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Many of the uncertainties about the use of IFRS in Europe in 2005 have been removed but developments abound.

The IASB issued in June a revised 'Fair value option' amendment to IAS 39 with a view to the removal of one of the two carve-outs from the version of IAS 39 as adopted by the EU. It is the European Commission's intention (provided the European Parliament raises no objections) to adopt this amended fair value option by the end of September 2005. The ASB has not yet made a consequential amendment to FRS 26 **Financial Instruments: Measurement** which continues to be based on the original IAS 39 without carve-outs.

The financial services sector will welcome the revised fair value option. Unfortunately, other industries continue to deal with a lack of IFRS guidance in certain specific areas. Operators of service concessions wait for IFRIC to complete its project on service concessions. In the interim, those operators must develop their own IFRS compliant accounting policies.

Similarly, entities that have received emission rights as part of the EU's Greenhouse Gases Emission Trading are without specific guidance. The IASB withdrew IFRIC 3 **Emission Rights** with immediate effect at its June meeting acknowledging the unsatisfactory measurement and reporting mismatches IFRIC 3 accounting gives rise to.

On the other hand, the IASB issued in June draft new guidance which, if adopted, would have a significant impact on the way companies prepare and present their financial statements. The three exposure drafts are the output of phase II of the IASB's joint project with the US's FASB on business combinations and propose changes to:

- IFRS 3 **Business Combinations**;
- IAS 27 **Consolidated and Separate Financial Statements**;
- IAS 37 **Provisions, Contingent Liabilities and Contingent Assets** with consequential amendments to IAS 19 **Employment Benefits**.

One major impact of the proposals would be to require an acquired business to be measured at the fair value of the entire entity and accordingly, for 100% of its goodwill to be recognised by the acquirer, even where less than 100% of the business is acquired. Under the proposed amendments to IAS 37, certain contingent assets and liabilities that are only disclosed currently would be recognised in the balance sheet as assets and liabilities.

Finally, the IASB issued IFRS 7 **Financial Instruments: Disclosures** in August. It is effective for annual periods beginning on or after 1 January 2007, with earlier application encouraged. (See inside for details).

IAS Plus website

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IFRS News

IASB project timetable

Accounting Standards for Small and Medium-sized Entities (Non-Publicly Accountable Entities)	• Discussion Paper was issued in June 2004. • Staff questionnaire issued April 2005. • Public round tables planned for 13-14 October 2005.
Business Combinations – Phase II – Application of the Purchase Method	• Exposure draft issued 30 June 2005. • Separate EDs on minority interests and contingent liabilities issued 30 June 2005. • Final statements expected in 2nd half of 2006. • Expected effective date 1 January 2007.
Conceptual Framework	• Discussion paper in 1st half of 2006 or later.
Control, including SPEs (Consolidation)	• Exposure drafts on control and SPEs expected in 2nd half 2006.
Convergence – Short-term Issues, IFRSs and US GAAP.	IAS 12 Income Taxes • Exposure draft expected in 4th quarter of 2005. IAS 14 Segment Reporting • Exposure draft on replacement of IAS 14 expected in 4th quarter of 2005. IAS 20 Government Grants • Exposure draft on replacement of IAS 20 expected in 4th quarter of 2005. IAS 37 Provisions • Exposure draft issued 30 June 2005.
Financial Instruments: Recognition and Measurement	• Revised IAS 32 and 39 were issued December 2003. • Revised IAS 39 reflecting macro hedging issued March 2004. • Exposure drafts were issued on fair value option (April 2004) and other limited amendments (July 2004). • Intragroup hedging and fair value option amendments adopted in April and June 2005. • Final revisions on guarantees published 18 August 2005. • ED on shares puttable at fair value expected in 4th quarter of 2005. • Effective date of main revisions to IAS 32 and IAS 39 is December 2005.
Financial Instruments: Disclosures	• Exposure draft ED 7 was issued July 2004. • IFRS 7 was issued 18 August 2005. • Expected effective date 1 January 2007, but permitted for December 2005 year ends.
Extractive Industries	• Exposure draft ED 6 was issued in January 2004. • IFRS 6 was issued in December 2004. • Effective date 2006 year ends; permitted for 2005 year ends.
Insurance Contracts – Phase II	• Working group appointed in 2005 • Next step is a discussion paper in 2nd half of 2006
Reporting Comprehensive Income (Performance Reporting)	• Segment A – Exposure draft expected in 4th quarter 2005. • Segment B – Discussion paper in 2nd half of 2006.
Revenue and Related Liabilities	• Discussion paper expected in 2nd half of 2006.
Liabilities and Equity	• Discussion paper in 2nd half of 2006.

UK News on IFRS and UK GAAP

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

Exposure drafts on business combinations

In July 2005 the Accounting Standards Board (ASB) published for comment exposure drafts of standards that would continue the process of bringing UK accounting standards into line with proposed International Financial Reporting Standards (IFRS).

Financial Reporting Exposure Draft (FRED) 36 'Business Combinations (IFRS 3)' sets out the text of IFRS 3 as amended by recent proposals from the International Accounting Standards Board (IASB); these have been developed jointly with the United States Financial Accounting Standards Board (FASB).

Three other exposure drafts have been published containing consequential amendments to UK accounting standards consistent with the proposed consequential amendments to those IFRSs impacted by the proposed changes to the IFRS business combination standard. These are:

- FRED 37 'Intangible Assets (IAS 38)'.
- FRED 38 'Impairment of Assets (IAS 36)'.
- FRED 39 'Amendments to FRS 12 Provisions, contingent liabilities and contingent assets and Amendments to FRS 17 Retirement benefits.

The ASB is issuing the proposed standards in accordance with its policy of aligning UK accounting standards with IFRS. It notes, however, that the proposals raise a number of issues, and, arguably, some of these would not represent an improvement in UK financial reporting.

A summary of the most significant aspects of the amendments proposed is provided in the IASB News section below.

The exposure drafts are available on the ASB website.

The draft bulletin may be Downloaded from the APB's Website:
www.apb.org.uk

Proposed wording of IFRS audit reports in the UK

The United Kingdom Auditing Practices Board (APB) has issued for comment a draft bulletin titled **Auditor's Reports on Financial Statements**. For all UK companies whose securities are publicly traded in the EU, the APB proposes that the auditor's report refer to conformity with IFRSs adopted for use in the European Union as the primary reporting framework as follows:

In our opinion the group financial statements give a true and fair view, in accordance with those IFRSs adopted for use in the European Union....

The draft bulletin notes that many companies will be in a position of complying with both IFRSs as issued by the IASB and those IFRSs adopted for use in the European Union. If that is the case, and if the entity would like the auditor also to express an opinion about conformity with IFRSs, the draft bulletin proposes that the auditor separately state a second opinion with regards to full IFRSs, as follows:

As explained in Note X, the group, in addition to complying with its legal obligation to comply with those IFRSs adopted for use in the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board. In our opinion the group financial statements give a true and fair view, in accordance with IFRSs....

Regulations laid before Parliament:
http://www.dti.gov.uk/

New regulations make minor changes to accounting and reporting requirements

Regulations laid before Parliament on 15 August 2005 outline the following proposals.

Summary financial statements

The regulations extend the option to prepare and distribute summary financial statements from listed companies to all companies that have had their accounts audited. They also ensure that companies preparing their accounts in accordance with International Financial Reporting Standards (IFRS) can continue to use summary financial statements.

Voluntary revisions

The regulations make a number of other minor amendments clarifying procedures for voluntary revision of the Operating and Financial Review and Directors' Remuneration Report.

Corresponding amounts

The regulations remove from the law the requirements to adjust non-comparable prior year amounts in company accounts and to disclose prior year figures in the notes to the accounts. The detailed requirements on non-comparable prior-year amounts will in future be a matter for the ASB. The ASB has issued an exposure draft FRED 35 **Corresponding Amounts** dealing with prior year comparative information.

Distribution provisions for investment companies

The regulations amend and clarify one aspect of the distribution provisions as they apply to investment companies, in order to ensure that recent accounting changes do not disrupt established dividend practices.

The regulations also include certain limited simplifications for specific categories of small companies.

These changes are mainly consequential to the introduction of IFRSs and other regulatory developments. They are deregulatory and are expected to have only a minor impact on most companies, but will provide important clarification and additional flexibility for those companies that are affected.

The regulations come into force on 1 October 2005 (with the exception of the changes for small financial services companies, which come into force on 5 September 2005).

Financial Services Authority:
http://www.fsa.gov.uk/

Final revised Listing Rules

The Listing Rules were revised with effect from 1 July 2005. No changes of substance were made to the disclosures on directors’ remuneration and corporate governance although the numbering of the paragraphs was affected.

Other significant changes in reporting requirements worth noting are:

Commentary on forecasts

If a company publishes financial information in a class 1 circular or a prospectus or any profit forecast or profit estimate, it must:

(a) reproduce that financial information, profit forecast or profit estimate in its next annual report and accounts;

(b) produce and disclose in the annual report and accounts the actual figures for the same period covered by the information reproduced under (a); and

(c) provide an explanation of the difference, if there is a difference of 10% or more between the figures required by (b) and those reproduced under (a).

The requirements to disclose a commentary on forecasts is now broader under the new Listing Rules.

Interims

The new listing rules now require companies to show a statement showing either all changes in equity or changes in equity other than those arising from capital transactions with owners and distributions to owners in their half-yearly reports. There was no such requirement under the previous listing rules.

News about IFRSs in Europe

IASB chairman meets with the ARC

Sir David's prepared remarks: www.iasplus.com/europe/0507tweediearc.pdf

IASB chairman Sir David Tweedie met with the European Commission's Accounting Regulatory Committee (ARC) in Brussels to discuss the development of International Financial Reporting Standards and, in particular, the convergence of international and national accounting standards. Sir David was accompanied by IASC Foundation Trustee Max Dietrich Kley. The ARC is composed of representatives of EU Member States and was set up to advise the Commission on proposals to endorse individual IFRSs for use in Europe. An excerpt:

The European Commission, the European Parliament and EU Member States deserve much credit for providing the impetus to our efforts. Your choice of an international approach to accounting standards over a national and regional approach for Europe is a model for others. At the same time, if we are to achieve truly global standards and all the benefits that they will bring, accounting convergence must necessarily involve the United States, which accounts for nearly half of the world's total market capitalisation.

IFRIC 2 is fully adopted in Europe

You will find the regulation release here: www.iasplus.com/restruct/euro2005.htm#jul2005

European Commission Regulation (EC) No. 1073/2005 of 7 July 2005 was published in the **Official Journal of the European Union** on 8 July 2005. Therefore the European Commission has now fully adopted IFRIC 2 **Members' Shares in Co-operative Entities and Similar Instruments** for use in Europe.

ARC endorses revised IAS 39 fair value option

ARC press release: www.iasplus.com/europe/0507arcfvo.pdf

At its meeting on 8 July 2005, the ARC agreed unanimously to recommend endorsement of an amended version of IAS 39 that includes revised provisions relating to the fair value option (FVO). When the Commission adopted IAS 39 last year, the FVO provisions were carved out.

The Commission has already consulted the European Parliament on the revised FVO and, provided Parliament raises no objections, the Commission intends to adopt the amended standard by the end of September 2005. Adoption will be retroactive to 1 January 2005, so that companies can apply the amended standard for their 2005 financial statements.

EC 'FAQ' publication on IAS 39 fair value option

FAQ document: www.iasplus.com/europe/0507faqfvo.pdf

The European Commission has published **Frequently Asked Questions – IAS 39 Fair Value Option (FVO)**, providing the Commission's views on the following questions:

- Why did the Commission carve-out the full fair value option in the original IAS 39 standard?
- Do prudential supervisors support the IAS 39 FVO as published by the IASB?
- When will the Commission adopt the amended standard for the IAS 39 FVO?
- Will companies be able to apply the amended standard for their 2005 financial statements?
- Does the amended standard for the revised IAS 39 FVO meet the EU endorsement criteria?
- What about the relationship between the fair valuation of own liabilities under the amended IAS 39 FVO standard and under Article 42(a) of the Fourth Company Law Directive?
- Will the Commission now propose amending Article 42(a) of the Fourth Company Directive?
- What about the remaining IAS 39 carve-out relating to certain hedge accounting provisions?

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

Information about the IFRS interpretation forum is in Commissioner McCreevy's speech: www.iasplus.com/europe/0505mccreevyfese.pdf

EC plans to evaluate the IAS Regulation in 2007

The European Commission has posted to the Internal Market section of its website an updated Evaluation Plan for 2005-2009. Under that plan, the success of a wide range of Internal Market initiatives is being evaluated. Regulation EC 1606/2002 (the 'IAS Regulation') is scheduled for review in 2007.

Europe may establish an IFRS interpretations 'forum'

In an address to the Federation of European Securities Exchanges, European Commissioner for Internal Market and Services Charlie McCreevy indicated that the EC is considering a proposal for a 'European Forum' to identify and analyse IFRS implementation issues, to allow IFRIC to focus on key issues. While Mr McCreevy did not provide details about the forum, in several recent speeches members of EFRAG have said that EFRAG would seek to be such a forum. An excerpt from Commissioner McCreevy's comments:

The main question in the medium term will be how to ensure consistent application of IFRS within Europe. This is crucial, to have a uniform set of standards and not effectively 25 national standards in place. It is also crucial to the objective of removal of the US GAAP reconciliation. A number of proposals are being considered, including one for a 'European Forum' consisting of interested parties, regulators, standard setters, preparers, and auditors in their peer groups. The forum would be tasked with promoting consistent application.

But we do not want to add layers of interpreting bodies. International Accounting Standards are principles-based and should remain so. I see the chief advantage of a possible European Forum in identifying and analysing issues, acting as a filter and thus allowing the International Financial Reporting Interpretation Committee to concentrate on the key issues requiring their attention.

Both the White House and the EU Presidency issued press releases. Links are in the news story dated 23 June 2005 at: www.iasplus.com/pastnews/2005jun.htm

You can download the Green Paper and its related annexes here: www.iasplus.com/restruct/euro2005.htm

Accounting convergence goal agreed at US-EU summit

On 20 June 2005, at the United States-European Union summit meeting in Washington, the US and the EU jointly announced a series of undertakings designed to implement the Declaration on Enhancing Transatlantic Economic Integration and Growth. One of the undertakings is "promoting convergence of accounting standards as soon as possible".

EC seeks 'political accountability' for IASB

In a **Green Paper on Financial Services Policy (2005-2010)**, the European Commission sets out its financial services policy priorities for the next five years, with the goal of fostering an integrated, open, and competitive financial market "where financial services and capital can circulate freely at the lowest possible cost throughout the EU – with adequate and effective levels of prudential control, financial stability and a high level of consumer protection." The regulation requiring IFRSs for European listed companies and permitting member states to extend IFRSs to unlisted companies is part of that policy. The Green Paper suggests that the oversight and accountability of the IASB need to be strengthened:

The debate about the future governance, funding and political accountability of global standard-setting bodies, such as the International Accounting Standards Board, are of growing political importance. The Commission considers that public oversight of these structures must be strengthened, to ensure appropriate reflection of stakeholders, satisfactory transparency, due process and sustainable financing.

Annex 1 to the paper discusses the EU-US regulatory dialogue. A key goal of the Commission is to "work towards equivalence/convergence between IAS and US-GAAP – agreeing a roadmap and timetable are now urgent." The paper notes that the Commission will wait until the end of 2006 or early 2007 before making a decision on the IFRS-equivalence of the major third-country accounting systems (Canadian, Japanese, and US). (For advice by CESR – see next page). The Commission invited comments on its policies by 1 August 2005.

EFRAG's position paper:
www.iasplus.com/
efrag/0506proactive.pdf

EFRAG seeks to be more 'proactive'

The European Financial Reporting Advisory Group (EFRAG) has released a position paper on Proactive Accounting Activities in Europe: EFRAG and the National Standard Setters. The objectives of the greater proactivity, as agreed by EFRAG and 17 European accounting standard setters, are:

- EFRAG and the national standard-setters (NSS) should work much more closely together to improve the input from Europe to the global standard-setting process.
- By working more closely together and pooling resources, Europe should become more involved in the IASB's work from an early stage.
- Increased co-operation will encourage the development of common views and ensure, as far as is practicable, that the messages Europe gives the IASB are consistent.

You will find various documents relating to CESR's advice here:
www.iasplus.com/restruct/
euro2005.htm#jul2005

CESR advice on national GAAP equivalence to IFRSs

The Committee of European Securities Regulators (CESR) has published its final technical advice to the European Commission on the equivalence between Canadian, Japanese, and US general accepted accounting principles (GAAP) and IFRSs. CESR's principal conclusion is that "the three countries' GAAPs, each taken as a whole, are equivalent to IFRSs". Therefore, CESR recommends that non-European companies trading in European securities markets be allowed to submit financial statements in Canadian, Japanese, and US GAAP without a full reconciliation of their accounts to IFRSs. However, they must provide information about certain specific differences between those national GAAPs and IFRSs. CESR's advice includes a non-exhaustive standard-by-standard list of differences as of 1 January 2005 for which disclosure of the nature and effect of the differences is required. CESR intends to update the list as of 1 January 2007. In addition, CESR proposes the following:

- Companies that have subsidiaries such as Qualifying Special Purpose Entities (QSPEs) that are not consolidated for third country GAAP purposes, but are required to be consolidated for the purposes of IFRS, must report a pro-forma balance sheet and profit and loss account on their local GAAP basis, but including the unconsolidated subsidiaries.
- Companies reporting under Japanese GAAP that have either accounted for mergers by the pooling of interest method and/or have consolidated subsidiaries on the basis of GAAPs that are not consistent with either IFRS or any of the third country GAAPs should report a pro-forma balance sheet and profit and loss account on the basis of IFRS covering business combinations and consistent accounting policies, respectively.
- Japanese and US issuers must adopt accounting policies for the expensing of stock options on a basis equivalent (but not necessarily identical) to IFRSs, for implementation on or before 1 January 2007. (The US has already adopted such a standard, and Japan is considering doing so.)

Please note the status of CESR's final report is that of advice to the European Commission (see previous page). The European Commission has not yet considered CESR's findings.

The Commissioner's speeches can be downloaded from links on the Europe pages on IAS Plus:
www.iasplus.com/
restruct/resteuro.htm

EC Commissioner McCreevy Speaks about IFRSs

In a number of speeches over the past several months, Charlie McCreevy, the European Commissioner for Internal Market and Services, has commented on various issues relating to the IASB and IFRSs. Here are a few excerpts:

Application and enforcement of IFRSs in Europe

In a 27 June 2005 speech on "Regulatory and Supervisory Challenges of Financial Integration" in London, Commissioner McCreevy commented on the benefits to Europe of rigorous application and enforcement of IFRSs:

Over the coming months, Europe must show it can deliver on effective application and enforcement of IAS. This will be one of the first tests for our supervisory structures. It is a test we cannot afford to fail. If we do we will lose the prize now within our sights of reducing costs for business through recognition of equivalence of accounting standards. In a globalised economy Europe has to act in a global way – and lead.

Convergence and Equivalence

In a speech in New York on 20 April 2005, Commissioner McCreevy discussed, among other things, the reconciliation from IFRS to US GAAP, accounting convergence, the internal control provisions of Section 404 of the Sarbanes Oxley Act, and deregistration. An excerpt:

The goal must be mutual recognition of equivalence. You can also call it the home-country principle. If you agree to accept each other's system as equivalent then duplicative requirements disappear. You can then operate in the other country under the rules of your home country. I think we should find more areas in our transatlantic relation where we can apply this principle. In accounting, in insurance, for securities markets and in all the other financial regulation.

You will find the press release here: www.iasplus.com/resource/0505citigate.pdf
It contains an active link to download an executive summary of the study.

Survey finds equity market unprepared for IFRSs

A survey of 12 leading investment banks and 30 rated investment analysts in London by financial communications consultants Citigate Dewe Rogerson has found that the investment banks are "largely adopting a 'wait and see' approach towards the reconciliation of IFRS changes in financial modelling and forecasting.... The risk is that market valuations and share prices may be affected by a prolonged period of volatility while analysts lack consensus and a consistent approach to the interpretation of financial data under IFRS." The survey found that:

- Only two of the 12 investment banks have provided guidance for their analysts on how to integrate IFRSs into forecast models.
- Three-fourths of the investment banks offered their analysts no formal training at all on the adoption of IFRS.
- Half of the analysts surveyed have not made any changes to their forecast models for companies, while a further 23% have only made partial changes.
- Almost a third of the analysts have received no communication whatsoever from companies on the implications of IFRS. Less than 20% of analysts surveyed stated that companies had provided sufficient data.
- All agreed that the balance sheet and profit and loss account would be the financial statements most impacted by IFRS, thereby implying an increased focus on cash flows.
- Half stated that they would not be changing their valuation methods as a result of the adoption of IFRS, even though many responses highlighted potential impact on EV ratios, 'sum-of-the-parts' analysis, and dividend payments.

IASB Activities

Full minutes can be found at: www.iasplus.com/agenda/0507.htm

The IASB Meeting 19-21 July 2005

Topics discussed included:

- Update on Financial Instruments Working Group meeting.
- European roadshows.
- Conceptual Framework.
- Consolidation, including special purpose entities.
- Income taxes: short-term convergence.
- Agenda Review.

Educational sessions:

- Financial Reporting by Small and Medium-sized Entities (SMEs).
- Extractive activities.
- Insurance Contracts, phase II.

Income taxes: short term convergence

The Board considered whether, in developing the exposure draft of the proposed amendments to IAS 12, it should also restructure IAS 12 to make it easier to understand. The Board decided to try rewriting IAS 12 so as to leave the requirements unchanged (except for those amendments proposed to date for this project), but to highlight the principles and to extract the examples and reasoning that should form part of implementation guidance and the basis for conclusions.

IASB press release:
www.iasplus.com/
pressrel /0504amend39.pdf

IASB issues final IAS 39 fair value option amendment

The IASB has amended IAS 39 **Financial Instruments: Recognition and Measurement** to restrict the use of the option to designate any financial asset or any financial liability to be measured at fair value through profit and loss (the 'fair value option'). The IASB developed this amendment after commentators, particularly prudential supervisors of banks, securities companies, and insurers, raised concerns that the fair value option contained in the 2003 revisions of IAS 39 might be used inappropriately. The new revisions limit the use of the option to those financial instruments that meet certain conditions. Those conditions are that:

- the fair value option designation eliminates or significantly reduces an accounting mismatch;
- a group of financial assets, financial liabilities, or both are managed and their performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy; and
- an instrument contains an embedded derivative that meets particular conditions.

The amendment is effective 1 January 2006, with earlier application encouraged.

IASB press release:
www.iasplus.com/
pressrel /0504amend39.pdf

Amendment to IAS 39 on intragroup hedges

The IASB has amended IAS 39 **Financial Instruments: Recognition and Measurement** to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as the hedged item in a cash flow hedge in consolidated financial statements – provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and the foreign currency risk will affect the consolidated financial statements.

The amendment also specifies that if the hedge of a forecast intragroup transaction qualifies for cash flow hedge accounting, any gain or loss that is recognised directly in equity in accordance with the hedge accounting rules in IAS 39 must be reclassified into profit or loss in the same period or periods during which the foreign currency risk of the hedged transaction affects consolidated profit or loss.

The amendment is effective 1 January 2006, although earlier application is encouraged. This amendment removes a difference with US GAAP.

IASB press release:
www.iasplus.com/
pressrel/financialguarantees.pdf

IAS 39 and IFRS 4 amended for guarantee contracts

The IASB has amended the scope of IAS 39 **Financial Instruments: Recognition and Measurement** to include financial guarantee contracts issued. However, if an issuer of financial guarantee contracts has previously asserted explicitly that it regards such contracts as insurance contracts and has used accounting applicable to insurance contracts, the issuer may elect to apply either IAS 39 or IFRS 4 **Insurance Contracts** to such financial guarantee contracts. Some details:

- A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.
- Under IAS 39, financial guarantee contracts are initially recognised at fair value and are subsequently measured at the greater of (a) the amount determined in accordance with IAS 37 and (b) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with IAS 18.
- The issuer may make the IAS 39 or IFRS 4 election contract by contract, but the election for each contract is irrevocable.
- The amendments to IAS 39 and IFRS 4 are effective for annual periods beginning on or after 1 January 2006, with earlier application encouraged.

The IASB plans to address the 'accounting mismatch' by amending either IAS 38 or IAS 39. An exposure draft is not expected until July 2006.

IASB withdraws IFRIC 3 Emission Rights

At its June 2005 meeting, the IASB withdrew IFRIC 3 **Emission Rights**, which had been issued in December 2004 and was scheduled to go into effect for annual periods beginning on or after 1 March 2005.

IFRIC 3 specifies that emission rights (allowances) granted by government are intangible assets that should be recognised in the financial statements in accordance with IAS 38 **Intangible Assets** and that as a participant produces emissions, it recognises a provision for its obligation to deliver allowances in accordance with IAS 37 **Provisions, Contingent Liabilities and Contingent Assets**. Some of the Board's constituents had expressed concern about a resulting 'accounting mismatch' because the intangible asset is measured at historical cost while the provision is measured at the market value of the allowances needed to settle it. IFRIC discussed the matter at its 2-3 June 2005 meeting. That discussion included a staff analysis of a proposal by EFRAG for the development of a form of cash flow hedge accounting to reduce the volatility resulting from the timing of receipt of allowances.

IFRIC had recommended that the Board consider these wider issues. The Board also had before it a letter from the European Commission requesting that the effective date of IFRIC 3 be deferred. The Board concluded that while IFRIC 3 is an appropriate interpretation of the existing requirements of IAS 37 and IAS 38, the 'accounting mismatch' problem suggests the need for a more comprehensive consideration of the issue. Pending that consideration, IFRIC 3 has been withdrawn.

IASB press release: www.iasplus.com/pressrel/0506ifrs6.pdf

Amendments to IFRS 6 and IFRS 1

The IASB has issued amendments to IFRS 1 and IFRS 6 to clarify that an entity that both (a) adopts IFRSs for the first time before 1 January 2006 and (b) applies IFRS 6 before that date is exempted not only from providing comparative prior-period disclosures but also from applying the recognition and measurement requirements of IFRS 6 in the prior comparative period.

IASB press release: www.iasplus.com/pressrel/0508ifrs7.pdf

IASB issues IFRS 7 on financial instruments disclosures

The IASB has issued IFRS 7 **Financial Instruments: Disclosures**. The standard:

- requires certain new disclosures about financial instruments in addition to those currently required by IAS 32 **Financial Instruments: Presentation and Disclosure**;
- replaces the disclosures now required by IAS 30 **Disclosures in the Financial Statements of Banks and Similar Financial Institutions**; and
- puts all of those financial instruments disclosures together in a new combined standard. The remaining parts of IAS 32, which will be renamed Financial Instruments: Presentation, deal only with presentation matters, including the classification of instruments as debt or equity and of compound financial instruments, offsetting, and treasury shares.

Under IFRS 7, an entity must group its financial instruments into classes of similar instruments and, where disclosures are required, make the disclosures by class. The two main categories of disclosures required by IFRS 7 are:

- Information about the significance of financial instruments.
- Information about the nature and extent of risks arising from financial instruments.

An appendix of mandatory application guidance is part of the standard. There is also an appendix of non-mandatory implementation guidance that describes how an entity might provide the disclosures required by IFRS 7. IFRS 7 applies to all entities and is effective for annual periods beginning on or after 1 January 2007, with earlier application encouraged. Early appliers are given some relief with respect to comparative prior period disclosures. Both IAS 30 and the disclosure requirements of IAS 32 are withdrawn.

IASB amends IAS 1 to add capital disclosures

As part of its project to develop IFRS 7 **Financial Instruments: Disclosures** (see story above), the IASB decided also to amend IAS 1 **Presentation of Financial Statements** to add requirements for disclosures of:

- The entity's objectives, policies and processes for managing capital.
- Quantitative data about what the entity regards as capital.
- Whether the entity has complied with any capital requirements.
- Where it has not complied, the consequences of such non-compliance.

These disclosure requirements apply to all entities, effective for annual periods beginning on or after 1 January 2007, with earlier application encouraged. Illustrative examples are added to IAS 1 as guidance.

IASB press release:
www.iasplus.com/pressrel/0506buscomb.pdf

Amendments proposed to IFRS 3, IAS 27, IAS 37

The IASB and the US Financial Accounting Standards Board (FASB) have published joint proposals to improve and align the accounting for business combinations. The proposals include a draft standard that the boards have developed in their first major joint project. The proposed standard would replace the existing requirements of the IASB's IFRS 3 and FASB's Statement 141, both titled **Business Combinations**. The proposals retain the fundamental requirement of IFRS 3 and SFAS 141 to account for all business combinations using the purchase method of accounting, by which one party is always identified as acquiring the other.

A summary of the proposals is presented below. Comments are due by 28 October 2005.

Principal changes being proposed to IFRS 3

- The acquirer would measure the business acquired at its total fair value and, consequently, recognise the goodwill attributable to any non-controlling interests (previously referred to as minority interests) rather than just the portion attributable to the acquirer. This is sometimes called the 'full goodwill method'. The current version of IFRS 3 requires a business combination to be measured and recognised on the basis of the accumulated cost of the combination.
- Payments to third parties for consulting, legal, audit, and similar services associated with an acquisition would be recognised generally as expenses when incurred rather than capitalised as part of the business combination. The current version of IFRS 3 requires direct costs of the business combination to be included in the cost of the acquiree.
- The acquirer would measure and recognise the acquisition-date fair value of the assets acquired and liabilities assumed as part of the business combination, with limited exceptions. Those exceptions are goodwill, non-current assets (or disposal groups) classified as held for sale, deferred tax assets or liabilities, and assets or liabilities related to the acquiree's employee benefit plans. Thus there will be fewer exceptions to the principle of measuring assets acquired and liabilities assumed in a business combination at fair value.
- The acquirer would recognise separately from goodwill an acquiree's intangible assets that meet the definition of an intangible asset in IAS 38 **Intangible Assets** and are identifiable (that is, they arise from contractual-legal rights or are separable). The current version of IFRS 3 requires the recognition of intangible assets separately from goodwill only if they meet the IAS 38 definition and are reliably measurable.
- The acquirer would account for a bargain purchase by reducing goodwill until the goodwill related to that business combination is reduced to zero and then by recognising any remaining excess in profit or loss. The current version of IFRS 3 requires the excess of the acquirer's interest in the net fair values of the acquiree's assets and liabilities over cost to be recognised immediately in profit or loss.
- Acquisitions of additional non-controlling equity interests after the business combination will no longer be accounted for using the acquisition method. Instead, they will be accounted for in equity as transactions with owners.
- The scope of IFRS 3 would be broadened to include business combinations involving only mutual entities and those achieved by contract alone.

Two additional exposure drafts

- The IASB and the FASB have also published exposure drafts proposing that non-controlling interests should be classified as equity within the consolidated financial statements and that the acquisition of non-controlling interests should be accounted for as an equity transaction. The IASB's proposals are presented as amendments to IAS 27 **Consolidated and Separate Financial Statements**.
- The IASB also has proposed amendments to IAS 37 **Provisions, Contingent Liabilities and Contingent Assets** to treat items previously described as 'contingent liabilities' more consistently in and outside of a business combination.

IASB press release:
www.iasplus.com/pressrel/0506buscomb.pdf

IASB proposes amendments to provisions standard

The IASB has invited comment on proposed amendments to IAS 37 **Provisions, Contingent Liabilities and Contingent Assets** (to be retitled **Non-financial Liabilities**) and complementary limited amendments to IAS 19 **Employee Benefits**. The amendments to IAS 37 would change the current approach to recognising non-financial liabilities. Entities would be required to recognise in their financial statements all obligations that satisfy the definition of a liability in the IASB's **Framework**, unless they cannot be measured reliably. Uncertainty about the amount or timing of the economic benefits that will be required to settle a liability would be reflected in the measurement of that liability instead of (as is currently required) affecting whether it is recognised. This change would enhance financial reporting because some liabilities previously only disclosed in the notes to the financial statements would now be included in the balance sheet. Moreover, it would make the IASB approach consistent with the approach under US GAAP. Comments are due by 28 October 2005.

You will find a complete list of SME working group members here:
www.iasplus.com/agenda/sme.htm#wg

IASB expands its SME working group

The IASB has expanded its working group on Accounting Standards for Small and Medium-sized Entities (SMEs) to include more preparers and users of SME financial statements as well as others with a particular SME expertise. SMEs are defined by the IASB as entities that (a) do not have public accountability and (b) publish general purpose financial statements for external users.

Deloitte letters of comment

Deloitte comment letters on IFRIC D16 and D17

Deloitte has submitted comment letters on IFRIC Draft Interpretations D16 and D17:

IFRIC D16 Scope of **IFRS 2.**

We support the issuance of an IFRIC Interpretation clarifying that share-based payments may exist in scenarios where goods and services provided in exchange for the equity instruments may not be readily identifiable. We agree with the main approach in the draft interpretation and offer some suggestions for changes.

IFRIC D17 Group and Treasury Share Transactions**.**

We concur with the consensuses reached by the IFRIC on the issues set out in paragraph 6(a) and (b) of D17. Our concerns with the consensus on the issue set out in paragraph 6(c) are detailed in the Appendix to [our] letter. …

We believe the accounting treatment should be determined based on the substance of the arrangements, not the form. In the case where a subsidiary grants to its employees the rights to its parent entity's equity instruments, we concur that in the absence of any other agreement/arrangement, the subsidiary should account for that share-based payment transaction as cash-settled. However, the existence of an additional agreement, in which the parent, for example, agrees to deliver its own equity instruments to the subsidiary at the same subscription price stipulated for the subsidiary's employees (leaving the subsidiary cash neutral), alters the substance of the arrangement. The effect of this alteration is that the arrangement is not different to the parent granting the rights to its own equity instruments directly to the subsidiary's employees; an arrangement the IFRIC would view as equity-settled. Consequently we disagree with the IFRIC conclusion… "

Full text of our letters of comment (going back to 1995):
www.iasplus.com/dttletr/comment.htm

Three Deloitte comment letters to IASB/IFRIC

Deloitte has submitted letters of comment to the IASB and IFRIC on the following draft documents (an excerpt from our letters is shown):

IASB Draft Memorandum of understanding on the role of accounting standard-setters

We are generally supportive of the Draft Memorandum and commend the International Accounting Standards Board for taking the initiative to forge closer links with the various accounting standard-setters around the world, documenting that process, and placing it on the public record.

IASB Due Process Handbook

We support the approach outlined in the Draft Handbook and think that it will be a useful document in explaining the approach to standard-setting adopted by the IASB. However, we are puzzled about what the IASC Foundation Trustees expect to receive from this exposure....

The Draft Handbook should distinguish clearly the components of its due process (i.e., the principles identified in the IASC Foundation Constitution and the steps adopted voluntarily by the IASB and the IASC Foundation Trustees) from operational practices. We think this distinction is vital because much of the document is explanatory, describing the Board's day-to-day operations and how it puts its due process requirements into effect. We think that the Board should have greater freedom to change operational aspects of its due process without extensive consultation – for example to improve efficiency in light of experience.

IFRIC review of operations

We are supportive of the IFRIC seeking external comment on its review of operations, and generally believe that the proposals in the Consultative Document are a significant step in the right direction. However, we do have some concerns about the rigour of the IFRIC's review of its operations, and whether or not the commonly expressed concerns of constituents have genuinely been addressed.

Full text of our letters of comment (going back to 1995):
www.iasplus.com/dttletr/comment.htm

Deloitte reply to IASB's SME questionnaire

Deloitte has submitted a response to the IASB's Staff Questionnaire on Possible Recognition and Measurement Modifications for Small and Medium-sized Entities (SMEs). We continue to support the IASB's efforts to develop an appropriate and comprehensive reporting regime for SMEs. We make a number of recommendations for recognition and measurement simplifications for SMEs, and we request clarification of several aspects of the Board's approach to SME standards, including the definition of SMEs. Overall, we conclude:

We believe it is very important that the Board develops a set of financial reporting standards for SMEs as soon as possible. Many jurisdictions around the world currently have differential reporting regimes. Full IFRS, with their focus on providing information for making economic decisions in the context of developed capital markets, may not be suitable for SMEs simply because they are not designed to meet the needs of this particular sector. In our experience, users of SMEs' financial statements are looking for standards which result in financial reporting which is likely to be meaningful and comprehensible to them. Standards that provide the least cumbersome method of achieving the accounting treatment and/or disclosure that is not complex are sought. Standards are wanted that provide guidance that is widely relevant to the transactions of SMEs and that are written in terms that can be understood by such businesses. We hope that the outcome of this project will be a simplified accounting regime which provides entities with a means of communicating financial information to their stakeholders in a manner appropriate to that entity's nature.

In our comment letter we have detailed a number of accounting choices which we believe should be left open for SMEs. We note that where an SME chooses a particular accounting model, that decision ought to be treated as an accounting policy choice and applied consistently by that SME in respect of all similar transactions.

News from IFRIC

Headline News IFRIC 6 on waste management costs

On 1 September 2005, the IFRIC issued IFRIC 6 **Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment**. The Interpretation gives guidance on the accounting for liabilities for waste management costs. Specifically, it considers the appropriate trigger for recognition of an obligation to contribute to the costs of disposing of waste equipment based on the entity's share of the market in a measurement period. IFRIC 6 concludes that the event that triggers liability recognition is participation in the market during a measurement period.

The Interpretation is effective for annual periods beginning on or after 1 December 2005.

Complete report from the IFRIC meeting in August 2005: www.iasplus.com/pastnews/2005aug.htm#ifric

Service concessions: the way forward

The IFRIC received 76 comment letters on **Draft Interpretations D12, D13, and D14**, many of which were highly critical of the IFRIC proposals. However a great number of comment letters have stressed the need for the IFRIC to finalise a solution even if that solution is only interim in its nature. The main areas of criticism were:

- that the criteria for recognising property, plant, and equipment as assets of the grantor, which are outside of the scope of the draft interpretations, did not make reference to the risks and rewards of ownership;
- that the dividing line between the intangible asset model and the financial asset model had been drawn in such a way that economically similar projects would be accounted for in vastly different manners;
- the limited scope of the draft interpretations; and
- the double recognition of revenue in the intangible asset model.

During its meeting in August 2005 the IFRIC considered the direction of the project, and reached the following conclusions:

- The IFRIC agreed to continue with the project.
- The IFRIC anticipated the project in the short term would result in the issuance of one or more interpretations, and that those interpretations would contain more application guidance than is typical within an IFRIC interpretation.
- The IFRIC agreed that those interpretations would need to clarify that the property, plant, and equipment model for accounting for service concession arrangements may be appropriate in some circumstances, but that such circumstances were outside of the scope of the interpretations.
- The interpretations should also clearly stipulate other accounting treatments which the IFRIC considered in the course of its discussions and deemed to be inappropriate under IFRS.

The press release announcing the appointments is here: www.iasplus.com/pressrel/0506ifric.pdf

A complete list of IFRIC members is here: www.iasplus.com/restruct/ifric.htm

New chairman, four members, appointed for IFRIC

The Trustees of the IASC Foundation have announced that Robert Garnett, an IASB member who has served as the acting chairman of the International Financial Reporting Interpretations Committee (IFRIC) following Kevin Stevenson's departure, will become the non-voting chairman of the IFRIC. The Trustees also announced the renewal of the terms of four IFRIC members for terms of three years ending 30 June 2008:

- Phil Ameen, Vice President and Comptroller, General Electric Company, United States.
- Michael E Bradbury, Professor of Accounting, Unitec, New Zealand.
- Claudio de Conto, General Manager Administration and Control, Pirelli S.p.A, Italy.
- Jean-Louis Lebrun, Partner and Chairman of the Supervisory Board, Mazars, France.

IASC Foundation press release: www.iasplus.com/pressrel/0506constreviewpr.pdf

IASC Foundation news

Constitution review

At their meeting in Paris on 21 June 2005, the Trustees of the IASC Foundation (IASCF) approved a number of amendments to the IASCF Constitution following their review of the structure and operations of the IASB, IFRIC, SAC, and the IASCF. Presented in the table below is Deloitte's summary of the main changes to the constitution that were adopted by the Trustees:

Summary of changes to IASC Foundation Constitution Adopted 21 June 2005, effective 1 July 2005

Incremental rather than fundamental changes. "Having assessed the organisation's progress against the objectives laid out in the constitution, the trustees have concluded that the basic structure, set out by the 2000 constitution, is sound and therefore have not contemplated fundamental change."

Addition to IASCF objectives for SMEs and emerging economies. In fulfilling the objectives of developing and promoting high quality, understandable, and enforceable global accounting standards, take account of the special needs of small and medium-sized entities and emerging economies.

Number of trustees. Expand board of trustees from 19 to 22 members.

Geographical balance of trustees.

- Six from North America (unchanged).
- Six from Europe (unchanged).
- Six (was four) from the Asia/Oceania region
- Four (was three) from any area, subject to establishing overall geographical balance.

Backgrounds of trustees. The constitution will require an appropriate balance of professional backgrounds, including auditors, preparers, users, academics, and other officials serving the public interest. Two will normally be senior partners of prominent international accounting firms. This is essentially unchanged.

Selection of trustees. Trustees will adopt procedures for appointing trustees. Those procedures must include consultation with national and international organisations of auditors (including IFAC), preparers, users, and academics and public solicitation of nominees including self-nominations. To achieve this objective, the trustees plan to establish a high level advisory group of five to seven leaders of official international and regional organisations. The trustees will consult that body before making decisions on trustee appointments. Currently, five trustees are nominated by IFAC and three others are nominated after consultation with certain specified organisations.

Term of chairman. The trustees appoint one of their own number as chairman. While trustees will normally serve a maximum of two three-year terms, the chairman may serve for a maximum of two three-year terms as chairman regardless of prior service as a trustee. Currently all trustees including the chairman serve a maximum of two three-year terms.

Liaison IASB Board Members. Requirement for designating seven IASB members as liaisons with major national standard setters has been removed from the constitution.

Trustee consideration of IASB agenda. The trustees' annual review of the strategy of the IASC Foundation and the IASB and its effectiveness is expanded to include "consideration, but not determination, of the IASB's agenda".

IASB responsibility for its agenda.

- New: IASB has full discretion in developing and pursuing the technical agenda.
- Was: IASB has full discretion over the technical agenda.

(continued on next page)

Trustee oversight of IASB, IFRIC, SAC. In addition to establishing and amending operating procedures for the IASB, IFRIC, and SAC, the trustees will also establish, amend, and review compliance with "consultative arrangements and due process".

Education. New trustee responsibility would be to foster and review the development of educational programmes and materials.

Number of part-time IASB members. Kept at two.

Main qualification for IASB members. Changed from "technical expertise" to "professional competence and practical experience".

Geographical mix of IASB members. "Trustees shall ensure that the IASB is not dominated by any particular constituency or geographical interest" (trustees rejected specifying a geographical mix).

Background mix of IASB members.

- New: "Appropriate mix of recent practical experience among auditors, preparers, users and academics".
- Was: Minimums of five practising auditors, three preparers of financial statements, three users of financial statements, and one academic.

IASB voting. A vote of 9 of the 14 IASB members is required to approve an exposure draft, final Standard, and Interpretation (was 8 of 14).

Due process steps. IASB is required to explain its reasons if it decides not to follow any of the non-mandatory due process steps. Such non-mandatory steps are:

- Publishing a discussion document before an exposure draft.
- Forming working groups.
- Publishing a basis for conclusions.
- Holding public hearings.
- Conducting field tests.
- Appointing a steering committee (now referred to as 'working groups' consistent with recent IASB practice).

Chairman of Standards Advisory Council. Appointed by trustees. Will not be a member of the IASB or its staff. Currently the IASB chairman is also the SAC chairman.

Press release: www.iasplus.com/pressrel/0507newtrustees.pdf

IASCF seeks nominations for nine trustees

The IASC Foundation, under which the IASB operates, is seeking to fill nine IASCF trustee positions. Three are newly created positions resulting from the recent expansion of the board of trustees from 19 to 22 members. The six other vacancies arise from the departure of existing trustees who are either ineligible for or do not seek reappointment. Four of the nine appointments will be from the Asia/Oceania region, one from Europe, three from North America, and one from any area of the world.

The Foundation is seeking indications of interest by 14 September 2005. All appointments would be for renewable three-year terms ending on 31 December 2008. One of the newly appointed trustees may be asked to serve as chairman.

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

Upcoming meetings

IASB a SAC Meetings 2005-2006

London, UK	19-23 September 2005
London, UK	26-27 September 2005 meeting with world standard setters
London, UK	17-21 October 2005
Norwalk, CT, USA	24-25 October 2005 joint meeting with FASB
London, UK	14-18 November 2005, and 10-11 November 2005 with the Standards Advisory Council
London, UK	12-16 December 2005
London, UK	23-27 January 2006
London, UK	20-24 February 2006, and 27-28 February 2006 with the Standards Advisory Council
London, UK	27-31 March 2006
London, UK	24-26 April 2006, and 27-28 April 2006 joint IASB/FASB meeting
London, UK	22-26 May 2006
London, UK	19-23 June 2006, and 26-27 June 2006 with the Standards Advisory Council
London, UK	17-21 July 2006
London, UK	18-22 September 2006
London, UK	16-20 October 2006
Norwalk, CT, USA	23-24 October 2006 joint meeting with FASB
London, UK	13-17 November 2006, and 9-10 November 2006 with the Standards Advisory Council
London, UK	11-15 December 2006

IFRIC meetings 2005

London, UK	1-2 September 2005
London, UK	3-4 November 2005
London, UK	1-2 December 2005
London, UK	12-13 January 2006
London, UK	2-3 March 2006
London, UK	11-12 May 2006
London, UK	6-7 July 2006
London, UK	7-8 September 2006
London, UK	2-3 November 2006

News from the Basel Committee

Basel Committee consultative document:
www.iasplus.com/resource/
0507baselfvo.pdf

Basel Committee press release:
www.iasplus.com/resource/
0507baselpr.pdf

The Basel Committee on Banking Supervision has issued a consultative document **Supervisory Guidance on the Use of the Fair Value Option by Banks under IFRSs** that discusses supervisory guidance on banks' use of the IAS 39 fair value option. Two key areas of supervisory guidance are addressed:

- What constitutes a set of sound risk management and control processes around use of the option?
- How might a bank's use of the option affect supervisory assessments of a bank's risk management systems and regulatory capital? The guidance suggests additional information that supervisors might collect to help them better understand how banks are using the fair value option and how this use impacts the supervisory assessment of banks' financial condition.

The proposal does not impose additional accounting or disclosure requirements beyond those in the June 2005 IAS 39 Fair Value Option Amendment.

Under the approach proposed in the consultative document, for those banks capable of fully meeting the supervisory expectations set out in this paper, no adjustments to regulatory capital would be required as a consequence of their use of the fair value option. One exception to this general approach is the Committee's view, published in June 2004, that gains and losses arising from changes in a bank's own credit risk associated with its liabilities should not be included in a bank's regulatory capital. For banks that do not meet the supervisory expectations set forth in the consultative paper, a range of possible supervisory responses is discussed, including possible supervisory actions with respect to regulatory capital. The comment period ends 31 October 2005.

IFRS – Related news from the United States

Download the SEC press release:
www.iasplus.com/
usa/0504sec.pdf

Download the European Commission's press release:
www.iasplus.com/
Europe/0504ecifrsus.pdf

The ASIC announcement can be found here:
www.iasplus.com/
au/0505asic.pdf

SEC 'roadmap' to eliminating IFRS reconciliation

William Donaldson, (former) Chairman of the US Securities and Exchange Commission, and Charles McCreevy, EU Internal Market Commissioner, met on 21 April 2005 in Washington to discuss a range of topics of mutual interest between the SEC and the European Union, including expanding the use of high-quality global accounting standards and eliminating the reconciliation to US GAAP for IFRS filers. An SEC press release about the meeting states:

Chairman Donaldson reaffirmed his support for the convergence program being undertaken jointly by the International Accounting Standards Board and the US Financial Accounting Standards Board. Chairman Donaldson also discussed with Commissioner McCreevy a 'roadmap' developed by SEC staff that highlights the steps needed to eliminate the US GAAP reconciliation requirement for foreign private issuers that use International Financial Reporting Standards, or IFRSs. The roadmap establishes a goal of eliminating the requirement as early as possible between now and 2009 at the latest.

The European Commission highlighted the progress made between the EC and the SEC in a Press Release titled **Accounting Standards: EU Commissioner McCreevy Sees Agreement with SEC as Progress Toward Equivalence**. The reference to 'equivalence' relates to a study currently underway within the European Commission to assess whether US GAAP, Canadian GAAP, and/or Japanese GAAP are 'equivalent' to IFRSs and, therefore, should be allowed for non-European companies in European capital markets. An excerpt from Commissioner McCreevy's press release:

I very much welcome the constructive approach the SEC is taking to moving these critical issues forward. We will work closely together to promote the closer alignment of IFRS and US GAAP and towards the elimination of US GAAP reconciliation requirements for foreign private issuers. These are major steps towards high-quality global accounting standards, which the European Union strongly supports. Clearly there is much to do all round, but the bandwagon has now started. International accounting standard setters, preparers, issuers, auditors and regulators must now accelerate their efforts to seize this unique opportunity. They must set clear goals and deliver the necessary convergence, consistency and enforcement required. I will be pressing all concerned in Europe to play their part.

The Australian Securities & Investments Commission (ASIC) expressed support for the agreement between the SEC and the EC on the 'roadmap'. ASIC sees this as beneficial for Australia because Australian companies listed in the United States would no longer have to prepare the reconciliation. Further, since Australia has adopted IFRS equivalents, "it will also encourage US investment in the Australian capital market and facilitate Australian companies access to US finance if IFRS and US GAAP financial reports are determined to be convergent and provide comparable high quality financial reporting."

Publications from Deloitte

Download these IFRS model financial statements for 2005 and related checklists, without charge, at: www.iasplus.com/fs/fs.htm

IFRS financial statements and presentation/disclosure checklists

We have posted Deloitte's comprehensive Model IFRS Financial Statements and Presentation and Disclosure Checklist for the year ended 31 December 2005. These model financial statements were developed to illustrate the typical financial statement presentation and disclosures that are required of a company with subsidiaries and associates presenting its consolidated financial statements under IFRSs for 2005.

The Model IFRS Financial Statements and Presentation and Disclosure Checklist are available combined in a single document and as two separate PDF documents.

You can download this and all other IAS Plus Newsletters here: www.iasplus.com/iasplus/iasplus.htm

Special Edition of the UK iGAAP newsletter on business combinations phase II

This special edition of the IGAAP newsletter discusses the major impacts of the Exposure Drafts of proposed amendments to IFRS 3, IAS 27, IAS 37 and IAS 19 arising from phase II of the IASB's project on business combinations (see news item in IASB Activities above).

You can download this and all other IAS Plus Newsletters here: www.iasplus.com/iasplus/iasplus.htm

Special Edition of the UK iGAAP Newsletter on IAS 39's revised fair value option

This special edition of the iGAAP Newsletter discusses the Fair Value Option Amendments to IAS 39 issued by the IASB on 16 June 2005 outlining the categories of financial instruments that may be classified as at fair value through profit or loss, and explaining the transitional requirements (both for existing IFRS users and first-time adopters) as well as the additional disclosure requirements imposed by the amendments to IAS 39.

You can download this and all other IAS Plus Newsletters here: www.iasplus.com/iasplus/iasplus.htm

UK iGAAP Alert on IFRS – Potential threat to ability to pay dividends

An implication of adopting IFRS is the extent to which IFRS measurements apply to the determination of realised profits and losses in the context of distributions under the Companies Act 1985. This Alert considers some of the most significant issues discussed in draft guidance developed by the joint ICAEW/ICAS Distributable Profits Working Party on the application of TECH 7/03 **Guidance on the determination of realized profits and losses in the context of distributions under the Companies Act 1985** to IFRS and equivalent UK standards.

Click on the light bulb icon on the home page of www.iasplus.com/ to access Deloitte's IFRS e-learning.

IAS 32-39 Parts II and III e-learning now available

Our IFRS e-learning modules for IAS 32 and IAS 39 Parts II and III are now available. These modules cover the concepts of hedge accounting and derecognition of financial instruments. This brings the total available modules to 35, including the intro-help module, and completes our suite of modules for the 'stable platform' IFRSs for 2005. Well over 250,000 modules have already been downloaded – not counting downloads by Deloitte people, who access IFRS e-learning via an internal network.

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