

IAS Plus.

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

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IAS Plus website

Over 4.1 million people have visited our www.iasplus.com web site. Our goal is to be the most comprehensive source of news about international financial reporting on the Internet. Please check in regularly.

International financial reporting news

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IASB PROJECT TIMETABLE – ACTIVE PROJECTS	
Accounting Standards for Small and Medium-sized Entities (Non-Publicly Accountable Entities)	<ul style="list-style-type: none"> • Recognition and measurement questionnaire issued April 2005 • Public round tables held October 2005 • Exposure Draft (ED) expected December 2006
Business Combinations – Phase II – Purchase Method* – Non-controlling Interest* – Liabilities (IAS 37 amendments)	<ul style="list-style-type: none"> • Separate EDs on the three topics issued June 2005 • Public round-tables held November 2005 • Round-tables on liabilities planned fourth quarter 2006 • Final Standards expected second half 2007
Conceptual Framework Eight phases in all	<ul style="list-style-type: none"> • DP on objectives and qualitative characteristics was issued July 2006 • Round-tables on measurement planned first half 2007 • DP on reporting entity expected first half 2007
Consolidation, including SPEs*	<ul style="list-style-type: none"> • DP expected second quarter 2007 • ED(s) expected first half 2008
Convergence – Short-term Issues, IFRSs and US GAAP*	<p><u>IAS 12 Income Taxes</u></p> <ul style="list-style-type: none"> • ED expected first quarter 2007 • Final Standard 2008 <p><u>IAS 14 Segment Reporting</u></p> <ul style="list-style-type: none"> • Final Standard expected fourth quarter 2006 <p><u>IAS 23 Borrowing Cost</u></p> <ul style="list-style-type: none"> • Final Standard expected first quarter 2007 <p><u>IAS 31 Joint Ventures</u></p> <ul style="list-style-type: none"> • ED expected second quarter 2007 • Final Standard expected 2008 <p><u>Impairment</u></p> <ul style="list-style-type: none"> • Staff research has begun
Earnings per Share amendment	<ul style="list-style-type: none"> • ED expected fourth quarter 2006 • Final Standard expected second half 2007
Financial Statement Presentation (Performance Reporting)* Phase A: IAS 1: A Revised Presentation Phase B: Presentation	<ul style="list-style-type: none"> • Working group appointed in 2005 • Phase A: ED issued March 2006 • Phase A: Final Standards expected first half 2007 • Phase B: DP expected first half 2007 and ED in 2008
Government Grants and Emission Rights Trading*	<ul style="list-style-type: none"> • Work deferred pending IAS 37 amendments project.
Fair Value Measurement Guidance*	<ul style="list-style-type: none"> • IASB will issue DP wrap-around of final FASB standard on FV measurement – expected fourth quarter 2006 • ED expected 2008
IFRS 1 Amendment – Cost of Investment in Subsidiary in Separate Statements of Parent	<ul style="list-style-type: none"> • Added to agenda March 2006 • ED expected fourth quarter 2006 • Final Standard expected second half 2007
IFRS 2 Amendment – Vesting Conditions and Cancellations	<ul style="list-style-type: none"> • ED issued February 2006 • Final amendment expected first half 2007
Insurance Contracts – Phase II	<ul style="list-style-type: none"> • DP expected first quarter 2007 • ED expected in 2008
Revenue Recognition*	<ul style="list-style-type: none"> • DP expected second half 2007 • ED expected in 2008
Puttable Instruments	<ul style="list-style-type: none"> • ED was issued June 2006 • Final Standard expected first half 2007
Related Party Disclosures	<ul style="list-style-type: none"> • ED expected fourth quarter 2006 • Final Standard expected second half 2007

IASB PROJECT TIMETABLE – RESEARCH AGENDA	
<i>Projects agreed in the February 2006 IASB-FASB convergence agreement:</i>	
Derecognition*	<ul style="list-style-type: none"> • Staff research paper being developed
Financial Instruments*	<ul style="list-style-type: none"> • Working group appointed • Staff research questionnaire issued March 2006
Intangible Assets*	<ul style="list-style-type: none"> • Staff research under way
Leases*	<ul style="list-style-type: none"> • Added to agenda July 2006 • DP expected in 2008
Liabilities and Equity*	<ul style="list-style-type: none"> • Timetable not yet established
Post-retirement Benefits (including Pensions)*	<ul style="list-style-type: none"> • Staff research under way • Working Group being formed • DP expected second half 2007
<i>Other IASB Research Projects:</i>	
Extractive Industries	<ul style="list-style-type: none"> • Group of national standard setters conducting research
Hyperinflationary Economies	<ul style="list-style-type: none"> • Group of national standard setters conducting research
Investment Entities	<ul style="list-style-type: none"> • Plans not announced
Management Commentary	<ul style="list-style-type: none"> • DP issued October 2005
Measurement Objectives	<ul style="list-style-type: none"> • DP issued November 2005

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

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

Here is the link to the Press Release, which includes brief biographical notes about Dr Zhang and Mr Smith. The press release also discusses enhanced measures on Trustee oversight and long-term funding of the IASB.

www.iasplus.com/pressrel/0611trustees.pdf

IASB News

Trustees make two Board member appointments

The Trustees of the IASC Foundation, under which the IASB operates, have appointed Dr Zhang Wei Guo, Chief Accountant and Director General of the Department of International Affairs of the China Securities Regulatory Commission, to membership on the IASB for a five-year renewable term beginning 1 July 2007. The Trustees also reappointed John Smith, currently a part-time IASB member, to a full-time Board position for a second five-year term also beginning 1 July 2007. John is currently a partner in Deloitte & Touche (United States).

The Trustees continue their search to fill one remaining position on the IASB that will become vacant on 1 July 2007.

You can download the near-final draft of the service concessions interpretation from the IASB's website:
www.iasb.org.

Service concessions public meeting

The IASB will hold a public meeting on the near-final draft of IFRIC X Service Concession Arrangements. At its October 2006 meeting, the IASB considered a request by the IFRIC to approve IFRIC X for issue. While the Board was satisfied that the proposed Interpretation correctly applied and explained the IFRSs relevant to service concession contracts, it also noted the magnitude and complexity of IFRIC' project. Before giving formal approval, the Board decided to invite those who had been following the IFRIC's work to express their views on the proposed Interpretation at a public meeting. Details of that meeting are:

- Date: Monday 13 November 2006 at 1.30 PM
- Venue: The Regency Suite, Le Meridien Piccadilly, 21 Piccadilly, London W1J 0BH

The Board expects to consider final approval of the Interpretation at its meeting later that week.

Details of the round tables are on the IASB's website:
www.iasb.org

IASB-FASB round tables on measurement

The IASB and FASB will hold round-table discussions on Measurement in conjunction with their joint Conceptual Framework project in three locations during January and February 2007. The objectives of these round tables are:

- To hear constituents' views on measurement early in the measurement phase of the conceptual framework project.
- To discuss whether the list of measurement issues identified in the plan for the measurement phase of the conceptual framework project is appropriate and substantially complete.
- To discuss whether the initial inventory of potential measurement bases prepared by the project staff and the terminology associated with that inventory is substantially complete and understandable

Unlike other round tables, these are not based on a due-process document for which public comment has been invited. Participants will be selected from those who register their interest with the IASB or FASB so as to provide a broad representation of constituent groups. No background material will be provided to participants in relation to the first objective above. Limited background material and a small number of discussion questions will be prepared to support the second and third objectives. These materials will be distributed to participants and made available on the IASB and FASB websites by the end of November 2006.

The IASB-FASB measurement round tables will be held:

- Hong Kong, PRC: 16-17 January 2007
- London, UK: 29 January 2007
- Norwalk, CT USA: 1 February 2007

Details of the round tables are on the IASB's website:

www.iasb.org

IASB round tables on IAS 37 amendments

The IASB will hold public round-table discussions with constituents on the proposed amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The purpose of the discussions is to explore the issues articulated by constituents in their comment letters on the proposed amendments and to allow the IASB to clarify and better explain the principles underlying the proposed amendments. The round tables will be held:

- Norwalk, CT USA: 30 November 2006
- London, UK: 8 December 2006
- Melbourne, VIC Australia: 20 December 2006

The IASB's press release has details about the nomination process:

www.iasplus.com/pressrel/0610benefitspr.pdf

IASB will form an employee benefits working group

The IASB is seeking members for a new Working Group to help in its new project on Employee Benefits. The project, to be conducted in two phases, will be a comprehensive review of the accounting required by IAS 19 *Employee Benefits*. The first phase will consider revisions that would achieve significant improvements in the short term, with a view to an interim standard being issued in three or four years' time. As the first step in its due process the IASB intends to publish a discussion paper in 2007. The issues to be included in the first phase of the project are:

- accounting for intermediate risk plans (including cash balance plans), including definition of defined benefit and defined contribution arrangements;
- smoothing and deferral mechanisms;
- presentation and disclosure; and
- treatment of settlements and curtailments.

The Working Group will provide a variety of expert perspectives on accounting for post-employment benefits, including those of actuaries, auditors and other experts, and preparers and users of financial statements, and regulators.

Nominations for Working Group membership are invited by 17 November 2006.

The draft ED of an IFRS for SMEs can be downloaded from the IASB's website:

www.iasb.org

IASB makes two SME drafts available

In August 2006 and again in November 2006, the IASB posted on its website the latest staff drafts of an Exposure Draft (ED) of an International Financial Reporting Standard for Small and Medium-sized Entities (SMEs). The IASB made the drafts publicly available to give interested parties an update on the project and to help them begin thinking about their comments.

The IASB expects to publish an ED for public comment in December.

World accounting standard setters meet

Representatives of over 50 accounting standard setters from around the world met with the IASB in London on 25-26 September 2006.

The agenda included keynote addresses on:

- IFRSs – A view from a Big 4 firm
- IFRSs – the IASCF Trustees' Perspective
- IFRSs – An Analyst's Perspective

The agenda also included presentations and discussions of:

- Conceptual Framework
- IASB technical plan
- International Financial Reporting Standard for SMEs
- IASCF educational activities and access to IASB's publications
- Fair Value Measurement
- Progress on Adoption/Convergence/Implementation of IFRSs
- IFRIC

Deloitte Letters of Comment

All Deloitte letters of comment to IASC, IASB, and IFRIC may be found here:

www.iasplus.com/dttletr/comment.htm

Our view: Deloitte letter on proposed IFRIC due process

Deloitte has submitted to the Trustees of the IASC Foundation our comments on the Proposed *IFRIC Due Process Handbook*. Our overall view:

We generally support the approach outlined in the Draft Handbook and think it would be a useful document in explaining the approach used to interpret Standards adopted by the IASB. Further, we are pleased to observe that the Draft Handbook addresses concerns raised in our comment letter on the IFRIC–Review of Operations consultation. However we do draw attention to our principal comments on the IFRIC Agenda Committee procedures under Question 1 as well as the concerns addressed under Question 3 on the consultative process for issues not added to the IFRIC agenda.

All Deloitte letters of comment to IASC, IASB, and IFRIC may be found here:

www.iasplus.com/dttletr/comment.htm

Our view: Deloitte comments on IFRIC D19

Deloitte has submitted to the IASB our comments on the International Financial Reporting Interpretation Committee's (IFRIC's) Draft Interpretation D19: *IAS 19–The Asset Ceiling: Availability of Economic Benefits and Minimum Funding Requirements*.

Overall, we believe that the draft Interpretation provides useful clarifications and support its issue. However, our letter does set out some substantive comments.

All Deloitte letters of comment to IASC, IASB, and IFRIC may be found here:

www.iasplus.com/dttletr/comment.htm

Our view: Deloitte letter on proposed amendments to IAS 23

Deloitte has submitted to the IASB our comments on the proposed amendments to IAS 23 *Borrowing Costs*. Over overall view:

We acknowledge that a general objective of the IASB's standard-setting agenda is the reduction of accounting alternatives in its standards. The ED could be seen in this light. However we see no evidence to support the IASB's conclusion that requiring capitalisation of interest is a higher quality answer.

Specifically we see no evidence in the Invitation to Comment or the ED's Basis for Conclusions that the IASB conducted an analysis of whether users are concerned about treating interest as an expense as opposed to including it as part of the acquisition cost of an asset and (if it did) what the conclusions of that analysis were. We are aware that users represented by the Chartered Financial Analyst Institute have consistently opposed capitalisation of borrowing costs. Indeed in BC 3, the proposals seem to be justified primarily on the basis that FAS 34 and IAS 23 are equally poor standards, We do not think that such a justification is in the spirit of convergence.

All Deloitte letters of comment to IASC, IASB, and IFRIC may be found here:

www.iasplus.com/dttletr/comment.htm

Our view: IFRIC tentative agenda decisions

At each of its meetings, the IFRIC considers recommendations of its Agenda Committee about potential IFRIC agenda topics. When the IFRIC initially decides not to put a topic on its agenda, they report that tentative decision in the *IFRIC Update* newsletter and invite comments before making a final agenda decision.

In September 2006, Deloitte adopted a policy of providing written comments to the IFRIC more widely on all tentative agenda decisions. We will post on IAS Plus those Deloitte letters considered particularly significant, including those on which we disagree on a matter of principle. We recently submitted five letters to the IFRIC in response to their September 2006 tentative agenda decisions, and we believe that the following letter deals with a significant matter of principle: IAS 39–Testing of hedge effectiveness on a cumulative basis. An excerpt:

We support the IFRIC's decision not to take this item onto the agenda as IAS 39 is clear. We believe the rejection wording could be clearer in differentiating between assessment of hedge effectiveness (for the purposes of determining whether the hedge is 'highly effective' in accordance with IAS 39.88(e)) and measurement of effectiveness (for the purposes of determining the amount of hedge ineffectiveness to be recognised in profit or loss). Differentiating between assessment and measurement is the crux of this issue. We have proposed an amendment to the rejection wording included in the Appendix to make this clear.

All Deloitte letters of comment to IASC, IASB, and IFRIC may be found here:

www.iasplus.com/dttletr/comment.htm

Our views on IFRIC D20 Customer Loyalty Programmes

Deloitte has submitted comments on IFRIC's Draft Interpretation D20 *Customer Loyalty Programmes*. Overall, we believe that the draft Interpretation addresses an issue for which we believe there is need for an interpretation. An excerpt from our comments:

We support the consensus in the Draft Interpretation, in so far that it applies to customer loyalty programmes that represent multiple sales, as we think the logic set out for identification and measurement of separately identifiable components in a transaction is irrefutable. We believe the IFRIC has interpreted the distinction between paragraph 13 and paragraph 19 in IAS 18 Revenue appropriately. Paragraph 13 of IAS 18 applies when a single contract requires two or more separate goods or services to be delivered at different times. In contrast, paragraph 19 of IAS 18 applies when an entity has to incur further costs related to items already delivered. An entity would not normally incur costs related to award credits at the time of the initial transaction because the entity has not provided the goods or the services to the customer at that time but rather when the customer redeems the award credits. Award credits that are provided as part of a transaction should therefore follow the accounting requirements in paragraph 13 and revenue accounted for when the entity deliver the goods or services, as a result of the award credits, to the customer.

However, we want to highlight that we have concerns regarding the scope of the Draft Interpretation. We believe that the IFRIC should clarify further the distinction between customer loyalty programmes and marketing expenses, as we believe guidance in the Draft Interpretation is not sufficient.

News from IFRIC

On our website you can find our summary of IFRIC 11:

www.iasplus.com/interps/ifric011.htm

IFRIC 11 interprets IFRS 2

The International Financial Reporting Interpretations Committee has published IFRIC Interpretation 11 *IFRS 2: Group and Treasury Share Transactions*. The Interpretation addresses how to apply IFRS 2 *Share-based Payment* to share-based payment arrangements involving an entity's own equity instruments or equity instruments of another entity in the same group (eg equity instruments of its parent). IFRIC 11 provides:

- **Share-based payment involving an entity's own equity instruments in which the entity chooses or is required to buy its own equity instruments (treasury shares) to settle the share-based payment obligation:** These should always be accounted for as equity-settled share-based payment transactions under IFRS 2.
- **A parent grants rights to its equity instruments directly to employees of its subsidiary:** Assuming the transaction is accounted for as equity-settled in the consolidated financial statements, the subsidiary must measure the services received using the requirements for equity-settled transactions in IFRS 2, and must recognise a corresponding increase in equity as a contribution from the parent.
- **A subsidiary grants rights to equity instruments of its parent to its employees:** The subsidiary accounts for the transaction as a cash-settled share-based payment transaction.

IFRIC 11 is effective for annual periods beginning on or after 1 March 2007. Earlier application is permitted.

Summaries of interpretations and draft interpretations:
www.iasplus.com/interps/interps.htm

Summaries of interpretations and draft interpretations:
www.iasplus.com/interps/interps.htm

IFRIC D19 proposes guidance on pension accounting

The IFRIC has published draft Interpretation D19 *IAS 19–The Asset Ceiling: Availability of Economic Benefits and Minimum Funding Requirements*. IFRIC D19 would clarify the interaction between statutory or contractual minimum funding requirements and the requirements of IAS 19 *Employee Benefits*.

The proposals clarify how to determine the limit on a pension plan asset that may be recognised in an employer's balance sheet as well as how the pension asset or liability may be affected when there is a statutory or contractual minimum funding requirement.

The comment period ended 31 October 2006.

IFRIC D20 on customer loyalty programmes

The IFRIC has released for public comment Draft Interpretation D20 *Customer Loyalty Programmes*. Customer loyalty programmes are used by entities to provide customers with incentives to buy their products. Examples are airline mileage programmes and hotel and bank points programmes. The customer can redeem the award credits for awards such as free or discounted goods or services.

The fundamental question addressed by the IFRIC is whether the entity's obligation to provide free or discounted goods or services should be recognised and measured by:

- Allocating some of the consideration received or receivable from the initial sales transaction to the award credits and deferring the recognition of revenue (ie applying paragraph 13 of IAS 18); or
- Recognising the original revenue in full and, concurrently, recognising a provision for the estimated future costs of supplying the award goods or services (applying paragraph 19 of IAS 18).

In IFRIC D20, the IFRIC has proposed that an entity should:

- Apply paragraph 13 of IAS 18 and account for award credits as a separately identifiable revenue component of the original sale transaction.
- Allocate the fair value of the consideration received or receivable from that original sale transaction between the goods and services originally sold and the award credits granted based on the relative fair values of the components.

The draft Interpretation would take effect three months after it is published as a final Interpretation, and would be applied retrospectively by restating prior period financial statements.

The comment period ended 6 November 2006.

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

IASB and IFRIC meetings are also webcast.

Upcoming meeting dates

IASB and SAC MEETINGS 2006	
London, UK	13-17 November 2006, and 9-10 November 2006 with the Standards Advisory Council
London, UK	11-15 December 2006
IASB and SAC MEETINGS 2007	
London, UK	22-26 January 2007
London, UK	19 to 23 February 2007, and 26-27 February 2007 with the Standards Advisory Council
London, UK	19 to 23 March 2007
London, UK	16 to 20 April 2007
London, UK	23 to 24 April 2007 – Joint IASB/FASB Meeting
London, UK	14-18 May 2007
London, UK	18-22 June 2007, and 25-26 June 2007 with the Standards Advisory Council
London, UK	16-20 July 2007
London, UK	17-21 September 2007
London, UK	24-25 September 2007 – World Standard Setters Meeting
London, UK	15-19 October 2007
Norwalk, CT, USA	22-23 October 2007 – Joint IASB/FASB Meeting
London, UK	12-16 November 2007, and 8-9 November 2007 with the Standards Advisory Council
London, UK	10-14 December 2007

IFRIC MEETINGS 2007	
London, UK	11-12 January 2007
London, UK	8-9 March 2007
London, UK	3-4 May 2007
London, UK	12-13 July 2007
London, UK	6-7 September 2007
London, UK	1-2 November 2007

IASB FOUNDATION TRUSTEES MEETING 2007	
Tokyo, Japan	18-19 January 2007
London, UK	2-3 April 2007
Europe	2-3 July 2007
United States	31 October - 1 November 2007

Other News

You will find the press release here:

www.iasplus.com/resource/0609ifiar.pdf

International Forum of Independent Audit Regulators

Eighteen independent audit regulatory organisations from around the world have decided to establish the International Forum of Independent Audit Regulators (IFIAR). The goals of the Forum are:

- To share knowledge of the audit market environment and practical experience of independent audit regulatory activity;
- To promote collaboration in regulatory activity; and
- To provide a focus for contacts with other international organisations that have an interest in audit quality.

The 18 countries are Australia, Austria, Brazil, Canada, Denmark, France, Germany, Ireland, Italy, Japan, Mexico, the Netherlands, Norway, Singapore, South Africa, Spain, Sweden, and the United Kingdom. The US Public Company Accounting Oversight Board participated as an observer.

Other international organisations participating at the meeting at which the Forum was established were the Financial Stability Forum, the World Bank, the International Organisation of Securities Commissions, the Basel Committee, the International Association of Insurance Supervisors, the Public Interest Oversight Board, and the European Commission.

Jeffrey Lucy, Chairman of the Australian Securities and Investments Commission (ASIC), will be the initial Chairman of the Forum, and Paul Boyle, Chief Executive Officer of the UK Financial Reporting Council, will serve as Vice Chairman.

The first meeting of the IFIAR will take place in March 2007 in Tokyo.

World Congress website:
www.wcoa2006istanbul.org.tr

World Congress of Accountants is 13-17 November 2006

More than 5,000 delegates will convene at the 17th World Congress of Accountants, which opens on 13 November 2006, and continues through 16 November 2006, in Istanbul, Turkey.

Workshop and plenary sessions will be organised around the theme Generating Economic Growth and Stability Worldwide.

Session topics will include generating economic growth and stability through the accounting profession in the developing nations, capital markets stability worldwide and the accounting profession, and the role of professional accountants in business in contributing to value creation worldwide.

Download the 2006 Review:
www.iasplus.com/dttdpubs/2006dttar.pdf

Deloitte 2006 review emphasises our support for IFRSs

Deloitte Touche Tohmatsu's *Worldwide Member Firms 2006 Review* reports worldwide revenues for the year ended 31 May 2006 of US\$20 billion, an increase of 11.5 per cent in local currencies.

The 84-page annual review addresses various issues currently being debated across capital markets that consider how best to meet investor demand for reliable and timely financial data. Deloitte reiterated our strong support for International Financial Reporting Standards, for national adoption of IFRSs as a whole without modifications, and for convergence of IFRSs and US GAAP:

Achieving global consistency

In a global economy, investors would benefit significantly from consistent high-quality financial reporting across markets. This, however, can only be achieved if there is greater uniformity in the way accounting, governance, business practice standards, regulation, and oversight systems are developed and applied. Importantly, such consistency would support the improvements professional services firms have made in enhancing audit quality.

Deloitte member firms support the adoption and implementation of International Financial Reporting Standards (IFRS). As countries undertake this task, their ultimate objective should be to implement IFRS as a whole to avoid the formation of hybrid standards and therefore inconsistency. Further, preparers and issuers must be given sufficient time to adjust to the global standards, so that implementation is effective and consistent with the way the standards were intended to be applied.

Deloitte member firms also strongly support the efforts of the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board to achieve convergence or mutual recognition between IFRS and U.S. GAAP. They applaud the IASB's acknowledgement that principle-based accounting is its aspiration. If markets moved toward more principle-based accounting, accountants and auditors could more easily apply their professional judgment, which is relatively more difficult to do under highly prescriptive standards.

You can download the guidance from IAASB's website:
www.ifac.org/iaasb

We have information about the PIOB on our IAS Plus website:
www.iasplus.com/ifac/piob.htm

Website:
www.ifacnet.com

News from IFAC

IAASB guidance for national modifications to ISAs

The International Auditing and Assurance Standards Board (IAASB) has published *A Guide for National Standard Setters that Adopt the IAASB's International Standards but Find It Necessary to Make Limited Modifications*. The guide is non-authoritative.

The IAASB has issued it in the interest of seeking a common understanding among national standard setters, regulators, and the public, regarding the circumstances that the IAASB believes should exist before a national standard setter may assert that its standards conform to the IAASB's International Standards.

Public Interest Oversight Board first anniversary

The Public Interest Oversight Board (PIOB), which oversees specified standard-setting activities of the International Federation of Accountants, has completed its first year of operation. At its quarterly meeting in September 2006, the PIOB focused its discussions on key components of its independent oversight program:

- review of nominations for appointment in 2007 to the standard-setting boards for international standards of audit, ethics and education for accountants;
- consideration of the existing due process and working procedures applied by these boards in setting the above international standards; and
- plans to monitor development of work plans and priorities of these boards for the next two years.

New IFACnet knowledge base for accountants in business

The International Federation of Accountants (IFAC), in collaboration with 13 member organisations, has developed a web-based knowledge base for professional accountants in business, to be known as IFACnet – www.ifacnet.com. The objective is "to provide one-stop access to leading-edge articles, good practice guidance, and tools and techniques for accountants employed in commerce, industry, the public sector, education, and the not-for-profit sector".

IFACnet includes information on strategy, budgeting and planning, corporate governance, risk management, and professional development. IFACnet combines electronic resources from IFAC and the 13 participating organisations. Expansion is planned for 2007.

There is no fee to use IFACnet, although certain search results may identify documents or publications available for purchase.

IPSASB website:
www.ifac.org/IPSASB

Two IPSASB exposure drafts

The International Public Sector Accounting Standards Board (IPSASB) of the International Federation of Accountants (IFAC) has issued two exposure drafts:

- Proposed International Public Sector Accounting Standard (IPSAS) ED 30 *Impairment of Cash-Generating Assets*.
- Proposed IPSAS ED 31 *Employee Benefits*

ED 30 *Impairment of Cash-Generating Assets*

ED 30 deals with cash-generating assets held and operated by public sector entities that are not Government Business Enterprises. Comment deadline on ED 30 is 28 February 2007.

ED 31 *Employee Benefits*

ED 31 addresses the four categories of employee benefits dealt with in IAS 19:

- Short-term employee benefits;
- Post-employment benefits;
- Other long-term employee benefits; and
- Termination benefits.

In addition, ED 31 deals with some issues of specific relevance to the public sector, including:

- Determining the risk-free discount rate to be applied for discounting obligations arising from post-employment benefits;
- The treatment of post-employment benefits provided through composite social security programs; and
- Mechanisms for the orderly implementation of the proposed standard in the public sector.

Comment deadline on ED 31 is 28 February 2007.

[www.iasplus.com/
usa/0610atkins.pdf](http://www.iasplus.com/usa/0610atkins.pdf)

IFRS-related news from the United States

SEC Commissioner discusses reconciliations

In remarks before the Institute of European Affairs in Dublin, US SEC Commissioner Paul S. Atkins spoke about the adoption of IFRSs in Europe, the reconciliation to US GAAP for SEC registrants using IFRSs, and the possibility of the European Commission requiring a reconciliation to IFRSs for companies that trade in Europe and that prepare US GAAP financial statements.

Here is an excerpt from Commissioner Atkins's comments:

The coherent consistent application of IFRS is an essential prerequisite to the elimination of the reconciliation requirement in the United States. It will take us some time to assess how IFRS is being implemented and enforced, but I am optimistic that we will complete our assessment, well within the 2009 goal for reconciliation, and be able to determine that the reconciliation requirement is unnecessary. Our new Chief Accountant, Conrad Hewitt, is committed to working to achieve this objective as quickly as possible.

I am keenly aware that shareholders ultimately bear the costs of reconciliation – like many of our regulations – and these costs are considerable. For this reason, I am very interested in what appears to be growing European sentiment against requiring reconciliation for U.S. issuers that currently use GAAP in their EU filings. Requiring U.S. companies to reconcile their U.S. GAAP financial statements to IFRS would undermine our efforts towards mutual recognition by senselessly diverting attention and energy from our shared, transatlantic objective of making sure that IFRS succeeds. U.S. GAAP is already an established standard that has proven itself to investors over time. The need for reconciliation disappears when IFRS shows itself to be, like GAAP, a consistently applied, high quality set of accounting standards. It is in everyone's best interest to achieve the elimination of the reconciliation requirement as quickly as possible.

You can download the 2002 and 2006 studies here:
[www.iasplus.com/
country/usa.htm](http://www.iasplus.com/country/usa.htm)

Updated US GAO study on financial statement restatements

The United States Government Accountability Office has updated its 2002 study of financial statement restatements in the USA. In 2002, GAO reported that the number of restatement announcements due to financial reporting fraud and/or accounting errors grew significantly between January 1997 and June 2002, negatively impacting the restating companies' market capitalisation by billions of dollars.

The US Congress recently asked the GAO to update key aspects of its 2002 report. The 2006 report discusses (a) the number of, reasons for, and other trends in restatements; (b) the impact of restatement announcements; and (c) regulatory enforcement actions involving accounting and audit issues.

The GAO found that the number of annual announcements of financial restatements generally increased, from 314 in 2002 (3.7% of companies listed on NYSE, NASDAQ, and Amex) to 523 in 2005 through September (6.8% of listed companies). This constituted a nearly five-fold increase from 92 in 1997 to 523 in 2005.

FAS 157 may be downloaded from FASB's Website without charge.
www.fasb.org

FASB issues fair value measurement standard

The US Financial Accounting Standards Board has issued Statement of Financial Accounting Standards No. 157 *Fair Value Measurements*. FAS 157 provides enhanced guidance for using fair value to measure assets and liabilities. It applies whenever other standards require (or permit) assets or liabilities to be measured at fair value. FAS 157 does not expand the use of fair value in any new circumstances.

Some points about FAS 157:

- Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts.
- Fair value should be based on the assumptions market participants would use when pricing the asset or liability.
- FAS 157 establishes a fair value hierarchy that prioritises the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data, for example, the reporting entity's own data.
- Fair value measurements would be separately disclosed by level within the fair value hierarchy.
- FAS 157 is effective for financial statements issued for fiscal years beginning after 15 November 2007, and interim periods within those fiscal years. Early adoption is permitted.

The IASB has on its agenda a project on fair value measurement. It is one of the convergence projects with the FASB. This means that the IASB and the FASB plan to have similar, if not identical, definitions and guidance relating to fair value measurements. The IASB plans to issue a discussion paper in the fourth quarter of 2006 that will:

- indicate the IASB's preliminary views on the provisions of FAS 157;
- identify differences between FAS 157 and fair value measurement guidance in existing IFRSs; and
- invite comments on the provisions of FAS 157 and on the IASB's preliminary views about those provisions.

FAS 158 may be downloaded from FASB's Website without charge.
www.fasb.org

FASB statement on pensions and other retirement plans

The FASB has issued FASB Statement No. 158 *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*. For an entity whose securities are traded in a public market, the recognition provisions of FAS 158 (see below) are effective for fiscal years ending after 15 December 2006. For non-public entities, the effective date is fiscal years ending after 15 June 2007.

FAS 158 also requires that employers measure plan assets and benefit obligations as of the balance sheet date; this requirement takes effect for all entities for years ending after December 15, 2008.

In July 2006, the IASB added to its agenda a two-phase project on Post-Retirement Benefits including Pensions. The IASB plans to complete phase 1 in 2010 with an interim standard that would address presentation and disclosure, definition of defined benefit and defined contribution plans, accounting for cash balance plans (possibly), smoothing and deferral mechanisms, and treatment of settlements and curtailments.

Under FAS 158, an employer that is a business entity is required to:

- Recognise in its statement of financial position the overfunded or underfunded status of a defined benefit postretirement plan measured as the difference between the fair value of plan assets and the benefit obligation. For a pension plan, the benefit obligation would be the projected benefit obligation; for any other postretirement benefit plan, such as a retiree health care plan, the benefit obligation would be the accumulated postretirement benefit obligation.
- Recognise as a component of other comprehensive income, net of tax, the actuarial gains and losses and the prior service costs and credits that arise during the period but pursuant to FASB Statements No. 87 *Employers' Accounting for Pensions* and No. 106 *Employers' Accounting for Postretirement Benefits Other Than Pensions*, are not recognised as components of net periodic benefit cost. Amounts recognised in accumulated other comprehensive income would be adjusted as they are subsequently recognised as components of net periodic benefit cost pursuant to the recognition and amortisation provisions of Statements 87 and 106.
- Any remaining transition amounts from initial adoption of FAS 87 and FAS 106 would also now be recognised in measuring a plan's funding status and in other comprehensive income.

For many entities with defined benefit plans, FAS 158 could result in increased liabilities, with corresponding reductions in equity.

You will find the SEC announcement here:
www.iasplus.com/usa/0607secexeccomp.pdf

US SEC expands disclosures about executive compensation

The US Securities and Exchange Commission has adopted changes to the rules requiring disclosure of executive and director compensation, related person transactions, director independence and other corporate governance matters, and security ownership of officers and directors. The changes will affect disclosure in proxy statements, annual reports, and registration statements, as well as the current reporting of compensation arrangements. The rules will require that most of this disclosure be provided in plain English.

www.pcaobus.org

PCAOB standards-setting priorities for 2007

The US Public Company Accounting Oversight Board (PCAOB) has announced its standards-setting priorities for 2007:

Four standards projects PCAOB is currently working on:

- Revision of AS 2 An Audit of Internal Control Over Financial Reporting Performed in Conjunction With an Audit of Financial Statements
- Principles of Reporting – this standard would reflect FASB Statement 154 Accounting Changes and Error Corrections, including the FAS 154 hierarchy of generally accepted accounting principles.
- Engagement Quality Review
- Risk Assessment, including fraud risk assessment

Projects beginning over the next year:

- Related Parties (including consideration of fraud risk factors)
- Confirmations (including consideration of fraud risk factors)
- Specialists (including how specialists are used in fair value measurements)

Activities removed from the priority list (these were on the 2006 list):

- Communications with Audit Committees
- Quality Control Standards
- Codification of PCAOB standards and authority of PCAOB interim standards

The PCAOB is also evaluating the need for revisions to or guidance on existing auditing standards on auditing estimates, auditing fair values, and using the work of specialists – all of which are pertinent to the audit of fair value measurements – in light of FASB Statement No. 157 *Fair Value Measurements*.

You can download the letter from the IAS Plus website: www.iasplus.com/usa/0609secbackdating.pdf

SEC views on accounting for stock options

The Office of the Chief Accountant (OCA) of the US SEC has stated its views on the appropriate application of the stock option accounting literature in the historical financial statements of public companies in the following circumstances:

- dating an option award to predate the actual award date,
- option grants with administrative delays,
- uncertainty as to the validity of prior grants, and
- other related circumstances.

The OCA's views are set out in a letter to the Committee on Corporate Reporting of Financial Executives International and the Center for Public Company Audit Firms of the American Institute of Certified Public Accountants.

News about IFRSs in Europe

FEE website:
www.fee.be

FEE urges adoption of ISAs for all audits throughout Europe

The Federation of European Accountants (FEE) has prepared a briefing note for members of the European Parliament stating that it is in the public interest if statutory audits of all companies are carried out in accordance with International Standards on Auditing (ISAs). FEE wrote in support of Article 26 of the Statutory Audit Directive that the Parliament adopted in April 2006. Article 26 requires that all statutory audits in Europe follow ISA, which are developed by the International Auditing and Assurance Standards Board. The briefing note states:

The public interest is best served if the same auditing standards apply equally to all audits of financial statements, irrespective of whether the entities audited are large or small, public interest or private.

The adoption of IFRSs for accounting purposes and of ISAs for auditing purposes are appropriate European measures to reinforce confidence in the financial markets.

Therefore FEE welcomes Article 26 of the Statutory Audit Directive that provides for statutory audits of all companies to be carried out in accordance with International Standards on Auditing (ISAs) adopted by the European Commission. The IAS Regulation 2002 already requires publicly traded companies to prepare their consolidated (group) accounts in conformity with International Financial Reporting Standards (IFRSs) adopted by the European Union.

Links to our Europe pages:
www.iasplus.com/restruct/resteuro.htm

EC regulation adopting IFRIC 8 and 9

By adoption of European Commission Regulation No 1329/2006 of 8 September 2006, as published in the Official Journal of the European Union, the EC has adopted the following two Interpretations for use in Europe:

- IFRIC 8 *Scope of IFRS 2*
- IFRIC 9 *Reassessment of Embedded Derivatives*

IAS Plus link to SEC announcement and full text of joint work plan:
www.iasplus.com/usa/0608seccesr.pdf

SEC and CESR launch financial reporting work plan

The US Securities and Exchange Commission and the Committee of European Securities Regulators (CESR) have released a joint work plan on financial reporting. The main focus of the plan is the application by internationally active companies of International Financial Reporting Standards and US Generally Accepted Accounting Principles in the United States and the European Union, respectively.

The plan envisions cooperation by the staffs of the SEC and CESR on the modernization of financial reporting and disclosure information technology, and regulatory platforms for risk management.

We have created a new SARG Page on IAS Plus.
www.iasplus.com/europe/sarg.htm

Standards Advice Review Group (SARG) established in Europe

The European Commission has established a Standards Advice Review Group (SARG) in the area of accounting “to ensure objectivity and proper balance of the European Financial Reporting Advisory Group’s (EFRAG) opinions”. The Group will be composed of independent experts and high-level representatives from National Standard Setters whose experience and competence in accounting are widely recognised.

The Group’s task will be to assess whether the endorsement advice given by the EFRAG is well balanced and objective. The group will deliver its advice normally within three weeks. The final advice will be published on the Commission’s website.

The SARG will have a maximum of seven members appointed by the Commission. The Commission has published a call for applications for SARG Membership.

SARG members will be appointed in a personal capacity and must advise the Commission independently of any outside influence. The members may not participate in the work of EFRAG either before appointment to the SARG or during their term of office. Members will be appointed for a three-year renewable term.

The directives are here:
ec.europa.eu/internal_market/accounting/officialdocs_en.htm

EU 4th and 7th directives

The European Union has brought into law a new Directive 2006/46/EC on the annual and consolidated accounts of certain types of companies, including banks, insurance undertakings, and other financial institutions. The new directive modifies the 4th and 7th company law directives (‘accounting directives’ 78/660/EEC and 83/349/EEC), and also the accounting directives for banks (86/635/EEC) and insurance undertakings (91/674/EEC).

It establishes collective responsibility of board members for the financial statements and annual reports, enhances transparency in related party transactions and off-balance sheet arrangements, and, for publicly traded companies, introduces a requirement for a corporate governance statement.

The size thresholds for exempting small and medium-sized entities from specified accounting and auditing rules were also raised.

EU member states have two years from 16 August 2006 to enact the provisions of the new directive into their national legislation.

You can download the study on IAS Plus:
www.iasplus.com/europe/0610audit.pdf

Study of auditors' liability in the EU

The European Commission has published an independent study on the economic impact of current EU rules on auditors' liability regimes and on insurance conditions in EU member states. The study analyses the structure of the auditing market and its possible development in the future, describes the existing limitations in the insurance market for international audits, examines the economic needs for limiting auditors' liability, and compares several possible methods for limiting liability. Key conclusions of the study (not necessarily the views of the Commission) are:

- The international market for statutory audits of large and very large companies is highly concentrated and dominated by the Big-4 networks. The likelihood of new entrants into this market is very limited in the coming years. Additionally, under the current circumstances, middle-tier firms are unlikely to become a major alternative if a Big-4 network fails.
- The level of auditor liability insurance available for higher limits has fallen sharply in recent years. The remaining source of funds to face claims may essentially be the income of partners belonging to the same international network. Constantly large claims might therefore put at risk an entire network.
- The failure of a network could lead to difficult consequences for the wider economy like a significant reduction in large company statutory audit capacity possibly creating serious problems for companies whose financial statements need to be audited.
- A limitation on auditor liability would reduce this risk. While there exist a number of variants of statutory audit liability limitation, the diversity of circumstances in terms of both audits and company size is such that it is unlikely that a one-size-fits-all EU-wide approach is the most useful.

The Commission intends to issue a report based on this study before the end of 2006, and to invite comments.

EFRAG views on IASB-FASB convergence activities

On 17 October 2006, the IASB met with representatives of the European Financial Reporting Advisory Group (EFRAG) concerning IASB-FASB convergence activities. EFRAG subsequently posted a summary of EFRAG's views. Here is an excerpt:

The main European views presented on the different topics can be summarised as follows:

- **Equity-Liability accounting:** There appears to be a widely held view that the existing equity-liability classification requirements are not satisfactory. These problems are proving to be a barrier towards the wider adoption of IFRS in certain European countries. EFRAG encouraged the IASB to ensure that the Framework project and the Equity-Liability project were running in parallel.
- **Financial statement presentation:** Europe has not been persuaded thus far of the need for fundamental change as envisaged by the IASB. It is therefore of paramount importance that this issue is very thoroughly debated in the Discussion Paper proposed by the IASB. Europe is slightly anxious about certain working principles set by the IASB, partly because – despite their importance – they had not been broadly discussed upfront.
- **Business combinations:** The European view is that it is inappropriate to either propose or implement any major changes to the existing measurement model until a debate on measurement has been conducted. EFRAG also indicated its concerns in connection with the full goodwill method, especially where minority interests are involved. Finally, Europe inquired as to how the IASB views the due process on this project, particularly bearing in mind that, although the proposals were widely criticised by commentators, it appears that to date the IASB has not agreed to many of the changes that are likely to address the main concerns raised.
- **Conceptual Framework:** Europe's view was that it is concerned about the burden that is being placed on several assertions made in chapter 1 of the Discussion Paper, without justifying them. EFRAG also presented the European view on the proposed Framework's treatment of stewardship and accountability, which are treated as a sub-objective of the resource allocation decision usefulness objective. Finally, EFRAG believed that it is inappropriate, at the current time, to omit the notion of 'substance over form' as a sub-characteristic of good financial information.
- **Revenue recognition:** Under the European PAAinE initiative, the German standard-setter and EFRAG have been working jointly on a paper on revenue recognition. The paper is nearing completion and is expected to be issued by early December.
- **Borrowing costs:** EFRAG has decided not to support the proposals in the recently-published ED on this short-term convergence issue. The matter was discussed and EFRAG had questioned whether the degree of convergence that will be achieved through these proposals is sufficient to justify the disruption that implementing the proposed changes will cause.

Use of IFRSs elsewhere in the world

You will find information on our Canada page on IAS Plus:
www.iasplus.com/country/canada.htm

Plan for incorporating IFRSs into Canadian GAAP

In January 2006, the Accounting Standards Board of Canada (AcSB) adopted its Strategic Plan for the Direction of Accounting Standards. The Plan includes the decision to move financial reporting for Canadian publicly accountable enterprises to IFRSs.

The AcSB has now published a more detailed Implementation Plan for Incorporating International Financial Reporting Standards into Canadian GAAP. The Implementation Plan identifies key decisions that the AcSB will need to make as it implements the Strategic Plan for publicly accountable enterprises.

Although the Implementation Plan may be revised and updated as circumstances warrant, currently it envisions 2010 as the last year that publicly accountable enterprises will report under current Canadian GAAP and 2011 as the first year of reporting under a complete set of IFRS-based Canadian standards. Because some current Canadian standards are already IFRS-based, and because others will become IFRS-based before 2011, the changeover to IFRS-based Canadian standards is likely to be more gradual, rather than abrupt, for most enterprises.

You will find a link to the comparison information on our Canada page on IAS Plus:
www.iasplus.com/country/canada.htm

Comparison of Canadian GAAP and IFRSs

The staff of the Accounting Standards Board of Canada (AcSB) has published a high-level comparison of current Canadian standards and IFRSs. Its purpose is to provide information about the extent of similarity between Canadian GAAP and IFRSs.

The comparison reflects AcSB and IASB standards at 31 March 2006. The comparison covers significant differences only and does not include all of the differences that might arise in a particular entity's circumstances. It is not intended for use in preparing financial statements.

India page on IAS Plus:
www.iasplus.com/country/india.htm

India is studying full adoption of IFRSs

The Institute of Chartered Accountants of India (ICAI) has set up an 11-member task force to explore the possibility of adopting all International Financial Reporting Standards in full, without modification, as Indian standards. The task force will develop a concept paper on adoption of IFRSs in India. Currently, many ICAI standards reflect modifications of IFRSs.

The task force was announced in the October 2006 message to members from the President of the ICAI, T N Manoharan:

In the globalised economic scenario, several multinational companies are establishing subsidiaries in India and many Indian companies are forming subsidiaries abroad. Flow of investments in the international scene clearly indicates that the stakeholders are spread across the globe. As the geographical barriers are vanishing, e-commerce is enlarging, and as raising of capital in foreign markets is increasing, the need for examining the issues relating to convergence of Indian Accounting Standards with International Accounting Standards is assuming greater significance. We are in touch with the IASB in this regard besides considering this issue internally. Recently, a task force has been constituted to consider the challenges involved and to prepare a road map for this purpose.

Both the project plan and the related table can be downloaded from our Japan page on IAS Plus:

www.iasplus.com/country/japan.htm

Japanese plan for convergence toward IFRSs

The Accounting Standards Board of Japan (ASBJ) has released its *Project Plan Concerning the Development of Japanese Accounting Standards* to explain the status of its initiatives toward convergence with IFRSs. The plan has been developed, in part, in response to the June 2005 Report to the European Commission from the Committee of European Securities Regulators (CESR), which identified 26 matters for which 'remedies' should be required if the European Commission decides to continue to allow Japanese companies to trade on European securities markets using financial statements prepared in conformity with Japanese accounting standards.

The ASBJ's plan outlines the work planned to be achieved through the end of 2007 and the anticipated convergence status as of the beginning of 2008 for each of the 26 issues identified by CESR.

The ASBJ has also released a table summarising the project plan as an attachment to its overall project plan.

IFRS publications from Deloitte

Download our IFRS presentation and disclosure checklist for 2006 here:

www.iasplus.com/fs/fs.htm

IFRS presentation and disclosure checklist 2006

Deloitte has published a new IFRS presentation and disclosure checklist for the year ended 31 December 2006. This checklist addresses the presentation and disclosure requirements of IFRSs in issue at 30 June 2006. It does not address the requirements of IFRSs as regards recognition and measurement.

The checklist is formatted to allow the recording of a review of financial statements, with a place to indicate yes/no/not-applicable for each presentation and disclosure item.

Download our 2006 IFRS compliance questionnaire here:

www.iasplus.com/fs/fs.htm

Deloitte's 2006 IFRS compliance questionnaire

Deloitte has published an IFRS Compliance Questionnaire for 2006. This 265-page questionnaire summarises the recognition and measurement requirements in IFRSs (including Interpretations) issued as of 30 June 2006. It does not address presentation and disclosure requirements (which are covered in our IFRS presentation and disclosure checklist – see previous news story).

The items in this questionnaire are referenced to the applicable sections of the IFRSs.

Download both the English and Chinese versions of this comparison on our IAS Plus China page:

www.iasplus.com/country/china.htm

IFRS-Chinese GAAP comparison in English

Deloitte has published the English version of a comparison of accounting standards in the People's Republic of China and International Financial Reporting Standards. The publication compares IFRSs with (a) current Chinese Accounting Standards effective for 2006 and earlier and (b) the new Chinese Accounting Standards adopted by the Ministry of Finance of the People's Republic of China that are effective in 2007 for listed companies. The publication includes a foreword by IASB Chairman Sir David Tweedie.

You will find permanent links to these publications on our Australia Page on IAS Plus: www.iasplus.com/country/australi.htm

You will find links to all IAS Plus newsletters here: www.iasplus.com/iasplus/iasplus.htm

You can also sign up for free subscription by e-mail on the IAS Plus home page: www.iasplus.com/

Model reports under Australian IFRSs

Deloitte Touche Tohmatsu (Australia) has published a number of model financial reports for 2006 in accordance with Australian equivalents to International Financial Reporting Standards (A-IFRSs). These include:

- Consolidated Model Annual Report for 2006, including model disclosures under the Australian equivalent of IFRS 7 for early adopters
- Model concise report for 2006
- Model half-year report for periods ending on or after 31 December 2006

Two special editions of our IAS Plus Newsletter

Deloitte's IFRS Global Office has published two special editions of our IAS Plus Newsletter:

- **Special Edition – IFRIC 10.** On 20 July 2006 the IFRIC published IFRIC 10 Interim Financial Reporting and Impairment. IFRIC 10 addresses the interaction between the requirements of IAS 34 *Interim Financial Reporting* and impairment recognition and reversal under IAS 36 *Impairment of Assets* and IAS 39 *Financial Instruments: Recognition and Measurement*. This newsletter summarises the Interpretation.
- **Special Edition – IASB's Conceptual Framework Discussion Paper.** On 6 July 2006, as a first step in their joint project on the Conceptual Framework of financial reporting, the FASB and the IASB each published on a discussion paper setting out their preliminary views on the objective of financial reporting and the qualitative characteristics of decision-useful financial information. This newsletter summarises the views in the Discussion Paper.

Accounting Standards Update in the Asia-Pacific Region

AUSTRALIA

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In July 2006 the Financial Reporting Council (FRC) released the Simpkins Report, a review of the policy of sector-neutral accounting standard-setting in Australia. The report will assist the FRC in considering possible modifications to its strategic direction to the Australian Accounting Standards Board (AASB), especially in relation to the public sector and the other not-for-profit sectors.

One key aspect of the report is the identification and evaluation of other options for standard-setting in Australia. The options identified include:

- two or more different sets of standards;
- alternative approaches to a single-set of standards;
- the possibility of more than one standard setting board; and
- options to enhance the current approach.

Any modification to the AASB's current sector-neutral approach will have a potentially significant impact on the public sector and the other not-for-profit sectors.

In recent meetings, the AASB continued its review of public sector specific accounting standards, and also continued their discussions on Australian specific changes made to the IFRSs in developing Australian equivalents to IFRSs. This is likely to result in the reversal of many of the changes made to the IFRSs in the process of making the Australian equivalents to IFRS, for example, reinstating all options that currently exist in IFRS and eliminating additional Australian disclosures.

In September 2006 the AASB approved:

- AASB 1049 Financial Reporting of General Government Sectors by Government, applicable for annual reporting periods beginning on or after 1 July 2008, with early adoption permitted. The Standard applies to each government in relation to its general government sectors and requires compliance with other Accounting Standards with certain exceptions. The key difference relates to which entities should be consolidated and the consequential accounting for investments in controlled entities. In addition, extra disclosure is required regarding key fiscal aggregates determined in accordance with Australian Bureau of Statistics Government Financial Statistics Manual.
- AASB Interpretation 10 Interim Financial Reporting and Impairment, the Australian equivalent to IFRIC Interpretation 10.
- A rejection statement on Leases: Recognition of Contingent Rentals, consistent with the IFRIC agenda decision,
- A request for comment on the IASB Discussion Paper Preliminary Views on an improved Conceptual Framework for Financial Reporting: The Objective of Financial Reporting and Qualitative Characteristics of Decision-useful Financial Reporting Information.

HONG KONG
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During September 2006, the HKICPA issued a new interpretation, HK (IFRIC)-Int 10 Interim Financial Reporting and Impairment, identical to the international interpretation IFRIC 10. HK(IFRIC)-Int 10 addresses an apparent conflict between the requirements of HKAS 34 Interim Financial Reporting and those in other standards on the recognition and reversal in financial statements of impairment losses on goodwill and certain financial assets.

HK(IFRIC)-Int 10 concludes that:

- An entity shall not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.
- An entity shall not extend this consensus by analogy to other areas of potential conflict between HKAS 34 and other standards.

HK(IFRIC)-Int 10 is effective for annual periods beginning on or after 1 November 2006. Earlier application is encouraged.

During the third quarter of 2006, the HKICPA also invited comments on four IFRS proposals:

- IASB Exposure Draft of Proposed Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Financial Instruments Puttable at Fair Value and Obligations Arising on Liquidation
- Discussion Paper on Preliminary Views on an Improved Conceptual Framework for Financial Reporting: The Objective of Financial Reporting and Qualitative Characteristics of Decision-useful Financial Reporting Information
- IFRIC Draft Interpretation D20 Customer Loyalty Programmes
- IFRIC Draft Interpretation D19 IAS 19 The Asset Ceiling Availability Of Economic Benefits And Minimum Funding Requirements

In October 2006, a new Preface to Hong Kong Financial Reporting Standards (HKFRSs) was issued. The Preface sets out the objectives and the due process of the Council of the HKICPA in respect of setting HKFRSs and explains the scope, authority, and timing of application of HKFRSs.

INDONESIA
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Accounting Standards

Exposure Drafts of revisions to the accounting standards below were issued by the Financial Accounting Standards Board (Dewan Standar Akuntansi Keuangan, or DSAK) of the Indonesian Institute of Accountants and are outstanding as of October 2006:

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

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

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

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

Besides the above Exposure Drafts, revision of the following accounting standards is still in process:

- PSAK 50 Accounting for Investment in Specific Securities
- PSAK 55 (revised 1999) Accounting for Derivative Instruments and Hedging Activities
- PSAK 59 Accounting for Shari'a Banking
- Conceptual framework for the Preparation and Presentation of Financial Standards for Shari'a Transactions

Technical Bulletins

The DSAK has issued Draft of Technical Bulletin No. 2 Joint Financing on Credit Facility (TB No.2) and conducted a limited hearing on 26 September 2006.

The purpose of this technical bulletin is to provide guidance to financial institutions, especially multi-finance companies, in recording joint financing transactions according to their substance, which sometimes is different from the legal form as stated in the contract.

Implementation Guide

The Indonesian Institute of Accountants and the Indonesian Association of Actuaries have issued Implementation Guidance No.1, PSAK 24 (revised 2004), Employee Benefits.

Auditing Standards

The Auditing Standards Board (Dewan Standar Profesional Akuntan Publik, or DSPAP) had decided to fully adopt the International Standards on Auditing (ISAs). The ISAs are now being translated and will be implemented by the end of 2006.

JAPAN
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The following accounting and auditing standards and related publications were issued in Japan during the third quarter of 2006:

Issued	Issuer	Document Description
5 July 2006	ASBJ	ASB Standard No. 9, Accounting Standard for Measurement of Inventories
5 July 2006	ASBJ	Exposure Draft of Proposed Amendments to Accounting Standard for Lease Transactions and its Implementation Guidance
31 July 2006	BAC	Report titled "Toward the International Convergence of Accounting Standards"
11 August 2006	ASBJ	Exposure Draft of Proposed Amendments to Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures
11 Aug. 2006	ASBJ	PITF (Practical Issues Task Force) No.19, Tentative Treatment of Accounting for Deferred Assets
8 Sept. 2006	JICPA	Exposure Draft of Amendment of Implementation Guidance on Accounting Standard for Financial Instruments and related Q&A
8 Sept. 2006	ASBJ	PITF No.20, Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations
8 Sept. 2006	ASBJ	PITF No. 21. Practical Solution on Investors' Accounting for Limited-Liability Partnerships and Limited-Liability Companies
22 Sep. 2006	ASBJ	Exposure Draft of Amendment to PITF No. 19, Implementation Guidance on Accounting for Compound Financial Instruments With Option to Increase Paid-in Capital
*ASBJ: Accounting Standards Board of Japan FSA: Financial Services Agency BAC: Business Accounting Council JICPA: Japanese Institution of Certified Public Accountants		

JAPAN, continued

ASB Standard No. 9, Accounting Standard for Measurement of Inventories

The standard requires companies to measure all inventories at the lower of cost or net realisable value (NRV) when and if the profitability of those inventories declines. This Standard replaces the current standard which allows the use of either the cost method with consideration of impairment, or the lower of cost or NRV method.

The Standard also requires companies that hold commodities for trading (such as gold) to measure at mark-to-market. The difference between cost and fair value is recognised as profit or loss.

This amendment is one of the outcomes of the convergence project between the IASB and the ASBJ. It is effective from years beginning on or after 1 April 2008. Early adoption is permitted.

Exposure Draft of Proposed Amendments to Accounting Standard for Lease Transactions and its Implementation Guidance

Currently, Japanese GAAP allows companies to account for finance leases for which ownership does not transfer at the end of lease term as off-balance sheet items, with certain disclosures to show the potential effects on the balance sheet. The exposure draft would require companies to recognise all finance leases on the balance sheet, except for lease arrangements that are either less than 3 million yen or less than one year.

Toward the International Convergence of Accounting Standards

On 31 July 2006, the Planning and Coordination Committee of Business Accounting Council (BAC), an advisory panel of experts to the Financial Services Agency (FSA) of Japan, issued a statement, *Toward the Convergence of Accounting Standards*. The statement encourages continuous improvements of Japanese accounting standards towards the final equivalent assessment by the European Commission in early 2008.

PITF No.19, Tentative Treatment of Accounting for Deferred Assets

PITF 19 requires that;

- Costs of issuing new shares or the disposal of treasury shares may either be (1) expensed when incurred or (2) recognised as deferred assets and amortised within three years on a straight-line basis if it relates to an expansion of business or a business combination.
- Costs of issuing bonds may either be (1) expensed when incurred or (2) recognised as deferred assets and amortised within the bond redemption period by the interest method or the straight-line method.
- Costs for start-up may either be (1) expensed when incurred or (2) recognised as deferred assets and amortised within five years.
- Costs for development, except for those within the scope of accounting standards for Research and Development cost, may either be (1) expensed when incurred or (2) recognised as deferred assets and amortised within five years.

JAPAN, continued

The above accounting treatments are similar to the current practices except that bond discounts or premiums are no longer recorded as assets or liabilities but be deducted from or added to the par value of the bonds under the amortised cost method.

The PITF is effective for both the annual and semi-annual periods ending on or after 11 August 2006.

Exposure Draft of Amendment of Implementation Guidance on Accounting Standard for Financial Instruments and related Q&A

On September 8, 2006, the JICPA issued an Exposure Draft of Amendment of Implementation Guidance on Accounting Standard for Financial Instruments and related Q&A. The draft proposes that the issuers shall measure bonds at amortised cost, replacing the current treatment which requires measurement of bonds at par value, recognition of the discount on the bonds as assets, and amortisation of the asset on a straight-line basis.

PITF No.20, Practical Solution on Application of Control Criteria and Influence Criteria to Investment Association

PITF 20 is a response to recent accounting scandals in Japan concerning the abuse of investment associations.

The PITF requires companies to consolidate an investment association to which companies have the majority of rights to perform operations, without consideration of who holds the majority ownership of the investment association. Even if a company does not have the majority of rights to perform operations, it shall consolidate an investment association when it has (1) more than 40% rights to perform operations and substantial control on the investment association, or (2) majority of rights to perform operation in the aggregate with closely related parties and those which agreed with the exercise of voting rights.

The PITF also requires companies to apply the equity method to an investment association in which they have significant influence.

The PITF is effective from the annual and semi-annual years ending on or after 8 September 2006.

MALAYSIA
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MASB Issues New and Revised Accounting Standards

The Malaysian Accounting Standards Board (MASB) has issued FRS 6 Exploration for and Evaluation of Mineral Resources. It has also issued an amendment to FRS 119 (2004) Employee Benefits. The amendments relate mainly to actuarial gains and losses, group plans, and disclosures. Both the FRS and the amendment made are identical to the related IFRSs and will take effect for annual periods beginning on or after 1 January 2007.

Exposure Draft on Framework for the Preparation and Presentation of Financial Statements

The MASB has released an exposure draft ED 53 Framework for the Preparation and Presentation of Financial Statements for public comment. This proposed Framework was originally issued as a Discussion Paper, A Proposed Framework for the Preparation and Presentation of Financial Statements by MASB. Revisions have been made to the Discussion Paper in view of MASB's policy of convergence with IFRSs.

MALAYSIA, continued

These revisions are now reflected in ED 53, which provides conceptual framework that will enable entities to report in a coherent frame of reference consistent with the IFRS framework.

Proposed Amendments to FRS 121

MASB has also released an exposure draft on the proposed amendments to FRS 121 The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation for public comment. The draft is identical to the recent amendments to IAS 21.

NEW ZEALAND

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IASB Exposure Drafts and Discussion Papers Issued

The Financial Reporting Standards Board (FRSB) issued the following IASB and IFRIC Documents for comment:

- Request for Comment on NZ IFRIC Draft Interpretation D20 Customer Loyalty Programmes.
- NZ IFRIC Draft Interpretation D19 NZ IAS 19-The Asset Ceiling: Availability of Economic Benefits and Minimum Funding Requirements.
- Draft International Financial Reporting Standard for Small and Medium-Sized Entities (IFRS for SMEs).
- IASB DP Preliminary Views on an improved Conceptual Framework for Financial Reporting. The Discussion Paper sets out preliminary views on the objective of financial reporting (chapter 1) and the qualitative characteristics of decision-useful financial reporting information (chapter 2).

IASB Equivalent Standards Issued

- New Zealand Equivalent to IFRIC Interpretation 10 Interim Financial Reporting and Impairment (NZ IFRIC 10)

NZ IFRS Issued for New Zealand Specific Matters

- Amendments to New Zealand Equivalent to International Financial Reporting Standard 7 Financial Instruments: Disclosures — Differential Reporting Concessions and Financial Institution Disclosures (Amendments to NZ IFRS 7)

NZ Exposure Drafts Issued for New Zealand Specific Matters

- Not-For-Profit Financial Reporting Guide (draft). The Public Benefit Entity (PBE) Working Group of the Financial Reporting Standards Board has released, for comment, a draft Guide on financial reporting by not-for-profit entities.
- ED 107 Summary Financial Statements. ED 107, which is based on FRS-39: Summary Financial Reports (FRS-39), proposes requirements for the preparation of summary financial statements for entities applying New Zealand equivalents to IFRSs. FRS-39 will continue to apply to entities that have not adopted New Zealand equivalents to IFRSs.

NEW ZEALAND, continued

- ED 108 Omnibus Amendments. Since the development of the of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) in November 2004 a number of minor matters of clarification and other inconsistencies concerning the New Zealand paragraphs relating to these standards have been brought to the attention of the FRSB. Individually, the proposed amendments to resolve these matters do not require extensive changes to the relevant standards and a separate exposure draft for each is not an efficient due process. The FRSB has issued this Omnibus ED to address these minor matters.
- Request for Comment on ED 109 Proposed Amendments to FRS-37 Consolidating Investments in Subsidiaries and NZ IAS 27 Consolidated and Separate Financial Statements. This exposure draft sets out consolidation conditions for Crown related public benefit entities which have autonomy and independence.

SINGAPORE

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The Council on Corporate Disclosure and Governance (CCDG) has issued the following, which are identical to those issued under the IASB's agenda during the 3rd quarter of 2006:

New Proposed interpretations

- ED INT FRS 19 - The Asset Ceiling: Availability of Economic Benefits and Minimum Funding Requirements (IFRIC Draft Interpretation D19)
- ED INT FRS Customer Loyalty Programmes (IFRIC Draft Interpretation D20)

Outstanding EDs of Proposed Standards

Issued in 2004

- ED Proposed Amendments to FRS 103 (IFRS 3) Business Combinations – Combinations by Contract Alone or Involving Mutual Entities.

Issued in 2005

- ED Proposed Amendments to FRS 37 (IAS 37) Provisions, Contingent Liabilities and Contingent Assets and FRS 19 (IAS 19) Employee Benefits;
- ED Proposed Amendments to FRS 27 (IAS 27) Consolidated and Separate Financial Statements; and
- ED Proposed Amendments to FRS 103 (IFRS 3) Business Combinations

Issued in 2006

- ED Proposed Amendments to FRS 1 (IAS 1) A Revised Presentation;
- ED Proposed Amendments to FRS 102 (IFRS 2) Vesting Conditions and Cancellations; and
- ED FRS Operating Segments (ED IFRS 8).
- ED of Proposed Amendments to FRS 32 (IAS 32) and FRS 1 (IAS 1) on financial instruments puttable at fair value and obligations arising on liquidation; and
- ED Proposed Amendments to FRS 23 (IAS 23) Borrowing Costs.

SINGAPORE, continued

Outstanding EDs of Proposed Interpretations*Issued in 2004*

- ED INT FRS Multi-employer Plans (IFRIC Draft Interpretation D6);
- ED INT FRS Members' Shares in Co-operative Entities (IFRIC Interpretation 2);
- ED INT FRS Employee Benefit Plans with a Promised Return on Contributions or Notional Contributions (IFRIC Draft Interpretation D9); and
- ED INT FRS Changes in Contributions to Employee Share Purchase Plans (IFRIC Draft Interpretation D11).

Issued in 2005

- ED INT FRS Service Concession Arrangements – Determining the Accounting Model (IFRIC Draft Interpretation D12);
- ED INT FRS Service Concession Arrangements – The Financial Asset Model (IFRIC Draft Interpretation D13);
- ED INT FRS Service Concession Arrangements – The Intangible Asset Model (IFRIC Draft Interpretation D14); and
- ED INT FRS 102 Group and Treasury Share Transactions (IFRIC Draft Interpretation D17).

Issued in 2006

- ED INT FRS Interim Financial Reporting and Impairment (IFRIC Draft Interpretation D10).

The most comprehensive IFRS news on the Net

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

- A news page (updated almost daily). Day-by-day past news back to December 2000.
- Detailed summaries of all Standards and Interpretations.
- E-learning modules for each IAS and IFRS – made available at no charge in the public interest.
- Model IFRS financial statements and disclosure checklists.
- Downloadable Deloitte publications relating to IFRSs (over 60 publications available).
- Background and updates on all IASB and IFRIC agenda projects, including decision summaries of all IASB meetings.
- Comparisons of IFRSs and various national GAAPs.
- Complete history of the adoption of IFRSs in Europe, with links to all the relevant documents.
- Information about adoptions of IFRSs elsewhere around the world.
- Updates on national accounting standards development in over 75 countries throughout the world.
- A resource library of important documents relating to International Financial Reporting Standards.
- Description of the IASB structure, component bodies, and key organisations with which it interrelates.
- History of the IASB, including a comprehensive chronology.
- Links to nearly 200 global IFRS-related websites.
- Even some tools to help in your work, such as world time clock, 9-year calendar, unit conversions, amortisation calculator, telephone codes, currency converter, stock market indexes, worldwide weather, and a calculator.
- Over 3,600,000 visitors through June 2006.

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