

IAS Plus.

Published for our clients and staff globally

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IAS Plus website

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International financial reporting news

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For information about the content of **IAS Plus (Global)** please contact:
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| IASB PROJECT TIMETABLE – ACTIVE PROJECTS | |
|--|---|
| Annual Improvements | <ul style="list-style-type: none"> • 2006/2007: Final IFRS expected second quarter 2008 • 2007/2008: Exposure Draft (ED) expected fourth quarter 2008 |
| Accounting Standards for Small and Medium-sized Entities | <ul style="list-style-type: none"> • Recognition and measurement questionnaire issued April 2005 • Public roundtables held October 2005 • ED issued 15 February 2007 • Final IFRS expected fourth quarter 2008 |
| Common Control Transactions | <ul style="list-style-type: none"> • Added to agenda December 2007 |
| Conceptual Framework Eight phases in all | <ul style="list-style-type: none"> • Discussion Paper (DP) on objectives and qualitative characteristics issued July 2006. ED expected first quarter 2008 • DP on reporting entity expected first quarter 2008 • DP on measurement expected fourth quarter 2008 • DP on elements and recognition expected 2009 |
| Consolidation, including SPEs* | <ul style="list-style-type: none"> • DP expected third quarter 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 second quarter 2008 <p><u>Joint Arrangements – Reconsideration of IAS 31</u></p> <ul style="list-style-type: none"> • ED 9 Joint Arrangements issued 13 September 2007 • Final IFRS expected fourth quarter 2008 <p><u>Impairment</u></p> <ul style="list-style-type: none"> • Staff work has begun |
| Earnings per Share amendment | <ul style="list-style-type: none"> • ED expected first quarter 2008 |
| Emission Trading Schemes | <ul style="list-style-type: none"> • Added to agenda December 2007 |
| Fair Value Measurement Guidance* | <ul style="list-style-type: none"> • DP issued 30 November 2006 • Roundtables planned second quarter 2008 |
| Financial Instruments | <p><u>IAS 32 Puttable Instruments</u></p> <ul style="list-style-type: none"> • ED issued June 2006 • Final IFRS expected first quarter 2008 <p><u>IAS 39 Exposures Qualifying for Hedge Accounting</u></p> <ul style="list-style-type: none"> • ED issued 6 September 2007 • Final IFRS expected fourth quarter 2008 |
| Financial Statement Presentation* Phase B: Presentation on the face of financial statements | <ul style="list-style-type: none"> • Working group appointed in 2005 • DP expected second quarter 2008 |
| Government Grants * | <ul style="list-style-type: none"> • Work deferred pending IAS 37 amendments project |
| IFRS 1 Amendment – Cost of Investment in a Subsidiary, Jointly Controlled Entity or Associate in Separate Statements of Parent | <ul style="list-style-type: none"> • ED issued 25 January 2007 • Revised ED issued 13 December 2007 • Final IFRS expected second quarter 2008 |
| IFRS 2 Amendment – Group Cash-settled Share-based Payment Transactions | <ul style="list-style-type: none"> • ED issued 13 December 2007 |
| Insurance Contracts – Phase II | <ul style="list-style-type: none"> • DP issued 3 May 2007 |

| | |
|---|---|
| Leases* | <ul style="list-style-type: none"> • Added to agenda July 2006 • Staff work has begun • DP expected 2009 |
| Liabilities (IAS 37 amendments) | <ul style="list-style-type: none"> • EDs issued June 2005 • Public round-tables held fourth quarter 2006 |
| Management Commentary | <ul style="list-style-type: none"> • DP issued October 2005 • Added to agenda December 2007 • Output will be best practice guidance, not an IFRS |
| Post-employment Benefits (including Pensions)* | <ul style="list-style-type: none"> • Working Group was formed March 2007 • DP expected first quarter 2008 |
| Revenue Recognition* | <ul style="list-style-type: none"> • DP expected second quarter 2008 |
| Related Party Disclosures | <ul style="list-style-type: none"> • ED issued February 2007 • Final IFRS expected first quarter 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 expected first quarter 2008 |
| Financial Instruments* | <ul style="list-style-type: none"> • Working group appointed • Staff research questionnaire issued March 2006 • DP expected first quarter 2008 |
| Intangible Assets | <ul style="list-style-type: none"> • Decision in December not to add to agenda but continue as research project |
| Liabilities and Equity* | <ul style="list-style-type: none"> • DP expected first quarter 2008 |
| <i>Other IASB Research Projects:</i> | |
| Extractive Industries | <ul style="list-style-type: none"> • Group of national standard setters conducting research • DP expected fourth quarter 2008 |

* 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.

IASB News

Click here for the press release:

www.iasplus.com/pressrel/0801ifrs2vesting.pdf

We have published a special edition of the IAS Plus newsletter summarising the revised standard. You can find it here:

www.iasplus.com/iasplus/0801ifrs2vesting.pdf

Click here for the press release:

www.iasplus.com/pressrel/0801buscomb2pr.pdf

We have published a special edition of the IAS Plus newsletter summarising the revised standard. You can find it here:

www.iasplus.com/iasplus/0801buscomb.pdf

IFRS 2 amendment – vesting conditions and cancellations

The IASB has amended IFRS 2 *Share-based Payment* to clarify the terms 'vesting conditions' and 'cancellations' as follows:

- Vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions.
- All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. Under IFRS 2, a cancellation of equity instruments is accounted for as an acceleration of the vesting period. Therefore any amount unrecognised that would otherwise have been charged is recognised immediately.

Revised standard on business combinations

The IASB has published a revised IFRS 3 *Business Combinations* and related revisions to IAS 27 *Consolidated and Separate Financial Statements*. There are also consequential amendments to other standards, most notably IAS 28 *Investments in Associates* and IAS 31 *Interests in Joint Ventures*. The amendments are effective for annual periods beginning on or after 1 July 2009. Earlier application is permitted but only back to an annual reporting period that begins on or after 30 June 2007.

The revised IFRS 3 resulted from a joint project with the US Financial Accounting Standards Board (FASB). The FASB issued a similar standard in December 2007 (SFAS 141(R)). The revisions will result in a high degree of convergence between IFRSs and US GAAP in these areas, although some potentially significant differences remain. Among the differences the FASB standard requires (rather than permits) the full goodwill method. There are also differences in scope, the definition of control, and how fair values, contingencies, and employee benefit obligations are measured, as well as several disclosure differences. A booklet of illustrative examples issued along with the revised IFRS 3 and IAS 27 includes a comparison with SFAS 141(R).

Some of the significant amendments to IFRS 3

1. **Acquisition costs.** Costs of issuing debt or equity instruments are accounted for under IAS 39. All other costs associated with the acquisition must be expensed, including reimbursements to the acquiree for bearing some of the acquisition costs. Examples of costs to be expensed include finder's fees; advisory, legal, accounting, valuation, and other professional or consulting fees; and general administrative costs, including the costs of maintaining an internal acquisitions department.
2. **Contingent consideration.** If the amount of contingent consideration changes as a result of a post-acquisition event (such as meeting an earnings target), accounting for the change in consideration depends on whether the additional consideration is an equity instrument or cash or other assets paid or owed. If it is equity, the original amount is not remeasured. If the additional consideration is cash or other assets paid or owed, the changed amount is recognised in profit or loss. If the amount of consideration changes because of new information about the fair value of the amount of consideration at acquisition date (rather than because of a post-acquisition event) then retrospective restatement is required.

Some of the significant amendments to IFRS 3 (continued)

3. **Goodwill and non-controlling interest.** An option is added to IFRS 3 to permit an entity to recognise 100% of the goodwill of the acquired entity, not just the acquiring entity's portion of the goodwill, with the increased amount of goodwill also increasing the non-controlling interest [new term for 'minority interest'] in the net assets of the acquired entity. This is known as the 'full goodwill method'. Such non-controlling interest is reported as part of consolidated equity. The 'full goodwill' option may be elected on a transaction-by-transaction basis.
4. **Step acquisition.** Prior to control being obtained, the investment is accounted for under IAS 28, IAS 31, or IAS 39, as appropriate. On the date that control is obtained, the fair values of the acquired entity's assets and liabilities, including goodwill, are measured (with the option to measure full goodwill or only the acquirer's percentage of goodwill). Any resulting adjustments to previously recognised assets and liabilities are recognised in profit or loss. Thus, attaining control triggers remeasurement.
5. **Partial disposal of an investment in a subsidiary while control is retained.** This is accounted for as an equity transaction with owners, and no gain or loss is recognised.
6. **Partial disposal of an investment in a subsidiary that results in loss of control.** Loss of control triggers remeasurement of the residual holding to fair value. Any difference between fair value and carrying amount is a gain or loss on the disposal, recognised in profit or loss. Thereafter, apply IAS 28, IAS 31, or IAS 39, as appropriate, to the remaining holding.
7. **Acquiring additional shares in the subsidiary after control was obtained.** This is accounted for as an equity transaction with owners (like acquisition of 'treasury shares'). Goodwill is not remeasured.
8. **Scope changes.** The revised IFRS 3 applies to combinations of mutual entities and combinations without consideration (dual listed shares). These are excluded from the existing IFRS 3. The revised IFRS 3 does not apply to combinations of entities under common control. The IASB added to its agenda a separate agenda project on Common Control Transactions in December 2007.

Some of the significant amendments to IAS 27, IAS 28 and IAS 31

1. **Partial disposals of subsidiaries.** Items 5 and 6 above in changes to IFRS 3 are also changes in IAS 27.
2. **Partial disposals of associates and joint ventures.** If an investor loses significant influence over an associate, it derecognises that associate and recognises in profit or loss the difference between the sum of the proceeds received and any retained interest, and the carrying amount of the investment in the associate at the date significant influence is lost. Similar treatment applies when an investor loses joint control over a jointly controlled entity.
3. **Attributing income to the NCI.** Total comprehensive income is allocated to the non-controlling interest (NCI) even if this results in the NCI having a deficit balance.

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

On IAS Plus you can download the press release:
www.iasplus.com/pressrel/0712ifrs1amendment.pdf

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

Click here for the press release:
www.iasplus.com/pressrel/0712ifrs2amendment.pdf

Click here to download the Q&As:
[media.iasb.org/Service margin draft FAQs \(2\).pdf](http://media.iasb.org/Service%20margin%20draft%20FAQs%20(2).pdf)

Revised ED on 'deemed' cost of investment

The IASB published for public comment a revised exposure draft (ED) of proposed amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* and IAS 27 *Consolidated and Separate Financial Statements*. The revised ED – *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* – responds to comments received on the related exposure draft published in January 2007. The proposals address concern that retrospectively determining cost in accordance with IAS 27 on first-time adoption of IFRSs cannot, in some circumstances, be achieved without undue cost or effort. Comment deadline is 26 February 2008.

Under the revised proposal:

- Entities, in their separate financial statements, would be allowed to use a 'deemed cost' option for determining the cost of an investment.
- That 'deemed cost' could be either fair value (determined in accordance with *IAS 39 Financial Instruments: Recognition and Measurement*) or the carrying amount under previous national standards.
- The 'deemed cost' option would apply to jointly controlled entities and associates as well as subsidiaries.
- A new parent would be required to measure cost using the carrying amounts of the existing entity at the date when the new parent is formed.
- The 'cost method' would be deleted from paragraph 4 of IAS 27.

Group cash-settled share-based payment transactions

The IASB has published for public comment an ED of proposed amendments to IFRS 2 *Share-based Payment* and to IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions*. The proposals would provide guidance on how a group entity that receives goods or services from its suppliers (including employees) should account for the following arrangements, known as group cash-settled share-based payment transactions:

- Arrangement 1 – the entity's suppliers will receive cash payments that are linked to the price of the equity instruments of the entity.
- Arrangement 2 – the entity's suppliers will receive cash payments that are linked to the price of the equity instruments of the entity's parent.

Under either arrangement, it is the entity's parent that has an obligation to make the required cash payments to the entity's suppliers, not the entity itself. The ED clarifies that IFRS 2 applies to such arrangements even if the entity that receives goods or services from its suppliers has no obligation to make the required share-based cash payments. Under the proposal, the entity would measure the goods or services in accordance with the requirements for cash-settled share-based payment transactions. Comment deadline is 17 March 2008.

Staff Q&As on the Insurance Contracts discussion paper

In response to many questions received about the service margins section of the discussion paper on *Preliminary Views on Insurance Contracts*, the IASB staff has prepared a set of questions and answers.

Information about the IASB's agenda projects:
www.iasplus.com/agenda/agenda.htm

Three projects added to the technical agenda

At its meeting in December 2007, the IASB agreed to add three projects to its active technical agenda. The Board decided not to take on a fourth project, on intangible assets. Also, it decided not to undertake, at this time, a comprehensive reconsideration of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*.

The three projects added to the IASB's technical agenda are:

- **Emission Trading Schemes.** The project will address emission trading rights, including any government grants associated with such emission trading rights, but will not address government grants more generally.
- **Common Control Transactions.** The project will address accounting for combinations between entities or businesses under common control in the acquirer's consolidated and separate financial statements. Specifically, the scope of the project would:
 - define what a common control transaction is.
 - include demergers and spin offs.
- **Management Commentary.** The objective is to develop a model for a narrative report that would accompany but be presented outside of the financial statements, setting out management's explanation of the enterprise's financial condition, changes in financial condition, results of operations, and causes of changes in material line items. The project would build on the discussion paper that the Board published for comment in October 2005. The output of the project would be a 'best practice' guidance document rather than an IFRS.

The latest and previous editions of 'Insight' can be download on the IASB's website:
www.iasb.org

Global adoption of IFRSs – implications for the profession

The Q4 2007 issue of Insight, the IASB's and the IASCF's quarterly journal, includes an article on *IFRSs Going Global: Implications for the Profession*. The article has a number of comments from Ken Wild, Deloitte's Global Leader for IFRSs, including the following about the benefits of IFRSs:

The benefits are self-evident. The more investors and other stakeholders think that they understand something the more likely they are to provide money or invest in it. It all depends on how much confidence they have in the company and there will always be an element of doubt if the language is different.

Our View: Deloitte Letters of Comment

Deloitte letters of comment to the IASB, IFRIC, IASCF, IASC, and SIC may be found here:

www.iasplus.com/dttltr/comment.htm

IFRS for SMEs exposure draft

We note that there is strong demand globally for the introduction of an IFRS for SMEs. As a global issue, we believe that the resulting ED produced by the IASB is a fair compromise given the competing priorities of different jurisdictions and represents a good starting point from which debate and changes may be made to create an effective standard for SMEs. We also suggest that, to increase the use of the final standard in different jurisdictions, the IASB consider whether it would be viable to make the final standard available free of charge on the internet.

Here is an excerpt from our comment letter:

The final Standard should be a fully stand-alone document. We support the objective of a self-contained, comprehensive, set of standards for SMEs and do not agree that the IFRS for SMEs should contain any cross referencing to full IFRS, with the exception of financial instruments, as discussed in Appendix C. We believe that SMEs should be able to find all their financial reporting requirements in the one stand-alone document.

The IFRS for SMEs has not addressed the needs of SME subsidiaries where consolidated financial statements are prepared by the parent company in accordance with full IFRS. Such entities are likely to prefer to apply the same recognition and measurement principles as applied by the group but with reduced disclosure. We believe that such an option should be included within the IFRS for SMEs.

Further simplification of the recognition and measurement principles is required. The needs of users of SME financial statements are not as sophisticated as those of full IFRS financial statements and therefore the accounting requirements should be simplified. This may include further elimination of options, and/or, alternatively, increasing divergence from full IFRS. The proposals also appear to have unintended consequences that make the ED, in some respects, more onerous than for those applying full IFRS.

Further disclosure relief is required. Although we acknowledge that the ED proposes significant disclosure relief when compared to full IFRS, we believe this is a key area where simplification has not gone far enough. Further enhancements are possible without any risk of not satisfying the information need of users.

Clarification that the IFRS for SMEs is not part of the IFRS hierarchy is required (possibly via an amendment to IAS 8). We are concerned that in circumstances where full IFRS is silent on a transaction, condition or event, users of full IFRS may be required to analogise to the IFRS for SMEs for guidance.

Insurance Contracts discussion paper

We generally agree with the DP's main proposal that insurance liabilities should be measured at a current value, on the basis of the 'three building blocks'. However, in looking at the detailed approach outlined in the DP, we express a number of comments and concerns.

Here is an excerpt from our comment letter:

Use of market-based data. *We agree with an overall principle that all assumptions used should be market consistent, but only to the extent that references to market data are effectively available and relevant to include in the measurement of an insurance liability. If this not the case, the final Standard on insurance contracts should clearly state that an insurer will use 'portfolio-specific' data if available, and otherwise its own entity-specific data, to the extent that market participants would have included this type of data into the measurement of an insurance liability.*

Risk margins and service margins. *We believe that the DP fails to provide a clear view of what are the risk and service margins. In addition, the DP fails to discuss properly the nature of insurance contracts and whether analogies should be made with service contracts.*

Day-one gains and losses. *Once insurance liabilities have been determined using the 'three building blocks' (and taking into account our comments), a proper estimate of the performance obligations associated with the insurance contracts will have been performed. Accordingly, we agree that it is appropriate to recognise in profit or loss any difference that arises at inception of insurance contracts between the measurement obtained (less relevant acquisition costs) and the premiums received.*

Labelling of the measurement attribute for insurance liabilities. *We disagree with labelling the measurement attribute for insurance liabilities as a 'current exit value'. We do not believe that that term appropriately portrays what the goal of the measurement should be, or that there should be a reference to a transfer value. Insurers cannot transfer their insurance liabilities to third parties freely and would generally not wish to do so. ...The usual way of settling an insurance liability is for an insurer to continue to fulfil its commitments until the obligation is extinguished.*

Unit of account. *We consider it important that the final Standard on insurance contracts specifies clearly that the unit of account for estimating both expected future cash flows and the risk margin is the portfolio of insurance contracts.*

Estimates of future cash flows: policyholders' behaviour and participation. *Consideration of policyholders' behaviour is a reality of insurance activities. We support an overall objective for the final Standard on insurance contracts that is to provide relevant information to the users of the financial statements, enabling them to predict the cash flows relating to insurance contracts that will flow to and from the reporting entity.*

Insurance Contracts discussion paper (continued)

Consistency of the requirements for insurance contracts with other Standards. Wesupport pursuing the efforts undertaken so as to produce proposals for insurance contracts – in the not too distant future – that result in sound and relevant financial information for those contracts, enabling the users of the financial statements to better predict the future cash flows that will flow to, or from, the reporting entity. If a treatment is considered to best meet the objective that we indicate, but would create an inconsistency with other parts of the IFRS literature, we do not consider that this treatment should be rejected outright.

ED 9 Joint Arrangements

Our letter expresses serious reservations about the IASB's proposal and concludes that it is best for the IASB not to proceed with the proposals in ED 9 at this time.

Here is an excerpt from our comment letter:

Part of the IASB's strategy with respect to its short-term convergence agenda is to identify what the Board concludes to be the highest quality solution available from the current population of accounting standards and to move to that standard. We support this approach. However, in ED 9, the IASB has not demonstrated nor put forward conclusive evidence that the approach chosen, i.e. equity accounting, is the highest quality solution for interests in joint ventures, something which the Board acknowledges in its basis for conclusions to the proposed Standard.

As well as eliminating proportionate consolidation, ED 9 proposes a new approach, focussing on contractual rights and obligations rather than the legal form of arrangements. However, as ED 9 is poorly drafted and the IASB's objectives and its rationale for those objectives are not clearly articulated, the requirements and their application are unclear.

Exposures qualifying for hedge accounting exposure draft

Overall we are supportive of the exposure draft of proposed amendments to IAS 39 *Financial Instruments: Recognition and Measurement Exposures Qualifying for Hedge Accounting*.

Here is an excerpt from our comment letter:

We support the Board's intention to clarify IAS 39 in the areas of what risks are eligible for hedge accounting and what portion can be designated as a hedged item. As the amendments' objective is to provide clarity in what is a qualifying hedge accounting relationship it is important that the finalisation of the amendments on risks and portions is very clear. We currently have concerns that some of the drafting is not clear enough and also that the amendments may have unintended consequences for other hedge accounting designations beyond the intended scope of the amendments. We draw this to your attention as well as our proposals to make the amendments clearer and other drafting comments in the answers to the questions in the Appendix to this comment letter.

We have published a special edition of the IAS Plus newsletter summarising the revised standard. You can find it here:

www.iasplus.com/iasplus/0710improvementsed.pdf

Annual Improvements Project exposure draft

The ED proposes miscellaneous amendments to 25 IFRSs. Our letter expresses concern that it is not clear what are regarded by the Board as minor amendments and how such amendments are distinguished from 'major' amendments. We are concerned that this lack of clarity might lead to changes to IFRSs that would better be dealt with as part of the normal due process, i.e. separate exposure of the amendments. Although we acknowledge that the Annual Improvements document is subject to due process as set out in the IASB's Due Process Handbook we are concerned that the level of scrutiny may be less for Annual Improvements than it would be for amendments exposed on a stand-alone basis.

Here is an excerpt from our letter:

We believe that several of the proposed amendments are major amendments to IFRSs and should be exposed as separate documents because the proposed amendments either change or challenge important principles in IFRSs or have consequences beyond the situation the amendment is aiming to address...

In our opinion the following proposed amendments in the exposure draft could not be considered 'minor':

- *the requirement of additional disclosures if an entity is not able/willing to apply IFRSs in full in IAS 1 Presentation of Financial Statements*
- *the proposed deletion of guidance for classification of leases of land in IAS 17 Leases*
- *the proposed replacement of the term 'fall due' in IAS 19 Employee Benefits*
- *the change in the accounting treatment for property under construction/development in IAS 40 Investment Property.*

IFRIC D22 Net Investment Hedging

We welcome guidance in the area of hedges of a net investment in a foreign operation (referred to as 'net investment hedging') as IAS 21 (and indirectly IAS 39) require clarification. We also welcome this draft interpretation as it deals with a number of net investment hedging issues as a package.

Here is an excerpt from our comment letter:

We support the objective of the interpretation to remove the ambiguity in IAS 21 regarding whether the hedged risk is the difference between the functional currency of the foreign operation and the functional or presentation currency of the parent. We recognise the arguments both for and against that are included in the draft interpretation and on balance agree with the conclusion that the IFRIC has reached.

We agree with the clarification that any parent entity within a group that has an interest in a foreign operation may apply net investment hedging. We believe the draft interpretation should be clearer as to whether designated net assets are either the net assets of individual foreign operations or net assets of a sub-consolidated foreign operation (ie a foreign operation that itself has investments in foreign operations and therefore converts its investments in foreign operations into its functional currency in determining a sub-consolidation). We believe both approaches are acceptable but we do not believe the draft interpretation is clear.

Our major concern with the draft interpretation is the guidance on which entity within the group can hold the hedging instrument. We believe the guidance in IAS 39.IG.F.2.14 that permits any entity to hold a hedging instrument has been inappropriately extended in this draft interpretation. We believe that which entity holds the hedging instrument does impact the hedge effectiveness of a net investment hedging relationship. We believe the gains/losses on the hedging instrument derive from recording the hedging instrument in the functional currency of the entity that holds it, and therefore we disagree with the IFRIC that in determining hedge effectiveness the group should 'look-through' the entity that holds the hedging instrument by including part of the foreign currency translation on the net assets of that entity and including that as part of the effective hedging instrument. This approach is contrary to the concepts in IAS 21 that foreign currency translation of foreign operations is different to the foreign currency gains/losses on transactions within an entity.

Deloitte letters of comment to the IAASB may be found here: www.iasplus.com/dttleaudit/commentaudit.htm

Comment letters to the IAASB

Deloitte has recently submitted letters of comment to the International Auditing and Assurance Standards Board (IAASB) on the IAASB's proposed strategy for 2009-2011 and ten proposed International Standards on Auditing:

- Consultation Paper: *Proposed Strategy for 2009-2011*
- Proposed ISA 200 (Revised and Redrafted) *Overall Objective of the Independent Auditor, and the Conduct of an Audit in Accordance with International Standards on Auditing*
- Proposed ISA 220 *Quality Control for an Audit of Financial Statements and ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*
- Proposed ISA 500 (Redrafted) *Considering the Relevance and Reliability of Audit Evidence*
- Proposed ISA 510 (Redrafted) *Initial Audit Engagements – Opening Balances*
- Proposed ISA 530 (Redrafted) *Audit Sampling*
- Proposed ISA 700 *The Independent Auditor's Report on General Purpose Financial Statements*
- Proposed ISA 705 *Modifications to the Opinion in the Independent Auditor's Report*
- Proposed ISA 706 *Emphasis of Matter Paragraphs and Other Matter Paragraph(s) in the Independent Auditor's Report*
- Proposed ISA 800 *Special Considerations – Audits of Special Purpose Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*
- Proposed ISA 805 *Engagements to Report on Summary Financial Statements*

Click here to download the Deloitte letter to the SEC: www.iasplus.com/dttletr/0711ifrsusissuers.pdf

SEC's proposal to allow US issuers to use IFRSs

Deloitte has submitted a letter responding to the US Securities and Exchange Commission's (SEC) Concept Release, *Allowing US Issuers to Prepare Financial Statements in Accordance With International Financial Reporting Standards*. We strongly support the ultimate goal of having a single set of globally accepted accounting standards that all US issuers could use. To that end, we believe that the SEC should develop a comprehensive plan to eventually transition all US issuers to IFRSs. We believe that in the interim, giving US issuers the option to use IFRSs in preparing their financial statements will facilitate movement toward a single set of standards. We support the SEC permitting this option as soon as feasible, provided that there is sufficient time for preparers, auditors, and users to be educated and trained on IFRSs.

News from IFRIC

Click here for the press release:
www.iasplus.com/pressrel/0707ifricd23.pdf

D23 IFRIC draft Interpretation on non-cash distributions

The IFRIC has released for public comment a draft Interpretation, D23 *Distributions of Non-cash Assets to Owners*. IFRIC D23 would apply to all types of distributions of non-cash assets with one exception. It would not apply to a distribution of an asset to another entity within the same consolidated group. IFRIC D23 proposes that all types of distributions of non-cash assets would be measured at the fair value of the assets distributed.

Therefore, IFRIC D23 proposes:

- When an entity incurs an obligation to distribute non-cash assets to its owners (a dividend payable), it should measure the obligation at the fair value of the non-cash assets.
- When an entity settles the dividend payable, it should recognise any difference between the carrying amount of the assets distributed and the carrying amount of the dividend payable in profit or loss.

The Interpretation, if finalised, would apply prospectively, that is, to future distributions. Comment deadline is 25 April 2008.

Click here for the press release:
www.iasplus.com/pressrel/0707ifricd24.pdf

D24 IFRIC draft Interpretation on customer contributions

The IFRIC has released for public comment a draft Interpretation, IFRIC D24 *Customer Contributions*. Customer contributions are transactions in which an entity – the ‘access provider’ – receives an asset it uses to provide access to an ongoing supply of goods or services to a customer or customers. In some cases, the access provider receives cash that it must use to acquire or construct the asset that will provide access.

IFRIC D24 proposes:

- All access providers (recipients of customer contributions) will be required to recognise contributed assets and revenue from providing access to a supply of goods or services over the period access is provided.
- Those access providers that have previously not recognised contributed assets will now recognise increased property, plant, and equipment and revenue.
- Those access providers that have previously recognised revenue immediately on the receipt of a contributed asset may now be required to recognise it over a longer period.

IFRIC D24 would be applied prospectively. The deadline for comments is 25 April 2008.

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 2008 | |
|---|--|
| London, UK | 14 to 15 February 2008 with the Standards Advisory Council, and 18 to 22 February 2008 |
| London, UK | 10 to 14 March 2008 |
| London, UK | 14 to 18 April 2008 |
| London, UK | 21 to 22 April 2008 – Joint IASB/FASB Meeting |
| London, UK | 19 to 23 May 2008 |
| London, UK | 16 to 20 June 2008, and 23 to 24 June 2008 with the Standards Advisory Council |
| London, UK | 21 to 25 July 2008 |
| London, UK | 11 to 12 September 2008 – World Standard Setters Meeting |
| London, UK | 15 to 19 September 2008 |
| London, UK | 13 to 17 October 2008 |
| Norwalk, CT, USA | 21 to 22 October 2008 – Joint IASB/FASB Meeting |
| London, UK | 13 to 14 November 2008 with the Standards Advisory Council, 17 to 21 November 2008 |
| London, UK | 15 to 19 December 2008 |
| IFRIC MEETINGS 2008 | |
| London, UK | 6 to 7 March 2008 |
| London, UK | 8 to 9 May 2008 |
| London, UK | 10 to 11 July 2008 |
| London, UK | 4 to 5 September 2008 |
| London, UK | 6 to 7 November 2008 |
| IASC FOUNDATION TRUSTEES MEETINGS 2008 | |
| Rome, Italy | 29 to 30 January 2008 |
| London, UK | 17 to 18 March 2008 |
| United States | 8 to 9 July 2008 |
| Beijing, China | 9 to 10 October 2008 |

IASC Foundation News

Click here for a complete list of trustees:
www.iasplus.com/restruct/trustees.htm

IASCF Trustee appointments and vacancies

The Trustees of the International Accounting Standards Committee Foundation (IASCF), the oversight body of the IASB, approved certain changes in their membership and leadership:

- Gerrit Zalm, the former Deputy Prime Minister (2003-2007) and Finance Minister (1994-2002, 2003-2007) of the Netherlands, will become the next Chairman. Mr Zalm's three-year term began on 1 January 2008.
- Philip Laskawy, the current Chairman of the Trustees of the IASC Foundation, will become Vice Chairman of the Trustees when Gerrit Zalm assumes the chairmanship. As previously agreed, Bertrand Collomb stood down as Vice Chairman at year end and remains as a Trustee.
- Jeffrey Lucy, former Chairman of the Australian Securities and Investments Commission and incoming Chairman of the Australian Financial Reporting Council, joined the Trustees for a three-year term in January 2008.
- Kees Storm, former Chairman of AEGON, resigned from the Trustees at the end of the year due to other commitments. The Trustees will initiate a public search for his successor shortly.

The Trustees will consult the Trustees Appointments Advisory Group as part of the Trustees' efforts to fill the two other Trustee vacancies, created by the retirements of Roberto Teixeira da Costa and William McDonough.

Regarding the current vacancy in membership of the IASB, the Trustees' Nominating Committee announced that they will begin a new search to fill the vacancy.

Click here for the press release:
www.iasplus.com/pressrel/0711governancepr.pdf

IASCF Trustees announce strategy to enhance governance

The Trustees of the IASCF have announced proposals to enhance the organisation's governance arrangements and reinforce the organisation's public accountability. The Trustees will begin a series of consultations with key stakeholders on these proposals in the build up to the Constitution Review, which is scheduled to start in 2008.

Key matters of the IASCF Governance Proposals are:

- Establish a formal reporting link to a representative group of official organisations, including securities regulators. This body would approve Trustee appointments and review Trustee oversight activities, including the adequacy of the annual funding arrangements as well as the overall budget.
- Intensify and deepen the engagement with key stakeholder groups beyond the formal links to official organisations and develop mechanisms for the Trustees to receive input outside formalised procedures. This would necessarily include mechanisms for meeting with official organisations and private sector institutions and would require consideration of the role and structure of the Standards Advisory Council in the organisation's accountability.
- Establish an enhanced mechanism for input from interested parties who wish to comment on the IASC Foundation's and the IASB's policies, processes, and procedures outside the regularly scheduled meetings.
- Continue efforts towards a sustained, broad-based funding regime.

Click here for the press release:
www.iasplus.com/pressrel/0712constitutionpr.pdf

Click here for the announcement:
www.iasplus.com/pressrel/0801ifricvacancies.pdf

You can download the GPPC paper here:
www.iasplus.com/resource/0712fvfinancialinstruments.pdf

Click here for the CAQ white papers:
www.iasplus.com/usa/caq/0710caqfvmeasurement.pdf

The PCAOB practice alert can be downloaded here:
www.iasplus.com/usa/pcaob/0712fairvalue.pdf

Click here for the IOSCO announcement:
www.iasplus.com/iosco/0711subprime.pdf

Revised IASCF constitution reflects changes to IFRIC

The IASCF has published a revised version of its constitution reflecting various amendments relating to the International Financial Reporting Interpretations Committee (IFRIC). Amendments include enlarging IFRIC from 12 to 14 members, changing the quorum and voting requirements accordingly, and basing the selection of IFRIC members on their awareness of current issues and technical ability to resolve them.

The IASCF is seeking two candidates to enlarge the IFRIC from 12 to 14 members. The two new appointees will serve for terms expiring on 30 June 2011 and would be eligible for reappointment. Members are expected to attend about six two-day meetings each year held in London. Membership is unpaid, but the IASC Foundation meets members' expenses of travel on IFRIC business. Nominations are due by 7 February 2008.

Other News

Determining fair values of financial instruments in difficult market conditions

The six largest accounting networks under the auspices of the Global Public Policy Committee (GPPC) have jointly issued a paper entitled *Determining Fair Value of Financial Instruments under IFRSs in Current Market Conditions*. The objective of the paper is to enhance awareness of the requirements of IFRSs in relation to the determination of fair value of financial instruments and related disclosures. A draft of this paper was shared with the Financial Stability Forum, some board members and staff of the IASB, Standing Committee No. 1 of IOSCO, and the Accounting Task Force of the Basel Committee on Banking Supervision. The GPPC group believes that drawing attention to the issues is helpful in advance of the 2007 year-end reporting season, particularly because this is the first time that IFRSs – and especially the literature relating to valuation of financial assets and liabilities – has been applied extensively in difficult market conditions.

The GPPC paper is similar to the white paper issued by the Center for Audit Quality (CAQ) on *Measurement of Fair Value in Illiquid (or Less Liquid) Markets under US GAAP*. Although much of the discussion in this paper is in the context of assets backed by subprime mortgage loans, the GAAP principles discussed regarding the measurement of fair value are also applicable to the measurement of the fair value of other assets (such as unsecuritized assets), not just those backed by subprime mortgage loans.

The US Public Company Accounting Oversight Board (PCAOB) has published a Staff Audit Practice Alert *Matters Related to Auditing Fair Value Measurements of Financial Instruments and the Use of Specialists* on the audit of fair value measurements in financial statements. The alert provides auditors with additional information related to auditing fair value measurements and disclosures, as well as the use of specialists in this area.

The International Organization of Securities Commissions (IOSCO) has formed a dedicated task force on the subprime crisis to review the issues facing securities regulators following the recent events in the global credit markets. Among other things, the task force will consider valuation of assets and accounting issues, particularly accounting for special purpose entities.

You can download the paper at:
www.iasplus.com/resource/0801principlesbased.pdf

Big-6 paper on principles based standards

The six largest global accounting networks, including Deloitte Touche Tohmatsu, have jointly published a paper on *Principles-Based Accounting Standards*. The paper was launched to coincide with a global public policy symposium in New York, hosted by the firms. The paper, which sets out six key criteria for principles based standards, was debated in a panel that included IASB Chairman Sir David Tweedie and FASB Chairman Robert Herz at the symposium.

The six attributes proposed for principles based standards are:

- Faithful presentation of economic reality
- Responsive to users' needs for clarity and transparency
- Consistency with a clear Conceptual Framework
- Based on an appropriately defined scope that addresses a broad area of accounting
- Written in clear, concise, and plain language
- Allows for the use of reasonable judgment

News from IFAC

The related press releases are available on IAS Plus:

www.iasplus.com/ifac/0712revisedisaspr.pdf

www.iasplus.com/ifac/0710isa600pr.pdf

IAASB: Four revised International Standards on Auditing

The International Auditing and Assurance Standards Board (IAASB) has issued four final International Standards on Auditing (ISAs) that reflect its new clarity drafting conventions. The complete set of revised and clarified ISAs will be effective for audits of financial statements for periods beginning on or after 15 December 2009. The IAASB is releasing standards as they are approved to provide standard setters, regulators, and auditors with sufficient time to plan for the adoption and implementation of the standards.

The new ISAs are:

- ISA 230 (Redrafted) *Audit Documentation*
- ISA 260 (Revised and Redrafted) *Communication with Those Charged with Governance*
- ISA 600 (Revised and Redrafted) *Special Considerations – The Audit of Group Financial Statement (Including the Work of Component Auditors)*
- ISA 720 (Redrafted) *The Auditor's Responsibility in Relation to Other Information in Documents Containing Audited Financial Statements*

You can download the proposals from IAASB's website:

www.ifac.org/iaasb

IAASB: Nine proposed standards

The IAASB has published for comment exposure drafts of six proposed ISAs and one Proposed International Standard on Assurance Engagements (ISAE).

Proposed new standards:

- ISAE 3402 *Assurance Reports on Controls at a Third Party Service Organization*. Complements proposed ISA 402 (Revised and Redrafted) in that reports prepared in accordance with proposed ISAE 3402 will be capable of providing appropriate audit evidence under the proposed ISA. Comments due 31 May 2008.
- ISA 265 *Communicating Deficiencies in Internal Control*. Comments due 30 April 2008.

ISAs revised and redrafted in accordance with the new clarity drafting conventions

- ISA 210 (Redrafted) *Agreeing the Terms of Audit Engagements*. Comments due 15 April 2008
- ISA 402 (Revised and Redrafted) *Audit Considerations Relating to an Entity Using a Third Party Service Organization*. Comments due 30 April 2008.
- ISA 501 (Redrafted) *Audit Evidence Regarding Specific Financial Statement Account Balances and Disclosures*. Comments due 31 March 2008.
- ISA 505 (Revised and Redrafted) *External Confirmations*. Comments due 15 February 2008.
- ISA 520 (Redrafted) *Analytical Procedures*. Comments due 31 March 2008.
- ISA 620 (Revised and Redrafted) *Using the Work of an Auditor's Expert*. Comments due 15 February 2008.
- ISA 710 (Redrafted) *Comparative Information*. Comments due 15 April 2008

IFRS-related news from the United States

Click here to download the SEC announcement:
www.iasplus.com/usa/sec/0711dropreconciliation.pdf

The SEC's Final Rule Release can be found here:
www.iasplus.com/usa/sec/0712reconciliationfinalrule.pdf

To download the NASDAQ announcement click here:
www.iasplus.com/usa/0711nasdaqifrs.pdf

Our Heads Up Newsletter has the details:
www.iasplus.com/usa/headsup/headsup0712roundtables.pdf

Click here for the SEC's Concept Release:
www.iasplus.com/usa/sec/0708ifrsconceptrelease.pdf

SEC drops IFRS reconciliation

On 15 November 2007, the SEC voted to allow foreign companies to submit financial statements to the Commission using International Financial Reporting Standards (IFRSs) as adopted by the IASB without having to include a reconciliation of the IFRS data to US GAAP. The rule amendments apply to financial statements covering years ended after 15 November 2007.

On 21 December 2007 the SEC issued its final rule on *Acceptance from Foreign Private Issuers of Financial Statements Prepared in Accordance with International Financial Reporting Standards without Reconciliation to US GAAP* (Release 33-8879). The rule includes amendments to Form 20-F, conforming changes to Regulation S-X, and conforming amendments to other regulations, forms, and rules under US securities laws. This rule will become effective on 4 March 2008. Until the effective date, companies are subject to the existing rules regarding the inclusion of US GAAP reconciliation. However, the SEC staff is aware that some foreign private issuers with a fiscal year ending after 15 November 2007 that use IFRSs will want to file their annual report on Form 20-F before 4 March 2008 but also will want to omit US GAAP reconciliation. Because the SEC staff does not want to discourage companies from filing their 20-F before 4 March 2008, these companies are invited to contact the SEC staff to discuss their particular facts or circumstances.

The NASDAQ Stock Market (USA) expressed full support for the SEC's decision and has asked the SEC to approve a rule change to allow NASDAQ to accept IFRS financial statements.

SEC holds roundtables on IFRSs

On 13 and 17 December 2007, the SEC hosted two roundtable discussions on the potential use of IFRSs in the United States. Those roundtables were in response to:

- the SEC's recent issuance of a Concept Release soliciting input on whether US issuers should be permitted to use IFRSs in preparing their financial statements and
- the SEC's recent decision to eliminate the US GAAP Reconciliation Requirement for foreign private issuers using IFRSs.

The roundtable participants comprised various constituents, including financial intermediaries, investors, and issuers. The roundtables addressed the effect of giving US issuers the choice of using IFRSs or US GAAP on the capital markets and on competition and practical issues concerning the possible use of IFRSs by US issuers and the impact on investor protection. Issues were addressed from both the US market's perspective and the global perspective.

To download the report click here:

www.iasplus.com/usa/pcaob/0710inspectionsreport.pdf

PCAOB report on inspection issues

The US Public Company Accounting Oversight Board (PCAOB) has released a report on issues identified in the 2004 through 2006 inspections of US firms that audited 100 or fewer public companies. This is a general report issued under the Board's Rule 4010 and does not identify any firms. The report includes observations in 11 areas where auditing or quality-control deficiencies were observed:

- Revenue
- Related-Party Transactions
- Equity Transactions
- Business Combinations and Impairment of Assets
- Going-Concern Considerations
- Loans and Accounts Receivable (including allowance accounts)
- Service Organisations
- Use of Other Auditors
- Use of the Work of Specialists
- Independence
 - Prohibited Non-Audit Services
 - Indemnification
 - Firm Independence Policies and Procedures and Independence Confirmation with Audit Committees
- Concurring Partner Review

FASB: No deferral for FAS 157 and 159 fair value standards

The US Financial Accounting Standards Board (FASB) decided not to do a wholesale deferral of the effective dates of FASB Statement 157 *Fair Value Measurements* and FASB Statement 159 *The Fair Value Option for Financial Assets and Financial Liabilities*. The Statements are effective for fiscal years beginning after 15 November 2007. The FASB had received requests for deferral from a number of constituents as a result of the increasing number of implementation issues identified in practice. The FASB instructed the FASB staff to evaluate other deferral alternatives, which could include deferring for certain assets and liabilities or certain entities. These alternatives will be discussed at a future FASB meeting. The FASB also discussed plans to address implementation issues. Specifically mentioned was whether plan sponsors should be required to provide Statement 157 disclosures for their pension and other postretirement employee benefit plan assets. While the FASB did not formally vote on the issue, the FASB noted that it does not believe such disclosures should be required by Statement 157 and plans to address this issue (with other implementation issues) at a future FASB meeting.

Click here for Chairman Cox's testimony:

www.iasplus.com/usa/sec/0712coxsox404.pdf

SEC will propose further delay of SOx 404 for small companies

In testimony before the US House of Representatives Committee on Small Business, US SEC Chairman Christopher Cox announced that the SEC will consider delaying, for one more year, the requirement that small public companies report on their internal financial controls and have them audited. The requirement is otherwise scheduled to become effective for calendar year 2008. The Commission plans to study the costs and benefits of the requirement.

News about IFRSs in Europe

Click here for Commission Regulation 1358/2007:
www.iasplus.com/europe/0711ifrs8.pdf

The report of the vote can be found here:
www.europarl.europa.eu/sides/getDoc.do?Type=MOTION&Reference=B6-2007-0437&language=EN

To download the summary report of the meeting click here:
www.iasplus.com/europe/0711arc.pdf

Click here for the joint statement:
www.iasplus.com/resource/0711governancestatement.pdf

IFRS 8 is officially adopted in Europe

The European Union has published, in the *Official Journal of the EU* dated 22 November 2007, the Commission Regulation (EC) No 1358/2007 amending Regulation (EC) No 1725/2003 as of 21 November 2007 adopting IFRS 8 *Operating Segments* for use in Europe.

While endorsing IFRS 8, the a number of concerns, reservations, and regrets were expressed.

IFRS issues discussed at ARC meeting

The European Commission (EC) has posted to its website the summary record of the meeting of the Accounting Regulatory Committee (ARC) on 20 November 2007.

Topics discussed by the ARC at that meeting included:

- **IFRS 8 Operating Segments.** Has now been fully endorsed for use in the EU.
- **IFRIC 12 Service Concession Arrangements.** The Commission is conducting an impact assessment, which should be finished by March 2008. An endorsement decision is expected by 'mid-2008'.
- **Review of the operation of the IAS Regulation and the Fair Value Directive.** The Commission has already published a report on IAS Implementation prepared by the ICAEW. A report on implementation of the fair value directive is being prepared.
- **Equivalence: IFRS and Third-country GAAPs.** "The Commission Services agreed that EU oversight over IASB needs to be improved as the EU is the main user of the IASB's products.... The Commission Services invited Member States to present ideas in this respect, as regards both the emerging debate on governance of the IASB and the need to strengthen the ability of EU to influence IASB decisions."

The next ARC meeting is scheduled for 5 February 2008.

Proposed new body to monitor IASCF and IASB

The EC, the Financial Services Agency of Japan, the International Organization of Securities Commissions, and the SEC have proposed the creation of a new monitoring body within the governance structure of the IASC Foundation.

This body would meet regularly with the IASCF Trustees to:

- Review and comment on the IASB's work programme.
- Participate in – and have final approval in the selection of – IASCF Trustees.
- Review the Trustees' oversight activities.

Click here to download the press release:
www.iasplus.com/europe/0801equivalencepr.pdf

Click here for Commission Regulation 1569/2007:
www.iasplus.com/europe/0712equivalenceregulation.pdf

EC adopts an 'equivalent mechanism'

Following a favourable opinion of the European Parliament, the EC has adopted Regulation (EC) No 1569/2007 that sets out the way in which the Commission will assess the equivalence of 'third-country' (non-EU) GAAPs to IFRSs as adopted by the EU. If a non-EU GAAP is deemed equivalent, foreign companies whose securities trade in EU markets would be permitted to use that GAAP in Europe without providing a reconciliation to IFRSs as adopted by the EU. The regulation adopted the following definition of 'equivalence':

The GAAP of a third country may be considered equivalent to IFRS adopted pursuant to Regulation (EC) No 1606/2002 if the financial statements drawn up in accordance with GAAP of the third country concerned enable investors to make a similar assessment of the assets and liabilities, financial position, profit and losses and prospects of the issuer as financial statements drawn up in accordance with IFRS, with the result that investors are likely to make the same decisions about the acquisition, retention or disposal of securities of an issuer.

The regulation provides that for a limited period ending 31 December 2011, the EC may continue to accept non-EU GAAPs that are not currently deemed equivalent to IFRSs as adopted by the EU if either:

1. *The third country authority responsible for the national accounting standards concerned has made a public commitment before 30 June 2008 to converge those standards with International Financial Reporting Standards before 31 December 2011 and both the following conditions are met:*
 - a) *the third country authority responsible for the national accounting standards concerned has established a convergence programme before 31 December 2008 that is comprehensive and capable of being completed before 31 December 2011;*
 - b) *the convergence programme is effectively implemented, without delay, and the resources necessary for its completion are allocated to its implementation.*
2. *The third country authority responsible for the national accounting standards concerned has made a public commitment before 30 June 2008 to adopt International Financial Reporting Standards before 31 December 2011 and effective measures are taken in the third country to secure the timely and complete transition to International Financial Reporting Standards by that date, or have reached a mutual recognition agreement with the EU before 31 December 2008.*

The decision on equivalence of a country's GAAP to IFRSs will be made by the EC on a country by country basis, but imposes as a further condition that "(t)he decision of the Commission will have to imply in all cases the right for EU issuers to use in any third-country IFRS as adopted in the EU."

Thus it would seem, based on this Resolution, that US companies listed in Europe could not continue to use US GAAP unless the US SEC allows European companies to use 'IFRSs as adopted in the EU'.

The related press release is available on IAS Plus:
www.iasplus.com/europe/0712cesrequivalencepr.pdf
To download the consultation paper click here:
www.iasplus.com/europe/0712cesrequivalence.pdf

CESR: Consultation on 'equivalence'

The Committee of European Securities Regulators (CESR) has launched a consultation on the equivalence of Chinese, Japanese, and US GAAPs to IFRSs. The Consultation Paper includes CESR's draft conclusions on such equivalence. Responses to the consultation are requested by 25 February 2008. CESR expects to submit its advice to the EC by 31 March 2008. The EC plans to make its decisions by 1 July 2008 regarding the equivalence of third country (non-EU) GAAPs under the Prospectus and Transparency Directives.

Presented below is an overview of CESR's draft conclusions:

- **United States GAAP.** CESR believes US GAAP and IFRS are converging and will continue to evolve on a combined basis to an extent where they are effectively equivalent to each other and would therefore recommend that the EC finds US GAAP equivalent to IFRS for use on EU markets.
- **Japanese GAAP.** CESR does not necessarily believe itself in a position to comment on the [Accounting Standards Board of Japan's work] programme but has no reason to doubt that the ASBJ may well be able to achieve this objective. It is clear that if the ASBJ is successful in achieving its objectives there is no reason that CESR should not agree to Japanese GAAP being considered equivalent as at that stage all the issues identified in its 2005 advice will have been addressed. Consequently, CESR would recommend that, come June 2008, the EC should consider Japanese GAAP equivalent, unless there is no adequate evidence of the ASBJ achieving to timetable the objectives set out in the Tokyo Agreement.
- **Chinese GAAP.** CESR would recommend that the EC postpones a final decision on Chinese GAAP until there is more information [essentially, assessment of implementation of new Chinese standards in 2007], because CESR believes that evidence of adequate implementation is important in the context of an outcome-based definition of equivalence.

Click here for the press release:
www.iasplus.com/europe/0712cesrpr.pdf
To download the second batch click here:
www.iasplus.com/europe/0712cesrfrsdecisions2.pdf

CESR: Extracts of European IFRS enforcement decisions

The CESR has published its second batch of extracts from its confidential database of enforcement decisions taken by EU national enforcers of financial information.

Topics covered in the second batch of extracts:

- Amortisation of intangible assets with finite lives included in goodwill
- Excise tax on fuel
- Recognition of negative goodwill
- Deferred tax asset
- Valuation of offshore rigs at the transition date
- Use of the fair value option
- Segment reporting
- Method of amortising intangible assets
- Change in accounting for employee benefits
- Identification of the acquirer in a business combination
- Real estate projects

Mr McCreevy's entire presentation can be found here:

www.iasplus.com/europe/0711mccreeveyeuus.pdf

EU-US co-operation in financial reporting and auditing

Charlie McCreevy, European Commissioner for Internal Market and Services, spoke on EU-US Cooperation on Reporting Standards, Audit Oversight, and Regulation at the European Federation of Accountants' Conference on Audit Regulation in Brussels. Among other things, Commissioner McCreevy:

- took a strong stand against future EU 'carve-outs from IFRSs';
- suggested that further changes in IASB governance and processes are needed, but with those changes there should be no need for the EU to 'endorse' each IFRS for use in Europe;
- said that the pace of change in IFRSs should be slowed;
- opposed requiring US GAAP companies trading in EU securities markets to present a reconciliation from US GAAP figures to IFRS amounts; and
- urged the EU and the US to rely on each other's enforcement, supervision, and inspections of audit firms.

Use of IFRSs elsewhere in the world

Click here for the table of use of IFRSs by jurisdiction:
www.iasplus.com/country/useias.htm

Summary of use of IFRSs

The information below was taken from our table of *Use of IFRSs by Jurisdiction* which is updated continually. That page has information about each of the individual jurisdictions included in the summary.

| Grand Totals for Listed Companies | |
|---|------------------|
| Information to the best of our knowledge for 156 jurisdictions | |
| IFRSs not permitted | 32 jurisdictions |
| IFRSs permitted | 25 jurisdictions |
| IFRSs required for some companies | 3 jurisdictions |
| IFRSs required for all companies | 82 jurisdictions |
| No stock exchange | 14 jurisdictions |
| Of the 110 jurisdictions (25+3+82) that permit or require IFRSs: | |
| Audit report refers to conformity with IFRSs | 75 jurisdictions |
| Audit report refers to local GAAP or to IFRSs as adopted in the jurisdiction | 32 jurisdictions |
| Audit report for some companies refers to local GAAP and for other companies it refers to IFRSs | 1 jurisdiction |
| No information | 2 jurisdictions |
| Grand Totals for Unlisted Companies | |
| IFRSs not permitted | 34 jurisdictions |
| IFRSs permitted for all or some companies | 34 jurisdictions |
| IFRSs required for some companies | 21 jurisdictions |
| IFRSs required for all companies | 28 jurisdictions |
| No information | 39 jurisdictions |

Korea announces plan for adoption of IFRSs

The Korean Financial Supervisory Commission and the Korea Accounting Institute announced a plan for adopting Korean equivalents of International Financial Reporting Standards (K-IFRSs). All listed companies will be required to prepare their annual financial statements under K-IFRSs beginning in 2011. Listed companies other than financial institutions will be permitted to do so beginning in 2009. Unlisted companies will be allowed to use K-IFRSs.

We have added a page for the United Arab Emirates to our pages of information by jurisdiction:
www.iasplus.com/country/uae.htm

United Arab Emirates: IFRS requirements

In Abu Dhabi, all companies listed on the Abu Dhabi Securities Markets (ADSM) are required to publish IFRS financial statements. In Dubai, all companies listed on the Dubai International Financial Exchange (DIFX) are required to publish IFRS financial statements. Throughout the UAE, all banks are required by the Central Bank of the UAE to publish IFRS financial statements.

Click here to download the update:

www.iasplus.com/asia/0711pakistanupdate.pdf

We have updated our table of use of IFRSs by jurisdiction:

www.iasplus.com/country/useias.htm

We have updated our table of use of IFRSs by jurisdiction:

www.iasplus.com/country/useias.htm

We have added a page for Fiji to our pages of information by jurisdiction:

www.iasplus.com/country/fiji.htm

More information in the FIA Journal

www.iasplus.com/asia/0708fiji.pdf

Pakistan: Update on financial reporting

Pakistan has developed three tiers of financial reporting standards – for public interest entities, medium-sized entities and small entities. The goal of the Institute of Chartered Accountants of Pakistan (ICAP) is that the public interest tier be IFRS compliant by 2009. Currently, the ICAP has not adopted the Pakistani equivalents of IFRS 1 and IFRS 4, and the Securities and Exchange Commission of Pakistan – the governmental body that must approve standards after ICAP adoption – has not yet approved the Pakistani equivalents of IAS 29, IFRS 7, and IFRS 8.

Philippines: Update on adoption of IFRSs

In her presentation titled *Conversion to IFRS: The Philippine Experience* at the IASB's recent IFRS Conference in Singapore, Ms Fe Barin, Chairperson of the Philippines Securities and Exchange Commission, explained that IFRSs have been modified in a number of ways when they were adopted as Philippines Financial Reporting Standards (PFRSs). Consequently, entities complying with PFRSs will not necessarily be complying with IFRSs as adopted by the IASB.

Belarus requires banks to report using IFRSs

The National Bank of the Republic of Belarus has ordered Belarusian banks to publish IFRS financial statements along with financial reports prepared using national standards starting in 2008.

Fiji adopts IFRSs for a broad range of companies

The Fiji Institute of Accountants (FIA), which is a member body of the International Federation of Accountants, has adopted IFRSs for all accounting periods beginning from 1 January 2007 for eight categories of entities with exemptions for certain small entities.

Moreover, the FIA has ruled that the members must follow IFRSs extant as at January each year with an option to adopt earlier any subsequent new standards or updates. The chairman of the FIA Standards Committee summarised the new requirements, and also provided an update on standards to be followed by non-IFRS entities and on auditing standards, in the Institute's Journal August 2007.

iGAAP 2007 *A Guide to IFRS Reporting* 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 (ISBN 978-1-84140-950-4)

Download our IFRS presentation and disclosure checklist here: www.iasplus.com/fs/2007modelfs.pdf

There are permanent links on our model financial statements page: www.iasplus.com/fs/fs.htm

Download our IFRS compliance questionnaire here:

Word version: www.iasplus.com/fs/2007compliancequestionnaire.zip

PDF version: www.iasplus.com/fs/2007compliancequestionnaire.pdf

IFRS publications from Deloitte

Deloitte guide to IFRS reporting

We have published *iGAAP 2007 A Guide to IFRS Reporting* which sets out comprehensive guidance for entities reporting under International Financial Reporting Standards. The book provides invaluable assistance by:

- focusing on the practical issues faced by reporting entities;
- explaining clearly the requirements of IFRSs;
- adding interpretation and commentary where IFRSs are silent, ambiguous or unclear; and
- providing many illustrative examples.

The manual deals comprehensively with the 'stable base' of Standards that will apply until 2009, and also covers those further pronouncements issued by the IASB up to 31 March 2007 that are not yet mandatory. It is the ideal one-stop shop for entities reporting under IFRSs and for those contemplating a move to IFRSs. The author team drawn from Deloitte's IFRS Specialist network has a wealth of IFRS financial reporting experience around the globe. They have produced a practical working manual that explains the latest IFRS thinking. The resulting guidance is an authoritative and practical reference work for all preparers and users of IFRS financial statements and their advisers.

IFRS model financial statements for 2007

Deloitte has released model IFRS financial statements for 2007. 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.

IFRS compliance questionnaire for 2007

Deloitte has published an IFRS Compliance Questionnaire for 2007. This questionnaire summarises the recognition and measurement requirements in IFRSs (including Interpretations) issued as of 31 August 2007. The questionnaire may be used to assist in considering compliance with those pronouncements. It is not a substitute for your understanding of such pronouncements and the exercise of your judgment. Users are presumed to have a thorough understanding of the pronouncements and should refer to the text of the pronouncements, as necessary, in considering particular items in the questionnaire. The items in this questionnaire are referenced to the applicable sections of the IFRSs. It does not address presentation and disclosure requirements (for which we have published a Separate Checklist). In addition to the contents of the compliance questionnaire, preparers will need to consider any Standards and Interpretations issued between 1 September 2007 and the date of issue of their 2007 financial statements.

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

Four special editions of our IAS Plus Newsletter

Revisions to IFRS 3 and IAS 27

Deloitte's IFRS Global Office has published a special edition IAS Plus Newsletter on the Revisions to IFRS 3 and IAS 27. Our story on page 4 has information about those revisions. The newsletter includes a table of the major differences remaining between IFRSs and US GAAP for business combinations and related transactions and another table comparing the new IFRS requirements with the existing ones.

Annual Improvements Project

Deloitte's IFRS Global Office has published a special edition of our IAS Plus Newsletter on the omnibus exposure draft (ED) of proposed *Improvements to International Financial Reporting Standards*. The ED proposes miscellaneous amendments to 25 IFRSs as part of the IASB's first annual improvements project. The proposals range from a restructuring of IFRS 1 to minor changes of wording to clarify the meaning and remove unintended inconsistencies between IFRSs. The IASB discussed the individual proposals during the past year. The proposed effective date for the proposed amendments would be 1 January 2009.

Amendments to IFRS 2

This newsletter summarises the amendments to IFRS 2 for vesting conditions and cancellations that the Board published on 17 January 2008 (see story on page 4).

Closing Out 2007

This newsletter summarises all of the new and revised Standards and Interpretations in effect for December 2007 year ends and beyond.

iGAAP Financial Reporting Standards in Singapore can be ordered from the CCH Singapore Website:
www.cch.com.sg/cchweb/home/index.asp

Financial Reporting in Singapore

Deloitte Singapore has published *iGAAP Financial Reporting Standards in Singapore* – a practical and comprehensive guide for companies that are based in Singapore and are reporting under the Financial Reporting Standards (FRS).

This book:

- Focuses on the practical issues that companies will face in applying FRSs
- Explains clearly the requirements of FRSs
- Adds interpretations and commentary where FRSs are silent or unclear
- Identifies other Singapore-specific requirements.

Download the update from:
www.iasplus.com/dttpubs/07singaporechanges.pdf

In addition, Deloitte Singapore has published an annual update of the recent changes to Singapore's financial reporting framework. This edition includes a summary of the new and revised Singaporean FRSs (standards) and INT FRSs (interpretations) issued since the previous edition in November 2006 and up to end of September 2007. There is also an updated comparison against IFRSs.

Financial Reporting in Hong Kong can be purchased through CCH Online (www.cch.com.hk/cchweb/product_serv/product_details.asp?prid=1779H) or by phone at +852 800 968 667 or by email: support@cch.com.hk

Comparisons of ROC GAAP and IFRSs can be purchased by email to fltsai@deloitte.com.tw

Click here to download the summary:
www.iasplus.com/ifac/ipsasb/2007ipsassummary.pdf

Financial Reporting in Hong Kong

Deloitte China has published *Financial Reporting in Hong Kong*. This book is aimed at professionals engaged in preparing, analysing, and interpreting financial information prepared in accordance with the Hong Kong financial reporting framework.

This book:

- Deals comprehensively with Hong Kong Financial Reporting Standards (HKFRSs) and other pronouncements issued up to 31 August 2007, including those that are not yet mandatory
- Addresses the legal and regulatory requirements of Hong Kong's financial reporting environment
- Includes a high-level comparison between HKFRSs and both pre-2007 PRC GAAP and new Chinese Accounting Standards that became effective for listed companies in 2007.

Comparison of Taiwanese GAAP and IFRSs

Deloitte Taiwan has published the 2nd edition of *Comparisons of Republic of China (ROC) GAAP and IFRSs*, which details the differences between ROC Statements of Financial Accounting Standards and IFRSs as of 30 November 2007. This booklet is written in both Chinese and English and provides a quick overview of the differences between ROC GAAP and IFRSs that are commonly found in practice.

Summary of IPSAS for 2007

Deloitte has published a booklet summarising the provisions of all International Public Sector Accounting Standards (IPSAS) in issue at 1 November 2007, namely IPSASs 1 to 24, plus two outstanding exposure drafts. 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).

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.
- 5,521,000 visitors through December 2007.

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