



International Accounting Standards Board®

Press Release

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INTERNATIONAL ACCOUNTING STANDARDS BOARD PROPOSES WIDE-RANGING IMPROVEMENTS

The International Accounting Standards Board (IASB) today published for public comment proposals to revise 12 of its 34 active standards. The proposals are in the form of an exposure draft, *Improvements to International Accounting Standards*, on which comments are invited by 16 September 2002.

This exposure draft is the first product of the IASB's Improvements project, which aims to raise the quality and consistency of financial reporting by drawing on best practice from around the world, and removing options in international standards. The Improvements project is a first step by the IASB to promote convergence on high quality solutions in its objective to establish a globally accepted set of accounting standards.

The release of the Exposure Draft marks the IASB's initial response to the demand for the continued development and rapid improvement of international standards by market participants, including regulators through the International Organization of Securities Commissions (IOSCO), national standard-setters, the IASB's Standards Advisory Council and other commentators. The project has been given added impetus by the European Union's proposals to require publicly listed companies to use international standards from January 2005.

Introducing the exposure draft, Sir David Tweedie, IASB Chairman, said:

“Investors, business, and policymakers worldwide are looking to the IASB as the international standard-setter, in partnership with national standard-setters, to lead the global drive towards better financial reporting, based on convergence towards high quality solutions. The IASB's new accounting standards will take time to develop, and in the meantime we are keen to fix problems with existing standards now if an acceptable

solution is readily available. The publication of this exposure draft therefore marks the beginning of our effort to improve existing standards, and the next part will follow soon with the publication of proposals to revise the two standards on financial instruments. In the next quarter our priorities will be to bring forward draft guidance for those adopting international standards for the first time and proposals to overhaul the reporting of business combinations, including reforms to accounting for goodwill.”

Copies of the exposure draft *Improvements to International Accounting Standards* (ISBN 0 905625 79 X) are available, at £20.00 each (€ 34 / US \$31) including postage, from: IASB Publications Department, 7th Floor, 166 Fleet Street, London EC4A 2DY, United Kingdom. Tel: +44 (0)20 7427 5927, Fax: +44 (0)20 7353 0562, Email: publications@iasb.org.uk Web: www.iasb.org.uk

From 25 May the complete text of the exposure draft will be freely available on the IASB’s Website.

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Press enquiries:

Sir David Tweedie, Chairman, IASB,
telephone: +44 (0)20 7246 6420, email: dtweedie@iasb.org.uk

Tom Jones, Vice-Chairman, IASB
telephone: +44 (0)20 7246 6430, email: tjones@iasb.org.uk

Kevin Stevenson, Director of Technical Activities, IASB,
telephone: +44 (0)20 7246 6460, email: kstevenson@iasb.org.uk

NOTES TO EDITORS

1 The International Accounting Standards Board (IASB), based in London, began operations in 2001. It is funded by contributions from the major accounting firms, private financial institutions and industrial companies throughout the world, central and development banks, and other international and professional organisations. The 14 Board members (12 of whom are full-time) reside in nine countries and have a variety of functional backgrounds. The Board is committed to developing, in the public interest, a single set of high quality, global accounting standards that require transparent and comparable information in general purpose financial statements. In pursuit of this objective, the Board cooperates with national accounting standard-setters to achieve convergence in accounting standards around the world.

2 Upon its inception the IASB adopted the body of International Accounting Standards (IASs) issued by its predecessor, the International Accounting Standards Committee.

3 Examples of the improvements to IASs proposed in the exposure draft are as follows:

Convergence:

- The definition of related parties will be extended to cover further parties (eg joint ventures and pension plans) and further information (eg amounts of transactions and balances, terms and conditions, details of guarantees).
- It will no longer be permitted to label items of income or expense as extraordinary items either in the income statement or in the notes.
- The guidance on the calculation of earnings per share will be expanded and conformed to practice in a number of countries.

Removal of options:

- LIFO (last in, first out—an inventory valuation method sometimes used in the US and elsewhere) will be prohibited.
- Corrections of errors will now have to be accounted for retrospectively and not either through current income or retrospectively.
- Similarly, voluntary changes in accounting policies will also have to be accounted for retrospectively and not either through current income or retrospectively.

Other improvements:

- Requirements are introduced to ensure that compliance with standards does not lead to misleading results in jurisdictions where compliance is mandatory irrespective of circumstance.
- Disclosure is required of the critical judgements made by management in applying accounting policies.
- Disclosure is required of the key assumptions about uncertainties made by management that could cause material adjustment of the carrying amounts of assets and liabilities in financial statements.
- Separate disclosure is required of the amounts by which inventories have been written down.

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