

Roundtable for the consistent application of IFRS
Summary Meeting Report
20 September 2006

Summary

The Roundtable noted **common concern** on three issues and recommended these for referral:

1. De facto control – to be referred to the IASB
2. IFRIC 9 Reassessment of embedded derivatives (covering also the general treatment of financial instruments in the context of a business combination) – to be referred to IFRIC
3. Common control transactions - to be referred to the IASB

Overview of IASB/IFRIC activities

Much of the discussion focused on the IFRIC due process handbook.

The IASB explained that no indication of the types of comments received on the IFRIC due process handbook could as yet be given as the comment period was open until 30 September. Only after that date would the comments be analysed.

The IASB recalled that IFRIC interpretations usually take about 20 months and this was largely due to the necessity of having a proper due process.

The IASB stressed that for items to be accepted by IFRIC they had to be generic enough to allow for widespread divergent practice and at the same time be specific enough for an interpretation to be feasible. The IASB emphasised that IFRIC can only pronounce on standards which are in existence and cannot involve itself in areas where, despite there being a need, no standard exists.

There was a brief discussion on IFRIC rejections. UNICE recalled that it had already written to the IASB on IFRIC's working arrangements, expressing its concerns and proposing that rejections be taken by a qualified majority.

The Commission invited any comments which participants have on the IFRIC due process in writing. There was still time to include these in the Commission's comment letter.

Organisation and working arrangements of the Roundtable – publication of documents

In the interests of transparency and to meet its legal requirements on the public availability of documents, the Commission reaffirmed its intention to place Issues Papers and Technical Papers on its website.

The May Issues Paper had not been published because of concerns expressed regarding the risks of drawing inappropriate conclusions from its content.

Therefore, in today's Issues Paper the Commission had endeavoured to meet these concerns by adding a front page public disclaimer and indicating the name of the author alongside the respective text. This will serve to demonstrate that any views expressed therein are those of the respective organisation(s) concerned and not Roundtable-approved interpretations.

As the key content of the Issues Paper was the work of participants, any changes before publication would only be done in cases of factual errors, and only with the agreement of the organisation(s) which had drafted the original text.

There was general agreement that the front page disclaimer of the Issues Paper should also indicate that it should be read in conjunction with the Roundtable Summary Meeting Report and conclusions should only be drawn with both texts taken together.

Participants were invited to present written suggestions for amendments to the text of the Issues Paper as soon as possible.

Follow-up of issues from the last meeting

De facto control

The accounting profession presented their Technical Paper.

Conclusion: **Common concern.** The Roundtable recommended referral. The Commission was requested to refer to the key elements in the Technical Paper in its covering letter. In view of its scope and complexity, the issue should be referred to the IASB rather than IFRIC.

IAS 32 - Classification of a financial instrument as liability or equity

Conclusion: Further to the IFRIC tentative rejection there was a majority view that the matter was now clear and so the Roundtable did not recommend any further action.

IAS 32 - Puts and forwards held by minority interests

Conclusion: Further to the IFRIC tentative rejection, the Roundtable did not recommend any further action.

Issues Paper

During the discussion, some factual errors were identified in the Issues Paper. It was agreed that these would be corrected before its publication. Participants were asked to present proposed amendments to the Commission in writing as soon as possible.

Issue 1 - IFRIC 9 Reassessment of Embedded Derivatives

Conclusion: **Common concern.** The Roundtable recommended that the scope of the paper be extended to cover all financial instruments in a Business Combination and when done, that the Commission should refer it to IFRIC.

Issue 2 - IFRIC 6 Waste of Electrical and Electronic Equipment (WEEE)

Conclusion: The Roundtable recommended that the paper be elaborated to explain the different implementation models existing at national level. This new paper will then be discussed at the next Roundtable meeting.

Issue 3 - Deemed cost of a subsidiary in first time application

Conclusion: As the issue does not fall within the IFRIC agenda criteria (as it would require a change to IFRS 1) and there is already a forthcoming IASB Board project to address this issue, there was no widespread sentiment for taking the matter any further.

Issue 4 - IAS 24: disclosure of post-employment benefit

Conclusion: As this type of detailed information is already available to competent authorities through corporate governance legislation, there was no widespread sentiment for taking the matter any further.

Issue 5 - Common control transactions

Conclusion: **Common concern.** The Roundtable recommended that the Commission should refer this issue. The issue was already explained in sufficient technical detail that no separate Technical Paper would be necessary. In view of its scope and complexity, it should be referred to the IASB rather than IFRIC.

Issue 6 - Definition of Insurance Contract

Conclusion: As the issue is expected to be resolved in the Phase II project, there was no widespread sentiment for taking the matter any further.

Issue 7 - Guidance on substance over form: Linked, bundled and structured transactions

Conclusion: There were doubts as to whether matters of this nature (substance over form) could be resolved by IFRIC and therefore there was no widespread sentiment for taking the matter any further.

Issue 8 - Tax Amortisation Benefit (TAB) in asset valuations

Conclusion: As the issue will be addressed in the revised IAS 12 *Income Taxes* project, there was no widespread sentiment for taking the matter any further.

Issue 9 - Recognition of a deferred tax asset for the carry forward of unused tax losses when an entity has a history of recent losses

Conclusion: As this issue is also expected to be resolved in the project on revising IAS 12, there was no widespread sentiment for taking the matter any further.

New issues/A.O.B

FEE made the suggestion that future Roundtable agendas have a permanent slot for participants to comment on tentative IFRIC decisions as published in the update. The Commission replied that, as with any other issue, participants should advise the Commission which tentative IFRIC decisions appearing in such updates merited the attention of the Roundtable and so should be placed on the agenda.

Conclusions, preparation of new papers, next meeting

The following items were found to warrant **common concern**: de facto control, common control transactions, reassessment of embedded derivatives (and other financial instruments in a business combination) and so should be referred to the IASB or in the case of the latter, IFRIC.

The issue of the treatment of Waste of Electrical and Electronic Equipment merited development into a more detailed paper covering the different types of models. This will be discussed at the next meeting.

Preparations for the next meeting

The next meeting was tentatively scheduled for 17 November.

FEE and CESR advised that they had started work on the situation of IFRIC rejections. It was envisaged to have a discussion on this at the next meeting.

Annexes:

Technical paper on de facto control
Issues paper