

September 16, 2008  
Vol. 15, Issue 34

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## FASB and IASB Publish Plan for Completion of Major Joint Projects by 2011

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On September 11, 2008, the FASB and IASB issued an updated memorandum of understanding (MOU) describing the priorities and milestones related to their completion of major joint projects by 2011. The two boards have made considerable progress in converging their two sets of standards since the original MOU was issued in 2006. For example, the FASB issued standards that introduced a fair value option and largely converged the accounting for business combinations in U.S. GAAP with that in IFRSs. In addition, to converge IFRSs with U.S. GAAP, the IASB issued new or revised standards on borrowing costs and segment reporting and is expected to issue a revised standard on joint ventures at the beginning of 2009.

Notwithstanding these accomplishments, the boards' progress on many of the major projects has been limited. Reasons for this lack of progress include differences in views about (1) agenda size and project scope, (2) the most appropriate approach, and (3) whether and how similar issues in active projects should be resolved consistently. In response, the boards put together a small team to develop recommendations on how to move forward with the remaining projects to achieve a 2011 completion date. The scopes and objectives of many of the projects have been, or are expected to be, revised. For example, the boards recently decided to exclude lessor accounting from the scope of the leases project.

**Editor's Note:** There are two reasons why it is important to complete the projects by 2011. First, a number of countries, such as Canada, India, Japan, and Korea, have announced plans to adopt or converge with IFRSs beginning in 2011. If the projects are completed by 2011, those countries will avoid having to adopt new standards shortly after making the transition to IFRSs. Second, in accordance with its proposed IFRS roadmap, the SEC will determine in 2011 whether to require mandatory adoption of IFRSs for all U.S. issuers starting in 2014. In doing so, it will evaluate the progress of the various milestones included in that roadmap, one of which is improvements to IFRSs. For more information on the SEC's proposed roadmap and proposed rule changes for U.S. issuers, see Deloitte's [August 28, 2008, Heads Up](#).

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### A Change in Strategy by the FASB?

Convergence was a cornerstone of the SEC's original IFRS roadmap issued in 2005, which outlined necessary steps toward removing the requirement for foreign private issuers to reconcile IFRSs to U.S. GAAP. Now that this requirement has been removed, the SEC recently announced an IFRS roadmap that proposes a mandatory transition date for all U.S. issuers and rule changes that would give certain U.S. issuers the option to begin using IFRSs in fiscal years ending on or after December 15, 2009.

This recent SEC activity has caused the FASB to rethink its convergence strategy. Specifically, the FASB is expected to decide whether its policy should be to adopt existing IFRSs or continue to develop standards that may or may not be entirely converged with IFRSs. For example, over the past several years the FASB and IASB have been working together closely on improving the accounting for income taxes. Nevertheless, some differences between U.S. GAAP and IFRSs would remain in significant areas of income tax accounting such as share-based payments and uncertain tax positions. In reviewing its strategy, the FASB will solicit input from U.S. constituents by issuing an Invitation to Comment containing the IASB's revised version of IAS 12, *Income Taxes*. Depending on the comments it receives, the FASB may decide to adopt this revised standard as well as certain other IFRSs such as IAS 40, *Investment Property*, and IAS 38, *Intangible Assets*.

**Editor's Note:** The FASB's decision to review its strategy is consistent with the message of SEC Chief Accountant Conrad Hewitt at the June 16, 2008, FASB Forum on High-Quality Global Accounting Standards. Mr. Hewitt suggested that to avoid confusion among investors, the FASB should conform its newly issued standards to those of the IASB.

*The boards will consider staggering the effective dates of their new standards so that multiple standards do not become effective on the same date.*

## Major Joint Projects — What's the Plan?

In updating the MOU, the boards noted that the major joint projects will take into consideration their ongoing efforts to improve and converge their conceptual frameworks. The boards will also consider staggering the effective dates of their new standards so that multiple standards do not become effective on the same date. The table below (reprinted and adapted from the MOU) lists the 11 project topics that were identified in the 2006 MOU. Note that the time frame for a project's completion may change depending on comments the boards receive.

Convergence Topic	Progress Expected to Be Achieved by 2008, as Stated in the 2006 MOU	Current Status	Estimated Completion Date	Next Step(s)
1. Business combinations	To have issued converged standards (projected for 2007), the contents and effective dates of which to be determined after taking full account of comments received in response to the Exposure Drafts.	Project was completed and common standards were published.	Project was completed in 2007. FASB Statement No. 141(R), <i>Business Combinations</i> , was issued in 2007. The revisions to IFRS 3, <i>Business Combinations</i> , were issued in 2008.	Post-implementation review after the revised standards have been applied for two years (review planned for the first half of 2012).

Convergence Topic	Progress Expected to Be Achieved by 2008, as Stated in the 2006 MOU	Current Status	Estimated Completion Date	Next Step(s)
2. Financial instruments (replacement of existing standards)	To have issued one or more due process documents relating to the accounting for financial instruments.	IASB: Discussion paper published in 2008.  FASB: Invitation to Comment published on IASB discussion paper.  FASB issued Exposure Draft to simplify hedge accounting in mid-2008.	To be determined.	Decision by late 2008 regarding the nature and scope of any proposed improvements to U.S. GAAP and IFRSs, after considering comments on the IASB discussion paper and on the FASB Exposure Draft to simplify hedge accounting.
3. Financial statement presentation	To have issued one or more due process documents on the full range of topics in this project.	IASB: Issued a revision to IAS 1, <i>Presentation of Financial Statements</i> , in 2007. Joint board deliberations are ongoing.	2011.	Preliminary views/ discussion paper in third quarter of 2008.
4. Intangible assets	To have considered the results of the IASB's research project and made a decision about the scope and timing of a potential agenda project.	Inactive — the boards decided in 2007 not to add a project to their joint agenda.	Not part of the active agenda.	Not part of the active agenda.
5. Leases	To have considered and made a decision about the scope and timing of a potential agenda project.	Project added to the joint agenda. Board deliberations are ongoing.	2011.	Preliminary views/ discussion paper to be published in the second half of 2008.
6. Liabilities and equity distinctions	To have issued one or more due process documents relating to a proposed standard.	Preliminary views/ discussion paper published in the first half of 2008.	2011.	Exposure Draft in 2009.

Convergence Topic	Progress Expected to Be Achieved by 2008, as Stated in the 2006 MOU	Current Status	Estimated Completion Date	Next Step(s)
7. Revenue recognition	To have issued one or more due process documents relating to a proposed comprehensive standard.	Joint board deliberations are ongoing.	2011.	Preliminary views/ discussion paper to be published in fourth quarter of 2008.
8. Consolidations	To implement work aimed at the completed development of converged standards as a matter of high priority.	Both boards to publish Exposure Drafts in 2008.	Both Boards to issue final standards in 2009–2010.	Decision in 2008 on a strategy to develop a common standard.
9. Derecognition	To have issued a due process document relating to the results of staff research efforts.	Both boards to publish Exposure Drafts in 2008 or early 2009.	Both Boards to issue final standards in 2009–2010.	Decision in 2008 on a strategy to develop a common standard.
10. Fair value measurement	To have issued converged guidance aimed at providing consistency in the application of existing fair value requirements.	FASB: Completed standard. IASB: Issued discussion paper in 2007. Board deliberations are ongoing.	FASB: Standard issued in 2006. IASB: 2010.	IASB: Exposure Draft in first half of 2009.  FASB: Review Statement No. 157, <i>Fair Value Measurements</i> , in light of the IASB's deliberations.
11. Post-employment benefits (including pensions)	To have issued one or more due process documents relating to a proposed standard.	FASB: Completed first stage of FASB-defined project. IASB: Discussion paper issued in March 2008.	IASB: 2011.	IASB: Exposure draft in 2009, following consideration of comments on discussion paper.

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