

IFRS News

Shedding light on the IASB's activities*

IFRS News – Issue 39
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Issue of the month

Outsourcing contracts: an accidental business combination?

Dusty Stallings and Matthieu Moussy of PwC's Global Accounting Consulting Services examine the financial reporting implications of outsourcing contracts.

Outsourcing contracts are common. Many companies use outsourcing contracts to reduce costs, increase efficiency and focus on the core business. There are many different types of outsourcing arrangements, and the financial reporting of them can be complex. The expected outcome is generally that the outsourcing arrangement will be treated as a service arrangement, but an outsourcing contract may be classified as a business combination, lease or service concession. Whether it's a business combination, a lease, a construction contract or a service arrangement will depend on the contract with the customer; but the assessment requires management's judgment.

Companies may outsource any or all functions they consider can be done more efficiently by a third party. This can be a function as peripheral as catering for a large head office or IT management for a law firm. Other less obvious outsourcing contracts might be private finance initiatives, contract drug manufacturing, prison management and waste management services.

Financial reporting of these contracts raises several questions: is there a business combination? How should upfront payments by the outsourcer be treated? How should revenue and costs be recognised? What are the potential implications of IFRIC 4? IFRIC debated some of these questions as part of the Service Concession Arrangements exposure draft; however, none have been definitively answered, and the completion of an interpretation is not expected soon.

Have you acquired a business?

The first step in analysing an outsourcing transaction is to determine whether a business combination has taken place. A large outsourcing contract usually includes some of a company's significant processes. The company transfers assets, staff and processes to the outsourcer. These three in combination should be able to provide output on their own, which is a business as defined by IFRS 3. Some factors such as a limited contract life can refute the business combination conclusion. The transaction will give rise to a business combination if full control is transferred to the outsourcer for the expected useful life of the assets. A business combination is more likely where the 'outsourcer' is assembling similar contracts to extract synergies and asset efficiency.

A business combination results in the outsourcer recording assets and liabilities at fair value and goodwill.

Accidental business combinations are seldom welcomed by senior management or the investor community. It is difficult to assess whether or not a contract results in a business combination, particularly when existing customer processes are combined with the existing processes of the outsourcer. The outsourcer should therefore carefully assess agreements as they are being structured to avoid unintended financial reporting effects.

Build and run components

A contract may require the outsourcer to build a platform to deliver the service (for example, an IT platform, plant or large equipment). This is often referred to as the 'build' phase of the contract, to be followed by the 'run' phase. Management should assess whether the build and run phases should be accounted for separately. Factors to consider are whether the asset and the service are to be delivered separately - ie, the customer can use the asset separately from the service - and whether a reliable measure of revenue for the asset and the service can be obtained.

The build element, when separable, is generally recognised in accordance with IAS 11, Construction Contracts, as the item is being built to the specifications of the customer as a result of a negotiated contract. The run element is generally recognised as a service contract in accordance with IAS 18, Revenue.

Run revenues and costs

Activities to be delivered under a run component of a bundled outsourcing contract are usually services, either discrete or continuous. Revenue should

be recorded on a percentage-of-completion basis. However, the measurement of completion, given the nature of the services delivered, is usually based on 'output' indicators (volumes of transactions, survey of interventions and similar measures). Measures of completion based on input measures such as costs (cost-to-cost method) is not appropriate for such contracts, as it is unlikely that cost incurred represents the progress of the service to date. Revenue is generally recorded on a straight-line basis if services to be delivered are performed by an 'indeterminate number of acts'.

Certain contracts include the payment of an upfront amount by the outsourcer to the customer. When services received for such a payment are not identifiable, the payment usually represents the granting of a discount. This is recognised as a reduction of revenue over the service period of the contract.

Recognition of costs may be even more challenging than recognition of revenue. Contract revenue and expenses 'are recognised respectively by reference to the stage of completion of the contract activity'. Expenses in an outsourcing contract because of the necessary start-up activities are often front-loaded.

Outsourcing is a developing industry, with an increasing number of processes being transferred to outsourcers and requiring start-up activities with significant front-loaded expenses. New contracts may be signed at the same time as the outsourcer is adapting its structure to offer new services. The outsourcer should determine which of these up-front expenses relate to the implementation of a specific contract, as opposed to costs incurred at its discretion to modify or transform its own business. This may depend on the maturity of the outsourcer's business. Some historical outsourcers are

developing their structures to face this demand; other corporations are setting up new outsourcing businesses, often starting with their existing IT functions, while many existing IT companies are expanding into outsourcing.

For expenses that relate to the services to be delivered, work in progress is recognised if the costs are recoverable. There will also be numerous other costs (employee restructuring, transfer to a new location, development of new processes) that are normal operating costs of the business and should be expensed as incurred or may give rise to intangible or tangible fixed assets.

Implications of IFRIC 4

IFRIC 4, Determining whether an Arrangement contains a Lease, is effective from 1 January 2006. Most outsourcing contracts include assets; these outsourcers will need to determine whether their outsourcing contracts include a lease.

The challenge is to assess whether specific assets exist in the arrangement. This determination should be made on an asset-by-asset analysis. This includes obtaining a precise understanding of the use of the asset: is the service based on that specific asset, or could it be delivered, in accordance with the terms of the contract by other means? For example, a catering outsourcer may provide meals for a customer from its central facilities, which are also used for other customers; conversely, it may use a dedicated facility constructed solely for the purpose of that customer's contract. If the asset is used solely for the company, it would be a lease of the specific asset by the customer. The asset is not deemed specific to the customer if the outsourcer uses the asset for a number of customers, and no lease would exist.

New publication: 'Revenue recognition under IFRS – a practical guide'

Companies are re-focusing their accounting policies as a result of changes in the regulatory environment and changes in perspective. Many are adopting best practices – there is a greater focus on the need to do it right. This is particularly significant in the area of revenue recognition.



This publication provides a platform for accountants and non-accountants to understand the theory behind revenue recognition and to identify potential pitfalls. Hard copies will be available late April from your local PwC office.



EU&M technical committee tackles tricky issues

Lutz Granderath and Mark King talk to IFRS News about the issues being addressed by PwC's Energy, Utilities and Mining (EU&M) IFRS Technical Committee.



What is the purpose of the committee?

The committee was established in May 2004 to bring together some of PwC's experts on energy, utilities and mining. Its objective is to debate issues and generate thought-leadership to share with clients on IFRS matters for the sector. It also provides a standardised communication process for important issues and facilitates the application of consistent interpretations.

The committee comprises 17 partners and directors drawn from nine countries. Most of the members are assurance partners specialising in serving EU&M clients and as such bring many years' experience in the sector.

What has the committee achieved so far?

Members of the committee, together with the PwC EU&M industry leadership, have run several E&U Roundtable events. These events, at which several members presented issues and facilitated discussions, enable clients and non-clients in the sector to engage in the debate over financial reporting issues that are important to them. A bi-product of this has been the publication of two booklets, *Implementation Challenge* and *Moving Forward*, which reflect some of the issues discussed and views expressed.

The committee has also recently published four E&U-specific chapters for PwC's application guidance 'Applying IFRS'. The chapters provide an overview of many industry-specific IFRS issues and our views on how these should be dealt with under IFRS.

The chapters address issues relating to:

- The reporting group – issues such as joint venture accounting and

production sharing contracts;

- Exploration and production assets – the basis for capitalising exploration costs under IFRS;
- Assets – impairment testing for EU&M entities, as well as other asset-related accounting issues; and
- Liabilities and provisions – issues such as accounting for environmental obligations, including emissions, and industry-specific taxes.

These chapters are supported by 45 solutions that illustrate the application of this guidance.

We are finalising a fifth chapter on accounting for financial instruments for E&U entities, addressing issues such as the own-use exemption and identifying embedded derivatives. This will also be supported by a number of solutions and will be published later this month.

The committee has also delivered workshop training sessions over the last two years at PwC's annual IFRS update training for the firm's IFRS specialists. This has facilitated the sharing of the committee's work with those responsible for providing IFRS technical advice.

What have been the more difficult issues to debate and why?

We have found that there is great diversity from country to country in the way that aspects of the industry operate. Examples include emissions schemes and regulation in the utility sector, and production-sharing contracts in the oil and gas sector. Financial instruments of course have caused a lot of difficult discussions, particularly with respect to capacity contracts.

It has been challenging to identify the common features and the principles on which IFRS reporting should be based. We have worked hard to find the most

appropriate IFRS answer rather than defaulting to the US GAAP position. This has not been made easy by the IASB's reluctance to provide industry-specific guidance. For example, a request was submitted to IFRIC for guidance on the continued applicability of full cost accounting in the oil and gas industry. The IFRIC has published a view on a very limited aspect of full cost accounting, but this still leaves uncertainty as to whether companies could apply the full cost guidance in US GAAP in the absence of broader guidance from the IASB and IFRIC.

The EU&M committee has considered these and other issues, and its views are reflected in the Applying IFRS solutions.

Why has the debate been difficult to resolve?

Two of the more difficult issues were regulatory assets on the utilities side and full cost accounting on the energy side. Both of these proved difficult because of the well established practices and literature available in other GAAPs and yet the absence of direct guidance in IFRS.

Regulatory assets

This issue is prevalent in the utilities industry in many countries. Complete liberalisation of utilities is not practical because of the physical infrastructure required for the distribution of natural gas, electricity and water. A mechanism used by some governments to protect the purchaser of the utility from the monopoly powers that would otherwise arise is to regulate the price that may be charged for the utility.

A common feature of price regulation in many countries is for the regulator to allow the utility price to be increased to cover specific identified past costs. Certain national GAAPs permit these

costs to be deferred on the balance sheet as a regulatory asset, which is recovered through the future increased price. The issue that the committee faced is that there is no equivalent guidance in IFRS.

Applying guidance from another GAAP is not permitted under IFRS unless an attempt to develop accounting policies by analogy to other IFRS standards or application of the IFRS Framework alone is insufficient. Even then, any policies imported from another GAAP must not be contrary to the IFRS Framework.

Analysing the issue from an IFRS perspective, we could see two barriers to recognising a regulatory asset:

1. The costs to be deferred were typically costs associated with the current period's utility service – for example, higher than budgeted fuel costs for electricity production. We could not see a basis to override the normal accounting that the costs of the current period's utility service be included in the current period's cost of sales; and
2. The IFRS Framework only allows the recognition of an asset if it will lead to future economic benefits. It is accepted that the increased costs incurred in the current period will result in increased revenues in the future period. However, those increased revenues will only arise if the entity provides future utility services to its customers. It therefore

has to deliver the future service in order to be entitled to charge the increased price. Taking these and other considerations into account led us to conclude that recognising a regulatory asset by a price-regulated entity is not appropriate under IFRS.

Full cost accounting

Full cost accounting is a method for dealing with exploration costs that is specifically permitted under some national GAAPs. There is no equivalent guidance in IFRS, although IFRS 6 allows continued application of an entity's existing accounting policy for exploration costs, even if this would not be allowable under IFRS.

Full cost accounting typically results in an oil and gas entity accumulating all of its exploration costs in one large cost centre for each large geographical region. These costs are recognised as an asset and depreciated over the total amount of oil and gas produced in that region. This contrasts with other models in which exploration costs are identified with specific oil and gas discoveries and unsuccessful exploration costs are written off.

The question that the committee needed to consider was how an entity that has followed full cost accounting under its previous GAAP should treat the costs of unsuccessful exploration after it had moved out of the exploration phase. This was a particularly relevant question because the IFRIC had recently confirmed

that the scope of IFRS 6 was not to be extended beyond the exploration phase.

IFRS 6 requires capitalised exploration costs to be reclassified outside the scope of IFRS 6 once they have been evaluated. After reclassification, these costs are subject to the normal IFRS requirements of impairment testing at the CGU level and depreciation on a component basis, as the relief provided by IFRS 6 is available only up to the point of evaluation.

The committee found it difficult to see how the traditional full cost accounting approach could continue to be applied to post-evaluation exploration costs for which no commercially-viable reserves have been identified. Entities wanting to continue to apply full cost accounting will need to be able to justify this in the context of the IFRS depreciation and impairment requirements mentioned.

What next for the committee now that most IFRS transitions have been completed?

The committee will continue to meet at least twice a year to address emerging industry issues. The PwC EU&M IFRS Technical Committee will continue to develop content for thought-leadership material, address the hot topics and publish guidance, where needed. The committee will also continue the success of the roundtables and develop a forum in which PwC engagement teams and clients can raise issues and air views.

New publication: 'Moving forward – IFRS for the Energy, Utilities and Mining Industries'

As many companies have completed their transition to IFRS, produced their first interim or quarterly information and with the first round of annual reporting coming up, it is a good time to reflect on what has been achieved and what needs to be done.

This paper highlights key issues that should be at the forefront of preparers' minds as they approach their first full year of reporting under IFRS. It also reflects on how accounting might



develop in the future. We hope this publication will help the industry set an agenda of accounting topics for future discussion.

To receive hard copies of 'Moving forward', contact your local PwC office. Internal readers should contact James Johnson/UK/ABAS/PwC. Tel +44 20 7804 7399. The PDF can be downloaded from www.pwc.com/uk/publications

Life after the stable platform – IASB forges ahead

IASB chairman Sir David Tweedie delivered a statement to the Economic and Monetary Affairs Committee of the European Parliament in January on the work of the IASB. Extracts relating to future amendments to standards, the IASB/FASB convergence project and principles vs rules are presented below.

Convergence vs stability: a false choice

The IASB recognises the enormous amount of change involved for those companies, investors and auditors working under the new IFRS system for the first time. It is incumbent on the IASB to allow time for all interested parties to adapt to the new standards and provide time for IFRSs to 'bed down'. We all have an interest in making sure that companies apply IFRSs consistently in a manner faithful to the intent of the standards. That will take time, patience and cooperation of those involved in the adoption and enforcement of IFRSs. The effort to create a stable platform of standards, established by March 2004 and not to change before the end of 2006, was meant to accomplish this objective.

Nevertheless, there are sceptics of the IASB's commitment to stability of the standards. Some have observed that our stable platform has not been so stable, and that the IASB has been prone to change its standards since March 2004. These changes have, however, been aimed at dealing with concerns raised about implementation issues. For example, amendments to the fair value option, the first-time adoption standard, the pension standards, and others are examples of when the IASB responded to cases put forward by regulators, auditors, and preparers. It is clear that as the standards receive closer scrutiny through continued use, the need for other minor amendments may arise. The IASB hopes that these cases will be relatively infrequent. We will resist the temptation to create exceptions and special rules to address narrow interests.

Our commitment to stability, however, cannot and must not mean that the IASB should stop its work on new standards altogether. Our task is not complete. The 'roadmap' on the removal of the US GAAP reconciliation that both the

European Commission and the SEC staff support provides the IASB with clear direction. The IASB is responding by tailoring our agenda to balance the desire for stability with the need to press ahead with convergence.

This balance is possible, because of the changed perspective of the US SEC staff regarding the reconciliation requirement. The US SEC staff has stated on several occasions, following the publication of the roadmap, that they would be willing to recommend mutual recognition of IFRSs and US GAAP, provided a robust convergence process was in place, and would continue following the removal of reconciliation requirement.

From the standard-setting standpoint, this changed attitude following the roadmap was a revelation. The IASB and the FASB

We will resist the temptation to create exceptions and special rules to address narrow interests

would no longer need to concentrate on a possibly endless series of changes, the very changes that would make the stable platform unstable, to get the reconciliation removed. In consultation with the SEC and the European Commission, the IASB and the FASB agreed that trying to eliminate existing differences between two standards that are in need of significant improvement is not the best use of the FASB's and the IASB's resources – instead a new common standard should be developed that improves the financial information reported to investors.

Under this arrangement, convergence work would run on two tracks. First, the goal by 2008 is to reach a conclusion about whether existing major differences in the following few focused areas should

be eliminated through one or more short-term standard-setting projects and, if so, complete or substantially complete work in those areas. For the IASB, this would mean changes in six targeted areas, including borrowing costs, joint ventures, government grants, segment reporting, impairment and income tax. The FASB would also need to make changes to six of their standards. Convergence is a two-way street.

Second, and more substantially, the goal by 2008 is to have made significant progress on a number of areas identified by both Boards where current accounting practices of US GAAP and IFRSs are considered outdated and candidates for improvement. All of the proposed topics have been either on the Board's agenda for some time or on our active research agenda (the stage before joining the main agenda.) This, therefore, is a programme involving minimal change to our existing agenda.

I should stress that the proposed arrangement with the FASB does not mean completed standards or even exposure drafts on these topics by 2008. On all of these topics, which include consolidations, pensions, leasing, revenue recognition and financial instruments, the IASB will follow its full consultation process and will generally only reach the phase of issuing either discussion papers or exposure drafts by 2008.

Therefore, the great majority of the work associated with the achieving the 'roadmap' will occur after 2008. On those projects completed before 2008, the IASB will consider the possibility of delaying implementation dates with the option of early adoption for those seeking to list in the US.

In this manner, I am confident that we will address Commissioner McCreery's call for no new standards requiring major change during this period of adjustment.

Stability will be granted, but progress must occur.

It is the IASB's and the FASB's intention to lay out its specific short- and long-term priorities in a public document shortly. As mentioned earlier, many of the topics are already on our respective agendas. We have already consulted our respective advisory councils, business leaders, and the staffs of the European Commission and the US SEC.

The direction of convergence

In the IASB's consultations throughout Europe, we often hear, 'Convergence yes, but not at any price.' The strategy outlined above should address questions regarding the pace of convergence. However, we have heard concerns about the possible substance of the new standards too.

In general, other concerns outside of issues of pace arise on two grounds. First, those who support a more principles-based approach to accounting worry about increased complexity and do not want convergence to lead to a rulebook approach to international standards. My colleagues and I are committed to writing principles-based standards, because we believe that principles-based standards are easier to apply and actually cause more rigorous and consistent application of the standards' intent. This does not mean standards will be more lax. The contrary will be the case. A well-defined principle

will allow for few exceptions and bright lines, which have been used to obfuscate financial results for too long.

Of course, the ability to sustain a principles-based system depends as much on companies, regulators and auditors, as it does the standard-setter. If abuses of the principles arise, standard-setters will be forced to take preventive action. If lawyers and regulators continually second guess honest judgments made by preparers and auditors, the demand for rules will arise, and the IASB will find it difficult to resist. In the end, standard-setters will provide the financial reporting community with the standards that they deserve.

While the IASB's determination to write principles-based standards will reduce complexity, the simple fact is that the modern economy is full of complex transactions. The accounting standards reflect this reality.

Complaints with our standards will always persist. Any independent standard-setter will be unable to reconcile the perspectives of all interested parties. Many of the issues of concern about the FASB-IASB joint work is based upon concerns about the possible extension of the use of fair value accounting in new standards. To date, the IASB has issued very little new uses of fair value in the new standards issued by the Board, but clearly questions of the extent and relevance of new fair value measurements will arise in

the future in a number of projects. The FASB and the IASB intend to address the issue of measurement as part of the Conceptual Framework projects that the Boards are jointly undertaking. Our respective staffs are now developing a work plan for the measurement aspect of the framework project to enable a public debate on the benefits of the range of measurement attributes (in particular, cost and fair value) and when each should be used to take place later this year.

We are at a key juncture in the development of international accounting standards. Nearly 100 countries are using IFRSs and are working hard to ensure their consistent application. The other major economies of the world, Japan and the US, and the fastest growing emerging economies, China and India, are converging with IFRSs.

This progress in a relatively short-period of time provides ground for much optimism. We have a real opportunity now to ensure the smooth adoption of IFRSs in Europe and elsewhere and remove the US reconciliation requirement that serves as an impediment to the further integration of world's capital markets. If successful, we will create a financial reporting infrastructure appropriate for the global modern economy. Let us avoid the temptation to rest on our laurels now. We should move forward, conscious of the practical challenges, but cognisant of the greater goal still ahead.

Similarities and Differences – a comparison of IFRS and US GAAP

This publication is for those who wish to gain a broad understanding of the key similarities and differences between IFRS and US GAAP most commonly found in practice.

The first section provides a summary of the similarities and differences. It refers to subsequent sections of the document where key differences are highlighted and explained in more detail.



This publication is an update of the October 2004 edition and takes into account all pronouncements issued under IFRS and US GAAP up to and including October 2005.

To order hard copies, contact your local PwC office. Internal readers should place orders with their local publications order contact (details on the IFRS NoE) or email Joanna C Malvern/UK/ABAS/PwC.

Internal IFRS training event – what's hot in 2006

Details of PwC's internal training event, 'IFRS Update Training', are now available.

This year, the two-day event comprises entirely elective modules – there are no plenary sessions. Attendees from all theatres can choose from between the modules below. Attendees will be sent a request for their selection next month.

Fair values are here to stay

- Application of fair value measurement for financial and non-financial assets and liabilities; and
- the anticipated impact of the IASB fair value measurement project on IFRS.

Sales of financial assets and other stories

- Latest PwC interpretations relating to continuing involvement; and
- Other issues including derecognition of financial liabilities.

Tuning your financial instruments

Recent IASB amendments and IFRIC decisions relating to financial instruments, including:

- Fair value option;
- Cash flow hedge accounting of forecast intragroup transactions;
- Financial guarantee contracts;
- IFRS 7;
- Reassessment of embedded derivatives; and
- Convertible Instruments denominated in a foreign currency.

Insurance contracts

A module for non-insurance technical people with basic insurance knowledge who want to know more and insurance

experts who need the bigger picture.

- Key IFRS 4 current requirements (unbundling and liability adequacy test);
- IASB's tentative Phase II decisions in the light of IFRS 4 accounting; and
- Broad implications of Phase II and its influence on other IASB/FASB projects.

Business combinations: acquisitions and disposals

- Acquisitions achieved in stages;
- IFRS 5: practical issues with discontinued operations; and
- Identification and valuation of intangible assets.

Consolidated and separate financial statements

- Separate financial statements and cost of investment;
- Common control – predecessor values; and
- IFRS 3/IAS 27/IAS 32 and 39 – puts and calls over shares in subsidiaries.

Equity accounting: practical issues

- Initial and subsequent measurement upon increase or decrease in interest;
- Common control transactions involving associates;
- Impairment testing;
- Dilution gains; and
- IFRS/US GAAP differences

Impairment: practical issues

Key messages from auditing impairment calculations:

- Central cost allocation;
- Goodwill allocation;
- Discount rates; and

- Case study of a complete impairment calculation for a CGU.

Will you be exposed?

Update session covering the exposure drafts issued over the past year by the IASB. In particular, EDs relating to:

- IAS 12;
- IAS 14; and
- IAS 20, IAS 37 and performance reporting (to the extent new information is released).

Revenue recognition

- Practical issues surrounding accounting for multiple element arrangements;
- Application of the percentage-of-completion method;
- Customer incentives; and
- Other areas such as:
 - other income versus revenue,
 - the impact of IFRIC 4 on revenue recognition.

IFRIC interpretations

Update session covering the pronouncements by IFRIC during the year. In particular:

- IFRS 2 and IAS 19;
- IFRIC 6; and
- Certain items not taken on the IFRIC agenda on IAS 17.

Reporting under ISAs

Latest from the IAASB, including:

- New look for our audit reports;
- New requirements on unmodified/modified opinions and the use of emphasis of matter paragraphs; and
- New standard on review engagements.

IASB project update

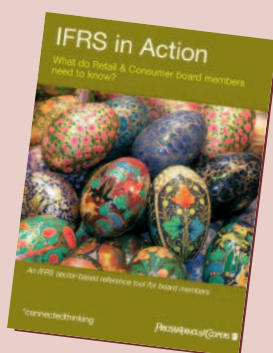
Project	ED published/ expected	Comment deadline	Standard published/ expected
Business combinations and related issues (FASB and IASB joint project)			
• IFRS 3, Phase 2: application of purchase method	12 July 2005	28 October 2005	Undecided
• Minority interests: amendment to IAS 27	12 July 2005	28 October 2005	Undecided
Convergence			
• IAS 37	12 July 2005	28 October 2005	Undecided
• IAS 12	Q2, 2006	Undecided	Undecided
• Amendment to IAS 20	Deferred until IAS 37 finalised	Undecided	Undecided
• Operating segments (ED 8) (replacement of IAS 14)	19 January 2006	19 May 2006	Some time in 2006
IAS 32			
• Financial instruments disclosures: shares puttable at fair value	Q2 or Q3, 2006	Undecided	Q3 or Q4, 2006
IAS 39			
• Interest margin hedging	To be decided	To be decided	To be decided
IFRS 2 amendments – vesting conditions and cancellation	2 February 2006	2 June 2006	Some time in 2006
Consolidation (including SPEs)	Q3 or Q4, 2006	Undecided	Undecided
Reporting comprehensive income			
• Segment A	Undecided	Undecided	Undecided
• Segment B	Undecided (depends on Segment A)	Undecided	Undecided
Revenue and related liabilities (FASB and IASB joint project)	Discussion paper due Q3 or Q4 2006		
Liabilities and equity	Discussion paper due Q3 or Q4 2006		
Emission rights	Undecided (depends on IAS 20)		
Standards for Non-Publicly Accountable Entities (formerly: SMEs)	June 2006	Undecided	Undecided
IFRS 4 – phase 2	Discussion paper December 2006; ED July 2008	Undecided	Middle of 2009
Leases – joint project with UK ASB	Active project	Undecided	Undecided

Note: these dates are provisional only and subject to change

IFRS in Action – new publication for R&C board members

PwC's white paper 'IFRS in action: what do retail & consumer board members need to know?' analyses the effects of IFRS on the way companies are required to report their performance. It sets out the 10 key R&C IFRS transition issues to help companies identify significant risks and implement strategies to control them.

The 10 key issues are: revenue recognition; vendor rebates and allowances; customer



incentives; reporting policies; property and leases; capitalised and deferred costs; brands and intangible assets; inventories; loss-making stores and closures; financial instruments and embedded derivatives.

To receive hard copies, contact your local PwC office. Internal readers should contact Megan Hofmann/FR/ABAS/PwC. The PDF can be downloaded from www.pwc.com/R&C



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