

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

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IAS PLUS WEB SITE

We're getting thousands of visitors each week. Join us at <http://www.iasplus.com>. You will find the latest IASB and SIC news, summaries of all proposed and final Standards and Interpretations, updates on ongoing projects, reports about IASB meetings, reference materials, disclosure checklist, and lots more. New: 80mb of real IAS financial statements.

July 2001

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IASB NEWS

Standards Advisory Council members are appointed. Forty-nine persons were appointed to IASB's Standards Advisory Council. They met with the Board in July to review IASB's proposed technical agenda. See page 2.

IASB's May and June meetings. The Board held a four-day meeting in May (including one day with representatives of the liaison national standard-setters) and a three-day June meeting (one day was used for administrative matters). Summaries of the discussions are on pages 3-5.

IASB initial technical agenda. IASB will make some agenda decisions at its meeting later this month, after considering the views of its Advisory Council. Clearly, some projects seem to be emerging as first priority based on previous IASB meetings. Our list is on page 5.

Convergence. IASB met with representatives of leading national standard-setting boards. Support for the IASB and for convergence emerged, as did an approach to achieving convergence. See page 5.

New IASB Director of Technical Activities. Kevin Stevenson of Australia will start February 2002. See page 6.

And a new Research Director. Wayne Upton, formerly of FASB staff, has started already. Also page 6.

New IASB offices, phones. All the new contact details are on page 6.

US Congress enquires about IAS. And IASC Trustee Chairman Paul Volcker responds. Excerpts on page 7.

IAS 39 guidance. Batch 5 is finalised and released. Batch 6 (24 more Q&A) is exposed. Details on page 8.

Insurance project. Steering Committee agrees on principles to be proposed in a Draft Statement of Principles toward the end of the year. See page 8.

Standing Interpretations Committee (SIC). No new Interpretations. Five Draft Interpretations. Several possible new agenda projects. See pages 9-10.

New from Deloitte Touche Tohmatsu. See page 8. Our new 64-page *IAS In Your Pocket* guide is proving very popular. You can get an electronic version or a printed copy.

EUROPE GEARS UP FOR IAS

New "endorsement mechanism". The Technical Expert Group and the Supervisory Board are now in place. See page 12.

Directives amended for IAS 39. The 4th and 7th Directives were modified to permit European companies to follow IAS 39. See page 13.

Steps toward securities market integration. A single prospectus? A single securities regulator? It could happen by 2003. See page 13.

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The Standards Advisory Council will provide a forum through which IASB can hear the views of key constituency groups on technical and procedural issues. The Council will be a sounding board and a source of ideas for possible agenda projects.

IASB STANDARDS ADVISORY COUNCIL APPOINTED

The IASC Foundation Trustees have named 49 people to the Standards Advisory Council (see chart below). SAC members will advise the IASB on technical standards-setting issues, including agenda selection. SAC members include Peter Wilmot, a retired partner of Deloitte & Touche, South Africa (who was appointed Deputy Chairman of SAC), and three current Deloitte partners: Stig Enevoldsen (Denmark, former IASC Board chairman), Yezdi Malegam (India), and Adir Inbar (Israel). SAC members serve for a renewable term of three years.

SAC will normally meet three times each year at meetings open to the public to:

- ❑ advise the Board on priorities in the Board's work;
- ❑ advise on technical accounting standards issues;
- ❑ inform the Board of the implications of proposed standards for users and preparers of financial statements; and
- ❑ give other advice to the Board or to the Trustees.

SAC held its first meeting with the Board on 23-24 July in London. Principal items discussed were IASB's technical agenda, the proposed preface to IFRS, and the SIC Interpretations. The next SAC meeting is set for 15-16 October 2001 in Washington.

Under IASB's constitution, the IASB Chairman also chairs the SAC. IASB Chairman Sir David Tweedie has asked Peter Wilmot to chair the SAC meeting when technical issues are discussed.

STANDARDS ADVISORY COUNCIL MEMBERS

Africa

Peter Wilmot, South Africa
(SAC Deputy Chairman)
Ndungu Gathinji, Kenya

Asia, Excluding Japan

Raja Arched, Malaysia
Marvin Cheung, Hong Kong
Feng Shuping, China
Kim Il-Sup, Korea
Yezdi Malegam, India
Reyaz Mihular, Sri Lanka

Australia / New Zealand

Ian Ball, New Zealand
Peter Day, Australia

Central and Eastern Europe

Larissa Gorbatova, Russia
Rita Illison, Estonia

European Union

David Damant, United Kingdom
Philippe Danjou, France
Stig Enevoldsen, Denmark
Douglas Flint, United Kingdom
Alberto Guissani, Italy
Sigvard Heurlin, Sweden
Benoit Jaspard, Belgium
Jean Keller, France
Carmelo de las Morenas, Spain
Jochen Pape, Germany
Maija Torkko, Finland
Willem van der Loos, Netherlands

Japan

Eiko Tsujiyama, Japan
Yoshiki Yagi, Japan

Latin America

Nelson Carvalho, Brazil
Hector Estruga, Argentina
Rafael Gomez, Mexico

Middle East

Adir Inbar, Israel
Rifaat Ahmed Abdel Karim,
Bahrain

United States and Canada

Jeannot Blanchet, Canada
Michael Conway, United States
Jerry Edwards, United States
Trevor Harris, United States
Philip Livingston, United States
Patricia McConnell, United States
Paul McCrossan, Canada
Gabrielle Napolitano, United States
David L. Shedlarz, United States
Keith Sherin, United States
David Sidwell, United States
Norman Strauss, United States

International Organizations

Fayezul Choudhury, World Bank
Arne Petersen, IMF
Ian Mackintosh, IFAC
Rafael Sanchez de la Pena,
IOSCO
John Carchrae, IOSCO
Arnold Schilder, BIS

Official Observers

European Commission
United States SEC
Financial Services Agency of
Japan

Deloitte Touche Tohmatsu always sends one or more observers to IASB meetings. Each day, they take meeting notes that we try to post to our website, www.iasplus.com, by the next morning. While, of course, the notes are not official and are subject to revision and clarification, many people around the world who are unable to observe the meetings in person have told us that they find our reports timely and useful.

If you want to observe an IASB meeting, you should notify Kathryn McArdle at the IASB by e-mailing your completed observer registration form to kmcardle@iasb.org.uk. The form can be found on IASB's website: www.iasb.org.uk.

IASB DISCUSSION AND DECISIONS IN MAY

At its meeting in London 22-25 May 2001, IASB reached the following decisions (comments in [brackets] reflect events subsequent to this meeting):

Black-letter vs. Grey-letter. IASB decided that International Financial Reporting Standards (IFRS) should not distinguish between black (bold type) and grey letter (plain type) paragraphs. IASB will expose that decision for public comment.

Style of Standards. Other stylistic changes to standards agreed to were:

- IFRS will include a “main features” section at the beginning and a definitions section at the end of the standard.
- The word “should” as used in IAS will be replaced by “shall” in IFRS to provide clearer indication as to what is required.
- The word “enterprise” as used in IAS will be replaced by “entity”. This will reflect IASB’s focus will be on reporting issues for entities participating in international capital markets.

IAS 39 Guidance. The IAS 39 Implementation Guidance Committee (IGC) should finalise the fifth and sixth batches of questions and answers on IAS 39. IGC should continue to answer further questions during in the first year of the Standard’s implementation.

Preface. The Board considered a draft revision to the preface to IAS and proposed a number of additional changes. A further draft will be considered at the June meeting.

First-time Application of IAS. The Board briefly discussed the issue. A paper is to be tabled at the June Board meeting [postponed until July].

SIC. The Board was informed that the Standing Interpretations Committee is reconsidering SIC D27, Transactions in the Legal Form of a Lease and Leaseback (to base it more on a general principle rather than a specific fact pattern) and Business Combinations—Measurement of Shares Issued as Purchase Consideration (similar interpretations have recently been issued in several national jurisdictions). Issuance of the latter as a Draft Interpretation has been delayed. [Issued 9 July 2001, see page 9]

Barter Transactions Involving Advertising and Web Site Development Costs. SIC was asked to consider recent guidance in other jurisdictions before finalising its draft consensus. [Issued 9 July 2001, see page 9]

Internet Reporting. The IASC project on Business Reporting on the Internet should be handed over to the International Federation of Accountants, which has a committee working on this issue.

IASB DISCUSSION AND DECISIONS IN JUNE

At its meeting in London 25-27 June 2001, IASB reached the following decisions:

Measurement. The goal is to develop a consistent approach related to selection of the appropriate measurement objective for items recognised in the financial statements. There was general agreement that the aim is to recognise assets at what they are worth, but the question is “value to whom?” The Board discussed fair value, replacement cost, net selling price, and value in use as bases for measurement, including how to define them and difficulties in applying them. No decisions were reached. The Board will try to improve consistency of some aspects of measurement as part of the improvements project. Also, staff will prepare an “inventory” of how assets and liabilities are currently measured under the existing standards.

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IASB DISCUSSION AND DECISIONS IN JUNE, *continued*

Reporting Recognised Income and Expenses. This is the new working title of the project on performance reporting. A project steering committee appointed by the old IASC, has been working on the project for several years. The Board provided initial reactions on the following specific issues:

- ❑ Changes in Estimate. The principles in IAS 8 are sound, but the differences between a change in estimate, change in policy, and error need to be more clearly defined.
- ❑ Changes in Accounting Policy. There was general agreement by the Board members that there should be only one method of accounting for changes in accounting policy, namely restatement of prior periods, unless impractical to do so.
- ❑ Corrections of Errors. There was general agreement that the distinction between fundamental errors and errors should be removed. All errors should be treated in the same way – as changes in accounting policy.
- ❑ Extraordinary Items. The steering committee supports abolishing extraordinary items. While Board discussion seemed sympathetic with the steering committee view, the Board deferred a decision on this, pending decisions on the format of the new reporting statement.
- ❑ Unusual Items. The project steering committee supports retaining this concept. However preliminary consensus is that they should not be separately classified on the face of the income statement (though possibly separately disclosed within a particular class of income or expense). Disclosures would also be made in the notes.

Preface to International Financial Reporting Standards. It was agreed, among other things, that:

- ❑ IFRS, where applicable, would apply to incorporated and unincorporated entities, with encouragement given for the use of IFRS by non-public entities.
- ❑ IFRS would always include transitional provisions.
- ❑ SIC reorganisation still to be incorporated.
- ❑ Regarding due process leading to a final Standard, a discussion document may not always be issued, but an exposure draft and basis for conclusions will always be published.
- ❑ The Preface would be exposed for public comment, subject to discussion with the Advisory Council. Comments will be sought regarding the black-letter/grey-letter distinction, the clarity of the scope and authority of IFRS, an approach to dealing with effective dates and transition, and due process.

Business Combinations. The Board concluded that there should be two phases to this project.

Phase one would address:

- ❑ Whether there should be one or two methods of accounting for business combinations. Board member comments suggest substantial support for purchase accounting and prohibition of uniting of interests.
- ❑ Definition of business combinations.
- ❑ Definition of transactions between enterprises under common control so that these can be scoped out of accounting for business combinations.
- ❑ Business combinations involving more than two entities.
- ❑ Goodwill and intangibles: subsequent measurement, impairment testing, and amortisation.
- ❑ Negative goodwill.

Phase two would include:

- ❑ Accounting for interests in joint ventures.
- ❑ Joint venture financial statements.
- ❑ Accounting for transactions between entities under common control.

continued...

IASB DISCUSSION AND DECISIONS IN JUNE, continued

Banking Disclosure. The IASC bank disclosure steering committee believes that a revised Standard for banks and similar financial institutions is needed to:

- ❑ eliminate redundancies between the existing IAS 30 and other IAS, particularly IAS 24, 32, and 39; and
- ❑ update IAS 30 disclosures relating to risk management and exposure and regulatory capital adequacy.

IASB agreed and asked the committee (renamed an advisory group) to continue to draft an ED. The group should consider the extent to which the proposed requirements apply to entities other than banks and the possibility of dispersing the proposed requirements throughout other IAS standards.

By its constitution, IASB is required to consult with the Standards Advisory Council on potential agenda topics. Accordingly, even though the Board devoted considerable discussion time to its initial technical agenda at the April, May, and June meetings, it made no decisions pending its consultation with SAC in late July.

IASB'S INITIAL AGENDA IS TAKING SHAPE

Based on discussions at the IASB meeting in July and the agenda for the Standards Advisory Council meeting on 23-24 July 2001, IASB's technical agenda is beginning to shape up as follows:

First Priority Projects

- ❑ Improvements (including transition)
- ❑ Preface
- ❑ Reporting financial performance
- ❑ Measurement
- ❑ Share-based payments
- ❑ Measurement of financial instruments at fair value
- ❑ Business combinations
- ❑ Consolidation policy
- ❑ Derecognition
- ❑ Banking activities: disclosure and presentation
- ❑ Insurance contracts
- ❑ Limited amendments to IAS 39

Second Level Projects

- ❑ Definitions of elements of financial statements
- ❑ Intangible assets
- ❑ Leases
- ❑ Extractive industries
- ❑ Impairment
- ❑ Revaluation of non-financial assets

The purpose of these meetings is to develop shared goals with respect to areas of convergence and to enable IASB – and the national standard-setters as well – to leverage their resources to their mutual benefit. The benefits of leveraging are clear when one considers that the technical staff of the US FASB alone is roughly triple that of what IASB's will be when they are fully staffed.

IASB MEETS WITH NATIONAL STANDARD-SETTERS

IASB met with the chairs or other representatives of leading national accounting standard-setting boards representing Australia/New Zealand, Canada, France, Germany, Japan, United States, and United Kingdom. Support for the IASB and for convergence emerged from the discussions. An approach to achieving convergence was considered:

- ❑ IASB and the national standard-setters would agree on convergence projects and, if possible, each would place them on their agendas.
- ❑ Various forms of project partnership were considered. For example, one national standard setter could be the leader on a project, one or more others could agree to provide project support resources, and one or more others could agree to be consultants.
- ❑ Flexibility would be needed to accommodate the varied due processes of the national standard setters.

IASB will again meet with the chairs of major national standard-setters on 10-11 September 2001.

IASB's policy is to meet for three to five days each month, other than August, generally in London but occasionally elsewhere. Meetings are open to public observation.

Two new IAS take effect in 2001: IAS 39, and 40. IAS 41 will become operative in 2003.

As the senior technical staff officer, the Director of Technical Activities will participate in the debate of both the IASB and the SIC. The Director of Research will oversee the drafting of papers and standards by the IASB staff. There will be approximately 15 project managers and other technical staff.

IASB has roughly 1,000 square metres (11,000 square feet) of space, including offices for Board members and technical and support staff, plus a Board meeting room with public observer gallery. The publications department staff remains at IASB's old location, 166 Fleet Street, London EC4A 2DY. There's a photo of the building on www.iasplus.com.

UPCOMING IASB MEETINGS

IASB has scheduled the following Board meetings for the remainder of 2001:

- 10-13 September 2001, London
- 15-19 October 2001, Washington (includes meeting with the Standards Advisory Council 15-16 October)
- 27-29 November 2001, London
- 18-20 December 2001, Paris

NEWLY EFFECTIVE IAS, SIC

IAS 39, *Financial Instruments: Recognition and Measurement*, and IAS 40, *Investment Property*, went into effect on 1 January 2001, as did certain limited revisions to IAS 12, 19, and 39. IAS 41, *Agriculture*, will take effect 1 January 2003, although earlier adoption is encouraged.

Also effective as of 1 January 2001 was SIC 19, *Reporting Currency – Measurement and Presentation of Financial Statements Under IAS 21 and IAS 29*.

IASB ANNOUNCES KEY STAFF APPOINTMENTS

IASB has named Kevin M. Stevenson of Australia as its Director of Technical Activities, its senior technical staff position. He is currently managing director of Stevenson McGregor and a member of the Australian Accounting Standards Board. Formerly, he was Senior Technical Partner, PricewaterhouseCoopers, Australia, and a member of IASC's Standing Interpretations Committee and the Australian Urgent Issues Group. He will begin his position in February 2002. James Saloman will remain as IASB Technical Director until the end of the year.

Wayne S. Upton, formerly Senior Project Manager at the US Financial Accounting Standards Board, will be IASB's Director of Research. The Director of Research will directly oversee IASB's technical agenda projects and will report to the Director of Technical Activities.

IASB HAS RELOCATED TO NEW LONDON OFFICES

In early June, IASB relocated to new offices. Here are the contact details:

**International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom**

- Main Phone: +44 20 7246 6410
- Main Fax: +44 20 7246 6411
- Board Members Phones: Use IASB Main Phone: +44 20 7246 6410
- Technical Director (James Saloman): +44 20 7246 6460, jsaloman@iasb.org.uk
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- General E-mail: iasb@iasb.org.uk
- Comment Letter Submission by E-mail: commentletters@iasb.org.uk
- Website: <http://www.iasb.org.uk>
- Board and Staff E-mail Addresses: Person's first initial + surname @ [iasb.org.uk](http://www.iasb.org.uk)

The subject of the hearing was "Promotion of International Capital Flow Through Accounting Standards". It was conducted on 7 June 2001 by the Subcommittee on Capital Markets, Insurance and Government Sponsored Enterprises of the Committee on Financial Services of the US House of Representatives.

The SEC will have to decide whether, and to what degree, IAS might be less rigorous than US GAAP.

Mr. Beresford served as Chairman of the US Financial Accounting Standards Board from 1987 to 1997. He is now an executive professor at the University of Georgia.

PAUL VOLCKER TELLS CONGRESS ABOUT IASB

Paul Volcker, chairman of the Trustees of the IASC Foundation, testified before a Subcommittee of the US House of Representatives. Excerpts:

The former IASC has been completely restructured. The purpose is both clear and important: to achieve a single set of high quality accounting standards that will command respect around the world, that will discipline auditing approaches, simplify listing by national markets, and encourage effective enforcement by national authorities. The IASB will have its own staff, but will work to the extent possible in partnership with its national counterparts to achieve its goals.

If markets are to function properly and capital is to be allocated efficiently, investors require transparency and must have confidence that financial information accurately reflects economic performance. Investors should be able to make comparisons among companies in order to make rational investment decisions. In a rapidly globalizing world, it only makes sense that the same economic transactions are accounted for in the same manner across various jurisdictions.

I want to emphasize that we are committed to achieving accounting standards that reflect the best thinking of accounting professionals, independent of particular industry, national or political views. These standards will not be the lowest common denominator, simply to seek harmonization. Rather, we want the international standards to be able to command support around the world by virtue of their highest professional quality.

In some circumstances, this may well lead to convergence toward the U.S. GAAP. In other cases, I fully expect the IASB will lead to improved approaches over U.S. practice, and I hope in those cases the U.S. will then follow the international lead. The end product will hopefully be a usable and well enforced set of standards that will yield better information for investors. Similar transactions will be accounted for in the same manner across the globe.

LEVITT CAUTIONS ON IAS

Former US SEC Chairman Arthur Levitt comments on international accounting standards in an opinion piece, "The World According to GAAP", in the *Financial Times*, 1 May 2001:

Investors, public companies, accounting firms, stock markets and regulators around the world today face one of the great challenges for the global financial system's future: how to fashion an enduring system of comparable, uniform and high-quality financial reporting that is accepted just as much in Europe as it is in the US, and in developed countries as in emerging ones. It is a challenge born less out of crisis and more out of evolutionary progress....

As regulators around the world continue the process of developing a set of international accounting standards, some would like the US to embrace standards that would be of higher quality than those currently used in many countries but less rigorous than US GAAP. That would be a mistake.

EX-FASB CHAIRMAN: STANDARDS, NOT RULES

Writing in *Accountancy Age*, former FASB Chairman Dennis R. Beresford expressed concern about the trend, particularly in the US, to have a "detailed accounting rule for everything, no matter how narrow or obscure the issue.... Accountants should encourage the new IASB to emphasise a principles-based approach. Further, as part of the commitment to convergence, it is time for the FASB and SEC to change their behaviour and become more like the rest of the world."

Members of the IAS 39 Implementation Guidance Committee are:

- **John T. Smith, Deloitte & Touche, USA, Chair**
- **Andreas Bezold, Dresdner Bank, Germany**
- **Sigvard Heurlin, Öhrlings PricewaterhouseCoopers, Sweden**
- **Petri Hofste, KPMG Accountants, Netherlands**
- **James J. Leisenring, IASB**
- **Ralph Odermatt, UBS, Switzerland**
- **Pauline Wallace, Arthur Andersen, United Kingdom**
- **Tatsumi Yamada, IASB**

Warren McGregor, now a member of the IASB, has been chairing the Insurance Steering Committee since its inception in 1997. William Freda, a partner in Deloitte & Touche, USA, serves on that committee.

A very handy reference tool for a quick look-up, especially when you can't get to the Internet.

PROGRESS ON IAS 39 GUIDANCE

When IAS 39 was approved in December 1998, the IASC Board recognised a need to monitor implementation issues and to respond to questions that arise. To do that, the Board appointed an IAS 39 Implementation Guidance Committee (IGC). IGC identifies issues, develops draft questions and answers, and invites comment both from the IASC Board (now the IASB) and from the public before final guidance. Guidance is in question-and-answer format. John T. Smith of Deloitte & Touche, USA, chairs IGC. As of 1 July 2001, the IGC had issued 201 final Q&A based on five batches of proposals exposed for comment. These are available without charge in a single, comprehensive publication from IASB's website: www.iasb.org.uk. In addition, a sixth batch with 24 additional draft Q&A were issued for comment in late June 2001, with a comment deadline of 24 August. These too can be downloaded from IASB's website.

One of the Batch 6 questions and related examples address the particularly thorny issue of applying hedge accounting when a bank or other financial institution manages its interest rate risk on an enterprise-wide basis. The guidance includes an example of a methodology that allows for the use of hedge accounting and takes advantage of existing bank risk management systems so as to avoid unnecessary changes to it and to avoid unnecessary bookkeeping and tracking.

IASB has announced its intent to publish all of the final Q&A as an appendix to IAS 39, which would clarify their authority as equal to that of illustrative examples in appendices in other IAS.

PROGRESS TOWARD AN IAS ON INSURANCE

At its meeting in June 2001, IASB's Insurance Steering Committee (ISC) reached agreement on a final Draft Statement of Principles on Insurance Contracts that it will submit to IASB by the end of October. Prior to this meeting, ISC's tentative conclusions on accounting for insurance contracts were all in the assumed context of a future IASB Standard that would require full fair value for financial instruments. Because ISC believes that the financial instruments measurement project is viewed by the IASB as a long-term project, ISC decided to propose to IASB a "non-fair value" version of the asset/liability model for accounting for insurance contracts.

IAS "IN YOUR POCKET" GUIDE PUBLISHED

Deloitte Touche Tohmatsu has published a 64-page guide, *IAS In Your Pocket*. This guide includes summaries of all IAS and SIC, background on IASB projects, and other useful IASB-related information. The guide is available in electronic form at www.iasplus.com. A single printed copy will be sent on request (send an email to technical@deloitte.com.hk).

The new, full-time IASB expects to take a more active role in the interpretation process than did its predecessor. For one thing, it will review all Draft Interpretations before they are issued for public comment, something the old IASC did not do.

STANDING INTERPRETATIONS COMMITTEE

On 9 July 2001, IASB's Standing Interpretations Committee issued five Draft Interpretations for comment. Copies are available at www.iasb.org.uk. Comment deadline on all is 10 September 2001:

- **SIC D28, Business Combinations – Measurement of Shares Issued as Purchase Consideration.** SIC D28 addresses when the date of exchange occurs in an acquisition in which shares are issued as the purchase consideration. If the acquisition is achieved in a single exchange transaction, the date of exchange is the date on which the acquirer obtains control over the net assets and operations of the acquiree. If the acquisition is achieved in stages by successive share purchases, the fair value of the shares is determined at the date that each exchange is recognised. D28 also addresses when it is appropriate to use a price other than a published price at the date of exchange to determine the fair value of an acquirer's shares that are quoted in an active market. D28 proposes another price should be used only if it can be demonstrated that a price fluctuation is undue, and the other price provides a more reliable measure of the share's fair value.
- **SIC D29, Disclosure–Service Concession Arrangements.** Specifies disclosures appropriate under IAS 1 about arrangements by which a private sector enterprise agrees to provide services of the type normally considered public (government) services.
- **SIC D30, Reporting Currency–Translation from Measurement Currency to Presentation Currency.** How to translate financial statements from a measurement currency to a different currency for presentation purposes (sometimes called a “convenience translation”). D30 proposes:
 - Assets and liabilities should be translated at the closing rate at the date of each balance sheet presented, except when an enterprise's measurement currency is the currency of a hyperinflationary economy, in which case assets and liabilities should be translated at the closing rate existing at the date of the most recent balance sheet presented.
 - Income and expense items should be translated at the exchange rates existing at the dates of the transactions or a rate that approximates the actual exchange rates, except when the measurement currency is the currency of a hyperinflationary economy, in which case income and expense items for all periods presented should be translated at the closing rate existing at the end of the most recent period presented.
 - All resulting exchange differences are reported in equity.
- **SIC D31, Revenue–Barter Transactions Involving Advertising Services.** How revenue from a barter transaction involving advertising should be measured. The basic principle is an enterprise providing advertising should measure revenue from a barter transaction based on the fair value of the advertising services it receives from its customer unless it is impracticable to measure reliably, in which case the enterprise should use the fair value of the advertising services it provides to the customer. If the fair value of the advertising services of both enterprises is not reliably measurable, the seller should recognise revenue only to the extent of the carrying amount of assets given up.
- **SIC D32, Intangible Assets–Web Site Costs.** Application of IAS 38 to costs incurred to develop and maintain a web site for an enterprise's own use. D32 proposes that costs incurred during the planning stage of web site development are similar to research costs, which must be charged to expense under IAS 38. Costs incurred during the application and infrastructure development stage and the graphical design and content development stage are similar to development costs, which are eligible for recognition as an intangible asset under IAS 38 only if they satisfy certain tests. D32 provides guidance in applying those tests to web site costs.

STANDING INTERPRETATIONS COMMITTEE, continued

The following Draft Interpretations remain outstanding:

- ❑ **SIC D26, Property, Plant and Equipment – Results of Incidental Operations.** At its meeting in February 2001, following its review of the comments, SIC approved a final Interpretation without any substantive changes to the proposed consensus, subject to approval by the IASB. A final Interpretation was submitted to the IASB for approval. However, at its April 2001 meeting, IASB did not approve the proposed Interpretation, concluding that the issue should, instead, be addressed in the Improvements Project. Consequently, SIC is not pursuing a final Interpretation at this time, but it has not withdrawn D26.
- ❑ **SIC D27, Transactions in the Legal Form of a Lease and Leaseback.** SIC is reconsidering D27 to base it more on a general principle rather than a specific fact pattern.

IASB's Standing Interpretations Committee will meet in London on 7 August 2001 to consider a number of current and proposed agenda issues. The following projects currently are on SIC's agenda. To date, a Draft Interpretation has not been published:

- ❑ **Transactions Among Enterprises Under Common Control.** IAS 22 excludes from its scope "transactions among enterprises under common control". SIC is developing guidance to identify which transactions qualify as common-control transactions, but the guidance will not address the accounting for such transactions. In transactions among enterprises under common control, old carrying amounts generally continue. But for non-common-control transactions, measurement (carrying amount or current fair value) becomes an issue.
- ❑ **Consolidation and Equity Method - Potential Voting Rights.** Under IAS 27, a subsidiary is defined in terms of control by an investor. Under IAS 28, an equity method associate is defined in terms of significant influence. This project addresses whether potential voting rights, such as share options and convertibility, should be considered in determining whether control or significant influence exists.
- ❑ **Financial Instruments - Issuance with a Put Option Exercisable at the Instrument's Fair Value.** If the holder of a financial instrument has the right to put it back to the issuer for cash equal to the fair value of the instrument at the date when the put is exercised, should the issuer classify that instrument as a liability or equity? Mutual funds (unit trusts) are an example of such an instrument.
- ❑ **Earnings Per Share - Preference Dividends.** When calculating basic earnings per share, IAS 33 requires that preference dividends be deducted from the net profit or loss. SIC will consider, when an enterprise acquires or redeems its own preferred shares, whether any difference between the fair value of the consideration given and the carrying amount of those shares represents a preference dividend.

Potential SIC agenda items include the following:

- ❑ **Indefeasible Right of Use of Assets.** Accounting and disclosure for arrangements by which an enterprise contracts for either exclusive or joint use of infrastructure assets generally of an infrastructure or utility nature, such as telecom cabling or an oil or gas pipeline.
- ❑ **Classification of Preference Shares.** Need for possible guidance in applying IAS 32 to decide on liability vs. equity classification.
- ❑ **SIC-12 Consolidation - Special Purpose Entities (SPEs).** SIC will review some of the implementation difficulties being experienced and consider whether further clarification may be required.

It seems quite clear from comments by IASB Board members at the three public meetings held so far that there is substantial support for purchase accounting and for prohibiting the pooling of interests method. There was general consensus that true mergers do not exist, and having only one method will avoid ongoing definitional issues.

The Board has discussed the fresh start method as an alternative to uniting of interests. While deciding to investigate this approach further, the Board noted that by recording fair values and possibly goodwill for both entities, this method is not likely to have broad acceptance.

Similar rules apply on the German Growth Market (Neuer Markt).

Whether it's the IASB, IFAC, or the securities regulators acting together, somebody needs to provide guidance for business financial reporting on the Internet. Because the Internet knows no political borders, no one country can set effective standards.

NEW US STANDARDS ON BUSINESS COMBINATIONS AND GOODWILL MAY AFFECT IAS

In the United States, FASB has voted unanimously to approve FAS 141, *Business Combinations*, and FAS 142, *Goodwill and Other Intangible Assets*.

Under FAS 141, all business combinations must be accounted for using the purchase method. The pooling-of-interests method, which is required by IAS 22 for a uniting of interests, is prohibited. FAS 141 is effective for business combinations initiated after 30 June 2001.

Under FAS 142, goodwill must not be amortised but must be tested for impairment annually at the reporting unit level based on fair value measurements. FAS 142 is effective for financial years beginning after 15 December 2001, with early adoption permitted but retroactive application not permitted.

Concurrently, the Canadian Accounting Standards Board approved standards on *Business Combinations* and *Goodwill and Other Intangibles* that are consistent with those in the US. Other standard-setters, including those in Australia and New Zealand, have also banned pooling. IASB has identified convergence on business combinations as a high priority potential agenda project.

USE OF IAS EXPANDED IN AUSTRIA

Starting in April 2001, the Vienna Stock Exchange has required all domestic and foreign companies listed on the A-Market and the Austrian Growth Market to submit consolidated financial statements under either IAS or US GAAP. Other listed companies may use IAS or US GAAP, as well as Austrian GAAP.

IOSCO IS CONCERNED ABOUT INTERNET REPORTING

Thirty-eight IOSCO members, including the SEC, conducted a second International Internet Surf Day, without warning, in an ongoing effort by securities regulators to detect and deter securities violations occurring on the Internet, particularly those involving cross-border activity. Approximately 300 staff of IOSCO members surfed the Internet for fraudulent solicitation of investors, manipulation, the circulation of false or misleading information, and insider trading. Regulatory authorities collectively identified over 2,400 sites for follow-up review, with over 278 of the sites involving cross-border activity.

IASB recently decided not to pursue the project on Business Reporting on the Internet that the IASB had begun. IFAC may take it on. Clearly, if IOSCO found 2,400 causes for concern in just one day's surfing, there's a good chance that guidance is needed.

Johan van Helleman, chairman of the Technical Expert Group, is a former Dutch representative to the International Accounting Standards Committee. Stig Enevoldsen, a partner in Deloitte & Touche, Denmark, is a former IASC chairman. He heads up our Firm's Copenhagen IAS Centre of Excellence.

EUROPE'S IAS ENDORSEMENT MECHANISM

The European Financial Reporting Advisory Group – an organisation established in March 2001 by a broad group of organisations representing the European accounting profession, preparers, users, and national standard-setters – has created a Technical Expert Group and a Supervisory Board to serve as Europe's "IAS Endorsement Mechanism".

Technical Expert Group. EFRAG Technical Expert Group members are:

Johan van Helleman, Netherlands, <i>Chairman</i>	Freddy Méan, Belgium
Yves Bernheim, France	Eberhard Scheffler, Germany
Andreas Bezold, Germany	Friedrich Spandl, Austria
Allan Cook, UK	Giuseppe Verna, Italy
Stig Enevoldsen, Denmark	Observers: European Commission and The Forum of European Securities Commissions
Begoña Giner, Spain	
Hans Leeuwerik, Netherlands	

The four main functions of the Technical Expert Group are as follows:

- ❑ Proactive coordination of European standard setters, accounting profession, users, and preparers so as to contribute to and influence the IASB standard setting process. The Group would normally submit comments on all IASB discussion papers and exposure drafts and SIC Draft Interpretations. It would also contribute to the development of technical and conceptual papers on emerging topics that would be brought to the attention of the IASB.
- ❑ Assistance to the Commission in its assessment of possible non-conformity of an IAS or SIC with EU Accounting Directives and recommending appropriate changes to the Directives.
- ❑ Technical assessment of the IASC standards and interpretations: Confirming or conversely rejecting a standard or interpretation for application in the EU.
- ❑ Identification of issues for which the IASB general interpretation guidance (SIC Interpretations) is not sufficient to ensure consistent application of a given standard in the EU. The Group would urge IASB to identify appropriate solutions and/or, in cooperation with European securities markets supervisors, develop implementation guidance specifically relevant to EU listed companies.

Supervisory Board. The EFRAG Supervisory Board will monitor the work of the Technical Expert Group and ascertain that the individual members work in the European interest. Olivier Azières is a partner in Deloitte & Touche, Paris, and heads up our Paris IAS Centre of Excellence.

Supervisory Board members are:

Göran Tidström, <i>Chairman</i>	Per Harald Meland, Norway
Jean den Hoed, <i>Deputy Chairman</i>	Herve Guider, Belgium
Jean Keller, France	Gérard de La Martinière, France
Sten Fomell, Sweden	Frederic Chandelle, Belgium
Monica Ciceri, Italy	Paul Arlman, Belgium
Siegfried Dapoz, Austria	Giorgio Behr, Switzerland
Costas Cotsilinis, Greece	Janina Cohen, France
Mary Keegan, UK	Javier de Frutos, Spain
Harald Ring, Germany	Robin Jarvis, UK
Olivier Azières, France	Jan Verhoeve, Belgium
David Devlin, Ireland	Observer: European Commission – Karel Van Hulle
Jose Goncalves Roberto, Portugal	
Paul Chisnall, UK	

Olivier Azières was selected as the representative of the European Contact Group, where he sits as a representative of DTT for the European region. He also chairs the international committee of the French accounting standard setter (CNC).

EFRAG will operate independently of each of the European organisations involved. A search process for a Secretary-General and project managers is under way. EFRAG expects to be operational in September 2001.

In February, the European Commission proposed a Regulation to require all EU companies listed on a regulated market, including banks and insurance companies, to prepare consolidated accounts in accordance with IAS by 2005, at the latest. EU Member States would have the option to extend this requirement to unlisted companies and to individual company accounts. Currently there are about 7,000 listed companies in Europe. Of those, only 275 now use IAS for their financial reporting.

Prior to amendment, the Directives had required that financial instruments be presented in the balance sheet at historical cost. IAS 39 requires that financial instruments classified as "available for sale" or "held for trading" be reported at fair value.

The Commission's initiative responds to the Stockholm European Council Resolution in March on more effective securities markets regulation, in which the European Council (the Heads of State or Government of the 15 EU Member States) welcomed the intention of the Commission to immediately establish these committees. The Council Resolution stated that "every effort should be made by all parties concerned to implement key steps for achieving an integrated securities market by the end of 2003".

EUROPEAN DIRECTIVES AMENDED FOR IAS 39

On 15 May, the European Parliament amended the 4th and 7th Directives (European laws) to allow listed companies to follow IAS 39 by reporting certain financial assets and liabilities at fair value in their annual consolidated financial statements. Prior to the amendment, the Directives had required measurement at cost.

Member states must amend their own legislation to conform before 1 January 2004. Member states could also decide whether to permit or require the new rules in parent-company accounts. The European Council of Ministers approved the amended Directives on 31 May.

The stated purpose of the amendment is "to allow the application of the International Accounting Standard dealing with the recognition and measurement of financial instruments." The text of the amendment notes that it is a step toward implementing the Commission's June 2000 Financial Reporting Strategy. As part of that strategy, the European Commission has proposed that all listed companies use IAS starting in 2005.

The legislation includes a number of differences with IAS 39. For instance, where IAS 39 allows companies to adopt a policy of reporting changes in fair values of available-for-sale financial instruments in net profit or loss or in equity, the European legislation allows member states to require that the value change be reported only in equity. Also, the amendment states: "Fair value accounting should only be possible for those items where there is a well-developed international consensus that fair value accounting is appropriate. The current consensus is that fair value accounting should not be applied to all financial assets and liabilities, for instance not to most of those relating to the banking book."

INTEGRATED SECURITIES MARKET IN EUROPE

The European Commission has issued a Proposed Directive on Prospectuses that would prescribe the structure and minimum disclosure content of securities offering documents (prospectuses). The proposal would introduce a "single passport" to raising capital in Europe. There would be only one prospectus approved by the home country authority of the issuer, which would have to be accepted throughout the EU for public offer and/or admission to trading on regulated markets.

Also, the European Commission has created two key committees as part of its financial services action plan: a European Securities Committee (ESC) and a Committee of European Securities Regulators (CESR). The ESC will be composed of high-level representatives of the Member States. It will advise the Commission on issues relating to securities policy. At a future date, it will also act as a regulatory committee.

The CESR is set up as an independent advisory body composed of representatives of the national public securities regulatory authorities to advise the Commission on the technical details of securities legislation.

The Commission's goal is to achieve an integrated European securities market by the end of 2003.

EUROPEAN COUNTRY UPDATES ON IASPLUS.COM

The individual country updates that we have on the www.iasplus.com website now include a dozen European countries. We plan to update these regularly and add additional countries.

The old Preface to IAS had said that International Accounting Standards apply to “financial statements of any commercial, industrial, or business enterprise”. While the new IASB constitution does not include that restricted focus, IASB has indicated that, for now, it will concentrate on business reporting. Based on the PSC’s recent work, the two sets of standards will become more and more similar. The chairman of the PSC sits on IASB’s Advisory Council.

Countries around the world are considering which standards will best serve their capital markets and their business enterprises. Recommendations differ in Singapore and in Canada.

IAS-BASED PUBLIC SECTOR STANDARDS

The Public Sector Committee (PSC) of the International Federation of Accountants in May approved four final International Public Sector Accounting Standards (IPSAS) that are based on IAS. They are:

- ❑ IPSAS 9, Revenue from Exchange Transactions (based on IAS 18);
- ❑ IPSAS 10, Inventories (based on IAS 2);
- ❑ IPSAS 11, Construction Contracts (based on IAS 11); and
- ❑ IPSAS 12, Financial Reporting in Hyperinflationary Economies (based on IAS 29).

A fifth standard, IPSAS 13, Leases (based on IAS 17) was approved subject to a final editorial review.

The IPSAS are intended for application in financial reporting by governments and other public sector entities. Those standards are “based (to the extent appropriate)” on International Accounting Standards. The PSC has also issued guidance on the transition from the cash to the accrual basis of accounting.

The PSC is presently reviewing responses to four IPSAS exposure drafts of that are based on IAS:

- ❑ ED 16, Events After the Reporting Date;
- ❑ ED 17, Segment Reporting;
- ❑ ED 18, Financial Instruments: Disclosure and Presentation; and
- ❑ ED 19, Investment Property

ADOPTION OF IAS PROPOSED IN SINGAPORE

The Disclosure and Accounting Standards Committee (DASC), an independent committee formed to propose changes to the financial reporting and disclosure requirements in Singapore, has published its recommendations. DASC proposes that all companies incorporated in Singapore adopt International Accounting Standards for financial statement periods beginning on or after 1 January 2003, with one exception. The exception would be that companies listed both in Singapore and on a foreign exchange would be allowed to file under the standards required by the foreign exchange, without reconciliation to IAS, if the standards used are acceptable to the Singapore exchange.

CANADA: CICA OPTS FOR US GAAP

The Accounting Standards Oversight Council of the Canadian Institute of Chartered Accountants has concluded that the goal of harmonization with US standards should continue to be the top priority for the Accounting Standards Board, which it oversees. Converging with “internationally developed common standards” should also be an objective. IAS are not specifically mentioned.

This position is at variance with that of the Certified General Accountants Association of Canada, which favours adoption of IAS as Canadian GAAP.

The SEC issued its Concept Release in February 2000.

Two members of the FASB were appointed as members of the International Accounting Standards Board – Anthony Cope and James Leisenring.

NEXT SEC CHAIRMAN MUST ADDRESS IAS

US President Bush has nominated Harvey Pitt, partner in the New York law firm Fried, Frank, Harris, Shriver & Jacobson and former SEC General Counsel, as the next chairman of the US Securities and Exchange Commission. Senate confirmation is required. A key task facing the next SEC chairman is follow-up on the SEC's Concept Release on the use of International Accounting Standards in the SEC filings.

SUPPORT FOR IASB FROM FASB AND FAF

Excerpt from US Financial Accounting Foundation annual report for 2000:

The global capital markets are growing increasingly interdependent at an accelerated pace. This is a positive development for all economies and one that will support capital-raising activities and global growth. The Foundation, the FASB and the International Accounting Standards Committee (IASC) have long recognized that in order for international capital markets to function properly, a single set of high-quality, international accounting standards must exist.

The agreement reached in May of 2000 to restructure the IASC was a historic event. I am pleased to report that the Foundation was an important participant in this process through the hard work of Foundation Trustee David Ruder and FASB member Tony Cope. David and Tony were members of the Strategy Working Party, which was charged with the responsibility of developing a restructuring plan. Over a period of about two-and-one-half years, this team of 12 completed its task in early 2000, finalizing a blueprint for a newly formed IASC.

The restructuring of the IASC – renamed the International Accounting Standards Board (IASB) – was accomplished through an independent group of Trustees chaired by former U.S. Federal Reserve Chairman Paul Volcker. In January of 2001, the Trustees announced the appointment of a 14-member IASB to be chaired by Sir David Tweedie, former Chairman of the U.K. Accounting Standards Board. That body, comprised of leading accounting professionals from several countries, will work toward development of a single set of high-quality global accounting standards. Among those appointed to the IASB were Tony Cope and Jim Leisenring of the FASB.

As part of that recent announcement, two of the Foundation's Trustees were appointed Trustees of the IASB, David Ruder and John Biggs. I am confident that David and John will provide the same level of commitment to the IASB that they have continued to demonstrate at the Foundation. We support their participation and look forward to a close relationship with the IASB.

For our part, the Foundation and the FASB welcomed the restructuring result as a key element in the establishment of a fully independent international accounting standard setter that will work toward providing the essential convergence among national IASB standard setters as we rapidly approach a global capital market system. We were pleased that the restructuring was consistent with the long-held views of the FAF and the FASB as expressed in the latter's 1999 report International Accounting Standard Setting: A Vision for the Future.

*Manuel H. Johnson,
Chairman and President
Financial Accounting Foundation*

ACCOUNTING STANDARDS UPDATE IN THE ASIA-PACIFIC REGION

AUSTRALIA

Contact: *Bruce Porter*

The Australian Accounting Standards Board (AASB) is continuing its policy of harmonising Australian Accounting Standards with IAS.

The AASB have recently reissued the following accounting standards since the last IAS Plus newsletter as part of the harmonisation program:

- ❑ Revised AASB 1027, Earnings Per Share, which applies to annual reporting periods beginning on or after 1 July 2001. The revised Standard replaces the October 2000 version of AASB 1027. The Standard was revised to ensure that potential ordinary shares are treated consistently regardless of whether they are classified as debt or equity, and to clarify the application of the notion of shares issued for no consideration to potential ordinary shares. (IAS 33).
- ❑ Revised AASB 1028, Employee Benefits, which applies to annual reporting periods beginning on or after 1 July 2002. The revised Standard supersedes AASB 1028/AAS 30, Accounting for Employee Entitlements. (IAS 19)

Standards issued by the AASB as part of the harmonisation program do not necessarily conform to the IAS in every respect.

The Urgent Issues Group (UIG), a sub-committee of the AASB, issues Abstracts that give interpretations of existing AASB Accounting Standards. The UIG is responsible for reviewing SIC Interpretations to determine whether they should apply to Australian reporting entities. The following final Abstracts have been issued since the last IAS Plus newsletter:

- ❑ UIG 37, Accounting for Web Site Costs
- ❑ UIG 38, Contributions by Owners Made to Wholly-Owned Public Sector Entities

The AASB has issued a number of exposure drafts, which are currently being considered for issue as Standards. The topics of those exposure drafts are as follows.

- ❑ Provisions and Contingencies (IAS 37)
- ❑ Impairment of Assets (IAS 36)
- ❑ Provision of Public Sector Infrastructure by Other Entities (this project deals with accounting for build-own-operate and build-own-operate-transfer infrastructure arrangements)
- ❑ Revaluation of Non-Current Assets (this exposure draft contains proposed amendments to AASB 1041/AAS 38, Revaluation of Non-Current Assets, to address issues arising from the implementation of these standards). (IAS 16)

Other projects on which the AASB is expected to issue exposure drafts in the next 12 months are:

- ❑ Related Party Disclosures (IAS 24)
- ❑ Director and Executive Disclosures
- ❑ Investment Properties (IAS 40)
- ❑ Post-employment Benefits (IAS 19)
- ❑ Glossary of Definitions

The Hong Kong Society of Accountants (HKSA) has issued the following revised Accounting Standards, Interpretations and Exposure Drafts:

- ❑ SSAP 10, Accounting for Investment in Associates.
- ❑ SSAP 21, Accounting for Investment in Joint Ventures.

These two revised statements are closely modelled on the equivalent IAS and update the requirements and layout of the existing standards. The revisions are as a consequence of the adoption of SSAP 30, Business Combinations, SSAP 31, Impairment of Assets, and SSAP 32, Consolidated Financial Statements and Accounting for Investments in Subsidiaries.

- ❑ SSAP 18, Revenue, is revised as a consequence of SSAP 9 (revised), Events after the Balance Sheet Date. This revision aligns the treatment of dividends received by a parent company with the recognition criteria for other dividends received.
- ❑ SSAP 30, Business Combinations, is revised to incorporate two additional transitional provisions to allow enterprises:
 - to account for any impairment losses that arose on goodwill eliminated against revenues retrospectively; and
 - not to have to apply the provision relating to reverse acquisitions for acquisitions prior to the introduction of SSAP 30.
- ❑ SSAP 27 (revised), Accounting for Group Reconstructions, amends and clarifies the definition of merger relief. The revised definition removes the overriding requirement that the transaction is a result of a share-for-share exchange and is effective for transactions entered into on or after 19 June 2001, although earlier adoption is encouraged.
- ❑ Interpretation 12, Business Combinations–Subsequent Adjustments of Fair Values and Goodwill Initially Reported, closely modelled on SIC 22, has been issued.
- ❑ Interpretation 13, Goodwill–Continuing Requirement for Goodwill and Negative Goodwill Previously Eliminated Against/Credited to Reserves. Clarifies the treatment of goodwill previously written off reserves as a matter of accounting policy and which have not been restated as a result of the transitional provisions on adoption of SSAP 30, Business Combination. See additional SSAP 30 revisions above.
- ❑ Exposure Draft: Employee Benefits, sets out for the first time in Hong Kong a comprehensive Accounting Standard dealing with all forms of employee benefits. Closely modelled on IAS 19 of the same name.
- ❑ Exposure Draft: Revisions to SSAP 1, Presentation of Financial Statements. Proposes a change in disclosure requirements, from requiring a statement of recognised gains and losses, to requiring a statement of changes in equity. This change has resulted from difficulties in practice in understanding the statement of recognised gains. Both statements would be available options under the equivalent IAS 1; however, the statement of changes in equity is more comprehensive and is a reconcilable statement.
- ❑ Exposure Draft: Cash Flow Statement, is closely modelled on IAS 7, Cash Flow Statements. This revision is part of the continuing IAS convergence programme being followed by HKSA.
- ❑ Exposure Draft: Revisions to SSAP 11, Foreign Currency Translation. Proposes to eliminate the option under the current Standard of translating the income statement of a foreign subsidiary at the closing rate and instead would require transactions at the average rate for the period in accordance with the requirements set out in IAS 21.

In addition the HKSA also released Accounting Bulletin 4, Deemed Acquisitions and Disposals, which sets out guidance on the appropriate accounting treatment to be followed for deemed acquisitions and disposals.

Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI) since the beginning of the calendar year 2001 are as follows:

- ❑ **AS 19, Accounting Standard on Leases.** The Standard prescribes, for lessees and lessors, the appropriate accounting policies and disclosures in relation to finance leases and operating leases. Whether a lease is a finance lease or an operating lease will depend on the substance of the transaction rather than its form. At the inception of a finance lease, the lessee has to recognise the lease as an asset (and accordingly provide for depreciation) and a liability. The Standard comes in to effect in respect of all assets leased during accounting periods commencing on or after 1 April 2001 and is mandatory in nature.
- ❑ **AS 20, Accounting Standard on Earnings Per Share (EPS).** The objective of the Standard is to lay down principles for the determination and presentation of EPS, to enable comparison of performance amongst different enterprises. The Standard would apply to all enterprises whose equity shares or potential equity shares are listed on a recognised stock exchange in India and would be mandatory in nature in respect of accounting periods commencing on or after 1 April 2001. Enterprises which have neither listed equity shares or potential equity shares but which disclose EPS, should calculate and disclose EPS in accordance with this Standard. In consolidated financial statements, the information required by this Standard should be prepared on the basis of consolidated information. At present, all companies are required to report their EPS as part of their financial statements prepared in accordance with Schedule VI to the Companies Act, 1956.
- ❑ **AS 21, Accounting Standard on Consolidated Financial Statements.** An enterprise that presents consolidated financial statements should prepare and present its financial statements in accordance with this Standard. Consolidated financial statements are prepared by a parent company to provide financial information about the economic activities of its group as also to show the economic resources controlled by the group, the obligations of the group and the results the group achieves with the resources it has. The Standard comes into effect in respect of accounting periods commencing on or after 1 April 2001. AS 21 differs from IAS 27 in that it does not make it mandatory for an enterprise (group) to prepare consolidated financial statements. It is expected that the Securities Exchange Board of India will require all listed companies to present consolidated financial statements for the year ending 31 March 2002.
- ❑ **AS 22, Accounting Standard on Accounting for Taxes on Income .** The Standard comes into effect in respect of accounting periods commencing on or after 1 April 2001. The Standard is mandatory:
 - A. in respect of accounting periods commencing on or after 1 April 2001 for:
 - i. Companies whose debt or securities are listed on a recognised stock exchange in India and enterprises that are in the process of issuing equity or debt securities that will be listed on a recognised stock exchange in India; and
 - ii. All enterprises in a group where the parent presents consolidated financial statements, if the Standard is mandatory for any enterprise of that group in terms of (i) above;
 - B. in respect of accounting periods commencing on or after 1 April 2002 for companies not covered by the above;
 - C. in respect of accounting periods commencing on or after 1 April 2003 for all other enterprises, including firms, trusts, and associations of persons.

continued...

The objective of AS 22 is to prescribe the accounting treatment for taxes on income including the determination of the amount of the expense or savings related to taxes on income in respect of an accounting period and the disclosure of such an amount in the financial statements. For the purposes of this Standard, taxes on income include all domestic and foreign taxes that are based on taxable income and the tax effect of timing differences (deferred taxation).

AS 22 differs from IAS 12. Whereas IAS 12 recognises and measures deferred income taxes based on temporary (book-tax differences in balance sheet items), AS 22 recognises and measures deferred taxes based on timing differences (book-tax differences in items reported in the income statement).

Exposure drafts of Accounting Standards ICAI since the beginning of 2001 are as follows:

- ❑ **Exposure draft on proposed Accounting Standard on Accounting for Investments in Associates in Consolidated Financial Statements.** The objective of the Standard is to set out principles and procedures for recognising, in the consolidated financial statements, the effects of the investments in associates on the financial position and operating results of a group. The proposed Standard prescribes the equity method for accounting for investments in an associate in the consolidated financial statements with certain exceptions where the Standard on Accounting for Investments (AS 13) is to be used. An associate is an enterprise in which the investor has significant influence (but not control) and which is neither a subsidiary nor a joint venture of the investor. The proposed Accounting Standard will come into effect in respect of accounting periods commencing on or after 1 April 2002. A separate Accounting Standard on Financial Reporting of Interests in Joint Ventures, is being formulated by the ICAI.
- ❑ **Exposure draft on proposed Accounting Standard on Discontinuing Operations.** The objective of the Standard is to establish principles for reporting information about discontinuing operations, thereby enhancing the ability of users of financial statements to make projections of an enterprise's cash flows, earnings-generating capacity, and financial position by segregating information about discontinuing operations from information about continuing operations. The proposed Standard is to apply to all discontinuing operations of an enterprise. The proposed Accounting Standard will come into effect in respect of accounting periods commencing on or after 1 April 2002.
- ❑ **Exposure draft on Proposed Limited Revision to AS 5, Accounting Standard on Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies.** It is proposed to make a limited revision to AS 5 whereby a change in accounting policy consequent upon the adoption of an Accounting Standard is to be accounted for in accordance with the specific transitional provisions, if any, contained in that Accounting Standard.

The Preface to the Statements of Accounting Standards, issued in January 1979, says (paragraph 2.2):

The Institute is one of the Members of the International Accounting Standards Committee (IASC) and has agreed to support the objectives of IASC. While formulating the Accounting Standards, ASB will give due consideration to International Accounting Standards issued by IASC and try to integrate them, to the extent possible, in the light of conditions and practices prevailing in India.

SINGAPORE
Contact: *Dinyar Framjee*

The Disclosure and Accounting Standards Committee (DASC), an independent committee formed to propose changes to the financial reporting and disclosure requirements in Singapore, has published its recommendations. DASC proposes that all companies incorporated in Singapore adopt International Accounting Standards for financial statement periods beginning on or after 1 January 2003, with one exception. The exception would be that companies listed both in Singapore and on a foreign exchange would be allowed to file under the standards required by the foreign exchange, without reconciliation to IAS, if the standards used are acceptable to the Singapore exchange.

THAILAND
Contact: *Russell Toy*

The Institute of Certified Accountants and Auditors in Thailand (ICAAT) has issued ten new accounting standards. Eight were effective at the start of last year, one was effective at the start of this year, and the tenth will take effect next January first. These new accounting standards are primarily based on IAS. However, they do not necessarily conform to the standards upon that are based on in every respect.

RECENT THAI ACCOUNTING STANDARDS		
TAS Number	Title and Related IAS Number	Effective for Periods Beginning On or After
41	Interim Financial Information (IAS 34)	1 January 2000
42	Accounting for Investment Companies (based on the AICPA Audit and Accounting Guide: <i>Audits of Investment Companies</i>)	1 January 2000
43	TAS No. 43, Business Combinations (IAS 22)	1 January 2000
44	Business Combinations (IAS 22)	1 January 2000
45	Consolidated Financial Statements and Accounting for Subsidiaries (IAS 28)	1 January 2000
46	Accounting for Investments in Associates (IAS 28)	1 January 2000
47	Financial Reporting of Interests in Joint Ventures (IAS 31)	1 January 2000
48	Related Party Disclosures (IAS 24)	1 January 2000
49	Financial Instruments: Disclosure and Presentation (IAS 32)	1 January 2000
50	Construction Contracts (IAS 11)	1 January 2001
	Segment Reporting (IAS 14)	1 January 2002

continued...

The ICAAT has also issued the following Thai Accounting Standard Interpretations (TASI):

RECENT THAI INTERPRETATIONS	
Interpretation Number and Title	Effective Date
TASI No. 1: Assets which Debtors Transfer for Debt Settlement (AICPA SOP 92-3)	March 1999
TASI No. 2: Consolidation of Special Purpose Entities (IAS SIC 12)	January 2000
TASI No. 3: Hybrid Financial Instruments Issued by Financial Institutions	June 1999
TASI No. 4: Impairment of Assets – Expenditure that the Enterprise under Developing Stage and Developed Enterprise Recorded as an Asset (IAS 36 and 38 and US SFAS No. 7)	December 1999

The ICAAT has issued exposure drafts for the following TAS and TASIs:

RECENT THAI EXPOSURE DRAFTS OF STANDARDS	
Draft Thai Accounting Standard	Expected Effective Date
Accounting for Income Taxes (IAS 12)	January 2002
Contingencies and Events Occurring After the Balance Sheet Date (IAS 10)	July 2001
Provisions, Contingent Liabilities and Contingent Assets (IAS 37)	July 2001
Discontinuing Operations (IAS 35)	July 2001
Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities (US SFAS 140)	January 2003
Intangible Assets (IAS 38)	--
Long-Term Leases (IAS 17)	January 2001
Accounting for Government Grants and Disclosure of Government Assistance (IAS 20)	January 2002
Financial Instruments: Recognition and Measurement (selected portions of IAS 39)	January 2003

RECENT THAI EXPOSURE DRAFTS OF INTERPRETATIONS	
Draft Thai Accounting Standard Interpretations	Expected Effective Date
Classification of Financial Instruments – Contingent Settlement Provisions (IAS SIC 5)	January 2001
Jointly Controlled Entities – Non-Monetary Contributions by Ventures (IAS SIC 13)	January 2001
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