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Heads Up

In This Issue:

The purpose of the Work Plan is to provide the SEC with the information it needs to make a well-informed decision in 2011 about whether, when, and how the U.S. financial reporting system should make the transition to a system incorporating IFRSs.

One Step Closer to IFRSs?

SEC Issues First Progress Report on Consideration of Incorporating IFRSs Into U.S. System

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Introduction

In February 2010, when the SEC issued a statement on its commitment to the development of a single set of high-quality globally accepted accounting standards, it directed the SEC staff to execute a "Work Plan"[1] addressing specific areas of concern related to the incorporation of IFRSs into the U.S. financial reporting system. As discussed in Deloitte's February 26, 2010, *Heads Up*, the purpose of the Work Plan is to provide the SEC with the information it needs to make a well-informed decision in 2011 about whether, when, and how the U.S. financial reporting system should make the transition to a system incorporating IFRSs. In its February statement, the SEC indicated that it would provide frequent public progress reports beginning no later than October 2010 and continuing thereafter through completion of the Work Plan.

On October 29, in accordance with that commitment, the SEC's staff issued its first public progress report on the staff's efforts and observations to date under the Work Plan. For each of the six areas of concern identified in the Work Plan, the progress report summarizes the objectives of the Work Plan as well as the SEC staff's efforts in executing the Work Plan and its preliminary observations to date, as applicable.

As noted in the progress report, "many of the Staff's efforts are currently in process and are not expected to be completed until 2011, particularly as they relate to consideration of the sufficient development and application of IFRS for the U.S. domestic reporting system and the independence of standard setting for the benefit of investors." The SEC staff intends to continue to report periodically on the status of the Work Plan.

In addition to considering the information obtained through execution of the Work Plan, the SEC will assess the progress on the FASB's and IASB's current convergence projects before making a final decision in 2011 on the use of IFRSs by U.S. issuers.

This *Heads Up* summarizes:

- The progress report and, for each of the six areas of concern identified in the Work Plan, the SEC staff's efforts in executing the Work Plan and its preliminary observations to date, as applicable. Appendix A contains a tabular summary of the progress report.

[1] "Work Plan for the Consideration of Incorporating International Financial Reporting Standards Into the Financial Reporting System for U.S. Issuers."

- The FASB's and IASB's convergence progress. Appendix B outlines the new target date for each convergence project, and Appendix C outlines standards being developed jointly by the FASB and IASB on which input about the effective dates and transition methods has been requested.

Progress Report

The progress report addresses the following six areas of concern identified in the Work Plan:

1. Sufficient development and application of IFRSs.
2. Independent standard setting.
3. Investor understanding and education.
4. Impact on the regulatory environment.
5. Impact on issuers.
6. Human capital readiness.

Editor's Note: The first two areas of concern primarily address the SEC's consideration of *whether* to incorporate IFRSs into the U.S. financial reporting system. The remaining four areas address transitional considerations, i.e., *how* to make the transition to a financial reporting system incorporating IFRSs, including the scope and timing of, and approach to, any necessary changes.

The SEC staff has been evaluating the sufficiency and development of IFRSs by comparing IFRSs with U.S. GAAP.

Sufficient Development and Application of IFRSs

To help determine whether IFRSs are "sufficiently developed and applied to be the single set of globally accepted accounting standards for U.S. issuers," the SEC staff is analyzing whether IFRSs (1) are comprehensive, auditable, and enforceable and (2) allow comparability "within and across jurisdictions."

Update on Staff's Efforts

The SEC staff has been evaluating the sufficiency and development of IFRSs by comparing IFRSs with U.S. GAAP. The staff has focused in particular on areas that are unaffected by current convergence projects between the FASB and the IASB. The staff is also examining how IFRSs are being applied in practice by conducting outreach efforts with constituents (including investors, issuers, auditors, regulators, and academics) to obtain their perspectives on the application of IFRSs as well as to obtain input from regulators in other jurisdictions on best practices and lessons learned related to the incorporation of IFRSs into their financial reporting systems. The staff is also reviewing the IFRS financial statements of a number of jurisdictions to evaluate the application of IFRS accounting and disclosure policies.

In its evaluation of comprehensiveness, the staff is identifying (1) the extent to which a move from U.S. GAAP to IFRSs would result in more guidance or less; (2) how investors, preparers, and auditors currently deal with the absence of guidance in certain practice areas; and (3) potential recommendations for standard setting.

The staff is also analyzing audit and regulatory challenges in the application of IFRSs, including trends in error corrections and accounting-related enforcement actions in the United States and abroad to determine whether use of IFRSs "may impair auditor and regulator efforts." For instance, the staff plans to evaluate the role of prescriptive accounting guidance in the SEC's enforcement activities in connection with financial reporting.

Further, the staff is evaluating whether use of IFRSs may reduce comparability as a result of less prescriptive guidance, lack of guidance, or accounting policy options. The staff is assessing the level of comparability in practice in part by examining how IFRSs have been incorporated into various jurisdictions and by reviewing financial statements prepared under IFRSs.

Staff's Preliminary Observations

According to the staff's research on a sample of jurisdictions, the majority have incorporated or intend to incorporate IFRSs either in full or to some extent into their reporting requirements for listed companies. The jurisdictions in the sample "span six continents and encompass over 90 percent of world gross domestic product." The research identified two possible approaches to incorporating IFRSs into the U.S. financial reporting system:

- *Use of IFRSs as issued by the IASB* — The first approach is to use IFRSs, as issued by the IASB, without any national incorporation process for individual IFRSs. This is "the purest form of 'adoption of IFRS,'" and, according to the staff's research, is used by only a very small minority of the largest jurisdictions.
- *Use of IFRSs subject to a national incorporation process* — Other jurisdictions use IFRSs "after some form of a national incorporation process." This includes those countries that converge their local standards to IFRSs ("convergence approach") and those countries that have established a mechanism for endorsing individual IFRSs ("endorsement approach"). According to the staff's research, most of the countries that have a national incorporation process use an endorsement approach, and their objective is full IFRS adoption, but some have introduced local variations or adopted IFRSs in different periods. For instance, Australia and the countries in the European Union[2] have followed an endorsement approach, whereas China has followed a convergence approach for several years and intends to eliminate remaining differences between its local accounting standards and IFRSs by 2011.

The staff has identified potential roles of the FASB if IFRSs are incorporated into the U.S. financial reporting system.

The staff has also identified potential roles of the FASB if IFRSs are incorporated into the U.S. financial reporting system. The staff noted that the majority of jurisdictions that made use of a private-sector standard setter before incorporating IFRSs into their financial reporting systems have also retained a national standard setter after incorporation. In such jurisdictions, the ongoing responsibilities of the national standard setter include adopting individual IFRSs for use in the jurisdiction, converging local standards with IFRSs, developing country-specific interpretations, facilitating dialogue between the IASB and local constituents, advising local securities regulators, and issuing accounting standards for nonlisted companies.

Independent Standard Setting

To help evaluate the IASB's independence and whether IFRSs would therefore be appropriate as the single set of global accounting standards for U.S. issuers, the SEC staff is evaluating the oversight of the IFRS Foundation,[3] the composition of the IFRS Foundation and the IASB, the funding of the IFRS Foundation, and the IASB standard-setting process.

Update on Staff's Efforts

In July 2010, the IFRS Foundation's Monitoring Board indicated that it will perform a review by the end of 2010 of the current governance structure of the IFRS Foundation. Therefore, the SEC staff expects to perform a significant portion of its analysis of the oversight of the IFRS Foundation and the composition of the IFRS Foundation and the IASB in early 2011 after the completion of the review by the Monitoring Board. The

[2] On July 19, 2002, the European Parliament and European Council passed Regulation (EC) No. 1606/2002 on the application of international accounting standards. The regulation requires companies in all the member states of the European Union (EU) to prepare their consolidated financial statements in accordance with IFRSs adopted by the European Commission if the company's securities are traded on a regulated market in any member state. A newly issued IFRS must go through multiple steps before it becomes authoritative in the EU. With each step, there is an opportunity to consider and potentially modify the standard issued by the IASB, as evidenced by the EU "carve-out" of certain provisions of IAS 39, *Financial Instruments: Recognition and Measurement*, and the European Financial Reporting Advisory Group's decision not to finalize its endorsement advice on IFRS 9, *Financial Instruments*, for the time being.

[3] The IFRS Foundation oversees the IASB and other activities related to IFRSs. In addition, the IFRS Foundation is accountable to a Monitoring Board, which is composed of regulators (including the SEC) and other governmental authorities charged with the adoption or recognition of accounting standards in their respective jurisdictions.

staff is studying potential U.S. mechanisms and models used to contribute to the IFRS Foundation in other jurisdictions. In addition, the SEC staff is analyzing the degree of investor involvement, timeliness, and the objectivity of the IASB's standard-setting process.

Staff's Preliminary Observations

The staff notes that the effort to achieve long-term mandatory funding commitments for the IFRS Foundation is not yet complete and that the IFRS Foundation could be in an operating deficit for fiscal year 2010.

Methods used for contributions to the IFRS Foundation in various jurisdictions include the following:

- Contributions from the general funds of securities commissions or other financial sector regulators, stock exchanges, or national standard setters.
- Mandatory or voluntary levies on listed companies.
- Voluntary contributions from the private sector.

Currently, voluntary contributions from the U.S. private sector are the largest country-specific source of funds to the IFRS Foundation. The staff notes, however, that U.S. legislative history related to the FASB funding mechanism "appears to express a preference against mechanisms that could result in pressures on its standard setting." In evaluating potential future U.S. contribution mechanisms, the staff notes that creating a separate fee or authorizing the SEC to use appropriated funds to contribute to the IFRS Foundation could potentially require Congressional action.

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Further, because the IASB and the IFRS Foundation do not meet some of the requirements of the Sarbanes-Oxley Act, the SEC is currently precluded from recognizing IFRSs as "generally accepted" with respect to securities laws. For example, the Sarbanes-Oxley Act requires standard-setter action by majority vote, whereas the IASB acts by super-majority vote. Further, the Sarbanes-Oxley Act requires that all of the budget of the standard setter come from an accounting fee assessed on SEC-registered entities and subject to annual SEC review.

Editor's Note: If the legal obstacles to recognizing IFRSs as "generally accepted" under U.S. securities law cannot be overcome, the SEC may not be able to mandate the use of IFRSs, as issued by the IASB, without some form of national incorporation process. In this case, the SEC may opt for a convergence or endorsement approach to incorporating individual IFRSs into the U.S. financial reporting system.

Investor Understanding and Education

A single set of high-quality global accounting standards would benefit investors only if they understand and have confidence in those standards. Therefore, the SEC staff is analyzing investor understanding and education regarding IFRSs.

Update on Staff's Efforts

In August 2010, the SEC published a request for comment that seeks input from all interested parties on investors' preparedness and education needs, including:

- "U.S. investors' current knowledge of IFRS and preparedness for [the SEC's] incorporation of IFRS into the U.S. financial reporting system."
- "[H]ow investors educate themselves on changes in accounting standards and the timeliness of such education."
- "[E]xtent of, logistics for, and estimated time necessary to undertake changes."

The comment period ended on October 18, 2010, and the staff is currently reviewing the input.

Staff's Preliminary Observations

The staff notes that U.S. investors' understanding of IFRSs and education about changes resulting from their adoption have begun to develop.

Impact on the Regulatory Environment

Various U.S. regulators frequently make use of financial information prepared on the basis of U.S. GAAP. Therefore, the SEC is evaluating the impact that a transition to IFRSs would have on the regulatory environment, including the impact on the "manner in which the SEC fulfills its mission" and other areas of the regulatory environment, such as filings with industry regulators, tax effects, the need to align audit regulation and audit standard setting with IFRSs, potential exemptions for broker-dealer and investment company reporting, and the effect of a transition to IFRSs for U.S. issuers on private companies.

Update on Staff's Efforts

The staff has begun outreach to a number of regulators and will continue to do so into 2011. With regard to how IFRSs would affect the "manner in which the SEC fulfills its mission," the SEC is currently analyzing feedback received from foreign regulators and has conducted an initial survey to assess the potential impact of the adoption on the SEC's rules and procedures. The staff has reached out to a number of industry regulators to gain insight about the effect of the potential adoption on regulatory reporting. The staff has also met with the IRS and the U.S. Department of the Treasury and it is currently evaluating the impact of potential adoption of IFRSs on federal tax regulations. Areas of focus include taxpayers' ability to use the LIFO inventory method for tax purposes, changes in the taxable earnings calculation, and the impact on transfer pricing.

Because a transition to IFRSs in the U.S. would significantly affect preparers of financial statements, the SEC is evaluating the cost, effort, and time needed by issuers to move to IFRSs as well as whether the benefits would exceed the costs.

Staff's Preliminary Observations

The staff notes that while there is broad support for a single set of high-quality global accounting standards among U.S. industry regulators, a common area of concern among both industry regulators and tax authorities is that "the method of any incorporation of IFRS into the U.S. financial reporting system is exceedingly important due to the prominence of U.S. GAAP references currently in U.S. laws, contractual documents, regulatory requirements and guidelines, and similar documents." However, using U.S. GAAP as the mechanism for the incorporation of IFRSs into the U.S. financial reporting system would significantly mitigate this concern. Further, the staff believes "that efforts would be required to catalog and update all specific references to U.S. GAAP" in SEC rules and regulations and other published guidelines. Other concerns by regulators include (1) the anticipated significant costs to modify internal processes and to evaluate and modify the financial metrics used currently to evaluate regulated industries and (2) a general lack of industry-specific guidance under IFRSs (e.g., a lack of IFRS guidance addressing rate-regulated activities). In additon, because the IASB is an international standard setter, there are also concerns that there would be a "diminished ability to influence the standard setting process."

Impact on Issuers

Because a transition to IFRSs in the U.S. would significantly affect preparers of financial statements, the SEC is evaluating the cost, effort, and time needed by issuers to move to IFRSs as well as whether the benefits would exceed the costs. This includes an assessment of the "magnitude and logistics of the changes" that issuers would need to undertake for accounting systems, controls, and procedures; contractual arrangements; and corporate governance. It also includes consideration of the impact of a move to IFRSs on the accounting for litigation contingencies and on smaller issuers.

Update on Staff's Efforts

The SEC staff is comparing IFRSs with U.S. GAAP related to accounting, control, and procedures, with a particular focus on areas that are unaffected by current convergence projects between the FASB and the IASB. The staff plans to issue a request for comment to obtain input on the time and effort necessary for entities to implement changes to issuer accounting systems, control, and procedures.

In August 2010, the SEC released a request for public comment about contractual arrangements and corporate governance. The comment deadline ended October 18, 2010. The SEC sought comments on various areas including, but not limited to, types of contractual commercial arrangements that would most likely be affected by a transition to IFRSs, how the potential effects could be mitigated by a sufficient transition period, and the amount of transition time needed. In its release for public comment, the SEC also sought comments on potential challenges in meeting corporate governance and "stock exchange listing" requirements and the need to identify financial experts for audit committees. The staff is currently analyzing the comments received and may hold future meetings to discuss comments with issuers and respondents.

The staff is following the FASB's and the IASB's current projects related to loss contingencies and is reviewing comment letters to understand any concerns that constituents might have. The staff may hold future meetings with respondents to further understand constituents' concerns.

Staff's Preliminary Observations

The staff notes that the "extent and significance of differences in applicable accounting requirements and their effect on internal processes will vary among issuers." Further, multinational issuers with existing subsidiaries that apply IFRSs for local reporting purposes need to consider whether there are existing inconsistencies in their application of IFRSs.

Human Capital Readiness

To assess the magnitude and logistics of any changes entities need to make in the transition to IFRSs, the SEC staff will evaluate human capital readiness as it relates to education and training of the various parties involved in financial reporting, including issuers, investors, specialists, attorneys, auditors, regulators, and educators. The SEC staff will also assess auditor capacity constraints, including the impact on the availability, costs, and quality of external audit services.

The staff plans to assess human capital readiness after it has progressed further on the Work Plan.

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The FASB's and IASB's Convergence Progress

The FASB and IASB started their formal convergence process in 2002 when they agreed in a Memorandum of Understanding ("MoU") to collaborate on the development of a single set of high-quality global accounting standards. That strategy was updated in 2006 and 2008 and reaffirmed in November 2009.

Most recently, in a joint statement issued on June 2, 2010, the boards announced their intention to modify their strategy to improve and converge IFRSs and U.S. GAAP. The boards indicated that their constituents had voiced concerns about their ability to "provide high-quality input on the large number of major exposure drafts planned for publication in the second quarter" of 2010. To address these concerns, the boards agreed to stagger the issuance of significant exposure drafts (limited to four per quarter) and the timing of roundtables.

In response to the boards' joint statement, SEC Chairman Mary L. Schapiro also issued a statement on June 2, 2010, acknowledging that the modified plan should increase the quality of the standards and the feedback received from constituents. Schapiro expressed confidence that the project timing changes planned by the FASB and IASB would not negatively affect the Commission's work plan. She stated, "I am confident that we continue to be on schedule for a Commission determination in 2011 about whether to incorporate IFRS into the financial reporting system for U.S. issuers."

On June 24, 2010, the details of the plan to modify their strategy were released when the FASB and IASB issued a report on a modified work plan identifying projects and their revised target dates. The modified work plan retained a target completion date of June 2011 or earlier for the MoU projects for which "the need for improvement of both IFRSs and US GAAP is the most urgent." Projects the boards consider lower priority, or for which further research and analysis are necessary, will be completed after the June 2011 target date.

At their joint October 21 and 22, 2010, meetings, the boards again modified their plan, deciding to delay the timeline for two joint projects on which exposure drafts had been scheduled to be released in the first quarter of 2011: (1) financial instruments with characteristics of equity and (2) financial statement presentation. Given the concerns raised about the draft proposals and the significant effort necessary for the boards to deliberate the issues, the boards agreed to defer further deliberation on these projects until June 2011 at the earliest. The FASB and IASB intend, however, to continue their outreach and field testing related to the financial statement presentation project. Appendix B indicates the new target dates for each convergence project.

Editor's Note: The FASB also recently decided that a final standard on disclosures of certain loss contingencies will not be effective for the 2010 calendar-year-end reporting period. The exposure draft issued in July 2010 had proposed that public entities provide enhanced disclosures in financial statements for fiscal years ending after December 15, 2010, which would have made the disclosures effective this year for calendar-year entities. A decision about the effective date will be made at a future board meeting.

Recently, the two boards decided to solicit perspectives from interested parties (including preparers of financial statements, auditors, users of financial statements, standard setters, market regulators, and others) about the time and effort that will be involved in the adoption of major standards and about when those standards should be effective. To that end, on October 19, the FASB and IASB issued a discussion paper and a request for views, respectively.[4] Comments are requested by January 31, 2011. Appendix C lists the standards being developed jointly by the FASB and IASB on which input has been requested regarding effective dates and transition considerations.

[4] See Deloitte's October 21, 2010, *Heads Up* for more information.

Appendix A

The table below outlines the specific areas of concern identified in the Work Plan as well as the SEC staff's efforts and preliminary observations outlined in the progress report.

Concern	Work Plan Considerations	Staff Efforts	Preliminary Observations
Sufficient development and application of IFRSs for the U.S. domestic reporting system	The comprehensiveness of IFRSs	Compare IFRSs and U.S. GAAP and analyze: • The extent of increased or decreased guidance upon incorporation of IFRSs. • The extent to which financial reporting would be improved under IFRSs. • How absence of guidance is addressed in practice.	
	The auditability and enforceability of IFRSs	Analyze: • Audit and regulatory challenges in applying IFRSs. • Trends in error corrections and accounting-related enforcement actions in the United States and abroad. • How challenges in practice are managed.	
	The comparability of IFRS financial statements within and across jurisdictions	Analyze the extent to which the use of IFRSs promotes comparability in practice: • Assess the manner in which IFRSs are incorporated into other jurisdictions. • Review financial statements prepared under IFRSs and the observations of foreign regulators. • Determine how interpretive guidance, if any, promotes or undermines the comparability of financial statements prepared under IFRSs across jurisdictions. • Obtain an understanding and evaluate the effectiveness of audit and regulatory processes to promote comparability. • Obtain stakeholder perspectives about which areas of financial statement comparability are the most significant to them and how they address the diminished comparability.	• Different approaches to incorporating IFRSs into a jurisdiction's financial reporting system: o Use of IFRSs as issued by the IASB. o Use of IFRSs after some form of a national incorporation process: – Convergence approach. – Endorsement approach. • Continued role of the national standard setter after incorporation of IFRSs.
Independence of the global standard-setting process for the benefit of investors	Oversight of the IFRS Foundation	• Consider the Monitoring Board's existing governance materials and materials from its meetings. • Consider the results of the Monitoring Board's governance review. • Consider stakeholder perspectives on the Monitoring Board.	
	Composition of the IFRS Foundation and the IASB	• Analyze the IFRS Foundation's and the IASB's governance documents, as supplemented by the results of the Monitoring Board's governance review. • Analyze stakeholder perspectives in this area.	
	Funding of the IFRS Foundation	• Evaluate the four principles governing the Trustees' funding efforts. • Analyze how the IFRS Foundation and IASB are funded. • Consider a range of possibilities for contributions from the United States to the IFRS Foundation and the IASB.	• In some countries, contributions to the IFRS Foundation are generated by financial sector regulators, stock exchanges, or national standard setters. In other countries, contributions are made by listed companies or by the private sector. • A range of possibilities for contributions to the IFRS Foundation and the IASB from the United States.
	IASB standard-setting process	• Review the IASB's policies and procedures and its compliance with those policies, as supplemented by the results of the Monitoring Board's governance review. • Analyze stakeholder perspectives in this area. • Monitor the development of IASB standards.	

Concern	Work Plan Considerations	Staff Efforts	Preliminary Observations
Investor understanding and education regarding IFRSs	Investors' current familiarity with IFRSs and educational efforts necessary to effectively incorporate IFRSs into the financial reporting system for U.S. issuers	• Assess comments requested from interested parties on investors' preparedness and education needs. • Consider foreign regulators experiences with investor perspectives in this area.	• "U.S. investor understanding and education has begun to develop, at least in certain instances, with respect to IFRS."
Impact on the regulatory environment	Manner in which the SEC fulfills its mission	• Evaluate feedback from foreign regulators. • Conduct a survey to analyze the potential impact of incorporation on the SEC's rules and procedures.	
	Industry regulators	• Conduct outreach to industry regulators to obtain information about various transition considerations.	• Broad support received for a "single set of high-quality global accounting standards." • Feedback from industry regulators: o The "manner of incorporation of IFRS into the financial reporting system for U.S. issuers is a significant factor to the level of effort required by the regulatory agencies upon any such incorporation because many regulatory agencies have statutes or regulations that require the use of [U.S.] GAAP." o Significant effort is needed to analyze and modify financial metrics and thresholds currently determined under U.S. GAAP. o Concerns with potentially incurring significant costs to modify systems; having two sets of GAAP if private companies may not report under IFRSs; "perceived diminished ability" to influence the standard-setting process because the IASB is international; and general lack of specific industry guidance under IFRSs.
	Federal and state tax impacts	• Evaluate results of meetings with the IRS and the U.S Department of the Treasury related to the effect of potential impact of adoption on federal tax regulations.	• "[S]ome of the effort and complexity of any potential incorporation of IFRS into the financial reporting system for U.S. issuers could be reduced to the extent that U.S. GAAP is the mechanism for incorporation."
	Statutory dividend and stock repurchase restrictions	N/A	
	Audit regulation and standard setting	• Continue discussions with PCAOB staff to understand the level of updates to auditing standards required before IFRSs incorporation, and plan to meet with audit firms that issue audit opinions under PCAOB standards for IFRS financial statements to understand any necessary changes to their audit approach.	
	Broker-dealer and investment company reporting	• Evaluate outreach activities related to the Financial Industry Regulatory Authority, the securities industry, and the Financial Markets Association.	
	Public versus private companies	• Continue to analyze previous studies on whether separate standards for private companies are necessary.	

Concern	Work Plan Considerations	Staff Efforts	Preliminary Observations
Impact on issuers	Accounting systems, controls, and procedures	• Continue progress on IFRSs to U.S. GAAP comparison, particularly on non-MoU projects. • Issue request for comments about time and effort necessary for entities to implement changes. • Consider inputs to FASB discussion paper on effective dates and transition issues on MoU projects.	• "[E]xtent and significance of differences in applicable accounting requirements and their effect on internal processes will vary among issuers." • Multinational issuers with existing subsidiaries that apply IFRSs for local reporting purposes need to consider whether there is existing inconsistency in their IFRS applications.
	Contractual arrangements	• Continue to solicit and analyze public comments.	
	Corporate governance	• Continue to solicit and analyze public comments.	
	Accounting for litigation contingencies	• Continue to monitor FASB and IASB projects on loss contingencies and review related comment letters.	
	Smaller issuers versus larger issuers	• Continue to obtain an understanding of the impact of incorporation on users relative to their size.	
Human capital readiness	Education and training	• Plan a targeted outreach to assess market participants' current understanding of IFRSs and current level of training efforts. • Survey academics to understand level of IFRS education in colleges. • Conduct outreach to foreign regulators to learn about their methods to educate constituents on IFRSs.	
	Auditor capacity	• Plan to meet with audit firms to understand possible constraints to audit service. • Consider feedback from foreign regulators and other relevant sources.	

Appendix B

The table below indicates the FASB's and the IASB's new target date for each convergence project.

	2010	2011			
	Q4	Q1	Q2	Q3	Q4
MoU Projects					
Accounting for financial instruments	IASB ED (Hedging) and RT		F[1]		
Balance sheet netting of derivatives and other financial instruments	ED	RT	F		
Revenue recognition	RT		F		
Fair value measurements		F			
Leases	RT	RT	F		
Financial statement presentation — main project[2]					
Financial statement presentation — statement of OCI		F			
Financial statement presentation — discontinued operations		ED[3]			F
Derecognition of financial instruments — disclosure	IASB F				
Consolidations	IASB F and RT				
Consolidations — investment companies	ED		F		
Financial instruments with characteristics of equity[4]					
Postemployment benefits		IASB F			
Other Joint Projects					
Insurance contracts	RT		IASB F		
Emissions trading schemes				ED[5]	

ED — Exposure draft(s) RT — Roundtables F — Final standard(s)

[1] The boards may consider issuing another ED on impairment.
[2] The boards have decided to halt deliberations on this project until after June 2011.
[3] On the basis of the board's decision to halt deliberations on the main financial statement presentation project, it is unclear whether the boards will issue an ED on financial statement presentation of discontinued operations.
[4] The boards have decided to halt deliberations on this project until after June 2011.
[5] A final standard is expected in 2012.

Appendix C

The table below outlines standards being developed jointly by the FASB and IASB on which input about the effective dates and transition has been requested:

FASB's Discussion Paper		IASB's Request for Views	
Project	**Status**	**Project**	**Status**
Accounting for financial instruments and revisions to the accounting for derivative instruments and hedging activities, including netting of financial instruments	Exposure draft issued in May 2010 (except netting)	Financial instruments (IFRS 9)	Phase 1 (classification and measurement) completed in October 2010. Phase 2 (impairment methodology) and phase 3 (hedging) are under development. The phase 2 exposure draft was issued in November 2009, and the phase 3 exposure draft will be issued in Q4 2010.
Revenue from contracts with customers	Exposure draft issued in June 2010	Revenue from contracts with customers	Exposure draft issued in June 2010
Leases	Exposure draft issued in August 2010	Leases	Exposure draft issued in August 2010
Insurance contracts	Discussion paper issued in September 2010	Insurance contracts	Exposure draft issued in July 2010
Comprehensive income	Exposure draft issued in May 2010	Presentation of items of other comprehensive income — proposed amendments to IAS 1	Exposure draft issued in May 2010
Financial instruments with characteristics of equity	Exposure draft has not yet been issued		
Financial statement presentation (including discontinued operations)	Exposure draft has not yet been issued		
		Fair value measurement	Exposure drafts issued in May 2009 and June 2010
		Postemployment benefits — defined benefit plans — proposed amendments to IAS 19	Exposure draft issued in April 2010

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