A Resolution on IASC Standards

Passed by the Presidents' Committee
May 2000

In order to respond to the significant growth in cross-border capital flows, IOSCO has sought to facilitate cross-border offerings and listings. IOSCO believes that cross-border offerings and listings would be facilitated by high quality, internationally accepted accounting standards that could be used by incoming multinational issuers in cross-border offerings and listings. Therefore, IOSCO has worked with the International Accounting Standards Committee (IASC) as it sought to develop a reasonably complete set of accounting standards through the IASC core standards work program.

IOSCO has assessed 30 IASC standards, including their related interpretations ("the IASC 2000 standards"), considering their suitability for use in cross-border offerings and listings. IOSCO has identified outstanding substantive issues relating to the IASC 2000 standards in a report that includes an analysis of those issues and specifies supplemental treatments that may be required in a particular jurisdiction to address each of these concerns.

The Presidents' Committee congratulates the IASC for its hard work and contribution to raising the quality of financial reporting worldwide. The IASC's work to date has succeeded in effecting significant improvements in the quality of the IASC standards. Accordingly, the Presidents' Committee recommends that IOSCO members permit incoming multinational issuers to use the 30 IASC 2000 standards to prepare their financial statements for cross-border offerings and listings, as supplemented in the manner described below (the "supplemental treatments") where necessary to address outstanding substantive issues at a national or regional level.[1]

Those supplemental treatments are:

- **reconciliation:** requiring reconciliation of certain items to show the effect of applying a different accounting method, in contrast with the method applied under IASC standards;
- **disclosure:** requiring additional disclosures, either in the presentation of the financial statements or in the footnotes; and
- **interpretation:** specifying use of a particular alternative provided in an IASC standard, or a particular interpretation in cases where the IASC standard is unclear or silent.

In addition, as part of national or regional specific requirements, waivers may be envisaged of particular aspects of an IASC standard, without requiring that the effect of the accounting method used be reconciled to the effect of applying the IASC method. The use of waivers should be restricted to exceptional circumstances such as issues identified by a domestic regulator when a specific IASC standard is contrary to domestic or

regional regulation.

The concerns identified and the expected supplemental treatments are described in the report entitled *IASC Standards – Assessment Report*[2] (Assessment Report).

IOSCO notes that a body of accounting standards like the IASC standards must continue to evolve in order to address existing and emerging issues. IOSCO's recommendation assumes that IOSCO will continue to be involved in the IASC work and structure and that the IASC will continue to develop its body of standards. IOSCO strongly urges the IASC in its future work program to address the concerns identified in the Assessment Report, in particular, future projects.

IOSCO expects to survey its membership by the end of 2001 in order to determine the extent to which members have taken steps to permit incoming multinational issuers to use the IASC 2000 standards, subject to the supplemental treatments described above. At the same time IOSCO expects to continue to work with the IASC, and will determine the extent to which IOSCO's outstanding substantive issues, including proposals for future projects, have been addressed appropriately.

Endnotes:

1. This recommendation is made without prejudice to the treatments or measures that would be adopted regionally as part of a specific legal framework and / or mutual recognition agreements.

2. Report of the Technical Committee regarding the IASC Standards.

IASC STANDARDS – ASSESSMENT REPORT

Report of the Technical Committee
of the
International Organization of Securities Commissions

May 2000

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I. EXECUTIVE SUMMARY

The Technical Committee has received and approved for publication the following report. This report summarizes the work of its Working Group on Multinational Accounting and Disclosure (the Working Party) assessing the accounting standards published by the International Accounting Standards Committee (IASC).

After considering this report, the Technical Committee recommends to IOSCO members use of 30 selected IASC standards for cross-border listings and offerings by multinational enterprises, as supplemented in the manner described in this report (i.e., reconciliation, supplemental disclosure and interpretation),[1] where necessary to address outstanding substantive issues at a national or regional level. These 30 standards and their related interpretations are referred to in this report as the "IASC 2000 standards" and are listed in Appendix A.

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[1] As described in this report, the use of waivers also may be envisaged in exceptional circumstances.

A. Resolution

The following resolution has been recommended to and approved by the Presidents' Committee:[2]

> In order to respond to the significant growth in cross-border capital flows, IOSCO has sought to facilitate cross-border offerings and listings. IOSCO believes that cross-border offerings and listings would be facilitated by high quality, internationally accepted accounting standards that could be used by incoming multinational issuers in cross-border offerings and listings. Therefore, IOSCO has worked with the International Accounting Standards Committee (IASC) as it sought to develop a reasonably complete set of accounting standards through the IASC core standards work program.
>
> IOSCO has assessed 30 IASC standards, including their related interpretations ("the IASC 2000 standards"), considering their suitability for use in cross-border offerings and listings. IOSCO has identified outstanding substantive issues relating to the IASC 2000 standards in a report that includes an analysis of those issues and specifies supplemental treatments that may be required in a particular jurisdiction to address each of these concerns.
>
> The Presidents' Committee congratulates the IASC for its hard work and contribution to raising the quality of financial reporting worldwide. The IASC's work to date has succeeded in effecting significant improvements in the quality of the IASC standards. Accordingly, the Presidents' Committee recommends that IOSCO members permit incoming multinational issuers to use the 30 IASC 2000 standards to prepare their financial statements for cross-border offerings and listings, as supplemented in the manner described below (the "supplemental treatments") where necessary to address outstanding substantive issues at a national or regional level.[3]
>
> Those supplemental treatments are:
>
> - **reconciliation:** requiring reconciliation of certain items to show the effect of applying a different accounting method, in contrast with the method applied under IASC standards;

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[2] During its Sydney 16 May, 2000 meeting.

[3] This recommendation is made without prejudice to the treatments or measures that would be adopted regionally as part of a specific legal framework and / or mutual recognition agreements.

- **disclosure:** requiring additional disclosures, either in the presentation of the financial statements or in the footnotes; and

- **interpretation:** specifying use of a particular alternative provided in an IASC standard, or a particular interpretation in cases where the IASC standard is unclear or silent.

In addition, as part of national or regional specific requirements, waivers may be envisaged of particular aspects of an IASC standard, without requiring that the effect of the accounting method used be reconciled to the effect of applying the IASC method. The use of waivers should be restricted to exceptional circumstances such as issues identified by a domestic regulator when a specific IASC standard is contrary to domestic or regional regulation.

The concerns identified and the expected supplemental treatments are described in the report entitled *IASC Standards – Assessment Report* [4] (Assessment Report).

IOSCO notes that a body of accounting standards like the IASC standards must continue to evolve in order to address existing and emerging issues. IOSCO's recommendation assumes that IOSCO will continue to be involved in the IASC work and structure and that the IASC will continue to develop its body of standards. IOSCO strongly urges the IASC in its future work program to address the concerns identified in the Assessment Report, in particular, future projects.

IOSCO expects to survey its membership by the end of 2001 in order to determine the extent to which members have taken steps to permit incoming multinational issuers to use the IASC 2000 standards, subject to the supplemental treatments described above. At the same time IOSCO expects to continue to work with the IASC, and will determine the extent to which IOSCO's outstanding substantive issues, including proposals for future projects, have been addressed appropriately.

As noted in the resolution, each IOSCO member, in deciding how to implement the IASC 2000 standards in its jurisdiction, may choose to mandate one or more of the following supplemental treatments:

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[4] Report of the Technical Committee regarding the IASC Standards.

1. **Reconciliation:** require reconciliation of the treatment specified in an IASC 2000 standard to another specified accounting treatment (which may be a host country national accounting treatment). This reconciliation is expected to be presented in a footnote to the financial statements and would quantify the effect of applying the specified alternative accounting treatment.

2. **Supplemental Disclosure:** require supplemental disclosure, either in the form of:

    - more detailed footnote disclosure than an IASC 2000 standard requires; or

    - additional detail on the face of the primary financial statements (e.g., income statement or balance sheet line items) that would be required to be presented.

3. **Interpretation:** require a specific application of an IASC 2000 standard, either:

    - in cases where an IASC 2000 standard permits different approaches to an issue, generally with one approach identified as a "benchmark" and another as an "allowed alternative," specifying which approach (the "benchmark" or "allowed alternative") is accepted in a host jurisdiction; or

- to clarify ambiguity or address silence in an IASC 2000 standard, by specifying a particular interpretation of the IASC 2000 standard that should be used in a host jurisdiction.

If the specified treatment is not followed, it is expected that an IOSCO member will require reconciliation to the specified treatment.

Also, as part of specific national or regional requirements, **waivers** may be envisaged of particular aspects of an IASC 2000 standard, without requiring that the effect of the accounting method used be reconciled to the effect of applying the IASC method. The jurisdictions that will consider waiving compliance with one or more requirements of IASC 2000 standards recognize that financial statements utilizing these waivers would not necessarily be accepted outside of jurisdictions offering the same waiver, because the financial statements could not be represented as complying with IASC standards according to IAS 1, *Presentation of Financial Statements*. The use of waivers should be restricted to exceptional circumstances such as issues identified by a domestic regulator when a specific IASC standard is contrary to domestic or regional regulation.

B. General Issues

In addition to issues specific to a particular standard, some broader issues have been identified, many of which relate to the extent to which the IASC 2000 standards provide a sufficiently complete framework for financial reporting. A more detailed discussion of general issues is included in section II.D of this report.

1. Scope of the IASC 2000 Standards

The IASC 2000 standards focus on the most commonly addressed financial reporting areas, and exclude issues such as specialized industry reporting. In addition, a number of other areas fall outside of the IASC 2000 standards.

All of the issues that are outside of the scope of the IASC 2000 standards also are outside of the scope of any IOSCO resolution. An IOSCO member that accepts financial statements prepared using the IASC 2000 standards could specify how the issues outside the scope are addressed in its jurisdiction. Possible treatments include requiring reconciliation to a host country national accounting treatment or supplemental disclosure.

2. Effective Dates and Transition Provisions

The IOSCO resolution addresses only the IASC 2000 standards and not their predecessors. Further, each IASC 2000 standard has specific transition provisions, not all of which require a reporting enterprise to apply the new or revised standard to earlier financial statements.

Each IOSCO member may review the transition provisions of the IASC 2000 standards and might mandate specific treatments that apply to the effective dates and transition provisions. This will be especially important for financial statements of issuers who use earlier versions of IASC standards.

3. Regulatory Issues

The IASC 2000 standards include requirements and suggestions regarding the components of a basic set of financial statements and expectations regarding how frequently and rapidly annual and interim financial statements will be prepared. However, these are matters that are addressed by national competent authorities such as securities regulators; requirements regarding the form, content and frequency of preparation of annual and interim financial statements, their reporting currency and the need for preparation of consolidated and unconsolidated statements differ from country to country. Therefore, IOSCO members might supplement or waive the requirements of the IASC 2000 standards to address these differences.

C. Suggestions for Future Work with the IASC

This report is a point-in-time snapshot with respect to both the IASC 2000 standards and experience with the implementation of these standards. The IASC 2000 standards and the outstanding substantive issues covered by this report will continue to change, as a result of ongoing IASC projects, the work of the IASC's Standing Interpretations Committee (SIC) in identifying and addressing interpretive issues, and the experience of preparers, auditors, users and regulators.

Accordingly, the Working Party recommends that it continue to be actively involved in the standard setting and interpretive process and to follow and comment on IASC projects. This will allow the concerns of securities regulators to be raised and addressed early in the IASC's process. The Working Party suggests that it evaluate future

IASC standards and interpretations and report to the Technical Committee on any outstanding substantive issues with those standards, or with interpretations published by the SIC. The Working Party would like to make a separate recommendation to the Technical Committee regarding the nature, frequency and timing of such reports to the Technical Committee.

D. Other Considerations

The Technical Committee notes that its work with the IASC on the core standards project has been of great benefit to IOSCO members, raising their awareness of reporting issues and providing a forum for financial statement preparers, auditors, users, regulators and accounting standard setters to learn of alternative approaches to issues as a matter is being debated. The Working Party believes that it has contributed to the IASC's efforts by providing timely identification of its concerns, and looks forward to building on the constructive and valuable relationships it has enjoyed with the IASC Board, staff, steering committee and SIC members. The Technical Committee would like to take this opportunity to thank the IASC and its staff for their ongoing cooperation and generous access afforded to the IOSCO observers and other IOSCO members.

II. REPORT ON THE IASC 2000 STANDARDS

A. Overview of the Report

The remainder of the report includes:

- background information on the core standards project, including a description of IOSCO's involvement in the IASC's standard-setting and interpretive processes;
- a description of the assessment process and planned supplemental treatments;
- an overview of the general issues; and
- appendices that include the text of a proposed IOSCO resolution (see Appendix A) and a summary of outstanding substantive issues, grouped by (i) the IASC 2000 standard to which they relate (see Appendix C) and (ii) the proposed approach to addressing the issue (i.e., reconciliation, supplemental disclosure, supplemental interpretation or waiver, as well as recommendations for further developments) (see Appendix B).

This report represents the views of representatives from the 17 jurisdictions that are members of the Working Party. Not all of the concerns addressed in the summary of outstanding substantive issues are shared by all members of the Technical Committee, in part because each jurisdiction has different established reporting practices. Therefore, the outstanding substantive issues relating to the IASC 2000 standards have varying degrees of significance for Technical Committee members. It is expected that some or all of these

concerns would be reflected in any actions (e.g., legislation or rule-making) proposed by a jurisdiction to implement an IOSCO recommendation regarding the IASC 2000 standards, and would be addressed by the jurisdiction mandating one or more of the supplemental treatments.

B. Description of the Core Standards Project

In 1989, IOSCO prepared a report entitled, "International Equity Offers,"[5] which noted that cross-border offerings would be facilitated by the development of internationally accepted accounting standards. Rather than attempt to develop those standards itself, IOSCO focused on the efforts of the IASC.

In 1993, IOSCO wrote to the IASC detailing the necessary components of a reasonably complete set of standards to create a comprehensive body of principles for enterprises undertaking cross-border securities offerings. In 1994, IOSCO completed a review of the then-current IASC standards and identified a number of issues that would have to be addressed, as well as standards that the IASC would have to improve, before IOSCO could consider recommending IASC standards for use in cross-border listings and offerings. IOSCO divided the issues into three categories:

1. Issues that required a solution prior to consideration by IOSCO of an endorsement of the IASC standards;

[5] A summary of this report may be obtained from IOSCO. See the IOSCO website at <www.iosco.org>.

2. Issues that would not require resolution before IOSCO could consider endorsement, although individual jurisdictions might specify treatments that they would require if those issues were not addressed satisfactorily in the IASC standards; and

3. Areas where improvements could be made, but that the IASC did not need to address prior to consideration of the IASC standards by IOSCO.

In July 1995, IOSCO and the IASC agreed that the "core standards work program" proposed by the IASC would, if completed successfully, address all the issues that required a solution before IOSCO would consider endorsement. IOSCO stated that, if the resulting IASC standards were acceptable to its Technical Committee, IOSCO would recommend endorsement of such standards for cross-border capital raising and listing purposes.

IOSCO is a non-voting observer at meetings of the IASC Board, its Steering Committees, and its Standing Interpretations Committee. Working Party members have committed substantial resources to attending IASC meetings, responding to IASC invitations to comment, and generally seeking to identify and raise issues and concerns as soon as possible to allow those items to be addressed as part of the IASC's standard-setting process. These comment letters alerted the IASC to concerns of the Working Party or its members while the IASC standards were under discussion.

The core standards work program identified 12 areas involving new or substantially revised standards. In January 1999, the Working Party began its assessment

of the IASC standards and interpretations completed to date, while continuing to monitor the outstanding elements of the core standards work program. As of January 2000, the IASC has published new or revised standards that address all but one of the areas identified in the core standards work program.[6]

C. Description of the Assessment Process

1. Items Considered

The Working Party has synthesized its work so as to present its results in a summarized, practical manner that will be useful for securities regulators. The extensive detailed materials that underpin this summary are listed in Appendix D.[7]

Two IASC standards were excluded from consideration because the core standards project was not intended to address specialized industry reporting practices. Therefore, the Working Party did not address IAS 26, *"Accounting and Reporting by Retirement Benefit Plans"* and IAS 30, *"Disclosures in the Financial Statements of Banks and Similar Financial Institutions."* Another IASC standard, IAS 25, *"Accounting for Investments,"* was expected to be revised as part of the IASC's work on financial

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[6] The IASC recently completed its work on one topic that is part of the core standards -- investment properties. The IASC completed this project in March 2000. In January 1999, the Working Party determined that although the core standards project remained incomplete, IOSCO's assessment process could begin.

[7] Supporting material includes over 700 pages of comment letters prepared by the Working Party and its members, as well as other correspondence with the IASC about the components of the core standards work program. The Working Party considered the issues raised in these letters, as well as issues raised in the IASC's debates, comments raised by other respondents to the IASC's exposure drafts, and implementation experience. The Working Party determined the extent to which the final IASC standards addressed these points. Those items that had been addressed adequately in the final IASC standards were dropped from subsequent consideration. The remaining outstanding substantive issues, along with a summary of any relevant discussion of the issue in the IASC 2000 standards, are summarized in Appendices B and C.

instruments, but the IASC has not yet published that standard. Accordingly, both the current IAS 25 and the future standard on investment properties are not part of the IASC 2000 standards. The remaining 30 IASC standards as revised by the core standards work program, as well as the related interpretations published by the SIC, are referred to as the "IASC 2000 standards" considered by the Working Party and addressed by the IOSCO resolution. A list of the IASC 2000 standards is included in Appendix A.

Most of the IASC 2000 standards present unresolved issues for one or more members of the Working Party. Rather than dropping these standards from further consideration, the Working Party developed classifications for the issues raised by these standards, based on the expected supplemental treatment(s) that a jurisdiction would mandate to address the issue. These remaining substantive issues are summarized both by the IASC 2000 standard to which they relate (see Appendix C) and by supplemental treatment (see Appendix B).

IOSCO began its assessment of the IASC 2000 standards by considering over 850 issues that had been raised over the course of the core standards project. After evaluating the IASC 2000 standards, Working Party members concluded that the majority of their concerns had been addressed and the range of concerns had been narrowed significantly.

No outstanding substantive issues have been identified by the Working Party for six of the IASC 2000 standards. Additionally, six other IASC 2000 standards each have only one outstanding substantive issue identified by the Working Party.

The remaining issues identified by the Working Party include approximately 20 issues where one or more jurisdictions expect to require reconciliation of a treatment specified in an IASC 2000 standard to another specified accounting treatment (which may be a host country national accounting treatment).

The Working Party also noted approximately 50 issues where one or more jurisdictions expect to require supplemental disclosure, approximately 50 issues where one or more jurisdictions expect to require a specific application of an IASC 2000 standard, and four issues where one or more jurisdictions expect to waive compliance with a requirement of an IASC 2000 standard. It is not expected that all of these issues will affect every issuer.

2. Description of Supplemental Treatments

In Appendix B, outstanding substantive issues are grouped based on the supplemental treatments that each IOSCO member, in deciding how to implement the IASC 2000 standards in its jurisdiction, may choose to mandate:[8]

1. **Reconciliation:** require reconciliation of the treatment specified in an IASC 2000 standard to another specified accounting treatment (which may be a host country national accounting treatment). This reconciliation is expected to be presented in a footnote to the financial statements and would quantify the effect of applying the specified alternative accounting treatment.

2. **Supplemental Disclosure:** require supplemental disclosure, either in the form of:

    - more detailed footnote disclosure than an IASC 2000 standard requires; or

    - additional detail on the face of the primary financial statements (e.g., income statement or balance sheet line items) that would be required to be presented.

3. **Interpretation:** require a specific application of an IASC 2000 standard, either:

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[8] This recommendation is made without prejudice to the treatments or measures that would be adopted regionally as part of a specific legal framework and / or mutual recognition agreements.

- in cases where an IASC 2000 standard permits different approaches to an issue, generally with one approach identified as a "benchmark" and another as an "allowed alternative", specifying which approach (the "benchmark" or "allowed alternative") is accepted in a host jurisdiction; or

- to clarify ambiguity or address silence in an IASC 2000 standard, by specifying a particular interpretation of the IASC 2000 standard that should be used in a host jurisdiction.

If the specified treatment is not followed, it is expected that an IOSCO member will require reconciliation to the specified treatment.

Also, as part of specific national or regional requirements, waivers may be envisaged of particular aspects of an IASC standard, without requiring that the effect of the accounting method used be reconciled to the effect of applying the IASC method. The jurisdictions that will consider waiving compliance with one or more requirements of IASC 2000 standards recognize that financial statements utilizing these waivers would not necessarily be accepted outside of jurisdictions offering the same waiver, because the financial statements could not be represented as complying with IASC standards according to IAS 1, *Presentation of Financial Statements*. The use of waivers should be restricted to exceptional circumstances such as issues identified by a domestic regulator when a specific IASC standard is contrary to domestic or regional regulation.

The Working Party also identified outstanding issues that one or more jurisdictions believe the IASC should address with **future projects**. These projects may be SIC interpretations or may require standard setting activities. Issues to be addressed with future projects are those where Working Party members currently are not specifying a supplemental treatment but may do so in the future if an IOSCO assessment determines that one or more jurisdictions believe the issue has not been addressed satisfactorily.

The Working Party also has identified a number of items of a more general nature, which fall into the following categories: (a) scope of the IASC 2000 standards; (b) transition provisions and effective dates of the IASC 2000 standards; (c) regulatory issues; and (d) other items. These general issues are described in section II.D below.

Where possible, a resolution of an outstanding issue is identified that is "within" an IASC 2000 standard, i.e., does not require override of the requirements of an IASC 2000 standard. For example, where reconciliation to another basis of accounting would be required, this reconciliation could be in the form of supplemental information in the financial statements, rather than overriding an IASC 2000 standard to require that the alternative treatment be used in the primary financial statements.

D. Overview of General Issues

1. Scope

When IOSCO and the IASC agreed in 1995 on the minimum components of the core standards work program, both organizations realized that a number of issues might not be addressed. Therefore, the IASC 2000 standards focus on the most commonly addressed financial reporting areas, and exclude issues such as specialized industry reporting. In addition, a number of areas fall outside of the IASC 2000 standards. The following section describes issues that were identified at the outset of the core standards project as being outside the scope of the IASC 2000 standards.

a. Specialized Industries

As discussed above, specialized reporting practices for different industries (e.g., banking, insurance, extractive industries, real estate, etc.) are outside the scope of the core standards work program. The Working Party is monitoring the progress of two specialized industry projects currently on the IASC's agenda; one on accounting for insurance activities and one on extractive industries. Both are in preliminary stages, and neither is expected to reach the stage of publishing an exposure draft in 2000.[9]

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[9] The IASC has published an exposure draft in connection with its project on agriculture, which the Working Party is not monitoring.

b. Other Scope Exclusions from the Core Standards Work Program

Other items not required to be addressed as part of the core standard work program include:

- equity compensation to employees and to non-employees;
- accounting and disclosure for employee stock ownership plans;
- new basis accounting issues, including:
    - push down accounting;
    - common control transactions; and
    - joint venture formations;
- basis of preparation for financial statements other than going concern (e.g., bankruptcy, liquidation);
- changes in reporting entity (e.g., spin-offs); and
- capital transactions by subsidiaries and associates.

A more detailed listing of excluded items is provided in the summary of general issues in Appendix C.

c. Recommendation Regarding Scope Exclusions

All of the issues that are outside of the scope of the IASC 2000 standards also are outside of the scope of any IOSCO resolution. However, enterprises with specialized industry activities would not necessarily be precluded from using the IASC 2000 standards for cross-border offerings and listings. Further, an IOSCO member that accepts financial statements prepared using the IASC 2000 standards could specify how the issues outside the scope are to be addressed in its jurisdiction. Possible treatments include requiring use of or reconciliation to a host country national accounting treatment, or supplemental disclosure. Some jurisdictions also have identified areas where supplemental treatments may be required for enterprises operating in specialized industries and reporting using the IASC 2000 standards (e.g., application of IAS 39 to an enterprise's banking activities).

2. Transition Provisions and Effective Dates

Any IOSCO resolution would address only the IASC 2000 standards and not their predecessors. Further, each IASC 2000 standard has specific transition provisions, not all of which require a reporting enterprise to apply the new or revised standard to earlier financial statements.[10]

Each IOSCO member may review the transition provisions of the IASC 2000 standards and might mandate specific treatments that apply to the effective

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[10] SIC 8 addresses first time application of IASC standards and may affect a jurisdiction's consideration of transition provisions and effective dates.

dates and transition provisions. This will be especially important for financial statements of issuers who use earlier versions of IASC standards.

3. Regulatory Issues

The IASC 2000 standards address a number of issues such as the form, content and frequency of preparation of annual and interim financial statements. Currently, these issues are dealt with by national competent authorities such as securities regulators, based on the information needs of their national markets,[11] or by national laws or regulations. Therefore, the requirements of the IASC 2000 standards might be varied by IOSCO members.

a. Form and Content of Financial Statements

The IASC has specified norms regarding the components of a basic set of financial statements and the frequency and timeliness of preparation of financial statements. These issues are addressed explicitly by the IASC in two standards: IAS 1 (revised 1997), *"Presentation of Financial Statements,"* and IAS 34, *"Interim Financial Reporting"*. However, these are matters that typically are addressed by regulators.

In addition, national requirements differ regarding the form, content and frequency of preparation of interim and annual financial statements. Accordingly, IOSCO members may establish requirements that differ from the IASC 2000 standards with respect to the form, content and frequency (e.g., quarterly versus semi-annual

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[11] See however the IOSCO International Disclosure Standards, which recommend requirements for the components and age of financial statements in connection with an offering or initial listing document.

interim financial statements) and timeliness of preparation of financial statement, as well as whether or not those financial statements are required to be audited.

b. Currency of Financial Statements

Each IOSCO member may determine the reporting currency and the manner of presentation of convenience translations.

c. Separate Financial Statements of a Parent Enterprise

In a number of instances, the requirements of the IASC 2000 standards are limited to consolidated financial statements and exempt separate financial statements presented by a parent enterprise.[12] Additionally, the IASC 2000 standards provide some exemptions from requirements to prepare consolidated financial statements. The circumstances in which consolidated and unconsolidated financial statements may be required for cross-border offering and listing purposes may vary from jurisdiction to jurisdiction, based on national laws and regulations. For example, consolidated financial statements for a wholly owned subsidiary may be required if the shares of that subsidiary are being distributed in a spin-off.

When financial statements are required to be included in an offering or listing document, some jurisdictions may not accept exemptions from recognition, measurement

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[12] See for example paragraph 8 of IAS 27, *"Consolidated Financial Statements and Accounting for Investments in Subsidiaries,"* paragraph 4 of IAS 24, *"Related Party Disclosures,"* and paragraph 48 of IAS 31 (revised 1998), *"Financial Reporting of Interests in Joint Ventures"*.

and disclosure requirements, including exemptions from the requirements to prepare consolidated financial statements, provided in the IASC 2000 standards.

d. Compliance with IASC Standards

(1) True and Fair View Overrides

IAS 1, *"Presentation of Financial Statements"*, requires an override of a requirement of an IASC standard in the extremely rare circumstances when management concludes that compliance with the requirement in an IASC standard would be misleading and that departure from a requirement is necessary to achieve a fair presentation.[13] If an enterprise's auditor concurs with the override, the auditor's report may not need to be qualified or otherwise modified to draw the attention of the financial statement user to the override of a requirement of an IASC standard. Some Working Party members are concerned that, as a result, the existence of an override may not be drawn to an investor's attention.

Some jurisdictions believe that an override of the requirements of a body of accounting standards should not be permitted. They believe that, where an override is determined to be necessary, the override should not be part of the body of accounting standards, and that the auditor's report should be required to indicate that a departure from the body of standards has occurred.

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[13] See IAS 1.13.

Working Party members may review, and might not accept, those financial statements that include an override with which they do not concur.

(2) Disclosures of Provisions and Contingencies

IAS 37, *"Provisions, Contingent Liabilities and Contingent Assets"*, permits an enterprise to omit disclosures that "can be expected to prejudice seriously the position of the enterprise in a dispute with other parties… ."[14] While acknowledging that such situations may occur from time to time, the Working Party believes that the decision to exclude a required disclosure should not be left to an enterprise and its auditor, but rather should be subject to review and agreement with relevant regulators. Accordingly, an IOSCO member may determine that omitted disclosures must be reported to and reviewed by the regulator, who would determine whether it is appropriate to require such disclosures to be included in the financial statements.

4. Inconsistencies Between Standards

The appendix detailing general issues identifies several areas where IASC standards appear to have some inconsistencies. These can be addressed by the IASC in its future projects.

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[14] IAS 37.92.

5. *Completion of the Core Standards Work Program*

The existing standard IAS 25, *"Accounting for Investments"*, was expected to be revised as part of the IASC's work on financial instruments.[15] While the IASC published an exposure draft addressing investment properties in July 1999, a final standard was not published by the IASC until May 2000.

The Working Party has been following the IASC's project on investment properties, and issued a comment letter dated November 2, 1999 in response to the IASC's exposure draft. Completion of the standard on investment properties is a component of the core standards work program. The Working Party intends to assess the investment properties standard as soon as possible after its completion. Accordingly, neither IAS 25 nor the new standard on investment properties is part of the IASC 2000 standards.

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[15] See the letter dated July 6, 1998 from the Working Party to Sir Bryan Carsberg regarding Investment Properties.

Appendix A

Resolution and List of IASC 2000 Standards

A. Resolution

Resolution Concerning the Use of IASC Standards for the Purpose of Facilitating Multinational Securities Offerings and Cross-border Listings

The following resolution was approved by the Presidents' Committee of IOSCO:

In order to respond to the significant growth in cross-border capital flows, IOSCO has sought to facilitate cross-border offerings and listings. IOSCO believes that cross-border offerings and listings would be facilitated by high quality, internationally accepted accounting standards that could be used by incoming multinational issuers in cross-border offerings and listings. Therefore, IOSCO has worked with the International Accounting Standards Committee (IASC) as it sought to develop a reasonably complete set of accounting standards through the IASC core standards work program.

IOSCO has assessed 30 IASC standards, including their related interpretations ("the IASC 2000 standards"), considering their suitability for use in cross-border offerings and listings. IOSCO has identified outstanding substantive issues relating to the IASC 2000 standards in a report that includes an analysis of those issues and specifies supplemental treatments that may be required in a particular jurisdiction to address each of these concerns.

The Presidents' Committee congratulates the IASC for its hard work and contribution to raising the quality of financial reporting worldwide. The IASC's work to date has succeeded in effecting significant improvements in the quality of the IASC standards. Accordingly, the Presidents' Committee recommends that IOSCO members permit incoming multinational issuers to use the 30 IASC 2000 standards to prepare their financial statements for cross-border offerings and listings, as supplemented in the manner described below (the "supplemental treatments") where necessary to address outstanding substantive issues at a national or regional level.[16]

Those supplemental treatments are:

- **reconciliation:** requiring reconciliation of certain items to show the effect of applying a different accounting method, in contrast with the method applied under IASC standards;

[16] This recommendation is made without prejudice to the treatments or measures that would be adopted regionally as part of a specific legal framework and/or mutual recognition agreements.

- **disclosure:** requiring additional disclosures, either in the presentation of the financial statements or in the footnotes; and

- **interpretation:** specifying use of a particular alternative provided in an IASC standard, or a particular interpretation in cases where the IASC standard is unclear or silent.

In addition, as part of national or regional specific requirements, waivers may be envisaged of particular aspects of an IASC standard, without requiring that the effect of the accounting method used be reconciled to the effect of applying the IASC method. The use of waivers should be restricted to exceptional circumstances such as issues identified by a domestic regulator when a specific IASC standard is contrary to domestic or regional regulation.

The concerns identified and the expected supplemental treatments are described in the report entitled *IASC Standards – Assessment Report* [17] (Assessment Report).

IOSCO notes that a body of accounting standards like the IASC standards must continue to evolve in order to address existing and emerging issues. IOSCO's recommendation assumes that IOSCO will continue to be involved in the IASC work and structure and that the IASC will continue to develop its body of standards. IOSCO strongly urges the IASC in its future work program to address the concerns identified in the Assessment Report, in particular, future projects.

IOSCO expects to survey its membership by the end of 2001 in order to determine the extent to which members have taken steps to permit incoming multinational issuers to use the IASC 2000 standards, subject to the supplemental treatments described above. At the same time IOSCO expects to continue to work with the IASC, and will determine the extent to which IOSCO's outstanding substantive issues, including proposals for future projects, have been addressed appropriately.

[17] Report of the Technical Committee regarding the IASC Standards.

B. List of IASC 2000 Standards

IAS	SIC
IAS 1, Presentation of Financial Statements (revised 1997)	SIC-6, Costs of Modifying Existing Software SIC-8, First-time Application of IAS as the Primary Basis of Accounting SIC-18, Consistency – Alternative Methods
IAS 2, Inventories (revised 1993)	SIC-1, Consistency – Different Cost Formulas for Inventories
IAS 4, Depreciation Accounting (reformatted 1994)	
IAS 7, Cash Flow Statements (revised 1992)	
IAS 8, Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies (revised 1993)	
IAS 10, Events After the Balance Sheet Date (revised 1999)	
IAS 11, Construction Contracts (revised 1993)	
IAS 12, Income Taxes (revised 1996)	
IAS 14, Segment Reporting (revised 1997)	
IAS 16, Property, Plant and Equipment (revised 1998)	SIC-14, Property, Plant and Equipment - Compensation for the Loss of Items
IAS 17, Leases (revised 1997)	SIC-15, Operating Leases - Incentives
IAS 18, Revenue (revised 1993)	
IAS 19, Employee Benefits (revised 1998)	
IAS 20, Accounting for Government Grants and Disclosure of Government Assistance (reformatted 1994)	SIC-10, Government Assistance - No Specific Relation to Operating Activities
IAS 21, The Effects of Changes in Foreign Exchange Rates (revised 1993)	SIC-7, Introduction of the Euro SIC-11, Foreign Exchange - Capitalisation of Losses Resulting from Severe Currency Devaluations

IAS 22, Business Combinations (revised 1998)	SIC-9, Business Combinations - Classification as either Acquisitions or Unitings of Interests
IAS 23, Borrowing Costs (revised 1993)	SIC-2, Consistency – Capitalization of Borrowing Costs
IAS 24, Related Party Disclosures (reformatted 1994)	
IAS 27, Consolidated Financial Statements and Accounting for Investments in Subsidiaries (reformatted 1994)	SIC-12, Consolidation - Special Purpose Entities
IAS 28, Accounting for Investments in Associates (revised 1998)	SIC-3, Elimination of Unrealised Profits and Losses on Transactions with Associates
IAS 29, Financial Reporting in Hyperinflationary Economies (reformatted 1994)	
IAS 31, Financial Reporting of Interests in Joint Ventures (revised 1998)	SIC-13, Jointly Controlled Entities - Non-Monetary Contributions by Venturers
IAS 32, Financial Instruments: Disclosure and Presentation (revised 1998)	SIC-5, Classification of Financial Instruments - Contingent Settlement Provisions SIC-16, Share Capital - Reacquired Own Equity Instruments (Treasury Shares) SIC-17, Equity – Costs of an Equity Transaction
IAS 33, Earnings Per Share (1997)	
IAS 34, Interim Financial Reporting (1998)	
IAS 35, Discontinuing Operations (1998)	
IAS 36, Impairment of Assets (1998)	
IAS 37, Provisions, Contingent Liabilities and Contingent Assets (1998)	
IAS 38, Intangible Assets (1998)	
IAS 39, Financial Instruments: Recognition and Measurement (1998)	

SUMMARY OF RECONCILING ITEMS

Appendix B

IAS	COMMENT	STATUS
12	Concerns have been raised that the subsequent recognition of acquired tax benefits should be allocated to intangibles in addition to goodwill.	Under IAS12.68, only goodwill is adjusted when subsequently recognizing deferred tax assets or liabilities.
17	Concerns have been raised about the appropriateness of immediately recognizing gains resulting from sale/leaseback transactions involving an operating lease.	Gains or losses on sale and leaseback transactions involving a finance lease are deferred while any gain or loss on sale and leaseback transactions involving an operating lease are generally recognized immediately (see IAS 17.50 and. 52).
19	Concerns have been raised about the appropriateness of not recognizing a liability in a balance sheet for employee termination costs in cases when a board decision is taken before the balance sheet date and the decision is confirmed before the issuance of the financial statements (e.g., communication of the intent to terminate employees).	A constructive obligation would not be recognized for employee termination costs until the employer has no realistic possibility of withdrawal from the termination plan.
22	Concerns have been raised about the appropriateness of goodwill lives exceeding 20 years.	IAS 22.44 requires that goodwill be amortized over its useful life. There is a rebuttable presumption that such lives would not exceed 20 years.
22	Concerns have been raised about the appropriateness of the accounting for negative goodwill, particularly the requirement to recognize negative goodwill on a non-level basis based on expectations of future expenses.	IAS 22.61 requires that any negative goodwill relating to expectations of future losses and expenses be recognized in net profit and loss when the future losses and expenses are recognized.

SUMMARY OF RECONCILING ITEMS

IAS	COMMENT	STATUS
27	Concerns have been raised about the appropriateness, in certain circumstances, of consolidating subsidiaries operating in dissimilar activities.	IAS 27.14 indicates that exclusion from consolidation is not justified just because an entity operates in a dissimilar activity from other entities within a group.
32	Concerns have been raised that accounting for treasury shares as a deduction of equity (versus an asset) may not be consistent with certain legal environments in which those transactions are authorized. If shares are repurchased for trading purposes, they should be allowed to be presented as assets in the balance sheet, with the difference between the purchase amount and the re-sale price included as part of profit and loss when the shares are re-sold.	SIC-16.4 requires treasury shares to be presented as a deduction of equity. Sales of treasury shares are required to be presented as a change in equity.
36	Concerns have been raised about the appropriateness of measuring impairment losses based on an asset's recoverable amount (versus it's fair value).	Impairment losses are computed based on the recoverable amount, which is defined as the greater of an asset's net selling price and value in use.
36	Concerns have been raised about the appropriateness of reversing impairment losses.	IAS 36.99 requires impairment losses be reversed if, and only if, there has been a change in the estimates used to determine an asset's recoverable amount.
37	Concerns have been raised about the appropriateness of not recognizing a provision for the sale of assets when (1) there is sale of a subsidiary through a public offering such that the enterprise would be demonstrably committed no later than the publication of the prospectus, when publication obligates the enterprise to accept offers received, and (2) for piecemeal sales when a demonstrable commitment to the restructuring occurs through the adoption of a plan and a public announcement of	In the case of a restructuring involving a sale of an operation, a binding sale agreement is required before a provision relating to the sale is recognised. However, a constructive obligation may exist for other aspects of the restructuring (see IAS 37.78-79).

SUMMARY OF RECONCILING ITEMS

IAS	COMMENT	STATUS
	that plan, which may occur before any or substantially all of the assets are sold and liabilities assumed or settled.	
37	Concerns have been raised about the appropriateness of not recognizing a provision in circumstances where a board decision taken before the balance sheet date is complemented by another event occurring after the balance sheet date but before the issuance of the financial statements (e.g. public announcement or implementation).	IAS 37.75 indicates that a board decision taken before the balance sheet date does not give rise to a constructive obligation (and therefore a provision) at the balance sheet date unless, before the balance sheet date, the restructuring plan is being implemented or announced.
38	Concerns have been raised about the appropriateness of capitalizing costs associated with the development of internally generated intangible assets. Expensing internal development costs and providing meaningful disclosures about the nature and amounts of those expenses, provides more useful information to investors.	Costs to develop internally generated intangible assets should be capitalized where the conditions in IAS 38.19 and .45 are met.
38	Concerns have been raised about the appropriateness of amortization periods for intangibles longer than 20 years.	Intangible assets should be amortized over their useful life. There is a rebuttable presumption that the useful life of an intangible asset would not exceed 20 years.
39	Concerns have been raised about the appropriateness of allowing non-derivative financial instruments to be used as hedging instruments. Only derivatives should be permitted as hedging instruments.	IAS 39.10 allows a non-derivative financial asset or liability to be designated as hedging instrument for hedges of foreign currency exchange risks.
39	Concerns have been raised about the appropriateness of including the accumulated gain or loss on a forecasted transaction or firm commitment in the initial cost basis of an	IAS 39.160 requires the accumulated gain or loss on a forecasted transaction or firm commitment should be removed from equity and included in the initial cost basis of the asset

SUMMARY OF RECONCILING ITEMS

IAS	COMMENT	STATUS
	acquired asset or liability (i.e., basis adjustment).	acquired or liability incurred.
39	Concerns have been raised about the appropriateness of recognizing the cumulative amount of recognized gains or losses on the hedging instrument in equity. The gain or loss on the hedging instrument should be deferred until the hedged item affects net profit or loss, at which time it should be included in net profit or loss.	IAS 39.158 requires the accumulated gain or loss on a hedge of a forecasted transaction or firm commitment to be recognized directly in equity. Under IAS 39.60, such amounts are removed from equity and included in the initial cost basis of the asset acquired or liability incurred.
39	Concerns have been raised about the appropriateness of including an enterprise's own creditworthiness in measuring the fair value of a liability.	The JWG on financial instruments is developing a paper on fair value measurement considerations.

SUMMARY OF ADDITIONAL DISCLOSURES

IAS	COMMENT	STATUS
1	Concerns have been raised about the need for disclosures related to defaults under credit agreements. Items that should be disclosed include: • the nature and amount of any default in principal, interest, sinking fund or redemption provisions or any breach of covenant that has not been cured subsequently should be disclosed; • for a default or breach that has been waived for a period of time, the period of the waiver should be disclosed.	Not specifically addressed in IAS 1. IAS 32.47 requires general disclosure of information about the extent and nature of financial instruments, including significant terms and conditions that may affect the amount, timing and certainty of future cash flows.
1	Concerns have been raised about the need for guidance on the classification of stock subscriptions receivable.	Not addressed.
1	Concerns have been raised about the need for comparative disclosures relating to the reconciliation of the opening and closing balances of tangible and intangible assets.	IAS 38.107(e) only requires the reconciliation of intangible items for the current period. IAS 16.60(e) only requires the reconciliation of property items for the current period.
1	Concerns have been raised about the need for disclosure of amounts classified as current that are not convertible into cash within 12 months.	Not addressed.
1	Concerns have been raised about the need for disclosure of maturities for each of the next 5 years and thereafter for interest-bearing liabilities, liabilities under finance leases, and amounts to related parties.	Maturities of non-current liabilities are not required specifically. IAS 17.23(b) requires disclosure of maturities relating to finance leases but only for maturities not more than one year, five years and more than five years. IAS 32.64(a) requires disclosure of maturities of financial instruments but only for maturities not more than one year, five years and more

SUMMARY OF ADDITIONAL DISCLOSURES

IAS	COMMENT	STATUS
		than five years. No specific disclosure requirements in IAS 24 regarding related party amounts.
1	Concerns have been raised about the need for separate disclosure of gains and losses on investments.	Offsetting amounts limited to certain circumstances. No specific mention of gains and losses on investments – (33-37). No specific requirement in IAS 32 or IAS 39 to separately disclose gains and losses on investments.
1	Concerns have been raised about the need for disclosure of the reliability of estimates.	No specific mention in the final standard of disclosures relating to the reliability of estimates used in the financial statements. There are, however, certain disclosure requirements in other IASs, for example, IAS 37.85 requires the disclosure of assumptions used in determining provisions and IAS 39.167 requires the disclosure of methods and assumptions used in determining the fair value of financial instruments.
1	Concerns have been raised about the need for disclosure of risks and uncertainties.	No specific mention of disclosures regarding risks and uncertainties in the final standard. There are, however, disclosure requirements in other IASs, for example, IAS 37.85 requires disclosures of uncertainties relating to provisions and contingencies and IAS 32 requires disclosures relating to price, credit, liquidity and cash flow risk of financial instruments.
1	Concerns have been raised about the need for presentation guidance on alternative equity structures (e.g., partnerships, limited liability corporations, etc.).	Not addressed.
1	Concerns have been raised about the need for disclosure of transfers from reserves to accumulated profits or	Not addressed.

SUMMARY OF ADDITIONAL DISCLOSURES

IAS	COMMENT	STATUS
	reclassification to net profit or loss.	
10	Concerns have been raised about the need for certain disclosures when a pre-balance sheet date board decision does not give rise to an obligation at the balance sheet date. Items to be disclosed include: • the nature, expected amount and timing of any related expenditures; • the conditions supplemental to the board decision necessary to recognize the provision; and • the fact that the board decision has been confirmed before the issuance of the financial statements, together with the nature of the confirming event.	Not addressed.
12	Concerns have been raised that deferred tax assets and liabilities derived from current assets and liabilities should be classified as current.	Not addressed.
12	Concerns have been raised about the need to disclose unrecognized deferred tax liabilities arising from investments in subsidiaries.	IAS 12.87 requires disclosure of the aggregate underlying timing differences, but not the deferred tax liabilities.
12	Concerns have been raised about the need for disclosure of the treatment of significant proposed tax changes.	Not addressed.
14	Concerns have been raised about the need for disclosure of foreign sales by segment for both primary and secondary	Not addressed.

SUMMARY OF ADDITIONAL DISCLOSURES

IAS	COMMENT	STATUS
	segments. This would include total export sales in each segment with elimination of internal sales.	
14	Concerns have been raised about the need for disclosure of the amount of significant [10%] concentration of revenue from one customer, including the segment in which revenue is recognised.	Not addressed.
14	Concerns have been raised about the need for disclosure of revenue by product or service or by groups of closely related products or services.	No requirement for enterprise-wide disclosures by product or service.
16	Concerns have been raised about acceptance of accounting for property, plant and equipment at revalued amounts without disclosure of information providing significant balance sheet and income statement effects of revaluation.	IAS 16.64 only requires disclosure of the carrying amounts for each class of property, plant and equipment had they been accounted for at cost.
17	Concerns have been raised about the need for disclosure of maturities for each of the next 5 years and thereafter for interest-bearing liabilities, liabilities under finance leases, and amounts to related parties.	IAS 17 only requires disclosure of maturities for not later than one year, later than one year and not later than five years and later than five years.
17	Concerns have been raised about the need for separate presentation or disclosure of income and expenses relating to rentals for significant lessor activity.	No specific requirement to separately present or disclose rental income, although IAS 18.35(b) requires disclosure of revenue for each significant category of revenue.
17	Concerns have been raised about the need to require the disclosures in IAS 8.16 both at the time of a sale and leaseback transaction and on a continuing basis for both	Not addressed.

SUMMARY OF ADDITIONAL DISCLOSURES

IAS	COMMENT	STATUS
	quantitative and qualitative reasons.	
19	Concerns have been raised about the need for disclosures of enterprise and affiliate securities held by pension funds and other transactions between such parties.	IAS 19.120(d) requires the disclosure of each category of the reporting enterprise's own financial instruments included in plan assets, however, no specific disclosure requirement for affiliate securities held. IAS 24.22 provides general guidance on disclosures of related party transactions.
19	Concerns have been raised about the need for enhanced disclosures relating to equity compensation plans. Items to be disclosed include: 1. the pro forma effect on net income of using fair value accounting for equity compensation plans, including disclosure of the method and significant assumptions used to estimate fair value of options; 2. the date for which the market value should be disclosed (grant date?) for shares issued to employees; and 3. for employee share options, disclosures should be segregated into meaningful ranges of exercise prices and exercise dates. Also, clarify whether the requirement to disclose "amounts recognized in the financial statements in respect of equity compensation plans" refers to costs or expense. While actuarial computations address total costs, those costs may be allocated between net profit and loss and assets (e.g.,	1. Not addressed. 2. IAS 19.148(b) specifies the fair value at the date of issue of financial instruments (other than share options) issued to employees. 3. IAS 19.150 suggests, but does not require, such segregation.

SUMMARY OF ADDITIONAL DISCLOSURES

IAS	COMMENT	STATUS
	inventories).	
24	Concerns have been raised about the need for enhanced disclosures or accounting for expenses and liabilities paid by a principal shareholder or stock plans established by a principal shareholder for the enterprise's benefit.	Enhanced disclosures or accounting for expenses and liabilities paid by a principal shareholder not specifically addressed, although IAS 24.19 provides examples where related party disclosures may be required. These include financing transactions.
27	Concerns have been raised about the need for disclosure of summarised financial information for subsidiaries not consolidated that are material individually or in the aggregate.	Not addressed.
28	Concerns have been raised about the need for disclosure of summarised financial information for material equity investees.	Not addressed.
28	Concerns have been raised about the need for disclosure of available market values for equity investee securities owned.	Associates may be remeasured at fair value in parent's entity statements. However, there is no requirement to disclose this fair value in the consolidated financial statements.
32	Concerns have been raised about the need for disclosure of the effect of bifurcating and separately accounting for the components of compound financial instruments.	Not addressed.
32	Concerns have been raised about the need for disclosure of restrictions on disposals or utilization of financial assets (e.g., restrictions on cash, investments, etc.).	IAS 32.47 requires general disclosure of information about the extent and nature of financial instruments, including significant terms and conditions that may affect the amount, timing and certainty of future cash flows. Also see IAS 7.48 and IAS 32.49(j).

SUMMARY OF ADDITIONAL DISCLOSURES

IAS	COMMENT	STATUS
32	Concerns have been raised about the need for further detail of the composition of financial assets (e.g., held to maturity, trading, etc.).	IAS 32.46 provides guidance on the determination of classes of financial instruments. IAS 39.68 requires that financial assets be classified as either: loans and other receivables originated, held to maturity investments, available for sale financial assets and financial assets held for trading. No specific requirement exists to disclose further detail of these categories. Also, no classification content specified in IAS 1.
32	Concerns have been raised about the need for disclosure of leverage features of certain financial instruments.	IAS 32.47 requires general disclosure of information about the extent and nature of financial instruments, including significant terms and conditions that may affect the amount, timing and certainty of future cash flows.
32	Concerns have been raised about the need for disclosure of value at risk.	Not addressed.
33	Concerns have been raised about the need for disclosure of securities that potentially could dilute basic EPS in the future that were not included in the computation of diluted EPS because they were antidilutive.	Not addressed.
33	Concerns have been raised about the need for disclosure of EPS amounts for discontinued operations, extraordinary items, accounting changes and fundamental errors.	IAS 33 only requires the disclosure of basic and diluted EPS for ordinary income.
34	Concerns have been raised about the need for disclosure of whether a set of interim financial statements complies with the recognition and measurement principles of IAS 34 as well as information required by securities regulators, particularly if a required statement has been omitted or the periods presented	An enterprise is required to disclose whether its interim financial report is in compliance with IAS. In order to assert compliance, all of the requirements of each applicable standard and interpretation of the SIC must be complied with.

SUMMARY OF ADDITIONAL DISCLOSURES

IAS	COMMENT	STATUS
	do not comply with the standard.	
34	Concerns have been raised about the need to disclose the amounts used in the computation of the numerator and denominator of EPS, as well as a reconciliation of the numerator to the net profit or loss for the period.	IAS 34.11 only requires the disclosure of basic and diluted EPS.
34	Concerns have been raised about the need for explicit disclosure in the notes as to the limited nature of the information provided.	Not addressed.
34	Concerns have been raised about the need for precise information on contingencies and major uncertainties, particularly when a going concern is in question. This may include the disclosures in IAS 10.9, .16 and .22 or equivalent.	IAS 34.16(j) only requires disclosure of changes in contingent assets and liabilities since the last annual balance sheet date.
34	Concerns have been raised about the need for disclosure of the nature and amount of significant changes in the components of the minimum line items (for each financial statement) since the last annual report.	Not addressed.
34	Concerns have been raised about the need for disclosure of dispositions not considered discontinued operations under IAS 35. This may include the information in IAS 27.32(b)(iv).	IAS 34.16(i) only requires disclosure of the effect of changes in composition resulting from a disposition.
34	Concerns have been raised about the need for disclosure of EPS and income tax amounts for accounting changes, fundamental errors, discontinued operations and extraordinary items.	Not addressed.

SUMMARY OF ADDITIONAL DISCLOSURES

IAS	COMMENT	STATUS
34	Concerns have been raised about the need to disclose the reasons for any significant changes since the last annual period in total assets and segment result for each segment.	Not addressed.
34	Concerns have been raised about the need to include specific disclosures of the items whose measurement is based on annual data or data related to several interim periods.	Not addressed.
34	Concerns have been raised about the clarity and consistency of content in interim financial reports. That is, specific line items in the balance sheet, income statement and statement of cash flows should correspond to those in IAS 1, together with any additional significant line items that appeared in the entity's most recent annual balance sheet.	IAS 34.10 only requires interim financial statements to include the "headings and subtotals" from the most recent annual financial statements.
34	Concerns have been raised about the need to disclose the effects of changes in the composition of the reporting entity. In addition, the major assumptions used in measuring the effect should be disclosed.	Not addressed.
34	Concerns have been raised about the need for the disclosures in IAS 8, as appropriate, for error corrections and changes in accounting policy.	Not addressed.
36	Concerns have been raised about the need for disclosure of the nature, the reasons and the effects of any material change in goodwill allocation in a breakdown into CGUs.	Not addressed.
36	Concerns have been raised about the need for disclosure of how a CGU was determined (regardless of whether the	Not addressed.

SUMMARY OF ADDITIONAL DISCLOSURES

IAS	COMMENT	STATUS
	enterprise has tested one or more CGUs for impairment), and the accumulated impairment losses of tangible assets, intangible assets and goodwill. Also, disclosure of the carrying amount and the accumulated impairment losses of each CGU should be encouraged.	
37	Concerns have been raised about the need for additional disclosures related to contingent assets.	Not addressed.
38	Concerns have been raised about the need to disclose the reasons why a useful life longer than 5 years was selected.	IAS 22 and 38 only require disclosure when lives greater than 20 years are used.
38	Concerns have been raised about the need for disclosure of the nature and amounts of expenses related to internally developed intangibles.	IAS 38.115 requires certain disclosures related to research and development expenditures.
39	Concerns have been raised about the need for additional information equivalent to cost accounting for an equity instrument that does not have a quoted market price in an active market or for which other methods of estimating fair value are clearly inappropriate or unworkable (e.g., investments in associates, joint ventures and subsidiaries, investments with access to internal information of the investee resulting from a representation of the investor on the governing body of the investee, without significant influence of the investor).	Not addressed.

SUMMARY OF INTERPRETIVE ITEMS

IAS	COMMENT	STATUS
1	Concerns have been raised about the appropriateness of allowing an entity to choose whether to have a classified balance sheet.	IAS 1.53 allows an enterprise to choose making a current and non-current distinction.
1	Concerns have been raised about the lack of guidance on stock dividends and splits, dividends in kind, increasing rate preferred stock, contingent warrants, greenmail transactions, forward stock transactions, hedging of an enterprise's stockholder equity.	Items not specifically addressed.
1	Concerns have been raised that the going concern assumption should be at least 12 months from the date of approval of the financial statements.	IAS 1.24 indicates that the going concern assumption should be at least, but not limited to, 12 months from the balance sheet date.
8	Concerns have been raised about allowing changes in accounting policy to be accounted for as restatements of prior periods (versus a cumulative adjustment to net profit and loss in the current period) and fundamental errors to be accounted for as a cumulative adjustment to net profit and loss in the current period (versus as restatements of prior periods).	IAS 8 allows for both changes in accounting policy and fundamental errors to be accounted for either as a restatement of prior periods or as a cumulative adjustment to profit and loss in the current period.
12	Concerns have been raised about the need for guidance including appropriate disclosures, on the allocation of current and deferred income taxes in cases where the reporting entity is part of a consolidated tax return.	Not addressed.
12	Concerns have been raised that the recognition of deferred tax assets be made subject to very stringent conditions (e.g., a hurdle of 'more likely than not' is not sufficient).	Under IAS 12.24, deferred tax assets are recognized based on a "probable" test.

SUMMARY OF INTERPRETIVE ITEMS

IAS	COMMENT	STATUS
12	Concerns have been raised about the need for guidance on backward tracing for an item previously charged or credited to equity.	Not addressed. IAS 12.61 retains the requirement but IAS 12.63 provides an exception if it is difficult to determine that amounts to be allocated to equity. Also, see the discussion in Topic 1 of SIC-D21.
12	Concerns have been raised about the need for guidance clarifying what is meant by 'substantive enactment'.	Not addressed.
12	Concerns have been raised about the need for guidance dealing with the treatment of a change in the tax status of an enterprise (e.g., through equity or profit and loss).	Not addressed in IAS 12, although issues addressed in SIC-D21. SIC-D21 proposes to recognize such changes in net profit or loss, unless there are direct charges to equity as a result of the change in status.
12	Concerns have been raised about the need to prescribe an intraperiod tax allocation method for income statement items. For example, income tax expense could first be determined for profit and loss from ordinary activities and the remainder proportionately allocated to other items.	Not addressed.
12	Concerns have been raised about the need for guidance on the accounting for the effects of investment tax credits.	Not addressed.
12	Concerns have been raised about the need for guidance in accounting for transactions with both income statement and equity attributes that result in disproportionate tax benefits in relation to the income statement charge. For example, a tax benefit could be recognized in the income statement proportionate to the related expense, with the balance going to equity.	Not entirely addressed. IAS 12.63 allows for reasonable pro rata or more appropriate allocation. However, no specific guidance on how to allocate such amounts.

SUMMARY OF INTERPRETIVE ITEMS

IAS	COMMENT	STATUS
14	Concerns have been raised about the need to restate comparative segment information subsequent to a business combination accounted for as a uniting of interests.	Not addressed.
14	Concerns have been raised that the definition of segment revenue and segment expense exclude gains or losses on sales of investment property unless the segment's operations involve the operation of investment properties.	Under IAS 14.16, segment revenue and expense excludes gains and losses on the sale of investments unless the entity's operations are primarily financial.
16	Concerns have been raised about the need for more guidance on circumstances that indicate that there has been a disposal of an asset. For example, the effect on sale treatment and corresponding potential gain recognition on disposal of operating assets, businesses, or non-performing assets of factors such as continuing involvement, dependence upon future successful operation of the acquirer for realization, guarantees, recourse obligations and participation in the rewards of ownership.	Not addressed, although general guidance on revenue recognition is provided in IAS 18.A9.
17	Concerns have been raised about the effect of attendant factors, such as continuing involvement, on lease classification.	Not addressed.
17	Concerns have been raised about the need for guidance on contingent lease income.	Appendix 2 of IAS 34 retains the guidance on contingent lease payments. There is no comparable guidance in IAS 17 for contingent lease income or expense.
17	Concerns have been raised about the need for guidance on what the term "reasonable certainty" means. "Reasonably certain" also is used in the definitions of a non-cancelable	Not addressed.

SUMMARY OF INTERPRETIVE ITEMS

IAS	COMMENT	STATUS
	lease, minimum lease payments, and the lease term.	
17	Concerns have been raised about the appropriateness of recognizing unearned finance income equal to the initial direct costs expensed. This may not be compatible with the fair valuation exercise for finance leases of lessors, since the addition to the receivable may result in an amount different from the fair value of the receivable.	IAS 17.33 allows two alternative accounting treatments are provided for initial direct costs related to finance leases (direct financing) of lessors; these costs either may be expensed immediately or allocated against income over the lease term.
17	Concerns have been raised about the need to address the accounting for any remaining deferred costs when leases are modified. The accounting should be consistent with the treatment of debt issuance costs on extinguishment or modification, or costs of property rights, as appropriate, depending on the nature of the deferred costs.	For finance leases, it seems that such amounts generally would be considered part of minimum lease payments. For operating leases, not addressed.
17	Concerns have been raised about the need for guidance on the accounting for lease renewals and extensions.	Not addressed.
19	Concerns have been raised about the need for the recognition of a minimum liability given the introduction of a transitional provision.	IAS 19.155 introduced a transition provision that permits recognition of the transition-date obligation over a period up to five years, however, no minimum liability requirement was introduced.
19	Concerns have been raised that the definition of a defined benefit plan may permit an opportunity for inappropriate accounting if the terms of a plan provide a defined level of benefit but the sponsoring entity's current obligation is limited to the amount of the legally required funding. Defined benefit accounting should be applied whenever the terms of	The definition of a defined benefit plan was changed but not to address this point. See Appendix 3 in IAS 19. Such a plan would be considered a defined benefit plan unless the sponsor has no future legal or constructive obligation.

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IAS	COMMENT	STATUS
	the plan provide a defined level of benefit.	
19	Concerns have been raised about the appropriateness of a corridor within which recognition of actuarial gains and losses would not be permitted.	IAS 19.92 provides for a corridor in which actuarial gains and losses are not required to be recognized, however, IAS 19.93 allows for faster recognition of actuarial gains and losses, even for amounts falling within the corridor.
20	Concerns have been raised about the appropriateness of recognizing government grants related to assets as deferred income (versus as a deduction of the carrying amount of the asset).	IAS 20.24 requires that government grants related to assets be either (1) set up as deferred income and recognised as income over the useful life of the asset; or (2) deducted in arriving at the carrying amount of the asset.
21	Concerns have been raised about the appropriateness of recognizing certain exchange differences in the carrying amount of the related asset.	IAS 21.21 allows for certain exchange differences resulting from a severe devaluation to be either capitalized or recognized in net profit and loss.
21	Concerns have been raised about the appropriateness of translating goodwill and fair value adjustments using the exchange rate at the date of the transaction (versus at the closing date).	IAS 21.33 allows for goodwill and fair value adjustments to be translated at either the exchange rate at the date of the transaction or at the closing date.
23	Concerns have been raised about allowing borrowing costs to be immediately expensed (versus capitalized).	IAS 23.10 allows borrowing costs to be recognized either as an expense immediately or capitalized.
27	Concerns have been raised about the appropriateness of consolidating SPEs formed pursuant to certain national laws that specify, for example, the business purpose, business contents and the distribution of revenue.	Under SIC-12 such entities may be consolidated.

SUMMARY OF INTERPRETIVE ITEMS

IAS	COMMENT	STATUS
28	Concerns have been raised about whether potential voting interests should be considered in the determination of whether significant influence exists.	Not addressed.
31	Concerns have been raised about the appropriateness of accounting for investments in joint ventures using proportionate consolidation (versus the equity method).	IAS 31 allows an investment in a joint venture to be accounted for using either proportionate consolidation or the equity method.
31	Concerns have been raised about the accounting for situations where the assets contributed to a joint venture are considered a 'business', and (in such cases) whether the contribution is, in substance, an exchange of assets or a business combination.	Not addressed.
32	Concerns have been raised about the need for guidance regarding aggregation of similar financial instruments.	Not addressed.
32	Concerns have been raised about the need for additional guidance regarding the computation of earnings per share (EPS) when an enterprise has acquired shares of its own preferred stock for an amount different than the recorded book value of those shares. In such cases, the numerator of the EPS computation, net profit or loss for the period attributable to ordinary shareholders, is adjusted for the amount of the difference between the acquisition price of the shares and their book value, because that difference is considered to be a dividend to the holders of the preferred security.	Not addressed.
33	Concerns have been raised about the definition of "contingently issuable shares" and its consistency with	The U.S. standard on EPS, FASB Statement 128 includes a reference to "..little or no cash consideration..." in the

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IAS	COMMENT	STATUS
	standards developed jointly with national standard setters.	definition of contingently issuable shares.
33	Concerns have been raised about whether the following "claims" would be included in the computation of basic EPS: 1. Redemption premiums (or discounts) for the redemption or induced conversion of preferred shares; and 2. A dividend stream calculated using an effective interest method for increasing rate preference shares classified in equity.	1. IAS 33 is not specific as to whether redemption premiums or discounts for the redemption or induced conversion would be included in basic EPS. 2. Earnings for basic EPS purposes includes a deduction for preference dividends, although there is no specific mention of how the dividends are calculated.
33	Concerns have been raised about whether the vesting of fixed employee stock options is a contingent condition that must be met before such options are considered in the computation of diluted EPS.	Not addressed.
33	Concerns have been raised about how "participating securities" would be considered in the EPS computation. Additionally, it should be clarified that the two-class method is not used for securities convertible into the other class.	IAS 33.7 refers to multiple classes of ordinary shares but does not provide any specific guidance on when EPS for each class should be disclosed.
37	Concerns have been raised about the appropriateness of using a risk adjusted (versus a risk free) discount rate when computing the present value of a provision.	IAS 37.47 requires that the discount rate reflect the risks specific to the liability.
38	Concerns have been raised about the appropriateness of measuring intangible assets at revalued amounts.	IAS 38.64 allows intangible assets to be measured at revalued amounts in certain circumstances.

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IAS	COMMENT	STATUS
39	Concerns have been raised about the appropriateness of leaving unrealized gains in equity upon reclassification of an asset to amortized cost (versus being subject to reversal if the asset is found to be impaired).	Not addressed, although under IAS 39.117, losses on remeasured assets that are recorded in equity are recognized in profit or loss upon impairment.
39	Concerns have been raised about the need for a more specific definition of trading activities.	Under IAS 39.18, trading liabilities include derivatives not used for hedging purposes and short sales.
39	Concerns have been raised about the need for additional guidance in determining whether impairment exists. Items to be considered include (1) the length of time and the extent to which the fair value has been less than cost, and (2) the intent and ability of the holder to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.	Not addressed.
39	Concerns have been raised about the need for additional guidance on what is meant by "insignificant" in IAS 39.83.	There is no specific guidance on what is considered "insignificant", although it should be judged in relation to the total held to maturity portfolio.
39	Concerns have been raised about the need for additional guidance on what is meant by "similar assets or liabilities" in IAS 39.132. For example, could derivatives be included in a group at all? or only in a grouping with other derivatives? How would these hedges be treated if a portion of the hedged group is sold, extinguished or transferred?	No specific guidance is provided on what is meant by "similar assets or liabilities".
39	Concerns have been raised about the ability to reliably measure	No explicit statement regarding host contracts involving an

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IAS	COMMENT	STATUS
	the fair value of a contract that includes an embedded derivative, if the embedded derivative cannot be measured separately. In these cases, the exception to fair value accounting in IAS 39.70 would apply to the entire contract.	embedded derivative. Under IAS 39.70, there is a presumption that fair value can be reliably determined for most financial assets classified as available for sale or held for trading. That presumption can be overcome for an investment in an equity instrument that does not have a quoted market price in an active market and for which other methods of estimating fair value are clearly inappropriate or unworkable. The presumption can also be overcome for a derivative that is linked to and that must be settled by delivery of such an unquoted equity instrument.
39	Concerns have been raised about the appropriateness of allowing changes in the fair value of financial assets to be recorded directly in equity (versus recognition in net profit and loss).	IAS 39.103 provides for an option on the accounting for changes in the fair value of available for sale securities. Such amounts may be recognized either directly in equity or in net profit and loss.
39	Concerns have been raised about measuring impairments for a portfolio of homogenous assets, such as loans, receivables (debtors) or securities, on a portfolio basis rather than on an individual security basis. A portfolio analysis should not be applied to securities.	IAS 39.111 indicates that if it is probable that all amounts due will not be collected, then an impairment loss is recognized and generally measured for individual assets. Under IAS 39.112, impairment may be measured on a portfolio basis for similar assets. No mention of application to securities.
39	Concerns have been raised about the need for additional guidance on the ability to use hedge accounting. For example, it is unclear whether assets, liabilities, firm commitments or forecasted transactions measured at fair value, through profit or loss, can be designated as the hedged item in a fair value or cash flow hedge.	Not addressed.

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IAS	COMMENT	STATUS
39	Concerns have been raised about how certain financial services industries would apply the fair value measurement principles in IAS 39.	IAS 39.120 indicates that certain financial services industries measuring substantially all financial assets at fair value will be able to continue to do so if their financial assets are classified under IAS 39 as either available for sale or held for trading. If an enterprise does not designate any financial assets as held-to-maturity then they must use fair value under IAS 39. If financial assets are classified as held for trading, then fair value changes must be recorded in net profit or loss.

SUMMARY OF WAIVERS

IAS	COMMENT	STATUS
12	Concerns have been raised about the appropriateness of the deferred tax asset recognition criteria.	Under IAS 12.24, deferred tax assets are recognized based on a "probable" test.
16	Concerns have been raised about accounting for the effects of significant inflation, but not hyperinflation, in the cost basis of property, plant and equipment.	Not addressed.
38	Concerns have been raised about the need to provide an option to either capitalize or expense the costs for internally generated intangible assets other than goodwill and computer software. Such an option may be appropriate provided that: • the rebuttable presumption for the amortization period is reduced to five years; and • disclosure of what the effect on financial statements would be if the other option were applied (capitalise versus expense).	Not addressed.
39	Concerns have been raised about the appropriateness of fair value accounting (versus cost method accounting) for an equity instrument that does not have a quoted market price in an active market.	Not addressed.

SUMMARY OF FUTURE PROJECTS

IAS	COMMENT	STATUS
1	The IASC should consider a future project on the types of items that should be recognized in equity including enhanced guidance for disclosure of changes in equity accounts and related recognition and measurement issues (e.g., whether such items should be "recycled" through income).	IAS 1 only deals with presentation and disclosure issues. A statement of changes in equity is required (86-89). The IASC has added a project on Reporting Financial Performance.
1	The IASC should consider a project on the proper accounting basis when the going concern assumption is not appropriate.	Not addressed.
1	The IASC should consider providing further guidance (and examples) on the circumstances in which management would be expected to develop polices that reflect the economic substance of events and transactions and not merely the legal form, as required by IAS 1.20 (b)(ii).	Not addressed.
12	The IASC should consider addressing the discounting of deferred tax assets and liabilities.	IAS 12.53 prohibits the discounting of deferred tax assets and liabilities.
12	The IASC should consider addressing the apparent conflict between IAS 12 and the requirement in IAS 22.34 to measure any minority interest at the minority's proportion of the fair values of the assets and liabilities recognized.	Not addressed.
12	The IASC should consider providing more guidance about the exceptions to the accounting for deferred assets and liabilities and the meaning of 'probable'.	Not addressed.
12	The IASC should reconsider the exceptions in IAS 12.39 and .44 regarding timing difference arising on investment in subsidiaries.	The exception in IAS 12.39 applies to all investments in subsidiaries.

SUMMARY OF FUTURE PROJECTS

IAS	COMMENT	STATUS
	subsidiaries.	
14	The IASC should consider reviewing the quality of segment disclosures after a suitable period (5 years) with a view to further convergence with national standard setters.	Not addressed.
16	The IASC should consider addressing whether either a gross or net presentation should be used in light of the broader general guidance in IAS 20 and IAS 1.	Income statement presentation not explicitly addressed, although the gross amount of the compensation should be disclosed (see SIC-14.5).
16	The IASC should consider clarifying that compensation received relating to an insurance reimbursement, an indemnity for the expropriation of assets, and as a result of an involuntary conversion, be classified as extraordinary when it relates to a loss reported as an extraordinary item.	Not addressed.
17	The IASC should consider guidance on the accounting for costs incurred by a lessee in negotiating and securing either a finance lease or an operating lease. This accounting should be consistent with debt issuance costs or costs of property rights (similar to paragraphs 15 through 21 of IAS 16), as appropriate, depending on the nature of the costs, even though operating leases are not accounted for as property rights currently.	IAS 17.16 requires that initial direct costs relating to finance leases be capitalised. Initial direct costs relating to operating leases are not addressed.
17	The IASC should consider new approaches for lease capitalization (e.g., all leases with a term greater than one year).	Not addressed.
21	The IASC should consider addressing the situation where forward exchange contracts are entered into to establish the	IAS 21.9 provides that a foreign currency transaction should be recorded by applying to the foreign currency amount the

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IAS	COMMENT	STATUS
	amounts of the reporting currency required or available at the settlement dates of foreign currency transactions.	exchange rate between the reporting currency and the foreign currency at the date of the transaction. This appears to conflict IAS 39.
21	The IASC should consider addressing the apparent conflict between IAS 21and IAS 39 in accounting for the translation of non-monetary items measured at cost.	IAS 21.11(c) provides that non-monetary items measured at cost be reported using the exchange rate at the date of the transaction while IAS 39.78, 94 and 103 require consideration of the change in the foreign exchange rates.
21	The IASC should consider providing guidance on how the payment of a dividend does not constitute a return of the investment.	Not addressed. IAS 21.38 provides that "the payment of a dividend forms part of a disposal only when it constitutes a return of the investment."
21	The IASC should consider providing guidance on how to account for a change in the classification of a foreign operation occurring during a financial year.	Not addressed.
22	The IASC should consider providing guidance on the presentation of shareholders' equity and comparative financial statements following a reverse acquisition.	Not addressed.
22	The IASC should consider revisiting the amortization requirements for goodwill and other intangible assets, which have a different nature (i.e., goodwill is residual). The current approach may encourage not allocating the cost of acquisition properly and lead to not measuring reliably the assets or groups of assets acquired, an approach not consistent with IAS 36.	The amortization requirements for goodwill and other intangibles are similar. IAS 22.26 restricts the conditions of separate recognition for assets and liabilities of the acquiree that existed at the date of acquisition. In contrast, when it is not possible to estimate the recoverable amount of an individual asset, IAS 36.65 requires the identification of cash-generating units and does not use the origin of the assets as a classification criterion.

SUMMARY OF FUTURE PROJECTS

IAS	COMMENT	STATUS
		classification criterion.
22	The IASC should consider revisiting the accounting for legal mergers (i.e., common control transactions) due to legal constraints in certain jurisdictions.	Not addressed.
22	The IASC should consider expanding the accounting requirements for negative goodwill relating to expected future costs to cases where subsequent changes are made to the acquirer's plan. Corresponding disclosure requirements are essential to application of this approach, with a requirement to explain any changes to the original restructuring plan.	IAS 22.61 limits the treatment to those items that are identified in the acquirer's plan and requires that if the costs are not recognized in the expected period, then the corresponding negative goodwill should be recognized as if it were negative goodwill that does not relate to expected future losses.
22	The IASC should consider clarifying the accounting for negative goodwill if the acquired assets are all (or substantially all) non-monetary and non-depreciable or amortizable (e.g., land).	Not addressed.
22	The IASC should consider revisiting the accounting for assumed liabilities associated with planned restructurings.	IAS 22.31 requires recognition of a provision for post-acquisition restructuring that was not a liability of the acquiree if the plan has been developed, announced and within three months of acquisition, developed into a formal, detailed plan.
27	The IASC should consider addressing effective control and thus potential consolidation when share options or other convertible securities are held and exercise is discretionary.	Not addressed.
27	The IASC should consider addressing how a position as general partner of a partnership is interpreted with regard to effective control and, thus, potential consolidation.	Not specifically addressed. SIC-12 would apply to partnerships that are SPEs.

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IAS	COMMENT	STATUS
	effective control and, thus, potential consolidation.	
27	The IASC should consider delimiting the "if practicable" exception for the application of uniform accounting policies to, in any event, require the use of acceptable international standards.	Not addressed.
27	The IASC should consider creating a rebuttable presumption that an enterprise consolidate an SPE if certain of the indicators in SIC-12 are present.	No specific guidance provided on how to apply the "indicators" of consolidation.
28	The IASC should consider providing guidance on how the 20% presumption may be overcome and disclosures when it is overcome.	Not addressed.
29	The IASC should consider clarifying the accounting treatment of accumulated changes in value accounted for in equity under IAS 39.	IAS 29 makes a distinction between historical financial statements and current cost financial statements. Under the historical cost basis of accounting, revalued non-monetary items are restated from the date of the revaluation (IAS 29.18). At the beginning of the first period of application of IAS 29, any revaluation surplus that arose in previous periods is eliminated and restated retained earnings are derived from all the other amounts in the restated balance sheet (IAS 29.24).
31	The IASC should consider developing criteria for recognition of a new basis by the venture itself for net assets sold or contributed to the joint venture.	Not addressed.

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IAS	COMMENT	STATUS
31	The IASC should consider limiting the various treatments currently allowed in IAS 31.35 and .42.	An entity can still use either the cost method or IAS 39. That is, there still are three permitted alternatives in accounting for investments in joint ventures in the separate financial statements of the investor.
31	The IASC should consider providing guidance on how "additional consideration" (such as cash) affects the computation of the "appropriate portion" of gain or loss on a contribution of assets to a joint venture.	The wording of SIC-13.6 and .12 is still not clear how the "appropriate portion" is calculated.
32	The IASC should consider clarifying that SIC-16 excludes from its scope transferable shares of the enterprise held by an employee benefit plan that is reflected in the enterprise's consolidated financial statements. The IASC also may wish to consider whether this scope exclusion would remain appropriate regardless of the percentage of the reporting enterprise's shares held as plan assets by the employee benefit plan.	Not addressed.
34	The IASC should consider addressing some of the practical issues arising from the effect of different legal environments on the concept of "authorised for issue", particularly as it relates to interim financial statements.	Not addressed.
34	The IASC should consider providing guidance on determining the "estimated average annual effective rate," particularly as regards the changes in deferred taxes.	Appendix 2 of IAS 34 provides guidance on measuring interim income tax expense, including a discussion of the "estimated average annual tax rate."
37	The IASC should consider the appropriateness discounting provisions. In addition, additional computational guidance	Provisions are required to be discounted if the time value of money is material. However, there is no specific

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IAS	COMMENT	STATUS
	should be provided.	computational guidance. The IASC has added a discounting project to its agenda.
37	The IASC should consider addressing the apparent inconsistency between IAS 37 and IAS 12 regarding the anticipation of changes in regulations.	IAS 37.50 requires incorporating future tax legislation whose passage is "virtually certain" (vs. "substantively enacted" in IAS 12).
37	The IASC should consider the appropriateness of using probability as a recognition criteria (versus only a measurement criteria).	Probability is a recognition criterion. A provision should be recognised when it is probable that an outflow of resources embodying economic benefits will be required (see IAS 37.14-16).
37	The IASC should consider providing additional guidance on the techniques to be used in determining the best estimate, particularly when the obligation being measured does not involve a large population of items. One possibility may be to discuss, as an example, an inappropriate application of the basic principle, then indicate why the application is not appropriate and what should be done.	Provisions are measured at the "best estimate." For a large population, the best estimate is generally computed using the "expected value" method. For a single obligation, the best estimate is generally computed using the most likely outcome (see IAS 37.36-.40).
38	The IASC should consider ways to adopt consistent recognition and measurement criteria with the impairment standard. The concept of a "group of assets" is a key-factor to follow the value of an enterprise in a more efficient way, as, for the components of a group, there is a link between the elements used for amortization purposes and those used for impairment purposes (useful lives, amortization periods, amount and timing of cash flows and residual values). Therefore, it should be considered to the extent it would be possible to recognize revenue earning activities and to use	Not addressed.

IAS	COMMENT	STATUS
	segments as such.	
38	The IASC should consider the accounting for costs incurred in issuing debt securities.	Not addressed.
38	The IASC should consider the appropriateness of capitalizing certain expenses (e.g., preliminary studies and functional analysis) relating to the development of computer software. Such amounts should be explicitly excluded from the production cost.	Not addressed.
38	The IASC should consider revisiting the appropriateness of separability as a minimum criterion for recognition of an intangible asset (purchased or acquired).	Under IAS 38.12, separability is not a necessary condition for identifiability. Also see the IAS 38 Basis for Conclusion, paragraphs 26-29.
38	The IASC should consider revisiting the introduction of "the ability to restrict the access of others to future economic benefit coming from the asset" as an additional characteristic for the recognition of a purchased intangible asset.	Not addressed.
38	The IASC should consider providing more guidance regarding (1) whether expenses have enhanced the originally assessed standard of performance (see IAS 16.24) and (2) the amortization method to be applied to such capitalized costs.	No additional guidance has been provided in IAS 38, although IAS 16.41-.52 discuss depreciation.
38	The IASC should consider capitalization of subsequent costs if (1) it is virtually certain that those costs will enable the asset to generate specifically attributable future economic benefits or enhancing the originally assessed standard of performance, and (2) the asset is subject to an impairment test at the end of	IAS 38.60 requires capitalization when additional benefits are probable (as opposed to virtually certain). No special impairment tests are required.

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IAS	COMMENT	STATUS
	the reporting period in which capitalization has occurred, even if there is no indication that the asset is impaired.	
38	The IASC should consider creating an exception to the general requirement for amortization as far as long-lived intangible assets are concerned.	All intangible assets should be amortized over their useful life. There is a rebuttable presumption that the useful life of an intangible asset would not exceed 20 years.
39	The IASC should consider providing guidance for the situations where an investment is (1) held but not acquired with a view to its subsequent disposal in the near future and (2) acquired and held exclusively for with a view to its disposal in the near future.	IAS 28.12 amended applies only to an investment in an associate that is included in the financial statements of an investor that issues consolidated financial statements and that is not held exclusively with a view to its disposal in the near future (versus an investment "held and not acquired" or "acquired and held" with a view to its disposal in the near future), whereas former IAS 28.12 did not make the latter distinction.
39	The IASC should consider fair value accounting for investments acquired and held exclusively with a view to the subsequent disposal of those investments in the near future, so long as those investments are traded on efficient markets, while still permitting cost method of accounting for (1) enterprises operating under severe long-term restrictions, and (2) non-marketable securities.	IAS 27.13 applies to a subsidiary acquired and held exclusively with a view to its subsequent disposal in the near future or operating under severe long-term restrictions. In contrast, IAS 28.8 provides that an investment acquired and held with a view to its disposal in the near future should be accounted for under the cost method.
39	The IASC should consider the use of non-derivatives as hedging instruments, providing that the following situations are addressed: B. Fair value hedges The hedged item and the hedging instrument are not measured	Not addressed.

IAS	COMMENT	STATUS
	on the same basis and the changes in fair value do not follow the same accounting treatments: I. Should both legs be measured at fair value in the following cases: A. Hedge of a held-to-maturity asset by a fair value liability (derivative or non-derivative instrument) or by a liability measured at cost, and B. Hedge of a liability measured at cost by a fair valued asset? II. Should the gain or loss on the hedged item be recognized in net profit or loss, even if a hedged item otherwise is measured at cost with some changes in fair value unrecognized (unrealized gains or partially unrealized losses other than impairment losses)? <u>Cash flow hedges</u> The IASC should consider giving more guidance on the accounting treatment of the ineffective portion that relates to the hedge of an asset or liability otherwise carried at (amortized) cost; IAS 39.158 (b)(ii) refers to IAS 39.103, which only addresses the case of a non-derivative instrument measured at fair value. As regards foreign exchange hedges using non-derivative	

IAS	COMMENT	STATUS
	instruments, some points remain open: 1. measurement basis, when one of the leg otherwise is measured at cost ; 2. presentation principles in that situation ; 3. treatment applicable to the amounts recognized in equity, for transactions accounted for as cash flow hedges other than forecasted transactions and unrecognized firm commitments; 4. principles to be followed to designate the hedging instrument and the hedged item in a hedging relationship between a non derivative monetary liability and a monetary asset forming part of a net investment in a foreign entity, and subsequently to identify the accounting treatment applicable (IAS 21 or IAS 39).	
39	The IASC should consider providing additional guidance on the derecognition principles. For example, it is unclear what impact, if any, the following would have on a transferor's ability to derecognize a financial asset: 1. whether a true sale at law has occurred; 2. a deep-in-the-money put option held by the transferee; 3. a removal of accounts provision that allows the transferor to remove individual accounts from the pool of assets sold;	Not addressed.

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IAS	COMMENT	STATUS
	4. a "clean-up call" held by the transferor; 5. a "wash sale" transaction; 6. a right of first refusal held by the transferor; and 7. a call option on the beneficial interest in an SPE held by the transferor.	
39	The IASC should consider introducing a specific definition of an active market that used criteria such as the publication and availability of market prices, liquidity, breadth, depth of organization and supervision of the market, and homogeneity of the instruments or components thereof in the market.	Not addressed.
39	The IASC should consider the effect of credit, counterparty, prepayment and liquidity risk, on the valuation of loans, bank deposits and non-traded equity securities.	The JWG on financial instruments is developing a paper on fair value measurement considerations.
39	The IASC should consider how the conditions described in IAS 39.79 and 83, would be applied to prepayment options. Such options should not result in an enterprise classifying most of financial assets with a fixed maturity, including purchased loans, out of the held-to-maturity category. Also, It is unclear whether a borrower may be considered an issuer pursuant to IAS 39.81 and 87 (b). If this were the case, the issue would not be addressed, as the holder should recover substantially all of the carrying amount of a financial asset to satisfy the criteria for a held-to-maturity investment, which is unlikely to occur when a prepayment option is exercised.	Not addressed.
39	The IASC should consider whether derivatives that are part of	Derivatives that are used for hedging purposes are measured at

IAS	COMMENT	STATUS
	a hedging relationship should be recognized and measured at fair value if they hedge cost measured items.	fair value (see IAS 39.153, 158 and 164).
39	The IASC should consider whether there are defined circumstances in which a liability that funds trading activities should be recognized at fair value (versus at cost). For example, trading may involve identifying on the balance sheet the financial assets and liabilities that follow trading accounting (i.e., fair value and recognition in net profit and loss).	IAS 39.18 indicates that just because a liability is used to fund trading activities that does not make the liability held for trading. Also see IAS 39.10.
39	The IASC should consider providing additional guidance on testing and measuring impairment. This guidance should give the reasons for the differences that remain in the impairment provisions applicable to different categories of assets.	Different impairment factors and discount rates are used for financial assets carried at cost and fair value. For financial assets carried at cost, expected future cash flows are discounted at the financial instrument's original effective interest rate, if it is probable that an enterprise will not be able to collect all amounts due according to the contractual terms (cash flows relating to short-term receivables generally are not discounted) (IAS 39.111 and 115). For financial assets carried at fair value, if there is objective evidence that the asset is impaired and if its recoverable amount is below its original acquisition cost, the cumulative net loss that had been recognized directly in equity should be removed from equity and recognized in net profit or loss; the recoverable amount of a debt instrument is the present value of future cash flows discounted at the current market rate of interest for a similar financial asset; also there is no use of the notion of probability (IAS 39.117 and 118).
39	The IASC should consider the effect of applying IAS 37 to financial guarantees.	Financial guarantees that provide for payment in the event that the debtor fails to make payment when due are excluded from

IAS	COMMENT	STATUS
	financial guarantees.	the scope of IAS 39 and addressed in IAS 37. However, contracts that provide for payment in response to changes in an underlying are subject to IAS 39(1f). Also see IAS 39.56.
39	The IASC should consider revisting the definitions of equity instruments and liabilities. For example, it is not clear how the features used in IAS 39 interact with those used under IAS 32.5, 16, 20 and 21 to differentiate equity instruments from liabilities, which use characteristics opposite to those of a financial liability (e.g., no obligation on the issuer to deliver cash or another financial asset, and no obligation on the issuer to exchange another financial instrument with the holder under conditions that are potentially unfavorable to the issuer). Potential inconsistencies between IAS 32 and IAS 39 or within IAS 39, in cases where emphasis is put on the manner in which the obligation is settled: • "An obligation of an enterprise to issue or deliver its own equity instruments (…) is itself an equity instrument (…)" (IAS 32.16); • IAS 39.24 (b), which also refers to the manner the call option is required to be settled. In addition, other questions might arise, for example, could an instrument issued by an enterprise not be considered equity in the following cases: 1. Instrument required to be settled in cash or another financial asset and amount to be settled exposed to gain or	Under IAS 39.8 and IAS 32, an equity instrument is defined as "any contract that evidences a residual interest in the assets of an enterprise after deducting all of its liabilities". IAS 39.11 and 12 elaborate on the definition of an equity instrument issued by an enterprise, using as new differentiating features the exposure to gain or loss from fluctuations in the price of its own equity securities (IAS 39.11) or from changes in the equity of the enterprise (IAS 39.12). Under IAS 32.20, when an obligation exists, the instrument meets the definition of a financial liability regardless of the manner in which the obligation will be settled. Conversely, under IAS 32.21, a financial instrument that does not give rise to such an obligation is an equity instrument. Conversely, under IAS 39.11, an instrument should not be considered equity just because it is settleable in shares. Under IAS 32.21, the absence of an obligation on the issuer characterizes an equity instrument; therefore the manner of settlement and the participation in the risks and returns would have no impact on the qualification. Under IAS 39.71, an example of an investment that is in substance an equity instrument is special participation rights without a specified whose return is linked to an enterprise's performance.

IAS	COMMENT	STATUS
	loss from fluctuations in the price of an enterprise's own equity or from changes in the equity of the enterprise; 2. Instrument required to be settled either in cash or another financial asset or in an enterprise's own equity instrument, exposed to fluctuations or changes (see above) and subject to the enterprise's or its shareholders' decision (principal and/or revenue); 3. Same instrument as above with the holder participating in the risks or entitled to benefits.	
39	The IASC should consider possible inconsistencies between IAS 39 and IAS 21. For example, foreign exchange gains and losses on monetary financial assets generally are reported in net profit or loss, whereas the other component of the change in fair value may be reported in net profit or loss or equity. With regard to differences in presentation, IAS 39 requires that the fair value adjustments (on both the foreign exchange and the other components) always be included in net profit or loss; which would have the advantage to avoid any mismatch in the presentation of financial statements due to foreign exchange translations. It may be necessary to clarify: I. The order to be followed to determine the carrying amount (foreign exchange differences should be computed in first or second place); II. When there are adverse changes in value on the foreign exchange component and the other component, whether	Not addressed.

IAS	COMMENT	STATUS
	or not offsetting is permitted in certain circumstances; for example, in the cases where a foreign exchange gain/loss is recognized (generally in net profit or loss): A. the gain on the other component is recognized (either in net profit or loss or in equity, for assets measured at fair value) or unrecognized (assets measured at cost); B. the gain/loss on the other component is unrecognized (non trading liabilities, which are measured at cost); and III. How changes in value should be presented or disclosed if the value adjustments are not reported in the same place.	

SUMMARY OF FUTURE PROJECTS

Appendix C

SUMMARIES OF REMAINING OUTSTANDING SUBSTANTIVE ISSUES BY

STANDARD

LEGEND

The classifications listed below have been used to categorize the expected supplemental treatment of the remaining outstanding substantive issues. These classifications are listed in the "Disposition" column. Where Working Party members have differing views on the expected supplemental treatment of an issue, multiple classifications are shown.

C. Classification	D. Expected Supplemental Treatment
1	Reconciling item
2	Additional disclosure
3	Interpretive item
5	Drop item
W	Waiver
P	Future project

There are no outstanding substantive items noted for IASC Standards 2, 4, 7, 10, 11, 18 and 35.

SUMMARY OF GENERAL ISSUES

	COMMENT	STATUS
1.	Concerns have been raised about the appropriateness of providing alternative presentations of financial information such as value added statements.	Not addressed.
2.	Concerns have been raised about the appropriateness of overriding the requirements of IASs. In the usually rare case of a need for an override, the auditor's report should indicate that a departure has been made. Departures should be limited to those cases where it is necessary to comply with a local statutory requirement.	IAS 1.13 provides for an override of IASs in cases where the departure from IASs is necessary to achieve a fair presentation. Departures are not limited to cases of compliance with local statutory requirements.
3.	Regulators reserve the right to specify both in annual and interim periods which financial statements should be required, the form and content of those financial statements (including specific minimum line items to be included on the face of the financial statements), the frequency and period of reporting, and how timely to report.	IAS 1 does provide for some minimum line items to be included on the face of the financial statements. See IAS 1.66 and .75.
4.	Concerns have been raised about the need to define "operating profit". For example, does this term include or exclude restructuring charges, gains or losses on the disposal of assets, and gains or losses of businesses not disclosed as discontinued operations?	No specific definition in IAS 1, although the final standard refers to "profit or loss from ordinary activities" not "operating profit".
5.	The determination of the reporting currency and the manner of presentation of convenience translations of financial statements would remain subject to host country regulations.	Not addressed.
6.	Concerns have been raised regarding the acceptability of the	The adoption of SIC 11 is accounted for as a change in

SUMMARY OF GENERAL ISSUES

	COMMENT	STATUS
	transitional provisions of SIC-11. SIC-11 would permit an enterprise to capitalize exchange losses when reporting before the effective date of the standard and then, characterize capitalized devaluation losses as a change in accounting policy, as opposed to a correction of an error.	accounting policy made on the adoption of an International Accounting Standard (IAS 8.46).
7.	Concerns have been raised about the appropriateness of allowing an enterprise to omit a required disclosure when such a disclosure may compromise the interests of the enterprise. Omission of any required disclosures should be discussed with and approved by the appropriate regulator rather than decided by the preparer.	IAS 37.92 allows an entity to decide whether or not a required disclosure would compromise its interests.
8.	The presentation of extraordinary gains and losses net of minority interests allowed in IAS 1 conflicts with IAS 27.26.	Under IAS 1.36(c), extraordinary items may be presented net of related taxes and minority interests.
9.	Concerns have been raised that IAS 10 may be interpreted to suggest that financial statements for part of an entity that had been prepared on a liquidation basis should be restated on a going concern basis on consolidation.	Not addressed.
10.	The example of an adjusting event in IAS 10.8(a) may contradict IAS 37. It should be revised along the lines of Example 10 in Appendix C to IAS 37.	Not addressed.
11.	A common definition should be provided for monetary items.	IAS 29.12 defines monetary items as money held and items to be received or paid in money. IAS 21.7 defines monetary items as money held and assets and liabilities to be received or paid in fixed or determinable amounts of

SUMMARY OF GENERAL ISSUES

	COMMENT	STATUS
		money.
12.	The terminology and principles mentioned in IAS 29 related to market values should be the same as that used in IAS 39.	Not addressed.
13.	The criteria in determining whether an asset is recognized (i.e., whether or not it is "contingent") conflicts with the framework and the revenue recognition principles in IAS 18.	Not addressed
14.	Concerns have been raised that the references about the precision of estimates in an interim financial report may be viewed as encouraging or excusing incomplete or misleading information.	Not addressed. See IAS 34.A3.9 and .41.
15.	The IASC should consider addressing the accounting for various specialized industries (e.g., transport, real estate, financial institutions, insurance, oil and gas, mining, agriculture, forestry, rate-regulated utilities, commodities dealers, computer software, investment companies, broker-dealers, venture capitalists, motion picture production, broadcasting, cable television, records and music, health care providers, casinos, and insurance brokers).	Not addressed.
16.	The IASC should consider addressing the accounting for equity compensation benefits to employees, ESOP accounting and disclosures and equity compensation to non-employees.	IAS 19.145 does not specify recognition or measurement requirements for equity compensation benefits.
17.	The IASC should consider addressing new basis of accounting issues such as push down accounting (including push down of debt), promoter and related party transactions, common control transactions, joint venture formations, leveraged buyouts,	IAS 22 (revised 1998) does not address the new accounting bases for the situations mentioned.

SUMMARY OF GENERAL ISSUES

	COMMENT	STATUS
	mergers with unrelated shell corporations, and bankruptcies and reorganizations.	
18.	The IASC should consider addressing the accounting for changes in the reporting entity (e.g., spin-offs, carve-outs and common control transactions, including simultaneous transactions and downstream mergers).	Not addressed.
19.	The IASC should consider addressing the accounting for capital transactions by subsidiaries and associates.	Not addressed.
20.	The IASC should consider addressing a project on the meaning of the term "probable."	Not addressed.
21.	The IASC should clarify that awards to former employees are within the scope of IAS 19 (revised 1998).	Not addressed.
22.	Regulators may require companies without subsidiaries to follow the same accounting for legal mergers as for entities with subsidiaries at least for cross-border offerings and filings.	IAS 22.6 indicates that the standard applies only to consolidated accounts.
23.	Regulators may clarify that the exclusions in IAS 24.4 do not apply to securities offerings or filings by a subsidiary, to segment disclosures, or to privatizations or other securities offerings or filings by state-controlled enterprises.	Not addressed.
24.	Regulators may clarify that the exemption from consolidated financial statement requirements in IAS 27.08 does not apply in	Not addressed.

SUMMARY OF GENERAL ISSUES

	COMMENT	STATUS
	the case of a securities offering or filing by a second-tier parent.	
25.	The IASC should consider clarifying the application of equity accounting to investments in partnerships and unincorporated entities.	Not addressed.
26.	Regulators may eliminate some of the alternatives to the equity method for investors that do not issue consolidated financial statements in IAS 28.14, at least with respect to securities offerings and filings.	There still are four permitted alternatives in accounting for investments in associates in the separate financial statements of the parent where consolidated financial statements are not issued: cost, equity method, available-for-sale (IAS 39) or trading (IAS 39).
27.	Regulators may eliminate the alternative in IAS 31.47 of allowing disclosure in lieu of joint venture accounting for entities without subsidiaries, at least with respect to securities offerings and filings.	Not addressed.
28.	Concerns have been raised about the requirement in IAS 8.46 to follow the transition and effective date requirements in other standards resulting in a change in accounting policy. The comparability of financial statements with prior periods may be compromised if the required impacts of the changes were not disclosed for all periods.	Transition requirements vary from standard to standard. IAS 17, IAS 19, IAS 36, IAS 37, IAS 38 and IAS 39 provide for transition provisions different than the requirements in IAS 8.

IAS 1 – PRESENTATION OF FINANCIAL STATEMENTS

NO	COMMENT	STATUS	DISPOSITION
1.	The IASC should consider providing further guidance (and examples) on the circumstances in which management would be expected to develop polices that reflect the economic substance of events and transactions and not merely the legal form, as required by IAS 1.20 (b)(ii).	Not addressed.	P/5
2.	The IASC should consider a future project on the types of items that should be recognized in equity including enhanced guidance for disclosure of changes in equity accounts and related recognition and measurement issues (e.g., whether such items should be "recycled" through income).	IAS 1 only deals with presentation and disclosure issues. A statement of changes in equity is required (86-89). The IASC has added a project on Reporting Financial Performance.	P
3.	Concerns have been raised about the need for disclosures related to defaults under credit agreements. Items that should be disclosed include: • the nature and amount of any default in principal, interest, sinking fund or redemption provisions or any breach of covenant that has not been cured subsequently should be disclosed; • for a default or breach that has been waived for a period of time, the period of the waiver should be disclosed.	Not specifically addressed in IAS 1. IAS 32.47 requires general disclosure of information about the extent and nature of financial instruments, including significant terms and conditions that may affect the amount, timing and certainty of future cash flows.	2/5
4.	Concerns have been raised about the need for guidance on the classification of stock subscriptions	Not addressed.	2/5

NO	COMMENT	STATUS	DISPOSITION
	receivable.		
5.	Concerns have been raised about the need for presentation guidance on alternative equity structures (e.g., partnerships, limited liability corporations, etc.).	Not addressed.	2/P/5
6.	Concerns have been raised about the need for comparative disclosures relating to the reconciliation of the opening and closing balances of tangible and intangible assets.	IAS 38.107(e) only requires the reconciliation of intangible items for the current period. IAS 16.60(e) only requires the reconciliation of property items for the current period.	2/5
7.	Concerns have been raised about the appropriateness of allowing an entity to choose whether to have a classified balance sheet.	IAS 1.53 allows an enterprise to choose making a current and non-current distinction.	3/5
8.	Concerns have been raised about the need for disclosure of amounts classified as current that are not convertible into cash within 12 months.	Not addressed.	2/5
9.	Concerns have been raised about the need for disclosure of maturities for each of the next 5 years and thereafter for interest-bearing liabilities, liabilities under finance leases, and amounts to related parties.	Maturities of non-current liabilities are not required specifically. IAS 17.23(b) requires disclosure of maturities relating to finance leases but only for maturities not more than one year, five years and more than five years. IAS 32.64(a) requires disclosure of maturities of financial instruments but only for maturities not more than one year, five years and more than five years. No specific disclosure requirements in IAS 24 regarding related party amounts.	2/5

IAS 1 – PRESENTATION OF FINANCIAL STATEMENTS

NO	COMMENT	STATUS	DISPOSITION
10.	Concerns have been raised about the need for separate disclosure of gains and losses on investments.	Offsetting amounts limited to certain circumstances. No specific mention of gains and losses on investments – (33-37). No specific requirement in IAS 32 or IAS 39 to separately disclose gains and losses on investments.	2/5
11.	Concerns have been raised about the lack of guidance on stock dividends and splits, dividends in kind, increasing rate preferred stock, contingent warrants, greenmail transactions, forward stock transactions, hedging of an enterprise's stockholder equity.	Items not specifically addressed.	3/5
12.	Concerns have been raised about the need for disclosure of risks and uncertainties.	No specific mention of disclosures regarding risks and uncertainties in the final standard. There are, however, disclosure requirements in other IASs, for example, IAS 37.85 requires disclosures of uncertainties relating to provisions and contingencies and IAS 32 requires disclosures relating to price, credit, liquidity and cash flow risk of financial instruments.	2/P
13.	Concerns have been raised about the need for disclosure of the reliability of estimates.	No specific mention in the final standard of disclosures relating to the reliability of estimates used in the financial statements. There are, however, certain disclosure requirements in other IASs, for example, IAS 37.85 requires the disclosure of assumptions used in determining provisions and IAS 39.167 requires the disclosure of methods and assumptions used in determining the fair value of financial instruments.	2/5

IAS 1 – PRESENTATION OF FINANCIAL STATEMENTS

NO	COMMENT	STATUS	DISPOSITION
14.	Concerns have been raised that the going concern assumption should be at least 12 months from the date of approval of the financial statements.	IAS 1.24 indicates that the going concern assumption should be at least, but not limited to, 12 months from the balance sheet date.	3/5
15.	The IASC should consider a project on the proper accounting basis when the going concern assumption is not appropriate.	Not addressed.	P
16.	Concerns have been raised about the need for disclosure of transfers from reserves to accumulated profits or reclassification to net profit or loss.	Not addressed.	2/P/5

IAS 8 – NET PROFIT OR LOSS FOR THE PERIOD, FUNDAMENTAL ERRORS AND CHANGES IN ACCOUNTING POLICIES

NO.	COMMENT	STATUS	DISPOSITION
1	Concerns have been raised about allowing changes in accounting policy to be accounted for as restatements of prior periods (versus a cumulative adjustment to net profit and loss in the current period) and fundamental errors to be accounted for as a cumulative adjustment to net profit and loss in the current period (versus as restatements of prior periods).	IAS 8 allows for both changes in accounting policy and fundamental errors to be accounted for either as a restatement of prior periods or as a cumulative adjustment to profit and loss in the current period.	3/P

IAS 10 - EVENTS AFTER THE BALANCE SHEET DATE

NO.	COMMENT	STATUS	DISPOSITION
1	Concerns have been raised about the need for certain disclosures when a pre-balance sheet date board decision does not give rise to an obligation at the balance sheet date. Items to be disclosed include: 1. the nature, expected amount and timing of any related expenditures; 2. the conditions supplemental to the board decision necessary to recognize the provision; and 3. the fact that the board decision has been confirmed before the issuance of the financial statements, together with the nature of the confirming event.	Not addressed.	2/5

IAS 12 – INCOME TAXES

NO.	COMMENT	STATUS	DISPOSITION
1.	Concerns have been raised that the subsequent recognition of acquired tax benefits should be allocated to intangibles in addition to goodwill.	Under IAS 12.68, only goodwill is adjusted when subsequently recognizing deferred tax assets or liabilities.	1/5
2.	Concerns have been raised about the need for guidance including appropriate disclosures, on the allocation of current and deferred income taxes in cases where the reporting entity is part of a consolidated tax return.	Not addressed.	3/5
3.	Concerns have been raised that deferred tax assets and liabilities derived from current assets and liabilities should be classified as current.	Not addressed.	2/5
4.	The IASC should consider addressing the apparent conflict between IAS 12 and the requirement in IAS 22.34 to measure any minority interest at the minority's proportion of the fair values of the assets and liabilities recognized.	Not addressed.	P/5
5.	Concerns have been raised that the recognition of deferred tax assets be made subject to very stringent conditions (e.g., a hurdle of 'more likely than not' is not sufficient).	Under IAS 12.24, deferred tax assets are recognized based on a "probable" test.	3/5
6.	The IASC should consider providing more guidance about the exceptions to the accounting for deferred assets and liabilities and the meaning of 'probable'.	Not addressed.	P/5
7.	The IASC should consider addressing the discounting of deferred tax assets and liabilities.	IAS 12.53 prohibits the discounting of deferred tax assets and liabilities.	P

NO.	COMMENT	STATUS	DISPOSITION
	of deferred tax assets and liabilities.	tax assets and liabilities.	
8.	Concerns have been raised about the need to disclose unrecognized deferred tax liabilities arising from investments in subsidiaries.	IAS 12.87 requires disclosure of the aggregate underlying timing differences, but not the deferred tax liabilities.	2/5
9.	Concerns have been raised about the need for guidance on the accounting for the effects of investment tax credits.	Not addressed.	3/P/5
10.	Concerns have been raised about the need for disclosure of the treatment of significant proposed tax changes.	Not addressed.	2/P
11.	Concerns have been raised about the need for guidance clarifying what is meant by 'substantive enactment'.	Not addressed.	3/P
12.	The IASC should reconsider the exceptions in IAS 12.39 and .44 regarding timing difference arising on investment in subsidiaries.	The exception in IAS 12.39 applies to all investments in subsidiaries.	P/5
13.	Concerns have been raised about the need for guidance dealing with the treatment of a change in the tax status of an enterprise (e.g., through equity or profit and loss).	Not addressed in IAS 12, although issues addressed in SIC-D21. SIC-D21 proposes to recognize such changes in net profit or loss, unless there are direct charges to equity as a result of the change in status.	3/P
14.	Concerns have been raised about the need for guidance in accounting for transactions with both income statement and equity attributes that result in	Not entirely addressed. IAS 12.63 allows for reasonable pro rata or more appropriate allocation. However, no specific guidance on how to allocate	3/P/5

NO.	COMMENT	STATUS	DISPOSITION
	disproportionate tax benefits in relation to the income statement charge. For example, a tax benefit could be recognized in the income statement proportionate to the related expense, with the balance going to equity.	such amounts.	
15.	Concerns have been raised about the need for guidance on backward tracing for an item previously charged or credited to equity.	Not addressed. IAS 12.61 retains the requirement but IAS 12.63 provides an exception if it is difficult to determine that amounts to be allocated to equity. Also, see the discussion in Topic 1 of SIC-D21.	3/5
16.	Concerns have been raised about the need to prescribe an intraperiod tax allocation method for income statement items. For example, income tax expense could first be determined for profit and loss from ordinary activities and the remainder proportionately allocated to other items.	Not addressed.	3/P
17.	Concerns have been raised about the appropriateness of the deferred tax asset recognition criteria.	Under IAS 12.24, deferred tax assets are recognized based on a “probable” test.	W/5

IAS 14 - SEGMENT REPORTING

NO	COMMENT	STATUS	DISPOSITION
1.	Concerns have been raised about the need for disclosure of foreign sales by segment for both primary and secondary segments. This would include total export sales in each segment with elimination of internal sales.	Not addressed.	2/5
2.	Concerns have been raised about the need for disclosure of the amount of significant [10%] concentration of revenue from one customer, including the segment in which revenue is recognised.	Not addressed.	2/5
3.	Concerns have been raised about the need for disclosure of revenue by product or service or by groups of closely related products or services.	No requirement for enterprise-wide disclosures by product or service.	2/5
4.	Concerns have been raised about the need to restate comparative segment information subsequent to a business combination accounted for as a uniting of interests.	Not addressed.	3/5
5.	The IASC should consider reviewing the quality of segment disclosures after a suitable period (5 years) with a view to further convergence with national standard setters.	Not addressed.	P/5
6.	Concerns have been raised that the definition of segment revenue and segment expense exclude gains or losses on sales of investment property unless the segment's operations involve the operation of investment properties.	Under IAS 14.16, segment revenue and expense excludes gains and losses on the sale of investments unless the entity's operations are primarily financial.	3/5

IAS 16 – PROPERTY, PLANT & EQUIPMENT

NO.	COMMENT	STATUS	DISPOSITION
1.	Concerns have been raised about acceptance of accounting for property, plant and equipment at revalued amounts without disclosure of information providing significant balance sheet and income statement effects of revaluation.	IAS 16.64 only requires disclosure of the carrying amounts for each class of property, plant and equipment had they been accounted for at cost.	2/5
2.	Concerns have been raised about the need for more guidance on circumstances that indicate that there has been a disposal of an asset. For example, the effect on sale treatment and corresponding potential gain recognition on disposal of operating assets, businesses, or non-performing assets of factors such as continuing involvement, dependence upon future successful operation of the acquirer for realization, guarantees, recourse obligations and participation in the rewards of ownership.	Not addressed, although general guidance on revenue recognition is provided in IAS 18.A9.	3/P
3.	Concerns have been raised about accounting for the effects of significant inflation, but not hyperinflation, in the cost basis of property, plant and equipment.	Not addressed.	W/5
4.	The IASC should consider addressing whether either a gross or net presentation should be used in light of the broader general guidance in IAS 20 and IAS 1.	Income statement presentation not explicitly addressed, although the gross amount of the compensation should be disclosed (see SIC-14.5).	P/5
5.	The IASC should consider clarifying that compensation received relating to an insurance reimbursement, an indemnity for the expropriation of assets, and as a result of an involuntary	Not addressed.	P/5

NO.	COMMENT	STATUS	DISPOSITION
	conversion, be classified as extraordinary when it relates to a loss reported as an extraordinary item.		

IAS 17 – ACCOUNTING FOR LEASES

NO.	COMMENT	STATUS	DISPOSITION
1.	The IASC should consider new approaches for lease capitalization (e.g., all leases with a term greater than one year).	Not addressed.	P/5
2.	The IASC should consider guidance on the accounting for costs incurred by a lessee in negotiating and securing either a finance lease or an operating lease. This accounting should be consistent with debt issuance costs or costs of property rights (similar to paragraphs 15 through 21 of IAS 16), as appropriate, depending on the nature of the costs, even though operating leases are not accounted for as property rights currently.	IAS 17.16 requires that initial direct costs relating to finance leases be capitalised. Initial direct costs relating to operating leases are not addressed.	P
3.	Concerns have been raised about the need to address the accounting for any remaining deferred costs when leases are modified. The accounting should be consistent with the treatment of debt issuance costs on extinguishment or modification, or costs of property rights, as appropriate, depending on the nature of the deferred costs.	For finance leases, it seems that such amounts generally would be considered part of minimum lease payments. For operating leases, not addressed.	3/P
4.	Concerns have been raised about the need for guidance on the accounting for lease renewals and extensions.	Not addressed.	3/P
5.	Concerns have been raised about the effect of attendant factors, such as continuing involvement, on lease classification.	Not addressed.	3/5
6.	Concerns have been raised about the appropriateness of immediately recognizing gains resulting from	Gains or losses on sale and leaseback transactions involving a finance lease are deferred while any	1/5

NO.	COMMENT	STATUS	DISPOSITION
	sale/leaseback transactions involving an operating lease.	gain or loss on sale and leaseback transactions involving an operating lease are generally recognized immediately (see IAS 17.50 and. 52).	
7.	Concerns have been raised about the need for disclosure of maturities for each of the next 5 years and thereafter for interest-bearing liabilities, liabilities under finance leases, and amounts to related parties.	IAS 17 only requires disclosure of maturities for not later than one year, later than one year and not later than five years and later than five years.	2/5
8.	Concerns have been raised about the need for guidance on contingent lease income.	Appendix 2 of IAS 34 retains the guidance on contingent lease payments. There is no comparable guidance in IAS 17 for contingent lease income or expense.	3/5
9.	Concerns have been raised about the need for separate presentation or disclosure of income and expenses relating to rentals for significant lessor activity.	No specific requirement to separately present or disclose rental income, although IAS 18.35(b) requires disclosure of revenue for each significant category of revenue.	2/5
10.	Concerns have been raised about the need for guidance on what the term “reasonable certainty” means. “Reasonably certain” also is used in the definitions of a non-cancelable lease, minimum lease payments, and the lease term.	Not addressed.	3/5
11.	Concerns have been raised about the appropriateness of recognizing unearned finance income equal to the initial direct costs expensed. This may not be compatible with the fair valuation exercise for finance leases of lessors, since the addition to the receivable may result in an	IAS 17.33 allows two alternative accounting treatments are provided for initial direct costs related to finance leases (direct financing) of lessors; these costs either may be expensed immediately or allocated against income over the	3/5

NO.	COMMENT	STATUS	DISPOSITION
	amount different from the fair value of the receivable.	lease term.	
12.	Concerns have been raised about the need to require the disclosures in IAS 8.16 both at the time of a sale and leaseback transaction and on a continuing basis for both quantitative and qualitative reasons.	Not addressed.	2/5

IAS 19 -- EMPLOYEE BENEFITS

NO.	COMMENT	STATUS	DISPOSITION
1.	Concerns have been raised about the need for the recognition of a minimum liability given the introduction of a transitional provision.	IAS 19.155 introduced a transition provision that permits recognition of the transition-date obligation over a period up to five years, however, no minimum liability requirement was introduced.	3/5
2.	Concerns have been raised about the need for disclosures of enterprise and affiliate securities held by pension funds and other transactions between such parties.	IAS 19.120(d) requires the disclosure of each category of the reporting enterprise's own financial instruments included in plan assets, however, no specific disclosure requirement for affiliate securities held. IAS 24.22 provides general guidance on disclosures of related party transactions.	2/5
3.	Concerns have been raised that the definition of a defined benefit plan may permit an opportunity for inappropriate accounting if the terms of a plan provide a defined level of benefit but the sponsoring entity's current obligation is limited to the amount of the legally required funding. Defined benefit accounting should be applied whenever the terms of the plan provide a defined level of benefit.	The definition of a defined benefit plan was changed but not to address this point. See Appendix 3 in IAS 19. Such a plan would be considered a defined benefit plan unless the sponsor has no future legal or constructive obligation.	3/5
4.	Concerns have been raised about the appropriateness of a corridor within which recognition of actuarial gains and losses would not be permitted.	IAS 19.92 provides for a corridor in which actuarial gains and losses are not required to be recognized, however, IAS 19.93 allows for faster recognition of actuarial gains and losses, even for amounts falling within the corridor.	3/5
5.	Concerns have been raised about the appropriateness of not recognizing a liability in a balance sheet for	A constructive obligation would not be recognized for employee termination costs until the employer	1/5

NO.	COMMENT	STATUS	DISPOSITION
	employee termination costs in cases when a board decision is taken before the balance sheet date and the decision is confirmed before the issuance of the financial statements (e.g., communication of the intent to terminate employees).	has no realistic possibility of withdrawal from the termination plan.	
6.	Concerns have been raised about the need for enhanced disclosures relating to equity compensation plans. Items to be disclosed include: 1. the pro forma effect on net income of using fair value accounting for equity compensation plans, including disclosure of the method and significant assumptions used to estimate fair value of options; 2. the date for which the market value should be disclosed (grant date?) for shares issued to employees; and 3. for employee share options, disclosures should be segregated into meaningful ranges of exercise prices and exercise dates. Also, clarify whether the requirement to disclose "amounts recognized in the financial statements in respect of equity compensation plans" refers to costs or expense. While actuarial computations address total costs, those costs may be allocated between net profit and loss and assets (e.g., inventories).	1. Not addressed. 2. IAS 19.148(b) specifies the fair value at the date of issue of financial instruments (other than share options) issued to employees. 3. IAS 19.150 suggests, but does not require, such segregation.	2/5

IAS 20 -- ACCOUNTING FOR GOVERNMENT GRANTS AND DISCLOSURE OF GOVERNMENT ASSISTANCE

NO.	COMMENT	STATUS	DISPOSITION
1	Concerns have been raised about the appropriateness of recognizing government grants related to assets as deferred income (versus as a deduction of the carrying amount of the asset).	IAS 20.24 requires that government grants related to assets be either (1) set up as deferred income and recognised as income over the useful life of the asset; or (2) deducted in arriving at the carrying amount of the asset.	3/5

IAS 21, THE EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES

NO.	COMMENT	STATUS	DISPOSITION
1.	Concerns have been raised about the appropriateness of recognizing certain exchange differences in the carrying amount of the related asset.	IAS 21.21 allows for certain exchange differences resulting from a severe devaluation to be either capitalized or recognized in net profit and loss.	3/5
2.	Concerns have been raised about the appropriateness of translating goodwill and fair value adjustments using the exchange rate at the date of the transaction (versus at the closing date).	IAS 21.33 allows for goodwill and fair value adjustments to be translated at either the exchange rate at the date of the transaction or at the closing date.	3/P/5
3.	The IASC should consider addressing the situation where forward exchange contracts are entered into to establish the amounts of the reporting currency required or available at the settlement dates of foreign currency transactions.	IAS 21.9 provides that a foreign currency transaction should be recorded by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction. This appears to conflict IAS 39.	P/5
4.	The IASC should consider addressing the apparent conflict between IAS 21and IAS 39 in accounting for the translation of non-monetary items measured at cost.	IAS 21.11(c) provides that non-monetary items measured at cost be reported using the exchange rate at the date of the transaction while IAS 39.78, 94 and 103 require consideration of the change in the foreign exchange rates.	P/5
5.	The IASC should consider providing guidance on how the payment of a dividend does not constitute a return of the investment.	Not addressed. IAS 21.38 provides that "the payment of a dividend forms part of a disposal only when it constitutes a return of the investment."	P/5
6.	The IASC should consider providing guidance on how to account for a change in the classification of a foreign operation occurring during a financial year.	Not addressed.	P/5

IAS 22 – BUSINESS COMBINATIONS

NO.	COMMENT	STATUS	DISPOSITION
1.	The IASC should consider revisiting the amortization requirements for goodwill and other intangible assets, which have a different nature (i.e., goodwill is residual). The current approach may encourage not allocating the cost of acquisition properly and lead to not measuring reliably the assets or groups of assets acquired, an approach not consistent with IAS 36.	The amortization requirements for goodwill and other intangibles are similar. IAS 22.26 restricts the conditions of separate recognition for assets and liabilities of the acquiree that existed at the date of acquisition. In contrast, when it is not possible to estimate the recoverable amount of an individual asset, IAS 36.65 requires the identification of cash-generating units and does not use the origin of the assets as a classification criterion.	P/5
2.	The IASC should consider providing guidance on the presentation of shareholders' equity and comparative financial statements following a reverse acquisition.	Not addressed.	P
3.	The IASC should consider revisiting the accounting for legal mergers (i.e., common control transactions) due to legal constraints in certain jurisdictions.	Not addressed.	P/5
4.	Concerns have been raised about the appropriateness of goodwill lives exceeding 20 years.	IAS 22.44 requires that goodwill be amortized over its useful life. There is a rebuttable presumption that such lives would not exceed 20 years.	1/5
5.	The IASC should consider expanding the accounting requirements for negative goodwill relating to expected future costs to cases where subsequent changes are made to the acquirer's plan. Corresponding disclosure requirements are essential to application of this approach, with a requirement to explain any changes to	IAS 22.61 limits the treatment to those items that are identified in the acquirer's plan and requires that if the costs are not recognized in the expected period, then the corresponding negative goodwill should be recognized as if it were negative goodwill that does not relate to expected future	P/5

NO.	COMMENT	STATUS	DISPOSITION
	the original restructuring plan.	losses.	
6.	The IASC should consider clarifying the accounting for negative goodwill if the acquired assets are all (or substantially all) non-monetary and non-depreciable or amortizable (e.g., land).	Not addressed.	P/5
7.	Concerns have been raised about the appropriateness of the accounting for negative goodwill, particularly the requirement to recognize negative goodwill on a non-level basis based on expectations of future expenses.	IAS 22.61 requires that any negative goodwill relating to expectations of future losses and expenses be recognized in net profit and loss when the future losses and expenses are recognized.	1/5
8.	The IASC should consider revisiting the accounting for assumed liabilities associated with planned restructurings.	IAS 22.31 requires recognition of a provision for post-acquisition restructuring that was not a liability of the acquiree if the plan has been developed, announced and within three months of acquisition, developed into a formal, detailed plan.	P/5

IAS 23 --BORROWING COSTS

NO.	COMMENT	STATUS	DISPOSITION
1	Concerns have been raised about allowing borrowing costs to be immediately expensed (versus capitalized).	IAS 23.10 allows borrowing costs to be recognized either as an expense immediately or capitalized.	3/5

IAS 24 – RELATED PARTY DISCLOSURES

NO.	COMMENT	STATUS	DISPOSITION
1	Concerns have been raised about the need for enhanced disclosures or accounting for expenses and liabilities paid by a principal shareholder or stock plans established by a principal shareholder for the enterprise's benefit.	Enhanced disclosures or accounting for expenses and liabilities paid by a principal shareholder not specifically addressed, although IAS 24.19 provides examples where related party disclosures may be required. These include financing transactions.	2/5

IAS 27 – CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING FOR INVESTMENTS IN SUBSIDIARIES

NO	COMMENT	STATUS	DISPOSITION
1.	Concerns have been raised about the appropriateness of consolidating SPEs formed pursuant to certain national laws that specify, for example, the business purpose, business contents and the distribution of revenue.	Under SIC-12 such entities may be consolidated.	3/5
2.	Concerns have been raised about the appropriateness, in certain circumstances, of consolidating subsidiaries operating in dissimilar activities.	IAS 27.14 indicates that exclusion from consolidation is not justified just because an entity operates in a dissimilar activity from other entities within a group.	1/2/5
3.	The IASC should consider addressing effective control and thus potential consolidation when share options or other convertible securities are held and exercise is discretionary.	Not addressed.	P
4.	The IASC should consider delimiting the "if practicable" exception for the application of uniform accounting policies to, in any event, require the use of acceptable international standards.	Not addressed.	P/5
5.	The IASC should consider addressing how a position as general partner of a partnership is interpreted with regard to effective control and, thus, potential consolidation.	Not specifically addressed. SIC-12 would apply to partnerships that are SPEs.	P
6.	Concerns have been raised about the need for disclosure of summarised financial information for subsidiaries not consolidated that are material	Not addressed.	2/5

NO	COMMENT	STATUS	DISPOSITION
	individually or in the aggregate.		
7.	The IASC should consider creating a rebuttable presumption that an enterprise consolidate an SPE if certain of the indicators in SIC-12 are present.	No specific guidance provided on how to apply the "indicators" of consolidation.	P/5

IAS 28 - ACCOUNTING FOR INVESTMENTS IN ASSOCIATES

NO	COMMENT	STATUS	DISPOSITION
1.	Concerns have been raised about the need for disclosure of summarised financial information for material equity investees.	Not addressed.	2/5
2.	The IASC should consider providing guidance on how the 20% presumption may be overcome and disclosures when it is overcome.	Not addressed.	P/5
3.	Concerns have been raised about whether potential voting interests should be considered in the determination of whether significant influence exists.	Not addressed.	3/P
4.	Concerns have been raised about the need for disclosure of available market values for equity investee securities owned.	Associates may be remeasured at fair value in parent's entity statements. However, there is no requirement to disclose this fair value in the consolidated financial statements.	2/5

IAS 29 - FINANCIAL REPORTING IN HYPERINFLATIONARY ECONOMIES

NO.	COMMENT	STATUS	DISPOSITION
1	The IASC should consider clarifying the accounting treatment of accumulated changes in value accounted for in equity under IAS 39.	IAS 29 makes a distinction between historical financial statements and current cost financial statements. Under the historical cost basis of accounting, revalued non-monetary items are restated from the date of the revaluation (IAS 29.18). At the beginning of the first period of application of IAS 29, any revaluation surplus that arose in previous periods is eliminated and restated retained earnings are derived from all the other amounts in the restated balance sheet (IAS 29.24).	P/5

IAS 31 – FINANCIAL REPORTING OF INTERESTS IN JOINT VENTURES

NO.	COMMENT	STATUS	DISPOSITION
1.	Concerns have been raised about the appropriateness of accounting for investments in joint ventures using proportionate consolidation (versus the equity method).	IAS 31 allows an investment in a joint venture to be accounted for using either proportionate consolidation or the equity method.	3/5
2.	The IASC should consider developing criteria for recognition of a new basis by the venture itself for net assets sold or contributed to the joint venture.	Not addressed.	P
3.	The IASC should consider limiting the various treatments currently allowed in IAS 31.35 and .42.	An entity can still use either the cost method or IAS 39. That is, there still are three permitted alternatives in accounting for investments in joint ventures in the separate financial statements of the investor.	P/5
4.	The IASC should consider providing guidance on how "additional consideration" (such as cash) affects the computation of the "appropriate portion" of gain or loss on a contribution of assets to a joint venture.	The wording of SIC-13.6 and .12 is still not clear how the "appropriate portion" is calculated.	P/5
5.	Concerns have been raised about the accounting for situations where the assets contributed to a joint venture are considered a 'business', and (in such cases) whether the contribution is, in substance, an exchange of assets or a business combination.	Not addressed.	3/P

IAS 32, FINANCIAL INSTRUMENTS : DISCLOSURE AND PRESENTATION

NO.	COMMENT	STATUS	DISPOSITION
1.	Concerns have been raised about the need for disclosure of the effect of bifurcating and separately accounting for the components of compound financial instruments.	Not addressed.	2/5
2.	Concerns have been raised about the need for disclosure of restrictions on disposals or utilization of financial assets (e.g., restrictions on cash, investments, etc.).	IAS 32.47 requires general disclosure of information about the extent and nature of financial instruments, including significant terms and conditions that may affect the amount, timing and certainty of future cash flows. Also see IAS 7.48 and IAS 32.49(j).	2/5
3.	Concerns have been raised about the need for further detail of the composition of financial assets (e.g., held to maturity, trading, etc.).	IAS 32.46 provides guidance on the determination of classes of financial instruments. IAS 39.68 requires that financial assets be classified as either: loans and other receivables originated, held to maturity investments, available for sale financial assets and financial assets held for trading. No specific requirement exists to disclose further detail of these categories. Also, no classification content specified in IAS 1.	2/5
4.	Concerns have been raised about the need for guidance regarding aggregation of similar financial instruments.	Not addressed.	3/5
5.	Concerns have been raised about the need for disclosure of leverage features of certain financial instruments.	IAS 32.47 requires general disclosure of information about the extent and nature of financial instruments, including significant terms and conditions that may affect the amount, timing	2/5

NO.	COMMENT	STATUS	DISPOSITION
		and certainty of future cash flows.	
6.	Concerns have been raised about the need for disclosure of value at risk.	Not addressed.	2/5
7.	Concerns have been raised that accounting for treasury shares as a deduction of equity (versus an asset) may not be consistent with certain legal environments in which those transactions are authorized. If shares are repurchased for trading purposes, they should be allowed to be presented as assets in the balance sheet, with the difference between the purchase amount and the re-sale price included as part of profit and loss when the shares are re-sold.	SIC-16.4 requires treasury shares to be presented as a deduction of equity. Sales of treasury shares are required to be presented as a change in equity.	1/2/5
8.	The IASC should consider clarifying that SIC-16 excludes from its scope transferable shares of the enterprise held by an employee benefit plan that is reflected in the enterprise's consolidated financial statements. The IASC also may wish to consider whether this scope exclusion would remain appropriate regardless of the percentage of the reporting enterprise's shares held as plan assets by the employee benefit plan.	Not addressed.	P
9.	Concerns have been raised about the need for additional guidance regarding the computation of earnings per share (EPS) when an enterprise has acquired shares of its own preferred stock for an amount different than the recorded book value of those	Not addressed.	3/5

NO.	COMMENT	STATUS	DISPOSITION
	shares. In such cases, the numerator of the EPS computation, net profit or loss for the period attributable to ordinary shareholders, is adjusted for the amount of the difference between the acquisition price of the shares and their book value, because that difference is considered to be a dividend to the holders of the preferred security.		

IAS 33 – EARNINGS PER SHARE

NO.	COMMENT	STATUS	DISPOSITION
1.	Concerns have been raised about the definition of "contingently issuable shares" and its consistency with standards developed jointly with national standard setters.	The U.S. standard on EPS, FASB Statement 128 includes a reference to "..little or no cash consideration..." in the definition of contingently issuable shares.	3/5
2.	Concerns have been raised about how "participating securities" would be considered in the EPS computation. Additionally, it should be clarified that the two-class method is not used for securities convertible into the other class.	IAS 33.7 refers to multiple classes of ordinary shares but does not provide any specific guidance on when EPS for each class should be disclosed.	3/P
3.	Concerns have been raised about whether the following "claims" would be included in the computation of basic EPS: 1. Redemption premiums (or discounts) for the redemption or induced conversion of preferred shares; and 2. A dividend stream calculated using an effective interest method for increasing rate preference shares classified in equity.	1. IAS 33 is not specific as to whether redemption premiums or discounts for the redemption or induced conversion would be included in basic EPS. 2. Earnings for basic EPS purposes includes a deduction for preference dividends, although there is no specific mention of how the dividends are calculated.	3/5
4.	Concerns have been raised about whether the vesting of fixed employee stock options is a contingent condition that must be met before such options are considered in the computation of diluted EPS.	Not addressed.	3/5

IAS 33 – EARNINGS PER SHARE

NO.	COMMENT	STATUS	DISPOSITION
5.	Concerns have been raised about the need for disclosure of EPS amounts for discontinued operations, extraordinary items, accounting changes and fundamental errors.	IAS 33 only requires the disclosure of basic and diluted EPS for ordinary income.	2/P/5
6.	Concerns have been raised about the need for disclosure of securities that potentially could dilute basic EPS in the future that were not included in the computation of diluted EPS because they were antidilutive.	Not addressed.	2/5

IAS 34 -- INTERIM FINANCIAL REPORTING

NO.	COMMENT	STATUS	DISPOSITION
1.	The IASC should consider addressing some of the practical issues arising from the effect of different legal environments on the concept of "authorised for issue", particularly as it relates to interim financial statements.	Not addressed.	P/5
2.	The IASC should consider providing guidance on determining the "estimated average annual effective rate," particularly as regards the changes in deferred taxes.	Appendix 2 of IAS 34 provides guidance on measuring interim income tax expense, including a discussion of the "estimated average annual tax rate."	P/5
3.	Concerns have been raised about the need for disclosure of whether a set of interim financial statements complies with the recognition and measurement principles of IAS 34 as well as information required by securities regulators, particularly if a required statement has been omitted or the periods presented do not comply with the standard.	An enterprise is required to disclose whether its interim financial report is in compliance with IAS. In order to assert compliance, all of the requirements of each applicable standard and interpretation of the SIC must be complied with.	2/5
4.	Concerns have been raised about the clarity and consistency of content in interim financial reports. That is, specific line items in the balance sheet, income statement and statement of cash flows should correspond to those in IAS 1, together with any additional significant line items that appeared in the entity's most recent annual balance sheet.	IAS 34.10 only requires interim financial statements to include the "headings and subtotals" from the most recent annual financial statements.	2/P/5
5.	Concerns have been raised about the need to disclose the amounts used in the computation of the numerator and denominator of EPS, as well as a reconciliation of	IAS 34.11 only requires the disclosure of basic and diluted EPS.	2/5

NO.	COMMENT	STATUS	DISPOSITION
	the numerator to the net profit or loss for the period.		
6.	Concerns have been raised about the need for explicit disclosure in the notes as to the limited nature of the information provided.	Not addressed.	2/5
7.	Concerns have been raised about the need to disclose the effects of changes in the composition of the reporting entity. In addition, the major assumptions used in measuring the effect should be disclosed.	Not addressed.	2/P/5
8.	Concerns have been raised about the need for the disclosures in IAS 8, as appropriate, for error corrections and changes in accounting policy.	Not addressed.	2/P/5
9.	Concerns have been raised about the need for precise information on contingencies and major uncertainties, particularly when a going concern is in question. This may include the disclosures in IAS 10.9, .16 and .22 or equivalent.	IAS 34.16(j) only requires disclosure of changes in contingent assets and liabilities since the last annual balance sheet date.	2/5
10.	Concerns have been raised about the need for disclosure of the nature and amount of significant changes in the components of the minimum line items (for each financial statement) since the last annual report.	Not addressed.	2/5
11.	Concerns have been raised about the need for disclosure of dispositions not considered discontinued operations under IAS 35. This may include the	IAS 34.16(i) only requires disclosure of the effect of changes in composition resulting from a disposition.	2/5

IAS 34 -- INTERIM FINANCIAL REPORTING

NO.	COMMENT	STATUS	DISPOSITION
	information in IAS 27.32(b)(iv).	disposition.	
12.	Concerns have been raised about the need for disclosure of EPS and income tax amounts for accounting changes, fundamental errors, discontinued operations and extraordinary items.	Not addressed.	2/5
13	Concerns have been raised about the need to disclose the reasons for any significant changes since the last annual period in total assets and segment result for each segment.	Not addressed.	2/5
14.	Concerns have been raised about the need to include specific disclosures of the items whose measurement is based on annual data or data related to several interim periods.	Not addressed.	2/5

IAS 36 – Impairment of Assets

NO.	COMMENT	STATUS	DISPOSITION
1.	Concerns have been raised about the appropriateness of measuring impairment losses based on an asset's recoverable amount (versus it's fair value).	Impairment losses are computed based on the recoverable amount, which is defined as the greater of an asset's net selling price and value in use.	1/5
2.	Concerns have been raised about the need for disclosure of how a CGU was determined (regardless of whether the enterprise has tested one or more CGUs for impairment), and the accumulated impairment losses of tangible assets, intangible assets and goodwill. Also, disclosure of the carrying amount and the accumulated impairment losses of each CGU should be encouraged.	Not addressed.	2/P/5
3.	Concerns have been raised about the appropriateness of reversing impairment losses.	IAS 36.99 requires impairment losses be reversed if, and only if, there has been a change in the estimates used to determine an asset's recoverable amount.	1/5
4.	Concerns have been raised about the need for disclosure of the nature, the reasons and the effects of any material change in goodwill allocation in a breakdown into CGUs.	Not addressed.	2/5

IAS 37 – PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

NO.	COMMENT	STATUS	DISPOSITION
1.	Concerns have been raised about the appropriateness of not recognizing a provision in circumstances where a board decision taken before the balance sheet date is complemented by another event occurring after the balance sheet date but before the issuance of the financial statements (e.g. public announcement or implementation).	IAS 37.75 indicates that a board decision taken before the balance sheet date does not give rise to a constructive obligation (and therefore a provision) at the balance sheet date unless, before the balance sheet date, the restructuring plan is being implemented or announced.	1/5
2.	Concerns have been raised about the need for additional disclosures related to contingent assets.	Not addressed.	2/P/5
3.	Concerns have been raised about the appropriateness of not recognizing a provision for the sale of assets when (1) there is sale of a subsidiary through a public offering such that the enterprise would be demonstrably committed no later than the publication of the prospectus, when publication obligates the enterprise to accept offers received, and (2) for piecemeal sales when a demonstrable commitment to the restructuring occurs through the adoption of a plan and a public announcement of that plan, which may occur before any or substantially all of the assets are sold and liabilities assumed or settled.	In the case of a restructuring involving a sale of an operation, a binding sale agreement is required before a provision relating to the sale is recognised. However, a constructive obligation may exist for other aspects of the restructuring (see IAS 37.78-79).	1/3/5
4.	The IASC should consider the appropriateness of using probability as a recognition criteria (versus only a measurement criteria).	Probability is a recognition criterion. A provision should be recognised when it is probable that an outflow of resources embodying economic benefits will be required (see IAS 37.14-16).	P/5
5.	The IASC should consider the appropriateness discounting provisions. In addition, additional	Provisions are required to be discounted if the time value of money is material. However,	P

NO.	COMMENT	STATUS	DISPOSITION
	computational guidance should be provided.	there is no specific computational guidance. The IASC has added a discounting project to its agenda.	
6.	The IASC should consider providing additional guidance on the techniques to be used in determining the best estimate, particularly when the obligation being measured does not involve a large population of items. One possibility may be to discuss, as an example, an inappropriate application of the basic principle, then indicate why the application is not appropriate and what should be done.	Provisions are measured at the "best estimate." For a large population, the best estimate is generally computed using the "expected value" method. For a single obligation, the best estimate is generally computed using the most likely outcome (see IAS 37.36-.40).	P/5
7.	The IASC should consider addressing the apparent inconsistency between IAS 37 and IAS 12 regarding the anticipation of changes in regulations.	IAS 37.50 requires incorporating future tax legislation whose passage is "virtually certain" (vs. "substantively enacted" in IAS 12).	P
8.	Concerns have been raised about the appropriateness of using a risk adjusted (versus a risk free) discount rate when computing the present value of a provision.	IAS 37.47 requires that the discount rate reflect the risks specific to the liability.	3/P

IAS 38 - INTANGIBLE ASSETS

NO.	COMMENT	STATUS	DISPOSITION
1.	The IASC should consider ways to adopt consistent recognition and measurement criteria with the impairment standard. The concept of a "group of assets" is a key-factor to follow the value of an enterprise in a more efficient way, as, for the components of a group, there is a link between the elements used for amortization purposes and those used for impairment purposes (useful lives, amortization periods, amount and timing of cash flows and residual values). Therefore, it should be considered to the extent it would be possible to recognize revenue earning activities and to use segments as such.	Not addressed.	P/5
2.	The IASC should consider the accounting for costs incurred in issuing debt securities.	Not addressed.	P/5
3.	The IASC should consider the appropriateness of capitalizing certain expenses (e.g., preliminary studies and functional analysis) relating to the development of computer software. Such amounts should be explicitly excluded from the production cost.	Not addressed.	P/5
4.	Concerns have been raised about the appropriateness of capitalizing costs associated with the development of internally generated intangible assets. Expensing internal development costs and providing meaningful disclosures about the nature and amounts of those expenses, provides more useful information to investors.	Costs to develop internally generated intangible assets should be capitalized where the conditions in IAS 38.19 and .45 are met.	1/5
5.	The IASC should consider revisiting the appropriateness of separability as a minimum criterion for recognition of	Under IAS 38.12, separability is not a necessary condition for identifiability. Also see the IAS 38	P/5

NO.	COMMENT	STATUS	DISPOSITION
	an intangible asset (purchased or acquired).	Basis for Conclusion, paragraphs 26-29.	
6.	The IASC should consider revisiting the introduction of "the ability to restrict the access of others to future economic benefit coming from the asset" as an additional characteristic for the recognition of a purchased intangible asset.	Not addressed.	P/5
7.	The IASC should consider providing more guidance regarding (1) whether expenses have enhanced the originally assessed standard of performance (see IAS 16.24) and (2) the amortization method to be applied to such capitalized costs.	No additional guidance has been provided in IAS 38, although IAS 16.41-.52 discuss depreciation.	P/5
8.	The IASC should consider capitalization of subsequent costs if (1) it is virtually certain that those costs will enable the asset to generate specifically attributable future economic benefits or enhancing the originally assessed standard of performance, and (2) the asset is subject to an impairment test at the end of the reporting period in which capitalization has occurred, even if there is no indication that the asset is impaired.	IAS 38.60 requires capitalization when additional benefits are probable (as opposed to virtually certain). No special impairment tests are required.	P/5
9.	Concerns have been raised about the appropriateness of amortization periods for intangibles longer than 20 years.	Intangible assets should be amortized over their useful life. There is a rebuttable presumption that the useful life of an intangible asset would not exceed 20 years.	1/5
10.	Concerns have been raised about the need to disclose the reasons why a useful life longer than 5 years was selected.	IAS 22 and 38 only require disclosure when lives greater than 20 years are used.	2/5

NO.	COMMENT	STATUS	DISPOSITION
	selected.		
11.	The IASC should consider creating an exception to the general requirement for amortization as far as long-lived intangible assets are concerned.	All intangible assets should be amortized over their useful life. There is a rebuttable presumption that the useful life of an intangible asset would not exceed 20 years.	P/5
12.	Concerns have been raised about the appropriateness of measuring intangible assets at revalued amounts.	IAS 38.64 allows intangible assets to be measured at revalued amounts in certain circumstances.	3/5
13.	Concerns have been raised about the need for disclosure of the nature and amounts of expenses related to internally developed intangibles.	IAS 38.115 requires certain disclosures related to research and development expenditures.	2/5
14.	Concerns have been raised about the need to provide an option to either capitalize or expense the costs for internally generated intangible assets other than goodwill and computer software. Such an option may be appropriate provided that: • The rebuttable presumption for the amortization period is reduced to five years; and • disclosure of what the effect on financial statements would be if the other option were applied (capitalise versus expense).	Not addressed.	W/5

IAS 39, FINANCIAL INSTRUMENTS : RECOGNITION AND MEASUREMENT

NO.	COMMENT	STATUS	DISPOSITION
1.	Concerns have been raised about the appropriateness of fair value accounting (versus cost method accounting) for an equity instrument that does not have a quoted market price in an active market.	Not addressed.	W/5
2.	Concerns have been raised about the need for additional information equivalent to cost accounting for an equity instrument that does not have a quoted market price in an active market or for which other methods of estimating fair value are clearly inappropriate or unworkable (e.g., investments in associates, joint ventures and subsidiaries, investments with access to internal information of the investee resulting from a representation of the investor on the governing body of the investee, without significant influence of the investor).	Not addressed.	2/5
3.	The IASC should consider providing guidance for the situations where an investment is (1) held but not acquired with a view to its subsequent disposal in the near future and (2) acquired and held exclusively for with a view to its disposal in the near future.	IAS 28.12 amended applies only to an investment in an associate that is included in the financial statements of an investor that issues consolidated financial statements and that is not held exclusively with a view to its disposal in the near future (versus an investment "held and not acquired" or "acquired and held" with a view to its disposal in the near future), whereas former IAS 28.12 did not make the latter distinction.	P/5
4.	The IASC should consider fair value accounting for investments acquired and held exclusively with a view to the subsequent disposal of those investments in the near future, so long as those investments are traded on efficient markets, while still permitting cost method of accounting for (1) enterprises operating under severe	IAS 27.13 applies to a subsidiary acquired and held exclusively with a view to its subsequent disposal in the near future or operating under severe long-term restrictions. In contrast, IAS 28.8 provides that an investment acquired and held with a view to its disposal in the near future	P/5

NO.	COMMENT	STATUS	DISPOSITION
	long-term restrictions, and (2) non-marketable securities.	should be accounted for under the cost method.	
5.	Concerns have been raised about the appropriateness of allowing non-derivative financial instruments to be used as hedging instruments. Only derivatives should be permitted as hedging instruments.	IAS 39.10 allows a non-derivative financial asset or liability to be designated as hedging instrument for hedges of foreign currency exchange risks.	1/5
6.	The IASC should consider the use of non-derivatives as hedging instruments, providing that the following situations are addressed: Fair value hedges The hedged item and the hedging instrument are not measured on the same basis and the changes in fair value do not follow the same accounting treatments: 1) Should both legs be measured at fair value in the following cases: • Hedge of a held-to-maturity asset by a fair value liability (derivative or non-derivative instrument) or by a liability measured at cost, and • Hedge of a liability measured at cost by a fair valued asset? 2) Should the gain or loss on the hedged item be recognized in net profit or loss, even if a hedged item otherwise is measured at cost with some changes in fair value unrecognized (unrealized	Not addressed.	P/5

NO.	COMMENT	STATUS	DISPOSITION
	gains or partially unrealized losses other than impairment losses)? Cash flow hedges The IASC should consider giving more guidance on the accounting treatment of the ineffective portion that relates to the hedge of an asset or liability otherwise carried at (amortized) cost; IAS 39.158 (b)(ii) refers to IAS 39.103, which only addresses the case of a non-derivative instrument measured at fair value. As regards foreign exchange hedges using non-derivative instruments, some points remain open: 1. measurement basis, when one of the leg otherwise is measured at cost ; 2. presentation principles in that situation ; 3. treatment applicable to the amounts recognized in equity, for transactions accounted for as cash flow hedges other than forecasted transactions and unrecognized firm commitments; *4.* principles to be followed to designate the hedging instrument and the hedged item in a hedging relationship between a non derivative monetary liability and a monetary asset forming part of a net investment in a foreign entity, and subsequently to identify the accounting treatment applicable (IAS 21 or IAS 39).		

NO.	COMMENT	STATUS	DISPOSITION
7.	Concerns have been raised about the ability to reliably measure the fair value of a contract that includes an embedded derivative, if the embedded derivative cannot be measured separately. In these cases, the exception to fair value accounting in IAS 39.70 would apply to the entire contract.	No explicit statement regarding host contracts involving an embedded derivative. Under IAS 39.70, there is a presumption that fair value can be reliably determined for most financial assets classified as available for sale or held for trading. That presumption can be overcome for an investment in an equity instrument that does not have a quoted market price in an active market and for which other methods of estimating fair value are clearly inappropriate or unworkable. The presumption can also be overcome for a derivative that is linked to and that must be settled by delivery of such an unquoted equity instrument.	3/P/5
8.	The IASC should consider providing additional guidance on the derecognition principles. For example, it is unclear what impact, if any, the following would have on a transferor's ability to derecognize a financial asset: 1. whether a true sale at law has occurred; 2. a deep-in-the-money put option held by the transferee; 3. a removal of accounts provision that allows the transferor to remove individual accounts from the pool of assets sold; 4. a "clean-up call" held by the transferor; 5. a "wash sale" transaction;	Not addressed.	P/5

NO.	COMMENT	STATUS	DISPOSITION
	6. a right of first refusal held by the transferor; and 7. a call option on the beneficial interest in an SPE held by the transferor.		
9.	Concerns have been raised about the appropriateness of allowing changes in the fair value of financial assets to be recorded directly in equity (versus recognition in net profit and loss).	IAS 39.103 provides for an option on the accounting for changes in the fair value of available for sale securities. Such amounts may be recognized either directly in equity or in net profit and loss.	3/P/5
10.	The IASC should consider introducing a specific definition of an active market that used criteria such as the publication and availability of market prices, liquidity, breadth, depth of organization and supervision of the market, and homogeneity of the instruments or components thereof in the market.	Not addressed.	P/5
11.	The IASC should consider the effect of credit, counterparty, prepayment and liquidity risk, on the valuation of loans, bank deposits and non-traded equity securities.	The JWG on financial instruments is developing a paper on fair value measurement considerations.	P/5
12.	The IASC should consider how the conditions described in IAS 39.79 and 83, would be applied to prepayment options. Such options should not result in an enterprise classifying most of financial assets with a fixed maturity, including purchased loans, out of the held-to-maturity category. Also, It is unclear whether a borrower may be considered an issuer pursuant to IAS 39.81 and 87 (b). If this were the case, the issue would not be addressed, as the holder should recover substantially all of the carrying	Not addressed.	P/5

NO.	COMMENT	STATUS	DISPOSITION
	amount of a financial asset to satisfy the criteria for a held-to-maturity investment, which is unlikely to occur when a prepayment option is exercised.		
13.	Concerns have been raised about the need for additional guidance on what is meant by "insignificant" in IAS 39.83.	There is no specific guidance on what is considered "insignificant", although it should be judged in relation to the total held to maturity portfolio.	3/P
14.	Concerns have been raised about the appropriateness of leaving unrealized gains in equity upon reclassification of an asset to amortized cost (versus being subject to reversal if the asset is found to be impaired).	Not addressed, although under IAS 39.117, losses on remeasured assets that are recorded in equity are recognized in profit or loss upon impairment.	3/5
15.	The IASC should consider whether derivatives that are part of a hedging relationship should be recognized and measured at fair value if they hedge cost measured items.	Derivatives that are used for hedging purposes are measured at fair value (see IAS 39.153, 158 and 164).	P/5
16.	Concerns have been raised about the need for a more specific definition of trading activities.	Under IAS 39.18, trading liabilities include derivatives not used for hedging purposes and short sales.	3/5
17.	The IASC should consider whether there are defined circumstances in which a liability that funds trading activities should be recognized at fair value (versus at cost). For example, trading may involve identifying on the balance sheet the financial assets and liabilities that follow trading accounting (i.e., fair value and recognition in net profit and loss).	IAS 39.18 indicates that just because a liability is used to fund trading activities that does not make the liability held for trading. Also see IAS 39.10.	P/5

IAS 39, FINANCIAL INSTRUMENTS : RECOGNITION AND MEASUREMENT

NO.	COMMENT	STATUS	DISPOSITION
18.	Concerns have been raised about the appropriateness of including an enterprise's own creditworthiness in measuring the fair value of a liability.	The JWG on financial instruments is developing a paper on fair value measurement considerations.	1/P
19.	The IASC should consider providing additional guidance on testing and measuring impairment. This guidance should give the reasons for the differences that remain in the impairment provisions applicable to different categories of assets.	Different impairment factors and discount rates are used for financial assets carried at cost and fair value. For financial assets carried at cost, expected future cash flows are discounted at the financial instrument's original effective interest rate, if it is probable that an enterprise will not be able to collect all amounts due according to the contractual terms (cash flows relating to short-term receivables generally are not discounted) (IAS 39.111 and 115). For financial assets carried at fair value, if there is objective evidence that the asset is impaired and if its recoverable amount is below its original acquisition cost, the cumulative net loss that had been recognized directly in equity should be removed from equity and recognized in net profit or loss; the recoverable amount of a debt instrument is the present value of future cash flows discounted at the current market rate of interest for a similar financial asset; also there is no use of the notion of probability (IAS 39.117 and 118).	P/5
20.	Concerns have been raised about measuring impairments for a portfolio of homogenous assets, such as loans, receivables (debtors) or securities, on a portfolio basis rather than on an individual security basis. A portfolio analysis should not be applied to securities.	IAS 39.111 indicates that if it is probable that all amounts due will not be collected, then an impairment loss is recognized and generally measured for individual assets. Under IAS 39.112, impairment may be measured on a portfolio basis for similar assets. No mention of	3/P/5

NO.	COMMENT	STATUS	DISPOSITION
		portfolio basis for similar assets. No mention of application to securities.	
21.	Concerns have been raised about the need for additional guidance on the ability to use hedge accounting. For example, it is unclear whether assets, liabilities, firm commitments or forecasted transactions measured at fair value, through profit or loss, can be designated as the hedged item in a fair value or cash flow hedge.	Not addressed.	3/P/5
22.	Concerns have been raised about the appropriateness of including the accumulated gain or loss on a forecasted transaction or firm commitment in the initial cost basis of an acquired asset or liability (i.e., basis adjustment).	IAS 39.160 requires the accumulated gain or loss on a forecasted transaction or firm commitment should be removed from equity and included in the initial cost basis of the asset acquired or liability incurred.	1/5
23.	Concerns have been raised about the appropriateness of recognizing the cumulative amount of recognized gains or losses on the hedging instrument in equity. The gain or loss on the hedging instrument should be deferred until the hedged item affects net profit or loss, at which time it should be included in net profit or loss.	IAS 39.158 requires the accumulated gain or loss on a hedge of a forecasted transaction or firm commitment to be recognized directly in equity. Under IAS 39.60, such amounts are removed from equity and included in the initial cost basis of the asset acquired or liability incurred.	1/5
24.	The IASC should consider the effect of applying IAS 37 to financial guarantees.	Financial guarantees that provide for payment in the event that the debtor fails to make payment when due are excluded from the scope of IAS 39 and addressed in IAS 37. However, contracts that provide for payment in response to changes in an underlying are subject to IAS 39(1f). Also see IAS 39.56.	P/5

NO.	COMMENT	STATUS	DISPOSITION
25.	Concerns have been raised about how certain financial services industries would apply the fair value measurement principles in IAS 39.	IAS 39.120 indicates that certain financial services industries measuring substantially all financial assets at fair value will be able to continue to do so if their financial assets are classified under IAS 39 as either available for sale or held for trading. If an enterprise does not designate any financial assets as held-to-maturity then they must use fair value under IAS 39. If financial assets are classified as held for trading, then fair value changes must be recorded in net profit or loss.	3/P/5
26.	The IASC should consider revisting the definitions of equity instruments and liabilities. For example, it is not clear how the features used in IAS 39 interact with those used under IAS 32.5, 16, 20 and 21 to differentiate equity instruments from liabilities, which use characteristics opposite to those of a financial liability (e.g., no obligation on the issuer to deliver cash or another financial asset, and no obligation on the issuer to exchange another financial instrument with the holder under conditions that are potentially unfavorable to the issuer). Potential inconsistencies between IAS 32 and IAS 39 or within IAS 39, in cases where emphasis is put on the manner in which the obligation is settled: • "An obligation of an enterprise to issue or deliver its own equity instruments (…) is itself an equity instrument (…)" (IAS 32.16); • IAS 39.24 (b), which also refers to the manner the call	Under IAS 39.8 and IAS 32, an equity instrument is defined as "any contract that evidences a residual interest in the assets of an enterprise after deducting all of its liabilities". IAS 39.11 and 12 elaborate on the definition of an equity instrument issued by an enterprise, using as new differentiating features the exposure to gain or loss from fluctuations in the price of its own equity securities (IAS 39.11) or from changes in the equity of the enterprise (IAS 39.12). Under IAS 32.20, when an obligation exists, the instrument meets the definition of a financial liability regardless of the manner in which the obligation will be settled. Conversely, under IAS 32.21, a financial instrument that does not give rise to such an obligation is an equity instrument. Conversely, under IAS 39.11, an instrument should not be considered equity just because it is	P/5

NO.	COMMENT	STATUS	DISPOSITION
	option is required to be settled. In addition, other questions might arise, for example, could an instrument issued by an enterprise not be considered equity in the following cases: 1. Instrument required to be settled in cash or another financial asset and amount to be settled exposed to gain or loss from fluctuations in the price of an enterprise's own equity or from changes in the equity of the enterprise; 2. Instrument required to be settled either in cash or another financial asset or in an enterprise's own equity instrument, exposed to fluctuations or changes (see above) and subject to the enterprise's or its shareholders' decision (principal and/or revenue); 3. Same instrument as above with the holder participating in the risks or entitled to benefits.	settleable in shares. Under IAS 32.21, the absence of an obligation on the issuer characterizes an equity instrument; therefore the manner of settlement and the participation in the risks and returns would have no impact on the qualification. Under IAS 39.71, an example of an investment that is in substance an equity instrument is special participation rights without a specified whose return is linked to an enterprise's performance.	
27.	Concerns have been raised about the need for additional guidance in determining whether impairment exists. Items to be considered include (1) the length of time and the extent to which the fair value has been less than cost, and (2) the intent and ability of the holder to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.	Not addressed.	3/5
28.	Concerns have been raised about the need for additional guidance on what is meant by "similar assets or liabilities" in IAS 39.132. For example, could derivatives be	No specific guidance is provided on what is meant by "similar assets or liabilities".	3/P

NO.	COMMENT	STATUS	DISPOSITION
	included in a group at all? or only in a grouping with other derivatives? How would these hedges be treated if a portion of the hedged group is sold, extinguished or transferred?		
29	The IASC should consider possible inconsistencies between IAS 39 and IAS 21. For example, foreign exchange gains and losses on monetary financial assets generally are reported in net profit or loss, whereas the other component of the change in fair value may be reported in net profit or loss or equity. With regard to differences in presentation, IAS 39 requires that the fair value adjustments (on both the foreign exchange and the other components) always be included in net profit or loss; which would have the advantage to avoid any mismatch in the presentation of financial statements due to foreign exchange translations. It may be necessary to clarify: 1) The order to be followed to determine the carrying amount (foreign exchange differences should be computed in first or second place); 2) When there are adverse changes in value on the foreign exchange component and the other component, whether or not offsetting is permitted in certain circumstances; for example, in the cases where a foreign exchange gain/loss is recognized (generally in net profit or loss): • the gain on the other component is recognized (either in net profit or loss or in equity, for assets measured at fair value) or	Not addressed.	P/5

NO.	COMMENT	STATUS	DISPOSITION
	unrecognized (assets measured at cost); • the gain/loss on the other component is unrecognized (non trading liabilities, which are measured at cost); and 3) How changes in value should be presented or disclosed if the value adjustments are not reported in the same place.		

Appendix D

Paris July 9, 1995

JOINT PRESS RELEASE

The Board of the IASC and IOSCO's Technical Committee are pleased to announce that an important milestone has been reached in the development of International Accounting Standards (IAS). The Board has developed a work plan that the Technical Committee agrees will result, upon successful completion, in IAS comprising a comprehensive core set of standards. Completion of comprehensive core standards that are acceptable to the Technical Committee will allow the Technical Committee to recommend endorsements of IAS for cross-border capital raising and listing purposes in all global markets. IOSCO has already endorsed IAS 7, "Cash Flow Statements", and has indicated to the IASC that 14 of the existing international standards do not require additional improvement, providing that the other core standards are successfully completed.

Both the IASC and IOSO agree there is a compelling need for high quality, comprehensive IAS. The goal of both bodies is that financial statements prepared in accordance with IAS can be used worldwide in cross border offerings and listings as an alternative to the use of national accounting standards.

"Companies should now feel confident the IASC and IOSCO are fully committed to developing IAS that will be acceptable everywhere in the world and recognize the efficiencies that may be obtained from using IAS", noted Michael Sharpe, the new chairman of the IASC Board. Ed Waitzer, the chairman of IOSCO's Technical Committee, agreed and added that "the Board should be proud of its accomplishments to date and the work plan. IOSCO is committed to working with the IASC to ensure a successful completion of the work plan on a timely basis".

TABLE 1

IASC WORK PROGRAMME - 1995-1999 - CURRENT AND POSSIBLE FUTURE PROJECTS

(June 1995)

	1995	1996			1997			1998			1999		
Project	**Nov**	**Mar**	**June**	**Sept**	**March**	**June**	**Nov**	**March**	**June**	**Nov**	**Mar**	**June**	**Nov**
Income Taxes	IAS												
Financial Instruments	Dis	Dis	Dis	ED			IAS						
Earnings Per Share	ED			Dis	IAS								
Intangibles		Dis	IAS										
Segments	ED			Dis	IAS								
Presentation	SOP		ED			Dis	IAS						
Agriculture		PO		Dis	SOP	ED			Dis	IAS			
Retirement Benefit Costs etc		PO		Dis		SOP	ED			Dis	IAS		
Interim Reporting	PP		PO			Dis	SOP	ED		Dis	IAS		
Discontinued Operations	PP		PO			SOP	ED		Dis	IAS			
Provisioning & Contingencies		PP		PO		Dis	SOP	ED			Dis	IAS	
Leases		PP		PO		Dis	SOP	ED			Dis	IAS	
Research & Development Revision			PP		ED			Dis	IAS				
Impairment Revision			PP		ED			Dis	IAS				
Investments Revision					PP			ED			Dis	IAS	
Goodwill Revision					PP			ED			Dis	IAS	
Number of Items	7	6	7	7	7	7	7	7	4	4	6	4	

Appendix D (2)

Letters to the IASC on the Core Standards
(From IOSCO Working Party No. 1 and Individual
Working Party Members)

Letters on General Topics

1. IOSCO letter, dated 8/16/93, setting out necessary components of the core standards

2. Two IOSCO letters, each dated 6/17/94, to Eiichi Shiratori summarizing the IOSCO review of E32 and other IASC standards (the "Shiratori letters")

3. Joint Press Release, dated 7/9/95

4. IOSCO letter, dated 3/24/97, reassessing concerns in two letters dated 6/17/94

Appendix D (2)

Letters to the IASC on the Core Standards
(From IOSCO Working Party No. 1 and Individual
Working Party Members)

Letters on Individual Core Standards

IAS 1 – Presentation of Financial Statements (Revised 1997)

1. IOSCO letter, dated 10/24/96, on E53, *Presentation of Financial Statements*
2. ASIC letter, dated 12/19/96, on E53, *Presentation of Financial Statements*
3. CBF letter, dated 3/18/96, on DSOP, *Presentation of Financial Statements*
4. COB letter, undated, regarding comments on *Presentation of Financial Statements*
5. SEC staff letter, dated 8/7/95, on DSOP, *Presentation of Financial Statements*
6. SEC staff letter, dated 11/17/96, on E53, *Presentation of Financial Statements*
7. SEC staff letter, dated 3/31/97, on true and fair view override
8. Carsberg letter, dated 5/6/97, responding to SEC override letter of 3/31/97
9. SEC staff letter, dated 5/19/97, on true and fair view override

IAS 2 – Inventories (Revised 1993)

No separate letters

IAS 4 – Depreciation Accounting (Reformattted 1994)

No separate letters

IAS 5 – Information to be Disclosed in Financial Statements (Superseded by IAS 1, effective 7/1/98)

No separate letters

IAS 7 – Cash Flow Statements (Revised 1992)

1. IOSCO letter, dated 8/16/93, on cash flow statements

Letters to the IASC on the Core Standards (From IOSCO Working Party No. 1 and Individual Working Party Members)

IAS 8 – Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies (Revised 1993)

No separate letters

IAS 9 – Research and Development Costs (Superseded by IAS 38, effective 7/1/99)

1. IOSCO letter, dated 9/20/96, on IAS 9

IAS 10 – Events After the Balance Sheet Date (revised 1999)

1. IOSCO letter, dated 2/24/99, on E63, *Events after the Balance Sheet Date*

[See also IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, for related letters]

IAS 11 – Construction Contracts (Revised 1993)

No separate letters

IAS 12 – Income Taxes (Revised 1996)

1. ASIC letter, dated 8/27/98, on E49, *Income Taxes*
2. CBF letter, dated 3/21/96, on E49, *Income Taxes*
3. COB letter, undated, on E49, *Income Taxes*
4. Personal summary letter, dated 6/15/95, of Working Party discussions on E49 sent to IASC by Rich Reinhard
5. SEC staff letter, dated 6/28/95, on E49, *Income Taxes*

IAS 13 – Presentation of Current Assets and Current Liabilities (Superseded by IAS 1, effective 7/1/98)

No separate letters

IAS 14 – Segment Reporting (Revised 1997)

1. IOSCO letter, dated 4/25/96, on E51, *Reporting Financial Information by Segment*

Letters to the IASC on the Core Standards
(From IOSCO Working Party No. 1 and Individual
Working Party Members)

2. SEC staff letter, dated 2/8/95, on DSOP, *Reporting Financial Information by Segment*
3. SEC staff letter, dated 2/7/95, regarding congruence of US and IASC Standards
4. SEC staff letter, dated 7/11/96, on E51, *Reporting Financial Information by Segment*

IAS 16 – Property, Plant and Equipment (Revised 1998)

No separate letters

IAS 17 – Leases (Revised 1997)

1. IOSCO letter, dated 9/8/97, on E56, *Accounting for Leases*
2. SEC staff letter, dated 9/5/97, on E56, *Accounting for Leases*

IAS 18 – Revenue (Revised 1993)

No separate letters

IAS 19 – Employee Benefits (Revised 1998)

1. IOSCO letter, dated 5/1/97, on E54, *Employee Benefits*
2. SEC staff letter, dated 3/18/97, on E54, *Employee Benefits*

IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance (Reformatted 1994)

No separate letters

IAS 21 – The Effects of Changes in Foreign Exchange Rates (Revised 1993)

No separate letters

Letters to the IASC on the Core Standards
(From IOSCO Working Party No. 1 and Individual
Working Party Members)

IAS 22 – Business Combinations (Revised 1998)

No separate letters

[See IAS 38 for letters addressing E61, *Business Combinations*]

IAS 23 – Borrowing Costs (Revised 1993)

No separate letters

IAS 24 – Related Party Disclosures (Reformatted 1994)

No separate letters

IAS 25 – Accounting for Investments[18]

1. IOSCO letter, dated 7/6/98, regarding investment properties
2. Carsberg letter, dated 7/24/98, responding to letter of 7/6/98
3. IOSCO letter, dated 10/24/99, on E64, *Investment Property*

IAS 27 – Consolidated Financial Statements and Accounting for Investments in Subsidiaries (Reformatted 1994)

No separate letters

IAS 28 – Accounting for Investment in Associates (Revised 1998)

No separate letters

IAS 29 – Financial Reporting in Hyperinflationary Economies (Reformatted 1994)

No separate letters

IAS 31 – Financial Reporting of Interests in Joint Ventures (Revised 1998)

No separate letters

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[18] Will be superseded with completion of E64, *Investment Property*

Appendix D (2)

Letters to the IASC on the Core Standards
(From IOSCO Working Party No. 1 and Individual
Working Party Members)

IAS 32 – Financial Instruments: Disclosure and Presentation

1. SEC staff letter, dated 3/21/95, on financial instruments

IAS 33 – Earnings Per Share

1. IOSCO letter, dated 8/8/96, on E52, *Earnings Per Share*

IAS 34 – Interim Financial Reporting

1. IOSCO letter, dated 4/21/97, on DSOP, *Interim Financial Reporting*
2. IOSCO letter, dated 4/13/98, on E57, *Interim Financial Reporting*

IAS 35 – Discontinuing Operations

1. IOSCO letter, dated 3/25/98, on E58, *Discontinuing Operations*

IAS 36 – Impairment of Assets

1. IOSCO letter, dated 11/21/97, on E55, *Impairment of Assets*
2. IOSCO letter, dated 3/19/98, on E55, *Impairment of Assets*

IAS 37 – Provisions, Contingent Liabilities and Contingent Assets

1. IOSCO letter, dated 4/18/96, on project regarding the meaning of the term probable
2. IOSCO letter, dated 5/7/97, on DSOP, *Provisions and Contingencies*

IAS 38 – Intangible Assets

1. IOSCO letter, dated 6/17/94, on DSOP, *Intangible Assets*
2. IOSCO letter, dated 1/22/98, on E60, *Intangible Assets*, and E61, *Business Combinations*
3. ASIC letter, dated 5/27/94, on DSOP, *Intangible Assets*
4. ASIC letter, dated 5/30/94, on DSOP, *Intangible Assets*
5. ASIC letter, dated 1/11/96, on E50, Intangible Assets
6. CBF letter, dated 3/21/96, on E50, *Intangible Assets*

Letters to the IASC on the Core Standards
(From IOSCO Working Party No. 1 and Individual
Working Party Members)

7. COB letter, dated 9/4/96, on intangible assets, research and development cost revision, and business combination revision
8. COB letter, dated 9/20/96, regarding letter of 9/4/96
9. COB letter, undated, on E50, *Intangible Assets*
10. SEC staff letter, dated 8/21/97, on board approval of E60, E61
11. SEC staff letter, dated 7/1/98, on the proposed final standards on intangible assets and revisions to IAS 22, *Business Combinations*

IAS 39 – Financial Instruments: Recognition and Measurement

1. IOSCO letter, dated 8/22/97, on Discussion Paper, *Accounting for Financial Assets and Financial Liabilities*

2. IOSCO letter, dated 10/20/98, on E62, *Financial Instruments: Recognition and Measurement*

3. SEC staff letter, dated 10/6/97, on Discussion Paper, *Accounting for Financial Assets and Financial Liabilities*

4. SEC staff letter, dated 10/27/98, on E62, *Financial Instruments: Recognition and Measurement*

Appendix D (2)

Letters to the IASC on the Core Standards
(From IOSCO Working Party No. 1 and Individual
Working Party Members)

Letters on SIC Interpretations

1. IOSCO letter, dated 2/11/98, on SIC D-4, *Classification of Financial Instruments -Issuer's Settlement Option*

2. IOSCO letter, dated 4/15/98, on SIC D-9, *Classification of Business Combinations as either Acquisitions or Unitings of Interests*

3. IOSCO letter, dated 4/15/98, on SIC D-11, *Capitalization of Exchange Losses Resulting from Severe Currency Devaluations*

4. IOSCO letter, dated 9/21/98, on SIC D-12, *Consolidation of Special Purpose Entities*

5. IOSCO letter, dated 9/18/98, on SIC D-13, *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*

6. IOSCO letter, dated 9/18/98, on SIC D-14, *Property, Plant and Equipment – Compensation for the Impairment or Loss of Items*

7. IOSCO letter, dated 9/18/98, on SIC D-16, *Presentation of Treasury Shares*