Deloitte Touche Tohmatsu 2007. All rights reserved.



Deloitte
Touche
Tohmatsu