Raymond Chabot Grant Thornton

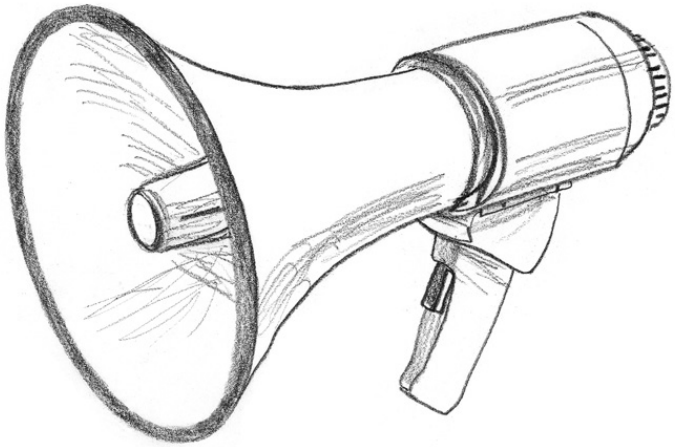
IFRS Newsletter

March 2011

Welcome to the *IFRS Newsletter*—a newsletter that offers a summary of some developments in International Financial Reporting Standards (IFRS) along with insights into topical issues and some comments.

Our first edition of 2011 leads with an article on the International Accounting Standards Board's (IASB) first IFRS Practice Statement, which provides a broad, non-binding framework for the presentation of management commentary relating to IFRS financial statements. We go on to consider other recent developments at the IASB, including proposals which would fundamentally alter the current requirements for hedge accounting.

We then turn to IFRS-related news at Grant Thornton, as well as a general round-up of activities affecting the IASB. We end with an overview of the proposals that the IASB currently has out for comment, and the implementation dates of newer standards that are not yet mandatory.



IASB publishes framework for management commentary

The IASB has published its first IFRS Practice Statement, *Management Commentary – A framework for presentation*.

Management commentary is the term used to denote narrative reports that often accompany the financial statements. It is sometimes referred to by other names such as Management Discussion and Analysis or an Operating and Financial Review. Such reports provide users with:

- historical explanations of the amounts presented in the financial statements;
- commentary on the entity's prospects and other information not presented in the financial statements; and
- a basis for understanding management's objectives and strategies.

Grant Thornton International comment

Management commentary has an important role to play in providing useful information to investors and other users of financial statements, and in improving the quality of the dialogue between the management of entities and those users.

We welcome the IASB's publication of a high-level, principles-based guidance document rather than a mandatory IFRS. It should contribute to improved management commentary, particularly in those jurisdictions that do not already have well developed requirements in this area. In jurisdictions that have existing requirements, the Practice Statement may provide useful guidance without necessarily being sufficient to ensure compliance with those local requirements.

The Practice Statement is not an IFRS and does not have the same authority as one. It does not mandate which entities are required to publish management commentary, how frequently they should do so or the level of assurance required. Instead, the Practice Statement provides a broad, non-binding framework for the presentation of management commentary relating to IFRS financial statements.

The framework for preparation of management commentary

Under the Practice Statement, management commentary is aimed at the needs of the primary users of the financial statements (existing and potential investors, lenders and other creditors).

Rather than mandating the inclusion of certain information, the Practice Statement establishes a principles-based framework for preparing management commentary. Management should present commentary that is consistent with the following principles:

- To provide management's view of the entity's performance, position and development; and
- To supplement and complement information presented in the financial statements.

In relation to supplementing and complementing the financial statements, management commentary should, in addition to discussing the factors which have led to the amounts presented in the current financial statements, discuss forward-looking information. The Practice Statement acknowledges however that the extent of forward-looking information will be influenced by the regulatory and legal environment within which the entity operates.

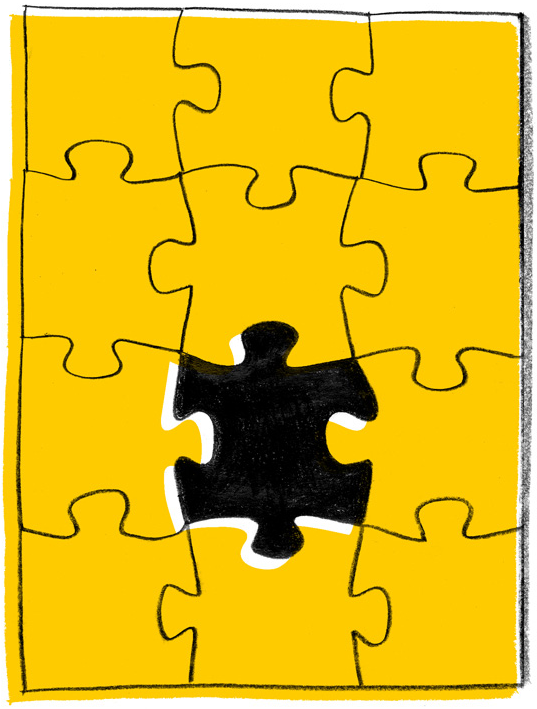
The Practice Statement provides a broad, non-binding framework for the presentation of management commentary relating to IFRS financial statements

Elements of management commentary

The Practice Statement indicates that a management commentary will address the following key elements, while acknowledging that the specific content will depend on the facts and circumstances of each entity:

- The nature of the business (e.g., the entity's main markets, its main products or services, the legal and regulatory environment, etc.);
- Management's objectives and its strategies for meeting those objectives;
- The entity's most significant resources, risks and relationships;
- The results of operations and prospects (e.g., financial and non-financial performance and targets); and
- The critical performance measures and indicators that management uses to evaluate the entity's performance against stated objectives.

It is hoped that the flexibility afforded by the Practice Statement's principles-based approach should reduce the risk of "boilerplate"-type disclosure.



IASB amends IFRS 9, *Financial Instruments*

IASB addresses the controversial issue of changes in an entity's own credit risk

When first published in November 2009, IFRS 9 addressed only the classification and measurement of financial assets. In accordance with its phased approach to completing IFRS 9, the IASB has now added requirements for:

- classifying and measuring financial liabilities; and
- derecognizing financial assets and financial liabilities.

The change addresses the counter-intuitive way in which a company in financial trouble was previously able to recognize a gain based on its theoretical ability to buy back its own debt at a reduced cost

Grant Thornton International comment

The IASB's decision to change the accounting for own credit risk addresses an issue where many commentators concluded that IAS 39 led to counter-intuitive outcomes.

Given the extent of change planned in other areas of IFRS in the near future, the IASB's decision to retain most other features of financial liability accounting may be welcomed by many constituents. The consequence, however, is that IFRS 9's requirements on financial liabilities are quite different to the new classification and measurement principles for assets—including the retention of the embedded derivatives rules for liabilities.

Classifying and measuring financial liabilities

Most of the requirements in IAS 39, *Financial Instruments: Recognition and Measurement*, for the classification and measurement of financial liabilities have been carried forward unchanged to IFRS 9. One controversial area of liability measurement—the effect of changes in the fair value of a liability as a result of changes in the issuing entity's own credit risk—has however been changed.

Where an entity chooses to measure its own debt at fair value, IFRS 9 now requires the amount of the change in fair value due to changes in the issuing entity's own credit risk to be presented in other comprehensive income. The change addresses the counter-intuitive way in which a company in financial trouble recognized a gain based on its theoretical ability to buy back its own debt at a reduced cost. An exception to the new approach is made where the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch in profit or loss, in which case all gains or losses on that liability are to be presented in profit or loss.

Reminder: New Standards about to take effect

Companies preparing their annual financial statements for the year ended December 31, 2010, should remember that the revised versions of IFRS 3, *Business Combinations*, and IAS 27, *Consolidated and Separate Financial Statements*, will be effective for the first time. The revised standards make fundamental changes to the way in which business combinations and changes in ownership interests are accounted for.

The Grant Thornton International IFRS team has recently issued *Navigating the changes to International Financial Reporting Standards: a briefing for Chief Financial Officers* which identifies all of the standards that will be effective for the first time. A fuller description of this publication is given later in this newsletter.

Derecognizing financial assets and financial liabilities.

The requirements in IAS 39 related to the derecognition of financial assets and financial liabilities have been incorporated unchanged into the new version of IFRS 9.

The IASB had originally envisaged making changes to the derecognition requirements of IAS 39. Those requirements were however seen as having performed favourably during the financial crisis. Consequently, the IASB has concluded that they remain fit for purpose and need not be replaced in the near future.

New consolidation Standards to be published soon

The IASB plans to release the following new standards relating to consolidations in the first quarter of 2011:

- Consolidated Financial Statements;
- Joint Arrangements; and
- Disclosures: Unconsolidated Entities.

The first two standards will replace IAS 27, *Consolidated and Separate Financial Statements* and IAS 31, *Interests in Joint Ventures,* respectively.

Amendments to IFRS 1, *First-time Adoption of International Financial Reporting Standards*

The IASB has published two limited amendments to IFRS 1. The amendments:

- remove certain fixed dates in the standard; and
- introduce an additional exemption for entities emerging from a period of severe hyperinflation.

Grant Thornton International comment

We agree with the amendments to IFRS 1. The replacement of the fixed date for prospective application of some aspects of IAS 39 with the "date of transition to IFRS" will reduce the cost and effort required to apply the detailed rules relating to some aspects of financial instrument accounting.

Although the additional guidance and exemption relating to severe hyperinflation will only impact a small number of entities globally, it provides much needed guidance and relief for those entities.

Removal of fixed dates

The first amendment replaces references to a fixed date of "January 1, 2004" that were in IFRS 1 with references to "the date of transition to IFRS."

The reason for the references to the fixed dates (contained in the financial instrument derecognition exception and the exemption in relation to the initial fair value measurement of financial instruments) was historic. They were introduced in advance of 2005, a time when many companies were adopting IFRS for the first time, and were intended to put first-time IFRS adopters in the same position as existing users at that time (who were able to benefit from certain transitional reliefs contained in IAS 39). As time has passed, however, the references to the January 1, 2004 date have become less relevant. Replacing them with references to "the date of transition to IFRS" will provide relief for first-time adopters of IFRS from having to reconstruct transactions that occurred before their date of transition to IFRS.

Additional exemption after a period of severe hyperinflation

The second amendment to IFRS 1 provides guidance on how an entity should resume presenting financial statements in accordance with IFRS after a period when the entity was unable to comply with IFRS because its functional currency was subject to severe hyperinflation.

The amendment adds an exemption to the standard under which such an entity may elect to measure its assets and liabilities at fair value, which could then be used as the deemed cost in its opening IFRS statement of financial position, presented on or after the functional currency normalisation date. This may lead to a comparative period of less than 12 months. The amendment is available to entities that are emerging from a period of severe hyperinflation, whether or not they had applied IFRS prior to the severe hyperinflationary period.

IASB amends IAS 12, *Income Taxes*

The IASB has published some limited scope amendments to IAS 12 which are relevant only when an entity elects to use the fair value model for measurement in IAS 40, *Investment Property.*

Grant Thornton International comment

While we do not generally approve of exceptions from the principles of IFRS, we accept this very narrowly-scoped exception on the grounds of pragmatism. It should provide a practical and cost-efficient approach for measuring deferred tax assets and liabilities for fair-valued investment properties in jurisdictions in which rental income and capital gains or losses are taxed differently.

The amendment introduces a presumption that an investment property measured at fair value is recovered entirely through sale

Under IAS 12, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. Without specific plans for disposal of an investment property, it is difficult and subjective to estimate how much of its carrying amount will be recovered through cash flows from rental income and how much of it will be recovered through cash flows from selling the asset. This is particularly so when the carrying amount is measured using the fair value model in IAS 40.

To provide a practical approach in such cases, the amendment introduces a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

SIC-21, *Income Taxes – Recovery of Revalued Non-Depreciable Assets*, addresses similar issues involving non-depreciable assets measured using the revaluation model in IAS 16, *Property, Plant and Equipment*. This guidance has been incorporated into IAS 12 as part of the amendments.

IASB publishes proposals on hedge accounting

Exposure Draft aims to simplify the current approach and better reflect risk management practices

Following a thorough re-examination of IAS 39's current requirements, the IASB has published the Exposure Draft, *Hedge Accounting*. This forms part of the third phase of the IASB's project to replace IAS 39 in its entirety. The proposals aim to replace the rule-based IAS 39 with a new model that is much more aligned with the way companies manage financial risks in practice.

Hedge accounting is a mechanism that allows entities to reflect the results of some risk management activities in the financial statements. This is achieved by changing the normal timing of the recognition of gains and losses such that the hedged risk and the hedging instrument affect the income statement in the same period.

The existing hedge accounting rules were developed along with IAS 39's normal measurement rules—in particular the requirement to report most derivatives at fair value through earnings. Hedge accounting creates exceptions to the normal rules, and was intentionally designed to minimize the opportunities for perceived abuses such as earnings manipulation. As a result, IAS 39's hedge accounting rules are rule-based and restrictive.

The proposals will make it possible for some commonly used hedging practices to qualify for hedge accounting

Issue	Description of proposal
Eligibility of hedged items	• removes IAS 39's prohibition on designating components of non-financial instruments • this change would make the accounting requirements more reflective of the risk management policies of many companies (e.g., companies that hedge the oil price component of their jet fuel price exposure)
Eligibility of hedging instruments	• allows the time value of a purchased option to be treated as a cost of hedging in other comprehensive income (as opposed to being treated as a derivative at fair value through profit or loss) • this change would decrease inappropriate profit or loss volatility and would be more consistent with risk management practices
Groups and net positions (except macro hedging)	• extends the use of hedge accounting to net positions thereby improving the link to risk management • e.g., it would be possible to apply hedge accounting to a net foreign exchange position of 20 that is made up of an asset of 100 and a liability of 80
Effectiveness testing	• replaces the 80-125 per cent effectiveness threshold with a qualitative requirement based on the assessment of hedges undertaken for risk management purposes
Discontinuation	• proposes that hedging relationships can be adjusted without necessarily stopping, and potentially restarting, hedge accounting
Fair value hedge accounting	• changes the mechanics of fair value hedge accounting so that the remeasurement of the hedged item is presented separately • information about fair value hedges (like cash flow hedges) will be reflected in other comprehensive income in order to improve transparency (i.e., all information about hedging will be disclosed in other comprehensive income)
Disclosures	• a comprehensive set of new disclosures will focus on the risks being hedged, how those risks are being managed and the effect of hedging those risks upon the primary financial statements; • this contrasts with IAS 39's current disclosure requirements which focus on an entity's hedging instruments

The new approach to hedge accounting is intended to be simpler to apply, more consistent with risk management practices, and provide more useful information. The Exposure Draft proposes that entities will use more information produced internally for risk management purposes as the basis for hedge accounting. In addition, some commonly used risk management strategies that are currently ineligible for hedge accounting will qualify under the proposals.

The table presented above sets out the major changes proposed in the Exposure Draft.

The IASB plans to issue the new standard in mid-2011 (the new requirements will be incorporated into IFRS 9). Unfortunately however, the proposals may not achieve convergence with US generally accepted accounting principles (GAAP).

The US Financial Accounting Standards Board's (FASB) project on financial instruments has a different scope to the IASB's and proposes more limited improvements to hedge accounting.

Supplement to an Exposure Draft on impairment of financial instruments issued
Following its review of comments received on its previous Exposure Draft, *Financial Instruments: Amortised Cost and Impairment*, the IASB has issued a Supplement to its previous Exposure Draft in January 2011.

In seeking to improve the proposals in its earlier Exposure Draft, the IASB explored three alternative models for credit impairment:

- Immediate recognition of losses expected to occur over a period shorter than the expected life of the loan (for example, a reliable period in the future);
- Recognition of lifetime expected credit losses using a time-proportionate approach for a good book and full recognition of lifetime expected losses for a bad book; and
- Same as the second method but with a mechanism to accelerate recognition of expected losses in a good book to accommodate "front loaded" expected loss recognition patterns.

The Supplement proposals are based on this last model. The Supplement addresses the impairment model only in the context of open portfolios. Many other issues have yet to be redeliberated including impairment requirements for short-term trade receivables.

Grant Thornton Sweden study on impairment accounting

Our Swedish member firm recently carried out a survey on the impairment disclosures in the 2009 consolidated financial statements of all 254 Swedish listed companies. The survey looked at the impairment tests carried out and their results, the discount rates used, the reasons for any recognized impairment losses and any sensitivity analyses undertaken.

In an article for Balans, the Swedish accountancy magazine, Björn Gauffin and Anders Thörnsten from Grant Thornton Sweden raised concerns over the application of, and quality of the information provided by IAS 36's, *Impairment of Assets,* impairment model. Among the points noted were:

- In 2009, 40 companies recorded goodwill impairment losses amounting to 11.9 billion SEK, representing 1.9 per cent of the total goodwill balances;
- Goodwill and other intangibles are increasingly dominant figures in the statement of financial position—indeed for 23 companies, the book value of goodwill exceeded total equity;
- Companies with apparently similar operations seem to hold divergent views on expected growth rates, forecast periods and discounting. Disclosure is therefore essential to enable users to identify critical assumptions and assess their impact;
- Despite an increase in the yield on 10-year Swedish government bonds (commonly used as a measure for the risk-free rate), 40% of companies lowered the discount rate used in impairment tests compared with 2008. Other things being equal, lowering the discount rate results in a higher value for the assets under review;
- Many companies' sensitivity analyses appear to reflect an Excel driven calculation by the accounting department rather than an analysis of current market conditions for the tested variables; and
- More and better disclosures are needed to make companies' impairment assessments useful for analysts and other users.

The authors suggest that a return to goodwill amortization should be considered if the quality of information under the current impairment model cannot be improved.

GTI IFRS team issues new publication

The Grant Thornton International (GTI) IFRS Team has issued *Navigating the changes to International Financial Reporting Standards: a briefing for Chief Financial Officers.*

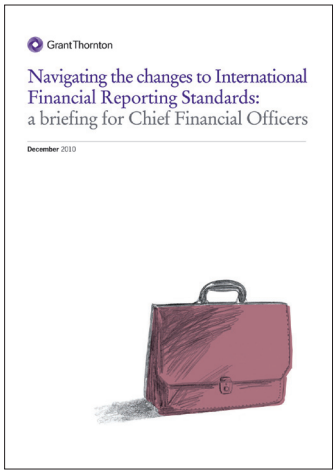
The publication provides a summary of recent changes to IFRS—it covers new Standards and Interpretations that have been issued and amendments made to existing ones—that will affect companies' future financial reporting. It is designed to give Chief Financial Officers a high-level awareness of the requirements of changes that were finalized by November 30, 2010, giving brief descriptions of each.

For each change covered in the publication, there is a section dealing with its commercial implications. These sections focus on two questions:

- How many entities will be affected?
- What will be the impact on affected entities?

A traffic light system indicates the assessment of the answers to these questions.

To obtain a copy of the publication, please get in touch with your Raymond Chabot Grant Thornton adviser.



US firm finds work still to be done in educating the US on the benefits of IFRS

Grant Thornton LLP, our US member firm, has found that while there is movement toward greater acceptance of IFRS, there is still much work to be done in educating the US financial community on the benefits of IFRS.

In a national survey of US Chief Financial Officers and senior comptrollers, most said that IFRS should not be adopted until after US GAAP and IFRS have converged to the point where the differences are inconsequential (5-7 years). More than a quarter (27%) believed that IFRS should never be used, and another quarter (24%) said that IFRS should be adopted as soon as possible (2-5 years).

Grant Thornton LLP is a staunch supporter of the movement toward establishing one set of high-quality, globally accepted accounting standards.

Our US firm's CEO Stephen Chipman notes that "Just as international business has benefitted over the last 30-odd years from the increased shared use of English, so too will global companies reap the benefits of one financial reporting language."

New Grant Thornton International Example IFRS Financial Statements released

The Grant Thornton International IFRS team has published an updated version of its IFRS *Example Consolidated Financial Statements*. The previous version has been reviewed and updated to reflect changes in IFRS that are effective for the year ending December 31, 2010. In particular, the publication reflects the adoption of IFRS 3 (Revised 2008).

To obtain a copy of the publication, please get in touch with your Raymond Chabot Grant Thornton adviser.

First-time adoption of IFRS: Example Consolidated Financial Statements 2010
In addition to the general IFRS Example Consolidated Financial Statements, the Grant Thornton International IFRS team has also updated its version for companies adopting IFRS for the first time.

To obtain a copy of *First-time adoption of IFRS: Example Consolidated Financial Statements 31 December 2010*, please get in touch with your Raymond Chabot Grant Thornton adviser.

Grant Thornton International comments on major proposals

Grant Thornton International has commented to the IASB on its major proposals to improve its standards on revenue recognition, leasing and insurance (see previous editions of the *IFRS Newsletter* for details of the Exposure Drafts). On revenue recognition, we support many of the Board's broad principles and objectives. We also suggest a number of improvements to make the final standard more practical and easier to understand and apply consistently.

We have expressed significant concerns on the leasing proposals and believe considerable work remains to be done to develop a final standard. Our concerns include the "front-loading" of rental expense for the lessee, lessor accounting generally, the distinction between a sale and a lease, and inconsistency with the revenue recognition proposals.
We suggest that the proposals are overly complex and rule-based, and may perpetuate the current problem that a small change in judgments or circumstances often triggers a major change in the accounting. At present we are not convinced that any benefits of the proposed standard will justify its implementation costs.

We support the IASB's efforts to develop an IFRS on insurance contracts. We believe there is presently too much diversity in insurance accounting practices around the world. Although we raise questions over some areas, including discount rates and unit of account issues, we believe the proposals will help to more accurately reflect the underlying economics of insurance contracts and insurers' business processes.

US firm publication examines the key differences between IFRS and US GAAP for hedge funds

The December 2010 edition of *Hedge FundAdviser*, a quarterly newsletter from our US member firm's hedge fund practice looked at the benefits and challenges of IFRS for hedge funds.

The newsletter notes that with increased globalisation and competition, it is becoming more important than ever for investors to be able to compare investment opportunities across borders.

To help prepare for convergence and eventual transition to IFRS in the United States, the newsletter looks at the key differences between IFRS and US GAAP for hedge funds.

Spotlight on our IFRS Interpretations Group

Grant Thornton International's IFRS Interpretations Group (IIG) consists of a representative from each of our member firms in the United States, Canada, Singapore, Australia, South Africa, India, the United Kingdom, France, Sweden and Germany as well as members of the Grant Thornton International IFRS team. It meets in person three times a year to discuss technical matters which are related to IFRS. Each newsletter, we throw a spotlight on one or more of the members of the IIG.

In this newsletter, we focus on Canada's representatives. Most Canadian publicly accountable enterprises will apply IFRS for the first time for interim and annual financial statements relating to annual periods beginning on or after January 1, 2011.

Sophie Bureau, Raymond Chabot Grant Thornton, Canada

Sophie is Raymond Chabot Grant Thornton's Accounting Research Partner. Sophie joined Raymond Chabot Grant Thornton in 1988, becoming the Accounting Research Partner in 2007. Sophie has over 20 years experience as a specialist in accounting research, an auditor and a course instructor for universities. Sophie is also notably a member of the Canadian Accounting Standards Board's IFRS Discussion Group.

Karen Parsons, Grant Thornton LLP, Canada

Karen Parsons is the National Accounting Standards Partner at Grant Thornton LLP. Previously a partner in the Assurance and Business Advisory Services Group, Karen has over 30 years of experience in public accounting. She has been a member of the Canadian Institute of Chartered Accountants' Emerging Issues Committee and was a member of its IFRS Advisory Committee from its inception to its dissolution.

Round-up

G-20 reiterates support for global accounting standards

Following their November summit meeting in Seoul, the leaders of the G-20 (the Group of Twenty Finance Ministers and Central Bank Governors) have once again emphasised the importance they attach to achieving a single set of improved high quality global accounting standards. They called on the IASB and the FASB to complete their convergence project by the end of 2011.

CESR sees improvements in financial instruments disclosures by European financial institutions

The Committee of European Securities Regulators (CESR; that became European Securities and Markets Authority as of January 1, 2011) has issued a follow up report to its November 2009 study on the *Application of Disclosure Requirements related to Financial Instruments in the 2008 Financial Statements*.

The follow up report presents the actions taken by European enforcers on the infringements identified in the 2008 financial statements. Following those actions and alerts issued on areas such as the fair value hierarchy, impairment of financial assets and liquidity risk disclosures, the report finds that there have generally been improvements in all areas. Significant improvement was noted in meeting disclosure requirements related to valuation techniques, an entity's own credit risk, "day-one" profit or losses and special purpose entities.

New CESR report on IFRS enforcement

CESR has published its ninth batch of extracts from its database of enforcement decisions taken by European Union national enforcers of financial information.

The report comes hot on the heels of the eighth batch of extracts (reported in last November's edition of *IFRS Newsletter*). Topics covered in the new report are: classification of financial liabilities, financial instruments – hedge accounting, revenue recognition, intangible assets, impairment of non-financial assets, consolidation, share-based payment, financial instruments – disclosure, and impairment of non-financial assets – disclosure.

Consultation on Financial Reporting on a Country-by-Country Basis by Multinational Companies

The European Commission is conducting a public consultation in order to gather stakeholders' views on financial reporting on a country-by-country basis by multinational companies. Country-by-country reporting is a concept that would require multinational companies to disclose financial information on their operations in third countries in their annual financial statements.

US Securities and Exchange Commission (SEC)

The SEC has issued their first Progress Report on the Work Plan related to global accounting standards.

The purpose of the Work Plan is to consider specific areas and factors relevant to a Commission determination in 2011 as to whether, when, and how the current financial reporting system for US issuers should be transitioned to a system incorporating IFRS. The Progress Report indicates that the SEC will be in a position in 2011 to determine whether to incorporate IFRS into the US financial reporting system.

SEC to give US companies ample time for IFRS adoption

SEC Chairman, Mary Schapiro, indicated that the SEC will allow public companies a minimum of four years to move to IFRS if it decides to mandate the use of IFRS in the United States.

The comment came during remarks she made on IFRS at the American Institute of Certified Public Accountants' National Conference on Current SEC and Public Company Accounting Oversight Board (PCAOB) developments.

US accountants see pivotal time ahead for the development of IFRS

A survey conducted by the American Institute of Certified Public Accountants on IFRS readiness in the United States has found that US Certified Public Accountants are increasingly aware of IFRS but are waiting to invest more resources in international standards until they see a clear signal from the SEC about future US adoption.

The survey found that the largest proportion of respondents, 40 percent, support adoption of IFRS, although only after more convergence between US GAAP and global standards through the IASB-FASB convergence process. An additional 14 percent support adoption of IFRS without qualification, signifying a combined 54 percent majority supports IFRS adoption in the United States.

IFRS Foundation Trustees review the Interpretations Committee

The IFRS Foundation Trustees' Due Process Oversight Committee is carrying out a review of the Interpretations Committee (formerly known as IFRIC) in order to assess its effectiveness. The review is being conducted by means of a questionnaire, which is available on the IASB Web site.

The Trustees expect to publish a report setting out their conclusions in the first half of 2011.

IASB issues editorial corrections

The IASB issued a number of minor editorial corrections to IFRS at the end of October. The corrections have been posted on the IASB's Web site (www.ifrs.org)

Round-up: Convergence

IASB and FASB issue Progress Report on Convergence

The IASB and the FASB have issued their third progress report on their plan for completing the major projects that were agreed in their Memorandum of Understanding.

The Progress Report confirms a target completion date of June 2011 for a number of priority projects that are being undertaken jointly by the two Boards. These include:

- Financial instruments;
- Revenue recognition;
- Leases;
- The presentation of other comprehensive income; and
- Fair value measurement.

A completion date of June 2011 also remains in place for the IASB's projects on consolidations and insurance contracts.

In order to give these projects priority and enable them to be completed by June 2011, the two Boards have deferred deliberations on their joint projects dealing with broader financial statement presentation, financial instruments with characteristics of equity, emissions trading schemes, and the reporting entity phase of the conceptual framework. Also deferred are some individual projects including the IASB's plan to revise IAS 37, *Provisions, Contingent Liabilities, and Contingent Assets.*

IASB and FASB have consulted on effective dates for new accounting standards

The IASB and the FASB have published documents seeking views on when new financial reporting standards resulting primarily from their work to improve and achieve convergence of IFRS and US GAAP should become effective.

With a number of major projects planned to be completed in 2011, the boards are seeking views on whether or how to sequence effective dates in order to reduce the burden to interested parties. Feedback from the consultation will inform the boards as they jointly develop an implementation plan for those new standards that helps stakeholders to manage both the pace and cost of change. The comment deadline was January 31, 2011.

Canadian regulator issues its top 10 tips for a first IFRS interim report

With many Canadian companies about to move to IFRS, the Ontario Securities Commission has issued a guide for market participants to highlight the key rule changes and IFRS requirements that issuers and advisors need to be aware of prior to the filing of the first IFRS interim financial report.

Top 10 Tips for Public Companies Filing their First IFRS Interim Financial Report also provides advice on best practices in presenting IFRS transition items that will assist investors in understanding how the change to IFRS has affected the issuer's financial results and other business functions, such as debt covenants and treasury activities.

SEC and CESR discuss IFRS convergence issues

The SEC and the CESR met in Paris in November to discuss regulatory reform efforts in the United States and the European Union. As well as sharing views regarding market structure issues and systemic risk, the regulators discussed issues relating to the convergence of IFRS and US GAAP.

With many globally active financial firms operating in both the United States and Europe, the regulators are considering how to coordinate their efforts to improve their effectiveness while minimising the likelihood of regulatory arbitrage and unnecessary conflicts of laws.

Effective dates of new standards and IFRIC interpretations

The table below lists new IFRS and IFRIC Interpretations with an effective date on or after January 1, 2009. Companies are required to make certain disclosures in respect of new Standards and Interpretations under IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors.*

New IFRS and IFRIC Interpretations with an effective date on or after January 1, 2009

Title	Full title of Standard or Interpretation	Effective for accounting periods beginning on or after	Early adoption permitted?
IFRS Practice Statement	*Management Commentary: A framework for presentation*	No effective date as non-mandatory guidance	Not applicable
IFRS 9	*Financial Instruments*	January 1, 2013	Yes (extensive transitional rules apply)
IAS 12	*Deferred Tax: Recovery of Underlying Assets* (Amendments to IAS 12)	January 1, 2012	Yes
IFRS 1	*Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* (Amendments to IFRS 1)	July 1, 2011	Yes
IFRS 7	*Disclosures – Transfers of Financial Assets* (Amendments to IFRS 7)	July 1, 2011	Yes
Various	*Annual Improvements 2010*	January 1, 2011 unless otherwise stated (some are effective from July 1, 2010)	Yes
IFRIC 14	*Prepayments of a Minimum Funding Requirement* (Amendments to IFRIC 14)	January 1, 2011	Yes
IAS 24	*Related Party Disclosures* (Revised November 2009)	January 1, 2011	Yes (either of the whole Standard or of the partial exemption for government-related entities)
IFRS 1	*Limited Exemption from Comparative IFRS 7, Disclosures for First-time Adopters* (Amendment to IFRS 1)	July 1, 2010	Yes
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*	July 1, 2010	Yes
IAS 32	*Classification of Rights Issues* (Amendment to IAS 32)	February 1, 2010	Yes
IFRS for SMEs	*International Financial Reporting Standards for Small and Medium-sized Entities*	Immediately subject to approval within the individual jurisdiction	To be determined by individual jurisdictions

New IFRS and IFRIC Interpretations with an effective date on or after January 1, 2009

Title	Full title of Standard or Interpretation	Effective for accounting periods beginning on or after	Early adoption permitted?
Various	*Annual Improvements 2009*	January 1, 2010 unless otherwise stated (some are effective from July 1, 2009)	Yes
IFRS 1	*Additional Exemptions for First-time Adopters* (Amendments to IFRS 1)	January 1, 2010	Yes
IFRS 2	*Group Cash-settled Share-based Payment Transactions* (Amendments to IFRS 2)	January 1, 2010	Yes
IFRS 1	*First-time Adoption of International Financial Reporting Standards* (Revised 2008)	July 1, 2009	Yes
IAS 39	Amendment to IAS 39, *Financial Instruments: Recognition and Measurement: Eligible Hedged Items*	July 1, 2009	Yes
IFRIC 17	*Distributions of Non-cash Assets to Owners*	July 1, 2009	Yes (but must also apply IFRS 3 Revised 2008, IAS 27 Revised 2008 and IFRS 5 (as amended by IFRIC 17))
IFRS 3	*Business Combinations* (Revised 2008)	July 1, 2009	Yes (but only for periods beginning on or after June 30, 2007, and in conjunction with IAS 27 Revised 2008)
IAS 27	*Consolidated and Separate Financial Statements* (Revised 2008)	July 1, 2009	Yes (but must be applied in conjunction with IFRS 3 Revised 2008)
IFRIC 18	*Transfers of Assets from Customers*	Transfers of assets on or after July 1, 2009	Yes provided the valuations and other information needed to apply the Interpretation to past transfers were obtained at the time those transfers occurred
IAS 32 and IAS 1	Amendments to IAS 32, *Financial Instruments: Presentation* and IAS 1, *Presentation of Financial Statements: Puttable Financial Instruments and Obligations Arising on Liquidation*	January 1, 2009	Yes (but must be applied in conjunction with related amendments to IAS 39, IFRS 7 and IFRIC 2)
IFRS 1 and IAS 27	Amendments to IFRS 1, *First-time Adoption of International Financial Reporting Standards* and IAS 27, *Consolidated and Separate Financial Statements*	January 1, 2009	Yes
IFRS 7	Amendments to IFRS 7, *Financial Instruments Disclosures: Improving Disclosures about Financial Instruments*	January 1, 2009	Yes
IFRS 2	Amendment to IFRS 2, *Share-based Payment: Vesting Conditions and Cancellations*	January 1, 2009	Yes
IAS 1	*Presentation of Financial Statements*	January 1, 2009	Yes
IAS 23	Amendments to IAS 23, *Borrowing Costs*	January 1, 2009	Yes
IFRS 8	*Operating Segments*	January 1, 2009	Yes
IFRIC 15	*Agreements for the Construction of Real Estate*	January 1, 2009	Yes
Various	*Annual Improvements to IFRSs* (Published in 2008)	January 1, 2009 (unless otherwise stated)	Yes

Open for comment

This table lists the documents that the IASB currently has out to comment and the comment deadline. We aim to respond to each of these publications.

Current IASB documents

Document type	Title	Comment deadline
Exposure Draft	*Offsetting Financial Assets and Financial Liabilities*	April 28, 2011
Supplement to an Exposure Draft	*Financial Instruments: Impairment*	April 1, 2011
Exposure Draft*	*Hedge Accounting*	March 9, 2011

*The Canadian Institute of Chartered Accountants (CICA) has also published this document for comments to integrate the standard or the interpretation into Part I of the *CICA Handbook* when the IASB will have published its definitive standard or interpretation.

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