

IFRS Briefing Sheet

IASB's Projects Overview

November 2007, **Issue 78**

This IFRS Briefing Sheet summarises the status of the current projects of the International Accounting Standards Board (IASB). It reflects significant discussions of the IASB up to and including those that took place at its September 2007 meeting.

The following project summaries set out a description of each project and the major areas of existing IFRSs that may be affected by the project. IASB documents related to the project are identified and the latest estimates of the timing to completion noted.

**A supplement to KPMG's
publication IFRS in Brief**

Project description	Overview	Timing / Status
Annual improvements	<p>The annual improvements project is the IASB's process for dealing with non-urgent, minor amendments to standards that will be processed collectively on an annual basis.</p> <p>Under this process an omnibus exposure draft (ED) will be published for comment in October each year with a 90-day comment period, and a final omnibus standard will be published in April the following year. The amendments will be effective from 1 January of the next year. Early adoption would be permitted provided that all of the annual improvements contained in the final omnibus standard are applied and, in respect of the current year proposals, IAS 1 <i>Presentation of Financial Statements</i> (as revised in 2007) is applied in the same period.</p> <p>As part of its first annual improvements project, in October 2007 the IASB published an ED of <i>Proposed Improvements to International Financial Reporting Standards</i>. The ED contains 41 proposed amendments to IFRSs which are listed in Appendix I.</p> <p>A summary of this ED can be found in <i>IFRS Briefing Sheet – Issue 77: Exposure Draft of Proposed Improvements to International Financial Reporting Standards</i>.</p>	<p>An omnibus ED was published in October 2007.</p> <p>The comment period closes on 11 January 2008.</p> <p>A final omnibus standard is expected in the second quarter of 2008.</p>
Business combinations phase II: application of the purchase method (convergence with U.S. GAAP)	<p>This is a joint project with the Financial Accounting Standards Board (FASB) that addresses the application of the purchase method of accounting for business combinations.</p> <p>In June 2007 the Board approved the final revised standard IFRS 3 <i>Business Combinations</i>, which will include the following changes from the existing standard once published in the fourth quarter of 2007:</p> <ul style="list-style-type: none"> • Business combinations involving two or more mutual entities and business combinations achieved by contract alone are included in the scope of IFRS 3 (Revised). • Transaction costs are not included in the acquisition accounting. • All items of consideration transferred by the acquirer are measured and recognised at fair value at the acquisition date, including contingent consideration. Subsequent adjustments to contingent consideration are post-acquisition adjustments that do not result in an adjustment to goodwill. 	<p>An ED was published in June 2005.</p> <p>The comment period closed on 28 October 2005.</p> <p>A final standard is expected in the fourth quarter of 2007.</p>

Project description	Overview	Timing / Status
<p>Business combinations phase II: application of the purchase method (convergence with U.S. GAAP) (continued)</p>	<ul style="list-style-type: none"> • An entity can elect to measure any non-controlling (minority) interest at fair value at the date of acquisition, which means that goodwill includes a portion attributable to non-controlling interest; or at its proportionate interest in the fair value of the identifiable assets and liabilities of the acquiree, which means that goodwill relates only to the interest acquired by the parent. • When an acquisition is achieved in successive share purchases (step acquisition), a gain or loss is recognised in profit or loss for the difference between the fair value and the carrying amount of the previously held equity interest in the acquiree. Any amounts recognised previously directly in equity are reclassified and recognised in profit or loss. • There are fewer exceptions to the fair value measurement principle. 	
<p>Conceptual framework (convergence with U.S. GAAP)</p>	<p>This is a joint project with the FASB, the objective of which is to develop a common conceptual framework that is both complete and internally consistent. The framework will be built upon the IASB's and FASB's existing conceptual frameworks and will provide a basis for developing future accounting standards by the Boards.</p> <p>The Boards have identified the following phases of this project:</p> <p>A: Objectives and qualitative characteristics B: Elements and recognition C: Measurement D: Reporting entity E: Presentation and disclosure F: Purpose and status G: Application to not-for-profit entities H: Finalisation.</p> <p>In 2006 as a result of phase A of the project the IASB published Discussion Paper <i>Preliminary Views on an improved Conceptual Framework for Financial Reporting: The Objective of Financial Reporting and Qualitative Characteristics of Decision-useful Financial Reporting Information</i>, which discussed the objectives and qualitative characteristics of general purpose financial reporting for business entities in the private sector. This is the only document that has been published to date.</p> <p>A summary of this discussion paper can be found in <i>IFRS Briefing Sheet – Issue 52: Discussion Paper on Objectives and Qualitative Characteristics of Financial Reporting</i>.</p>	<p>A discussion paper on phase A was published in July 2006.</p> <p>The comment period closed on 3 November 2006.</p> <p>Round-table discussions were held in the first quarter of 2007.</p> <p>An ED on phase A is expected in the fourth quarter of 2007.</p> <p>A discussion paper on phase D is expected in the fourth quarter of 2007.</p> <p>A discussion paper on phase B is expected in the second half of 2008.</p>

Project description	Overview	Timing / Status
<p>Conceptual framework (convergence with U.S. GAAP) (continued)</p>	<p>The Boards have started deliberating issues in phases B and D, including working definitions of assets and liabilities, the reporting entity concept, and the concept of control.</p> <p>The Boards also have agreed on a plan for deliberating phase C and have decided that it would consist of three milestones:</p> <ul style="list-style-type: none"> • definitions and properties • evaluation using qualitative characteristics • conclusions and application. <p>Each milestone will include public consultations and a consultation document (discussion paper or ED).</p> <p>In January and February 2007 the IASB and FASB held round-table discussions to discuss:</p> <ul style="list-style-type: none"> • initial views on measurement • measurement issues identified in the measurement phase plan • potential measurement bases and terminology. 	
<p>Consolidation and minority interests – amendments to IAS 27 (convergence with U.S. GAAP)</p>	<p>In June 2007 the Board approved the final amended standard IAS 27 <i>Consolidated and Separate Financial Statements</i>, which will require changes mainly to the accounting for non-controlling interest and the loss of control of a subsidiary. Upon the loss of control, any retained investment is remeasured to fair value and a gain or loss is recognised in profit or loss. Changes in non-controlling (minority) interests that do not involve a change in control are accounted for as equity transactions.</p>	<p>An ED was published in June 2005.</p> <p>The comment period closed on 28 October 2005.</p> <p>A final standard is expected in the fourth quarter of 2007.</p>
<p>Consolidation, including special purpose entities (SPEs)</p>	<p>The objective of this project is to develop the basis for consolidation that would apply to all entities, including SPEs. Ultimately the IASB intends to issue a new consolidation standard, replacing IAS 27 and <i>SIC-12 Consolidation – Special Purpose Entities</i>.</p> <p>The Board has tentatively decided that control should be defined as having “exclusive rights over an entity’s assets and liabilities which give it access to the benefits of those assets and liabilities and the ability to increase, maintain or protect the amount of those benefits.”</p>	<p>A discussion paper is expected in the first quarter of 2008.</p>

Project description	Overview	Timing / Status
<p>Cost of an investment in a subsidiary in the separate financial statements of a parent on first-time adoption of IFRSs – amendments to IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i></p>	<p>The objective of this project is to amend IFRS 1 to provide an exemption from restating the cost of an investment in a subsidiary in the separate financial statements of a parent in accordance with IAS 27 when doing so would be impracticable.</p> <p>The ED of <i>Proposed Amendments to IFRS 1 First-time Adoption of IFRSs – Cost of an Investment in a Subsidiary</i> proposes that a parent entity that is a first-time adopter of IFRSs be permitted, but not required, to measure the cost of its investments in subsidiaries at a “deemed cost” in its separate financial statements rather than determining cost under IFRSs. The deemed cost could be determined at the date of transition using either:</p> <ul style="list-style-type: none"> • the parent entity’s interest in the carrying amount of the net assets of the subsidiary, as determined based on the carrying amounts in the subsidiary’s IFRS balance sheet; or • the fair value of its investment in the subsidiary. <p>If a parent elects to use the deemed cost exemption from restating the cost of its investment in a subsidiary, then the ED proposes that, at the date of transition, the subsidiary’s accumulated profits under IFRSs would be treated as pre-acquisition accumulated profits.</p> <p>If the parent does not use the deemed cost exemption from restating the cost of its investment, then the ED proposes that, for purposes of applying the cost method, the parent either:</p> <ul style="list-style-type: none"> • determines the pre-acquisition accumulated profits of each subsidiary under IFRSs; or • treats the pre-acquisition accumulated profits under the previous GAAP of each subsidiary as the pre-acquisition accumulated profits under IFRSs. <p>A summary of this ED can be found in <i>IFRS Briefing Sheet – Issue 61: Exposure Draft of Proposed Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Cost of an Investment in a Subsidiary</i>.</p> <p>In September 2007 the Board tentatively decided to:</p> <ul style="list-style-type: none"> • extend the deemed cost exemption to the initial measurement of investments in associates and interests in joint ventures in the separate financial statements of a parent • amend IAS 27 by: <ul style="list-style-type: none"> – removing the cost method definition – requiring that parents receiving dividends from subsidiaries recognise such dividends as income, and assess the related investment in the subsidiary for impairment. 	<p>An ED was published in January 2007.</p> <p>The comment period closed on 27 April 2007.</p> <p>The Board has decided to re-expose the ED. This revised ED is expected to be published in the fourth quarter of 2007.</p>

Project description	Overview	Timing / Status
Earnings per share (partial convergence with U.S. GAAP)	<p>The Board is considering limited amendments to IAS 33 <i>Earnings per Share</i> in light of the FASB's publication of its ED on earnings per share, and its subsequent deliberations.</p> <p>The Board decided to propose certain amendments to the methods used to calculate dilutive effects of options, warrants and their equivalents that are classified as liabilities. In addition the Board decided to propose the use of the fair value model to replace the treasury stock method and the "if converted" method in the earnings per share calculation.</p>	<p>An ED is expected in the fourth quarter of 2007.</p> <p>A final standard is expected in the second half of 2008.</p>
Emission trading schemes	<p>The objective of this project is to address the underlying accounting for emission trading schemes. This project interacts with the project to revise IAS 20 <i>Accounting for Government Grants and Disclosure of Government Assistance</i> with regard to when emission trading schemes are granted by the government.</p>	<p>Work on this project has been deferred and is currently expected to resume towards the end of 2007.</p>
Extractive activities	<p>The objective of this research project is to develop an internationally acceptable approach to accounting issues in the extractive industries. The Board is focusing on the definition, recognition, measurement and disclosure of reserves / resources, including the accounting for exploration costs.</p> <p>The resulting standard would replace IFRS 6 <i>Exploration for and Evaluation of Mineral Resources</i>.</p>	<p>A discussion paper is expected in the second half of 2008.</p>
Fair value measurement guidance (convergence with U.S. GAAP)	<p>The objective of this project is to develop a consistent definition of, and to provide additional measurement guidance on, fair value; the objective is not to expand the use of fair value.</p> <p>In 2006 the IASB published Discussion Paper <i>Fair Value Measurements</i>. This discussion paper sets out the IASB's preliminary views on the U.S. standard SFAS 157 <i>Fair Value Measurements</i>.</p> <p>A summary of this discussion paper can be found in <i>IFRS Briefing Sheet – Issue 60: Discussion Paper Fair Value Measurements</i>.</p>	<p>A discussion paper was published in November 2006.</p> <p>The comment period closed on 4 May 2007.</p> <p>Round-table discussions are planned for the second quarter of 2008.</p> <p>The timing of the ED is yet to be determined by the IASB.</p>
Financial instruments: portions	<p>The objective of this project is to propose rules-based amendments to IAS 39 <i>Financial Instruments: Recognition and Measurement</i> to simplify the hedge accounting requirements while avoiding a significant change from current practice by clarifying the risks that may be designated as hedged risks and the portion of cash flows of a financial instrument that may be designated as a hedged item.</p>	<p>An ED was published in September 2007.</p> <p>The comment period closes on 11 January 2008.</p> <p>The timing of a final standard is yet to be determined.</p>

Project description	Overview	Timing / Status
<p>Financial instruments: portions (continued)</p>	<p>This project also is expected to address a practice issue discussed by IFRIC in May and July 2007 regarding hedging with written options.</p> <p>In September 2007 the IASB published an ED of <i>Proposed Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Exposures Qualifying for Hedge Accounting</i>.</p> <p>The ED proposes to clarify the IASB’s original intentions on eligible portions under IAS 39 by specifying those risks and portions that are eligible for designation as the hedged risk and the hedged portion.</p> <p>The ED also is intended to outline those risks and portions that would be eligible for designation under IAS 39; therefore, no other risks or portions would be eligible for hedge accounting.</p> <p>The ED proposals apply to financial assets and financial liabilities only.</p> <p>A summary of this ED can be found in <i>IFRS Briefing Sheet – Issue 75: Exposure Draft of Proposed Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Exposures Qualifying for Hedge Accounting</i>.</p>	
<p>Financial instruments: puttable instruments</p>	<p>The objective of this project is to provide a short-term, limited-scope amendment to improve the financial reporting of particular types of financial instruments that have characteristics similar to ordinary shares but are, at present, classified as financial liabilities.</p> <p>In 2006 the Board published an ED of <i>Proposed Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Financial Instruments Puttable at Fair Value and Obligations Arising on Liquidation</i>.</p> <p>Subject to certain conditions, this ED proposes that the following financial instruments be classified as equity:</p> <ul style="list-style-type: none"> • ordinary shares, puttable to the issuer at fair value • ordinary shares of limited life entities • partners’ interests in a partnership when the partnership terminates if a partner leaves. <p>A summary of this ED can be found in <i>IFRS Briefing Sheet – Issue 51: Exposure Draft of Proposed Amendments to IAS 32 and IAS 1 – Financial Instruments Puttable at Fair Value and Obligations Arising on Liquidation</i>.</p>	<p>An ED was published in June 2006.</p> <p>The comment period closed on 23 October 2006.</p> <p>A final standard is expected in the first quarter of 2008.</p>

Project description	Overview	Timing / Status
<p>Financial instruments: puttable instruments (continued)</p>	<p>In May 2007 the Board tentatively decided to redraft the proposed amendments to IAS 32 <i>Financial Instruments: Presentation</i> and IAS 1 to emphasise that to be classified as equity an instrument must:</p> <ul style="list-style-type: none"> • be both issued and puttable at fair value • be in the most subordinated class of instrument • participate fully in the entity's performance over the instrument's life. <p>In September 2007 the Board tentatively decided to amend the ED so that a puttable instrument's right to a pro rata share of the net assets of an entity before or at liquidation is neither limited nor guaranteed. This amendment:</p> <ul style="list-style-type: none"> • requires that the total cash flows over the life of the puttable instruments be based substantially on the earnings or changes in net assets of the entity • ensures that no other contract represents the residual interest in the entity. <p>This amendment is scheduled to be discussed at a public round table in November 2007.</p>	
<p>Financial statement presentation (convergence with U.S. GAAP)</p>	<p>This project is a joint project with the FASB. The project is a fundamental reconsideration of the contents of primary financial statements especially items reported in the income statement versus items reported directly in equity. The objective of the project is to enhance the usefulness of information presented in a complete set of financial statements by addressing presentation and display issues.</p> <p>Phase A focused on convergence issues related to the content of primary financial statements and comparative data. In September 2007 the Board published the revised standard IAS 1 <i>Presentation of Financial Statements</i> with an effective date of 1 January 2009.</p> <p>A summary of IAS 1 (Revised) can be found in <i>IFRS Briefing Sheet – Issue 74: Revised Standard IAS 1 Presentation of Financial Statements</i>.</p> <p>Phase B of this joint project focuses on more detailed issues related to the presentation of information on the face of financial statements, including required totals and subtotals.</p>	<p>The revised standard IAS 1 <i>Presentation of Financial Statements</i> resulting from phase A was published in September 2007.</p> <p>A discussion paper on phase B is expected in the first quarter of 2008.</p>

Project description	Overview	Timing / Status
Government grants (convergence with U.S. GAAP)	<p>The objectives of this project are to focus on the recognition requirements for government grants and assistance contained in IAS 20 and the options available in IAS 20 for accounting for government grants and assistance.</p>	<p>Work on this project has been deferred and is currently expected to resume towards the end of 2007.</p>
Income taxes – amendments to IAS 12 <i>Income Taxes</i> (convergence with U.S. GAAP)	<p>Both IAS 12 and the equivalent U.S. standard SFAS 109 <i>Accounting for Income Taxes</i> are based on the balance sheet liability approach to accounting for deferred taxes. However, differences arise because both standards have exceptions to their basic principles. The objective of this joint project with the FASB is not to reconsider the underlying approach, but rather to eliminate exceptions to the basic principles.</p> <p>Convergence issues being considered by the Boards include the definition of tax base, removing the exceptions regarding the initial recognition and measurement of deferred taxes, accounting for uncertainties in income taxes, the allocation of income taxes to profit and loss or equity, and special deductions.</p> <p>The IASB has made tentative decisions with respect to most convergence issues.</p>	<p>An ED is expected in the first quarter of 2008.</p> <p>The timing of a final standard is yet to be determined.</p>
Insurance contracts phase II	<p>This project seeks to develop further some of the issues identified in the 1999 Issues Paper <i>Insurance</i>. Any resulting standard would replace IFRS 4 <i>Insurance Contracts</i>.</p> <p>In May 2007 the Board published Discussion Paper <i>Preliminary Views on Insurance Contracts</i>. This discussion paper applies to insurance contracts issued by insurers and reinsurance contracts held by insurers. Although the Board plans to address policyholder accounting in the insurance contracts project, this discussion paper does not address this issue.</p> <p>The Board has proposed the following in respect of insurance contracts:</p> <ul style="list-style-type: none"> • measure insurance liabilities at current exit value • measure insurance liabilities based on discounted expected future cash flows calculated using probability-weighted and current estimates of contractual cash flows and including explicit and unbiased estimates of risk and service margins. <p>A summary of this discussion paper can be found in <i>IFRS Briefing Sheet – Issue 68: Discussion Paper Preliminary Views on Insurance Contracts</i>.</p>	<p>A discussion paper was published in May 2007.</p> <p>The comment period closes on 16 November 2007.</p> <p>The timing of the ED is yet to be determined by the IASB.</p>

Project description	Overview	Timing / Status
Joint ventures	<p>This project comprises both a joint short-term convergence project with the FASB, and a longer term research project aimed at determining the most appropriate method of accounting for interests in jointly controlled entities.</p> <p>ED 9 <i>Joint Arrangements</i> proposes accounting for joint arrangements based on the contractual rights and obligations agreed to by parties to joint arrangements; the legal form of the arrangement would no longer be the most significant consideration in determining the accounting for joint arrangements. The ED proposes that an entity recognise an interest in a joint venture (previously a “jointly controlled entity”) using the equity method. Unlike IAS 31 <i>Interests in Joint Ventures</i>, proportionate consolidation would not be permitted.</p> <p>A summary of this ED can be found in <i>IFRS Briefing Sheet – Issue 76: Exposure Draft 9 Joint Arrangements</i>.</p>	<p>An ED was published in September 2007.</p> <p>The comment period closes on 11 January 2008.</p> <p>A final standard is expected in the second half of 2008.</p>
Leasing (convergence with U.S. GAAP)	<p>This is a joint project with the FASB, the objective of which is to reconsider the accounting requirements for leasing arrangements. The resulting standard is expected to replace IAS 17 <i>Leases</i>.</p>	<p>A discussion paper is expected in the second half of 2008.</p>
<p>Liabilities – amendments to IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i> and IAS 19 <i>Employee Benefits</i> (partial convergence with U.S. GAAP)</p>	<p>In 2005 the Board published an ED of <i>Proposed Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets and IAS 19 Employee Benefits</i>. The proposals arise in part from a joint short-term convergence project with the FASB to converge requirements for the recognition of restructuring provisions, and from phase II of the business combinations project (see above <i>Business combinations phase II</i>).</p> <p>A summary of this ED can be found in <i>IFRS Briefing Sheet – Issue 31: Publication of Exposure Draft of Proposed Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets and IAS 19 Employee Benefits</i>.</p> <p>As part of its redeliberations of the proposals in the ED, the Board has tentatively affirmed that:</p> <ul style="list-style-type: none"> • existence of a present obligation distinguishes a liability from a business risk • the term “stand ready obligation” would be used to describe situations when there is an uncertainty about the outflow of economic benefits required to settle a present obligation • existing definitions of legal and constructive obligations would be incorporated into the text of the standard (i.e., separate definitions will be eliminated). 	<p>An ED was published in June 2005.</p> <p>The comment period closed on 28 October 2005.</p> <p>Round-table discussions were held in the fourth quarter of 2006.</p> <p>The timing of the final standard is yet to be determined by the IASB.</p>

Project description	Overview	Timing / Status
Management commentary	<p>In 2005 the Board published Discussion Paper <i>Management Commentary</i>, which considers the role of the IASB in developing principles for management commentary that accompanies financial statements, and includes proposals for the main components of a standard.</p> <p>The Board will consider responses to the discussion paper when deliberating presentation and disclosure issues as part of phase E of its conceptual framework project (see above <i>Conceptual framework</i>).</p> <p>A summary of the discussion paper can be found in <i>IFRS Briefing Sheet – Issue 38: IASB Issues Discussion Paper on Management Commentary</i>.</p>	<p>A discussion paper was published in October 2005.</p> <p>The comment period closed on 28 April 2006.</p> <p>The IASB is expected to decide in December 2007 whether the project should be added to its active agenda.</p>
Measurement	<p>In 2005 the Board published discussion paper <i>Measurement Bases for Financial Accounting</i>, which analyses a number of possible bases of measurement for assets and liabilities on initial recognition.</p> <p>The Board is expected to consider responses to the discussion paper when deliberating measurement issues as part of its conceptual framework project (see above <i>Conceptual framework</i>).</p> <p>A summary of the discussion paper can be found in <i>IFRS Briefing Sheet – Issue 39: IASB Issues Discussion Paper on Measurement Bases for Financial Accounting – Measurement on Initial Recognition</i>.</p>	<p>A discussion paper was published in November 2005.</p> <p>The comment period closed on 19 May 2006.</p>
Post-employment benefits (including pensions) (convergence with U.S. GAAP)	<p>The objective of this project is to fundamentally revisit the accounting for employee benefits under IAS 19. The project is divided into two phases. The first phase of the project will consider:</p> <ul style="list-style-type: none"> • presentation and disclosure • the definitions and measurement approaches of defined contribution, defined return (cash balance and similar plans) and defined benefit arrangements • smoothing and deferral mechanisms • treatment of settlements and curtailments. <p>The second phase of the project will consider all other issues.</p>	<p>A discussion paper related to the first phase of this project is expected in the first quarter of 2008.</p>
Related parties – amendments to IAS 24 <i>Related Party Disclosures</i>	<p>The objectives of this project are to clarify the requirements for state-controlled entities and the definition of a related party.</p> <p>In 2007 the Board published an ED of <i>Proposed Amendments to IAS 24 Related Party Disclosures – State-controlled Entities and the Definition of a Related Party</i>.</p>	<p>An ED was published in February 2007.</p> <p>The comment period closed on 25 May 2007.</p> <p>A final standard is expected in the first quarter of 2008.</p>

Project description	Overview	Timing / Status
<p>Related parties – amendments to IAS 24 <i>Related Party Disclosures</i> (continued)</p>	<p>The ED proposes amending IAS 24 to provide a disclosure exemption in respect of related party relationships that arise through common control by the state, except if indicators of influence exist between the entities. Therefore for entities that are controlled or significantly influenced by the state, the disclosure of related party transactions focuses on those transactions that have been impacted by the related party relationship.</p> <p>The ED also proposes to amend the definition of related parties to:</p> <ul style="list-style-type: none"> • include the relationship between a subsidiary and an associate of the same entity, in respect of the individual and / or separate financial statements of both the subsidiary and the associate • exclude situations in which two entities are related because a person has significant influence over an entity and a close family member of that person has significant influence over another entity • include other entities in which a significant investor of the reporting entity is a member of key management personnel. <p>The ED also proposes to clarify that:</p> <ul style="list-style-type: none"> • the IAS 24 disclosures apply to relationships and transactions between an entity and its related party – not between two related parties of an entity • related party transactions include future commitments • IAS 24 applies to consolidated, individual and separate financial statements. <p>A summary of the ED can be found in <i>IFRS Briefing Sheet – Issue 63: Exposure Draft of Proposed Amendments to IAS 24 Related Party Disclosures</i>.</p>	
<p>Revenue recognition (convergence with U.S. GAAP)</p>	<p>This is a joint project with the FASB, the objective of which is to develop a single comprehensive set of principles for revenue recognition that is based on assets and liabilities (as opposed to recognition and an earnings process).</p> <p>The Boards are currently exploring two models for revenue recognition:</p> <ul style="list-style-type: none"> • The <i>fair value model</i>: the fair value of performance obligations should be measured at the legal lay-off price (price that the reporting entity would have to pay an unrelated party to assume legal responsibility for performing all of its remaining obligations). • The <i>allocation model</i> (formerly <i>customer consideration model</i>): performance obligations should be measured using an allocation of the customer consideration. 	<p>A discussion paper is expected in the first quarter of 2008.</p>

Project description	Overview	Timing / Status
<p>Share-based payment: vesting conditions and cancellations – amendments to IFRS 2 <i>Share-based Payment</i></p>	<p>The objective of this project is to amend IFRS 2 to clarify the definition of vesting conditions and the treatment of all non-vesting conditions; and to provide guidance on the accounting treatment of cancellations by parties other than the entity.</p> <p>In 2006 the Board published an ED of <i>Proposed Amendments to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations</i>.</p> <p>A summary of the ED can be found in <i>IFRS Briefing Sheet – Issue 45: Exposure Draft of Proposed Amendments to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations</i>.</p> <p>As part of its redeliberations of the proposals in the ED, the Board has confirmed that the definition of vesting conditions in IFRS 2 will be amended to clarify that vesting conditions are limited to service conditions and performance conditions. The Board also has concluded that vesting conditions are “only those conditions that determine whether the entity receives the services that entitle the counterparty to the share-based payment”.</p> <p>The Board also has reaffirmed that the amended IFRS 2 would provide guidance on the accounting for conditions, other than vesting conditions, which determine whether the counterparty receives a share-based payment; these conditions are referred to as non-vesting conditions. This includes guidance on the accounting for a cancellation of a share-based payment by the counterparty.</p>	<p>An ED was published in February 2006.</p> <p>The comment period closed on 2 June 2006.</p> <p>A final amendment is expected in the fourth quarter of 2007.</p>
<p>Small and medium-sized entities (SMEs)</p>	<p>The objective of this project is to develop an IFRS that would facilitate financial reporting by, and provide accounting standards suitable for, small and medium-sized entities (SMEs) that want to use international standards.</p> <p>In 2007 the Board published an ED of a <i>Proposed IFRS for Small and Medium-sized Entities</i> (SMEs IFRS).</p>	<p>An ED was published in February 2007.</p> <p>The comment period closes on 30 November 2007.</p> <p>A final standard is expected in the second half of 2008.</p>

Project description	Overview	Timing / Status
<p>Small and medium-sized entities (SMEs) (continued)</p>	<p>The ED proposes a simplified and slimmed-down version of full IFRSs for SMEs as follows:</p> <ul style="list-style-type: none"> • Transactions that the Board considers less relevant to SMEs are omitted from the ED or are cross-referenced to full IFRSs in the event that such transactions occur (e.g., equity-settled share-based payments). • Simplifications have been proposed to the recognition and measurement requirements of full IFRSs in some areas (e.g., there are only two categories of financial assets). • In some areas in which full IFRSs include more than one accounting option, the proposals include the simpler option and cross-reference to full IFRSs for details on applying the more complex option (e.g., SMEs accounting for investment property using the fair value model would refer to IAS 40 <i>Investment Property</i>). <p>The SMEs IFRS is intended to be a stand-alone document organised by topic rather than corresponding to the numbering of full IFRSs. It is intended that the SMEs IFRS will contain significantly less guidance than full IFRSs; therefore, even when the general principles in the proposals appear to be the same as full IFRSs, differences in application may result.</p> <p>The ED proposes that SMEs be defined as entities that publish general purpose financial statements for external users and that do not have public accountability. An entity would have public accountability if it files (or is in the process of filing) financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market, or if it holds assets in a fiduciary capacity for a broad group of outsiders (e.g., a bank or insurance company). There would be no quantitative thresholds in order to qualify as a SME. A final standard is expected in the second half of 2008.</p> <p>A summary of the exposure draft can be found in <i>IFRS Briefing Sheet – Issue 62: Exposure Draft of IFRS for Small and Medium-sized Entities</i>.</p>	

Appendix I Proposals contained in the ED of *Proposed Improvements to IFRSs*

The following is the list of the 41 proposals contained in the ED of *Proposed Improvements to IFRSs*

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| <p>1. IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i> – Restructuring of IFRS 1</p> <p>2. IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> – Plan to sell the controlling interest in a subsidiary</p> <p>3. IFRS 7 <i>Financial Instruments: Disclosures</i> – Presentation of finance costs</p> <p>4. IAS 1 <i>Presentation of Financial Statements</i> – Statement of compliance with IFRSs</p> <p>5. IAS 1 – Current / non-current classification of convertible instruments</p> <p>6. IAS 1 – Current / non-current classification of derivatives</p> <p>7. IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> – Status of implementation guidance</p> <p>8. IAS 10 <i>Events after the Reporting Period</i> – Dividends declared after the end of the reporting period</p> <p>9. IAS 16 <i>Property, Plant and Equipment</i> – Recoverable amount</p> <p>10. IAS 16 – Sale of assets held for rental</p> <p>11. IAS 17 <i>Leases</i> – Classification of leases of land and buildings</p> <p>12. IAS 17 – Contingent rents</p> <p>13. IAS 18 <i>Revenue</i> – Costs of originating a loan</p> <p>14. IAS 19 <i>Employee Benefits</i> – Curtailments and negative past service cost</p> <p>15. IAS 19 – Plan administration costs</p> | <p>16. IAS 19 – Replacement of term “fall due”</p> <p>17. IAS 19 – Guidance on contingent liabilities</p> <p>18. IAS 20 <i>Accounting for Government Grants and Disclosure of Government Assistance</i> – Consistency of terminology with other IFRSs</p> <p>19. IAS 20 – Government loans with a below-market rate of interest</p> <p>20. IAS 23 <i>Borrowing Costs</i> – Components of borrowing costs</p> <p>21. IAS 27 <i>Consolidated and Separate Financial Statements</i> – Measurement of subsidiary held for sale in separate financial statements</p> <p>22. IAS 28 <i>Investments in Associates</i> – Required disclosures when investments in associates are accounted for at fair value through profit and loss</p> <p>23. IAS 28 – Impairment of investment in associate</p> <p>24. IAS 29 <i>Financial Reporting in Hyperinflationary Economies</i> – Consistency of terminology with other IFRSs</p> <p>25. IAS 31 <i>Interests in Joint Ventures</i> – Required disclosures when interests in jointly controlled entities are accounted for at fair value through profit or loss</p> <p>26. IAS 34 <i>Interim Financial Reporting</i> – Earnings per share disclosures in interim financial reports</p> <p>27. IAS 36 <i>Impairment of Assets</i> – Disclosure of estimates used to determine recoverable amount</p> <p>28. IAS 38 <i>Intangible Assets</i> – Advertising and promotional activities</p> | <p>29. IAS 38 – Unit of production method of amortisation</p> <p>30. IAS 39 <i>Financial Instruments: Recognition and Measurement</i> – Definition of a derivative</p> <p>31. IAS 39 – Reclassification of financial instruments into or out of the classification of at fair value through profit or loss</p> <p>32. IAS 39 – Designating and documenting hedges at the segment level</p> <p>33. IAS 39 – Applicable effective interest rate on cessation of fair value hedge accounting</p> <p>34. IAS 39 – Treating loan prepayment penalties as closely related embedded derivatives</p> <p>35. IAS 40 <i>Investment Property</i> – Property under construction or development for future use as investment property</p> <p>36. IAS 40 – Consistency of terminology with IAS 8</p> <p>37. IAS 40 – Investment property held under lease</p> <p>38. IAS 41 <i>Agriculture</i> – Point-of-sale costs</p> <p>39. IAS 41 – Discount rate for fair value calculations</p> <p>40. IAS 41 – Additional biological transformation</p> <p>41. IAS 41 – Minor wording improvements: Examples of agricultural produce and products.</p> <p>A summary of this ED can be found in <i>IFRS Briefing Sheet – Issue 77: Exposure Draft of Proposed Improvements to International Financial Reporting Standards</i>.</p> |
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Appendix II Forthcoming documents expected to be published by 31 December 2008

Fourth quarter 2007	First quarter 2008	Second quarter 2008	Second half 2008
Conceptual framework: Phase A Objectives and qualitative characteristics – exposure draft	Income taxes – exposure draft	Annual improvements – final standard	Joint ventures – final standard
Conceptual framework: Phase D Reporting entity – discussion paper	Consolidation, including SPEs – discussion paper	Fair value measurement guidance – round-table discussion	SMEs – final standard
Earnings per share – exposure draft	Financial statement presentation: phase B – discussion paper		Earnings per share – final standard
Cost of an investment in a subsidiary in the separate financial statements of a parent on first-time adoption of IFRSs (IFRS 1) – re-exposed exposure draft	Revenue recognition – discussion paper		Leasing – discussion paper
Share-based payment: vesting conditions and cancellations (IFRS 2) – final standard	Post-employment benefits (including pensions) – discussion paper		Conceptual framework: Phase B Elements and recognition – discussion paper
Business combinations: phase II – final standard	Financial instruments: puttable instruments – final standard		Extractive activities – discussion paper
	Related party disclosures (IAS 24) – final standard		

Note: Forthcoming documents for which the timing is yet to be determined are not included in the above table.

If you would like further information on any of the matters discussed in this issue of *IFRS Briefing Sheet*, please talk to your usual local KPMG contact or call any of KPMG firms' offices.

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