

# IASB: EXPECTED SCHEDULE OF REVIEWS AND REVISIONS

**This year will see more final standards and exposure drafts issued by the IASB. An IFRS Briefing Sheet (Issue 7) from KPMG summarises the status of on-going projects.**

**Business combinations phase II:** *application of the purchase method.* A joint project with the US Financial Accounting Standards Board (FASB), the approach would require entities to adopt the full goodwill method when acquiring less than 100% of an entity. It would also include significant revisions to the accounting for changes in minority interests, which would be treated as transactions within equity. Exposure Draft (ED) due Q1 2005.

**SPEs:** *consolidation and special purpose entities.* This project's objective is to reconfirm the basis on which an entity should be consolidated, including an SPE. An ED is planned for late 2005.

**Convergence:** *government grants.* In February 2004, the IASB tentatively decided to amend IAS 20 by adopting the accounting model for government grants contained in IAS 41, Agriculture. An unconditional grant would, therefore, be recognised as income when receivable and a conditional grant would be recognised when the conditions are met. ED expected Q1 2005.

**Employee benefits:** Having completed its fast track project by issuing a final standard in December 2004, the IASB is also developing a plan for a

long-term comprehensive project looking more fundamentally at accounting for employee benefits, possibly as a joint project with FASB and/or other national standard setters.

**Financial instruments:** *cash flow hedge accounting of forecast intragroup transactions.* The IASB decided to amend IAS 39 to allow an entity in its consolidated financial statements to designate as a hedged item a highly probable forecast external transaction that is denominated in the functional currency of the entity, provided the transaction gives rise to an exposure that has an effect on the consolidated accounts, that is, it is denominated in a currency other than the group's presentation currency. Final standard expected Q1 2005.

**Financial instruments:** *the fair value option.* The IASB received relatively little support for its April 2004 proposal to restrict the extent to which companies can designate a financial asset or financial liability as measured at fair value through profit or loss. It decided to hold public meetings in early 2005 to hear constituents' concerns. Final standard scheduled for Q1 2005.

**Financial instruments and insurance contracts:** *financial guarantee contracts and credit insurance.* The IASB decided that the measurement described in the December 2003 version of IAS 39 should be required for financial guarantee contracts that meet the definition of insurance contracts. Final standard expected in Q2 2005.

**Financial risk:** *and other amendments to financial instruments disclosures.* The project covers all entities that have financial instruments. It aims to reduce redundant disclosure requirements, while revising and enhancing existing disclosure requirements to mirror current IFRSs and business practices relating to financial risk management. Final standard planned for late 2005.

**Insurance contracts phase II:** The project will develop some of the issues identified in 1999. One possibility would be an asset and liability model that requires identification and measurement at fair value of individual assets and liabilities arising from insurance contracts. An advisory committee is considering the issue.

**Joint ventures:** The project includes a short-term convergence project and a longer-term research project to find the most appropriate method of accounting for interests in jointly-controlled entities. Project timing unclear.

**Reporting performance:** The project seeks to address when items are recognised directly in equity and when they are included in determining net profit or loss. An advisory group has been formed.

**Revenue recognition:** *concepts of revenue, liabilities and equity.* This is a joint project with FASB to develop a comprehensive set of principles for revenue recognition to eliminate inconsistencies in practice. A discussion paper is scheduled for late 2005.

**Short-term convergence of IFRS and US GAAP:** *amendments to IAS 12, Income Taxes.* Both the current international and US approach is the same, but the standards have exceptions to their basic principles. This project would eliminate these exceptions. ED expected mid 2005.

**Short-term convergence of IFRS and US GAAP:** *amendments to IAS 37, Provisions, Contingent Liabilities and Contingent Assets.* This is a short-term convergence project to modify the requirements for recognition of restructuring provisions to adopt US requirements. This would generally require recognition of restructuring provisions at a later date than is current practice under IFRSs. ED planned for Q1 2005.

**Small and medium-sized entities:** The IASB's proposals are expected to be based on the basic principles of IFRSs. Disclosure and presentation requirements are likely to be modified, but recognition and measurement principles are unlikely to change unless those changes can be justified by users' needs and cost/benefit analysis. ED expected second half of 2005.

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## Useful links

● For further information on IFRSs from KPMG, see [www.kpmg.co.uk/services/a/ifrs/index.cfm](http://www.kpmg.co.uk/services/a/ifrs/index.cfm)

● For the IASB's project summaries, see [www.iasb.org](http://www.iasb.org)