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Q&A Report

IFRSs: How might developments at the IASB impact you?

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Host: Joel Osnoss
Presenters: Veronica Poole, Linda Riedel and Randall Sogoloff

1. What is the latest with the termination benefits project?

A final standard on termination benefits is expected during the third quarter 2010.

2. You mentioned earlier that the exposure draft on the fair value option does not change the accounting for other financial liabilities? Will there be another exposure draft dealing with that?

The exposure draft only deals with those financial liabilities that are designated as at fair value through profit or loss under the fair value option. However, this exposure draft concludes the IASB's deliberations on their proposals for classifying and measuring financial liabilities. This means that the basic accounting model for financial liabilities under IAS 39 would remain unchanged. The existing guidance in IAS 39 would be incorporated into IFRS 9 and there would continue to be two measurement categories for financial liabilities: fair value through profit or loss and amortised cost. Financial liabilities held for trading would continue to be measured at fair value through profit or loss and all other financial liabilities would be measured at amortised cost, unless the fair value option is applied, using the existing criteria in IAS 39.

3. Can you please explain again why entities might move towards more conservative investing?

Some people believe that because the net income "benefit" of investing in higher risk investments would be eliminated (use of a the high quality corporate bond rate will reduce net income for those that invest in risky investments), some companies will tend to be more conservative in their investing. They will invest in less risky investments because the net income benefit is no longer there. I don't know how true this is, but I can certainly see some companies looking at this closely.

4. **If expenses (i.e. admin, actuarial and consulting) of running the plan are settled through a scheme, how would these be treated?**

   The ED proposes to eliminate the option currently available in IAS 19 to include plan administrative costs either as a reduction of the return on plan assets or as an adjustment to the defined benefit obligation. Instead, the ED specifies that only costs relating to the management of the plan assets would be presented as a reduction of the return on plan assets. To the extent that future administration costs relate to the administration of benefits attributable to current or past service, the present value of the defined benefit obligation should include these costs.

5. **When will the FV of financial liabilities be effective?**

   The ED, once finalised, will be incorporated into IFRS 9. IFRS 9 is effective for annual periods beginning on or after 1 January 2013, but the Board may consider delaying that effective date in particular circumstances. The Board is expected to permit early application of any finalised requirements resulting from the exposure draft on the fair value option for financial liabilities. However, the Board is proposing that if an entity elects to apply these proposals early, the entity must at the same time apply any requirements in IFRS 9 that it does not already apply.

6. **Do we have an example to show the difference between earlier and proposed versions for profit and loss?**

   The Deloitte newsletter IFRS in Focus: IASB proposes changes to the presentation of profit or loss and other comprehensive income contains illustrative examples of the presentation proposals in the exposure draft. The newsletter is available on http://www.iasplus.com under http://www.iasplus.com/iasplus/1006comprehensiveincome.pdf.

7. **How do corporations handle in-between implementation period required by different countries?**

   If a group of entities includes subsidiaries in different countries, differences in implementation dates need to be considered. For many proposals, the IASB permits early application, i.e. entities are allowed to apply many proposals prior to their respective effective dates. If this is not possible, then consolidation adjustments may be required to ensure that the consolidated financial statements are prepared using uniform accounting policies as is required by IAS 27 Consolidated and Separate Financial Statements.

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