

# Straight away

## IFRS bulletin from PricewaterhouseCoopers

### IASB modifies its work programme and timetable

#### What is the issue?

The International Accounting Standards Board has a very full agenda as a result of various factors including pressure from the G20 following the financial crisis and the timetable under which it is working towards convergence with the US standard-setter, the FASB. Many major projects were scheduled to be completed as new or revised standards by June 2011. This timetable was increasingly seen as being problematic – that is, achieving it might be possible but not with the normal level of care, thought and due process. Accordingly, the IASB and FASB issued a joint statement on 24 June in which they acknowledged that projects would have to be prioritised and that some would not be completed by mid 2011 as previously planned, but would be deferred. Brief details, viewed from an IASB perspective, are as follows. The full 15 page statement is [here](#).

The IASB's modified strategy retains the target completion date of June 2011 or earlier for the projects for which the IASB believes the need for improvement is the most urgent. The priorities are:

- Financial instruments (see below)
- Revenue recognition – exposure draft issued 24 June 2010
- Leases – exposure draft now scheduled for early third quarter 2010
- Presentation of other comprehensive income
- Fair value measurement

Other priorities that the IASB aims to complete by June 2011 are:

- A new project to address differences in the IFRS and US standards as regards balance sheet netting of certain financial instruments.
- The project on *accounting treatment* of derecognition of assets has been changed into one on *disclosures* about derecognised assets and other off balance sheet risks.
- Consolidations, especially in relation to structured entities.
- Insurance contracts (exposure draft scheduled for July 2010; timing of final standard not clear)

Projects they believe are lower priority are now targeted for completion after the original June 2011 target date. Hence, the following projects are being delayed:

- Financial statement presentation – a more fundamental review of presentation
- Financial instruments with characteristics of equity (the “debt/equity project”)
- Other aspects of consolidations
- De-recognition – accounting treatment

#### *Financial instruments*

The boards' statement acknowledges the particular difficulties attached to improving and converging the two sets of standards in this area. At present, the IASB and FASB have issued different proposals: the IASB in sub-topics and the FASB more comprehensively; and with the FASB advocating more fair value accounting and a different approach to impairment. The two boards will “begin joint deliberations in the second half of 2010 ..... we understand the difficulties we face in reconciling our different view on this project”. Nevertheless, “the boards expect to complete their joint consideration of feedback received and finalise and issue new standards” by Q2 2011.

#### *Other projects*

The boards' statement deals primarily with their joint projects. A number of other projects are on the IASB's agenda, with varying degrees of co-operation with the FASB. The following points may be noted:

- Post-employment benefits: the IASB issued an exposure draft in April 2010 and plans to issue a revised standard in Q1 2011
- Emissions trading schemes: the boards are aiming for a standard in 2012.
- Various projects are not referred to in the boards' statement – in particular: deferred tax, provisions/liabilities, rate-regulated activities, extractive industries. It is reasonable to assume that these are still on the IASB's agenda but with relatively low priority at this stage.

## Am I affected?

Almost certainly! The IASB's work programme involves new or revised standards in many of the main areas of accounting and there are very few companies that report under IFRS (or plan to do so) who will not be affected by the work discussed in this statement.

## What do I need to do?

This week's statement is for information only. But it is clear that, despite the deferral of some projects, the work programme is still extensive and the flow of proposals and final documents will be heavy. We encourage companies and other constituents to keep a close eye on the IASB's output and to comment on the proposals as far as possible. An immediate priority is the revenue recognition exposure draft, also issued this week.

A very real practical concern is implementation – both the effective date and the transitional arrangements – of all these new standards. The IASB will be consulting separately on this aspect and we encourage companies to consider this and respond to the IASB.

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