



International Accounting Standards Board

The Ken Spencer Memorial Lecture
"Keep it simple stupid!"
Can global standards be principle-based?

Sir David Tweedie
IASB Chairman

Requirements of Financial Information

- Comparable from company to company
- Relevant to investment financing decisions
- a faithful depiction of economic reality
- neutral

IFRS Around the World

	Total
IFRSs permitted	23
IFRSs required <i>(for all domestic companies)</i>	75
IFRS required <i>(for some domestic companies)</i>	4
	102

The Future

2006	IFRS - 100 Countries + US Convergence programme
2011	IFRS – 150 Countries + US Converged

A good principle-based standard

- Plain English
- Easily explained
- Makes intuitive sense
- Fairly presents facts

Pensions

	£m
Deficit	10
Less 10% of liabilities	<u>4</u>
	<u>6</u>

Spread over 10 year working life
Deficit per accounts - £600,000

Leases - 2005

Total Leasing Volume \$582bn

■ N. America	-	41%
■ Europe	-	40%
■ Asia	-	14%

Financial Instruments

IAS 39/IAS 32

IAS39 Principles

- Scope – cash and contracts for cash
- Measurement – initial recognition fair value
- Fair value – derivatives
- Subsequent Measurement – nature of instrument

Others an impairment, hedging,
recognition/derecognition

IAS39 Definition of a Derivative Instrument



- Para 9
- Application Guidance Paras AG 9-12A
- Elaboration para 38 AG53-56
- Implementation Guidance – 14 issues

IAS39 Definition of Financial Instruments



- 4 categories – para 9
- Application Guidance paras AG14-26
- Implementation Guidance – 13 issues

IAS39 Embedded Derivative



- Description and treatment – para 10, 11
- Exceptions – para 11A, 12
- Implementation Guidance – 11 issues

Principle based standards

Can we do it?

Principle-based standards



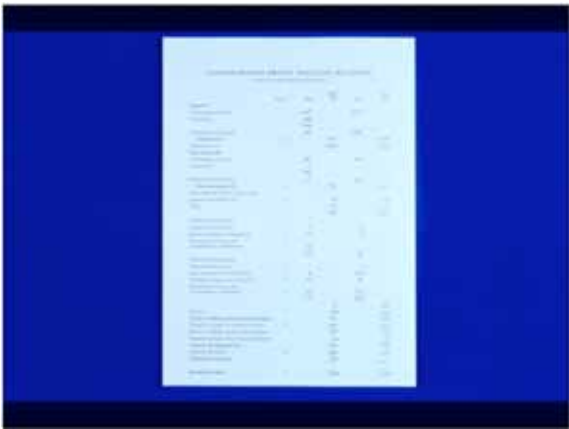
Principles Rules

A principle based standard

- No exceptions
- Core principles (objectives)
- No inconsistencies
- Tied to conceptual framework
- Judgement
- Minimum guidance







Consolidated Profit and Loss Account for the year ended 30.9.01

Blah	blah	blah
Blah blah	blah	blah
Blah	blah	blah
Blah blah blah	blah	blah
Profit	925	448
Blah	blah	blah
Earnings per share	30.6p	11.0p

Principles – Changes necessary

- Training changes
- Greater user sophistication
- No second-guessing by regulators
- Don't ask for rules/interpretations
- Support for careful judgement

Rule-based Standards

- If don't act with integrity
- If attack reasonable judgement in court
- If ask for voluminous interpretations
- If raw economic facts are unacceptable
- If regulators want one answer