

# IFRS Briefing Sheet

## IASB's Projects Overview

January 2008, **Issue 82**

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 December 2007 meeting and IASB publications that have been published up to and including 17 January 2008.

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 first year's 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>For the second annual improvements project the relevant ED is expected in the third quarter of 2008, with the final omnibus standard expected in the second quarter of 2009.</p>	<p>An omnibus ED was published in October 2007.</p> <p>The comment period closed on 11 January 2008.</p> <p>A final omnibus standard is expected in the second quarter of 2008.</p>
Common control transactions	<p>The objective of this project is to focus on the definition of a business combination under common control and to provide guidance on the accounting for such business combinations in the acquirer's consolidated and separate financial statements.</p>	<p>This project was added to the Board's active agenda in December 2007.</p> <p>The expected timing and initial type of document to be published as part of this project are yet to be determined by the IASB.</p>
Conceptual framework (convergence with U.S. GAAP)	<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</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>An ED on phase A is expected in the first quarter of 2008.</p>

Project description	Overview	Timing / Status
<p>Conceptual framework (convergence with U.S. GAAP) (continued)</p>	<p>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>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"> <li>• definitions and properties</li> <li>• evaluation using qualitative characteristics</li> <li>• conclusions and application.</li> </ul> <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 on phase C to discuss:</p> <ul style="list-style-type: none"> <li>• initial views on measurement</li> <li>• measurement issues identified in the measurement phase plan</li> <li>• potential measurement bases and terminology.</li> </ul>	<p>A discussion paper on phase D is expected in the first quarter of 2008.</p> <p>Round-table discussions on phase C were held in the first quarter of 2007.</p> <p>A discussion paper on phase C is expected in the fourth quarter of 2008.</p> <p>A discussion paper on phase B is expected in 2009.</p> <p>The timing of discussion papers on phases E, F and G is yet to be determined by the IASB.</p> <p>The expected timing and initial type of document to be published as part of phase H are yet to be determined by the IASB.</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 <i>Consolidated and Separate Financial Statements</i> and SIC-12 <i>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 third quarter of 2008.</p> <p>The timing of an ED and a final standard is yet to be determined by the IASB.</p>

Project description	Overview	Timing / Status
<p>Cost of an investment in a subsidiary, jointly controlled entity or associate in the separate financial statements of an investor on first-time adoption of IFRSs – amendments to IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i> and IAS 27</p>	<p>The principal objective of this project is to amend IFRS 1 to provide an exemption to entities from applying IAS 27 retrospectively when determining the cost of an investment in a subsidiary, jointly controlled entity or associate in its separate financial statements on first-time adoption of IFRSs.</p> <p>The re-exposed ED of <i>Proposed Amendments to IFRS 1 First-time Adoption of IFRSs and IAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i> proposes to allow an entity, at its date of transition to IFRSs in its separate financial statements, to use a <i>deemed cost</i> to measure the cost of an investment in a subsidiary, jointly controlled entity or associate, determined using either:</p> <ul style="list-style-type: none"> <li>• the previous GAAP carrying amount of the investment at the entity's date of transition to IFRSs; or</li> <li>• fair value determined in accordance with IAS 39 <i>Financial Instruments: Recognition and Measurement</i>.</li> </ul> <p>The re-exposed ED also amends IAS 27 by:</p> <ul style="list-style-type: none"> <li>• removing the definition of "cost method"</li> <li>• requiring dividends received by an investor from a subsidiary, jointly controlled entity or associate to be recognised as income in the separate financial statements of the investor</li> <li>• requiring an impairment test if an investor received dividend income during the period from a subsidiary, jointly controlled entity or associate that is accounted for at cost.</li> </ul> <p>The re-exposed ED also includes new guidance on accounting for the formation of a new parent as part of a reorganisation of an existing entity when the existing entity becomes a wholly-owned subsidiary of the new parent and the interests of shareholders are not affected by the reorganisation. The re-exposed ED proposes carryover basis accounting in such circumstances.</p> <p>A summary of the re-exposed ED can be found in <i>IFRS Briefing Sheet – Issue 79: Exposure Draft of Proposed Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>.</p>	<p>An ED was published in January 2007 and after deliberations on respondents' comments, the Board agreed to revise the proposals. Consequently, the ED was re-exposed in December 2007.</p> <p>The comment period for the re-exposed ED closes on 26 February 2008.</p> <p>A final standard is expected in the second quarter of 2008.</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 first quarter of 2008.</p> <p>The timing of a final standard is yet to be determined by the IASB.</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. It also interacts with the revenue recognition and liabilities projects.</p>	<p>This project was added to the Board's active agenda in December 2007.</p> <p>The expected timing and initial type of document to be published as part of this project are yet to be determined by the IASB.</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 fourth quarter of 2008.</p>
Fair value measurement guidance (convergence with U.S. GAAP)	<p>The original objective of this project was to develop a consistent definition of, and to provide additional measurement guidance on, fair value; the objective was not to expand the use of fair value. In December 2007 the Board tentatively decided to revise the objective of the project to be "to develop principles and measurement guidance for fair value measurements in IFRSs".</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>An ED is expected in 2009.</p> <p>The timing of a final standard is yet to be determined by the IASB.</p>

Project description	Overview	Timing / Status
Financial instruments: liabilities and equity	<p>The objective of this long-term joint financial instruments project with the FASB is to improve the requirements for determining the classification between liabilities and equity of financial instruments that have the characteristics of liabilities, equity, or both. This would result in improved financial reporting for such instruments that would be more relevant, understandable and comparable.</p> <p>The Board decided that the forthcoming discussion paper will include the related FASB document.</p>	A discussion paper is expected in the first quarter of 2008.
Financial instruments: portions	<p>The objective of this project is to propose rules-based amendments to IAS 39 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>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>An ED was published in September 2007.</p> <p>The comment period closed on 11 January 2008.</p> <p>A final standard is expected in the fourth quarter of 2008.</p>
Financial instruments: puttable instruments	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>An ED was published in June 2006.</p> <p>The comment period closed on 23 October 2006.</p>

Project description	Overview	Timing / Status
<p>Financial instruments: puttable instruments (continued)</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"> <li>• ordinary shares, puttable to the issuer at fair value</li> <li>• ordinary shares of limited life entities</li> <li>• partners’ interests in a partnership when the partnership terminates if a partner leaves.</li> </ul> <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>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"> <li>• be both issued and puttable at fair value</li> <li>• be in the most subordinated class of instrument</li> <li>• participate fully in the entity’s performance over the instrument’s life.</li> </ul> <p>In September 2007 the Board tentatively decided to amend the ED so that a puttable instrument’s right to a <i>pro rata</i> 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"> <li>• 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</li> <li>• ensures that no other contract represents the residual interest in the entity.</li> </ul> <p>This amendment was discussed at a public round table in November 2007.</p> <p>In December 2007 the Board requested that the staff prepare a ballot draft of the proposed amendment and the near-final draft of the proposed amendment was posted on the IASB Web site.</p>	<p>A final standard is expected in the first quarter of 2008.</p>

Project description	Overview	Timing / Status
Financial instruments: replacement of existing standards (convergence with U.S. GAAP)	The objective of this long-term financial instruments project is to reduce the complexity in accounting for financial instruments by replacing IAS 39 with an improved and less complex standard. The project will involve a fundamental reconsideration of the accounting for financial instruments in areas such as measurement and hedge accounting.	A discussion paper is expected in the first quarter of 2008.
Financial statement presentation (convergence with U.S. GAAP)	<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. The revised standard is effective for annual periods beginning on or after 1 January 2009, with early application permitted.</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 focuses on more detailed issues related to the presentation of information on the face of the financial statements, including:</p> <ul style="list-style-type: none"> <li>• establishing consistent principles for aggregating and disaggregating information</li> <li>• what totals and subtotals should be disclosed</li> <li>• presenting items of other comprehensive income</li> <li>• presenting cash flows, including removing the choice available for the presentation of operating cash flows.</li> </ul>	<p>The revised standard IAS 1 resulting from phase A was published in September 2007.</p> <p>A discussion paper on phase B is expected in the second quarter of 2008.</p> <p>The timing of an ED and a final standard on phase B is yet to be determined by the IASB.</p>
Government grants (convergence with U.S. GAAP)	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.	Work on this project has been deferred pending the finalisation of other related projects such as liabilities, revenue recognition and emission trading schemes.
Income taxes: amendments to IAS 12 <i>Income Taxes</i> (convergence with U.S. GAAP)	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>An ED is expected in the second quarter of 2008.</p> <p>A final standard is expected in 2009.</p>

Project description	Overview	Timing / Status
<p>Income taxes: amendments to IAS 12 <i>Income Taxes</i> (convergence with U.S. GAAP) (continued)</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>Insurance contracts: phase II</p>	<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. It does not address policyholder accounting. The Board currently plans to address policyholder accounting in a separate ED without an initial discussion paper.</p> <p>The Board has proposed the following in the ED in respect of insurance contracts:</p> <ul style="list-style-type: none"> <li>• measure insurance liabilities at current exit value</li> <li>• 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.</li> </ul> <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 closed on 16 November 2007.</p> <p>An ED is expected in 2009.</p> <p>The timing of a final standard is yet to be determined by the IASB.</p>
<p>Joint ventures</p>	<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 closed on 11 January 2008.</p> <p>A final standard is expected in the fourth quarter of 2008.</p>

Project description	Overview	Timing / Status
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 2009.</p> <p>The timing of an ED and a final standard is yet to be determined by the IASB.</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. Phase II of the business combinations project was completed on 10 January 2008 with the issuance of IFRS 3 <i>Business Combinations</i> (2008).</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"> <li>• existence of a present obligation distinguishes a liability from a business risk</li> <li>• 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</li> <li>• existing definitions of legal and constructive obligations would be incorporated into the text of the standard (i.e., separate definitions will be eliminated)</li> <li>• its final conclusions about the probability recognition criterion (i.e., “more likely than not”) would depend on further redeliberations of the measurement requirements, however, the Board indicated its intention to remove the probability threshold.</li> </ul>	<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>A final standard is expected in 2009.</p>
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 discussion paper was published in October 2005.</p> <p>The comment period closed on 28 April 2006.</p> <p>This project was added to the Board’s active agenda in December 2007.</p>

Project description	Overview	Timing / Status
Management commentary (continued)	<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>As part of the project the Board plans to provide non-mandatory guidance and suggested approaches to management commentary.</p>	The timing and initial type of document to be published as part of this project are yet to be determined by the IASB.
Measurement	<p>In 2005 the Board published Discussion Paper <i>Measurement Bases for Financial Accounting – Measurement on Initial Recognition</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"> <li>• presentation and disclosure</li> <li>• the definitions and measurement approaches of defined contribution, defined return (cash balance and similar plans) and defined benefit arrangements</li> <li>• smoothing and deferral mechanisms</li> <li>• treatment of settlements and curtailments.</li> </ul> <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> <p>An ED is expected in 2009.</p> <p>The timing of a final standard is yet to be determined by the IASB.</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>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>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 also proposes to amend the definition of related parties to:</p> <ul style="list-style-type: none"> <li>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</li> <li>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</li> <li>include other entities in which a significant investor of the reporting entity is a member of key management personnel.</li> </ul> <p>The ED also proposes to clarify that:</p> <ul style="list-style-type: none"> <li>the IAS 24 disclosures apply to relationships and transactions between an entity and its related party – not between two related parties of an entity</li> <li>related party transactions include future commitments</li> <li>IAS 24 applies to consolidated, individual and separate financial statements.</li> </ul> <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>Since publication of the ED the Board tentatively reaffirmed the proposals in the ED and tentatively decided:</p> <ul style="list-style-type: none"> <li>to include the sponsoring employer as a related party of a post-employment benefit plan</li> <li>to amend IFRS 8 <i>Operating Segments</i> so that entities would not be regarded as a single customer simply because of control by the same state.</li> </ul>	
<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. Under the asset and liability approach revenue would be recognised based on changes in contract assets and liabilities, as opposed to the performance of obligations.</p> <p>The Boards are currently exploring two models for revenue recognition:</p> <ul style="list-style-type: none"> <li>The <i>measurement model</i> (also known as the fair value model): the performance obligations would be measured at the current exit price (price that a market participant would pay (or require to be paid) in order to acquire the remaining contract assets and liabilities from the entity).</li> </ul>	<p>A discussion paper is expected in the second quarter of 2008.</p> <p>The timing of an ED and a final standard is yet to be determined by the IASB.</p>

Project description	Overview	Timing / Status
Revenue recognition (convergence with U.S. GAAP) (continued)	<ul style="list-style-type: none"> <li>The <i>customer consideration model</i> (also known as the allocation model): the performance obligations would be measured using an allocation of the customer consideration.</li> </ul>	
Share-based payment: group cash-settled share-based payment transactions (IFRS 2 <i>Share-based Payment</i> and IFRIC 11 <i>IFRS 2 Group and Treasury Share Transactions</i> )	<p>The objective of this project is to provide guidance on how group cash-settled share-based payment arrangements granted by a parent (or another entity in the group) should be accounted for in the separate financial statements of a subsidiary.</p> <p>The ED proposes requiring attribution of cash-settled share-based payments granted by a parent (or another entity in the group) to suppliers of goods and services (including employees) of a subsidiary to the subsidiary.</p> <p>In December 2007 the Board published an ED of <i>Proposed Amendments to IFRS 2 Share-based Payment and IFRIC 11 IFRS 2 – Group and Treasury Share Transactions – Group Cash-settled Share-based Payment Transactions</i>.</p> <p>A summary of the exposure draft can be found in <i>IFRS Briefing Sheet – Issue 80: Exposure Draft of Proposed Amendments to IFRS 2 Share-based Payment and IFRIC 11 IFRS 2 – Group and Treasury Share Transactions – Group Cash-settled Share-based Payment Transactions</i>.</p>	<p>An ED was published in December 2007.</p> <p>The comment period closes on 17 March 2008.</p> <p>The timing of a final standard is yet to be determined by the IASB.</p>
Small and medium-sized entities (SMEs)	<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>The ED proposes a simplified and slimmed-down version of full IFRSs for SMEs as follows:</p> <ul style="list-style-type: none"> <li>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).</li> <li>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).</li> <li>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>).</li> </ul>	<p>An ED was published in February 2007.</p> <p>The comment period closed on 30 November 2007.</p> <p>A final standard is expected in the fourth quarter of 2008.</p>

Project description	Overview	Timing / Status
<p>Small and medium-sized entities (SMEs) (continued)</p>	<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.</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*:

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

A summary of this ED can be found in *IFRS Briefing Sheet – Issue 77: Exposure Draft of Proposed Improvements to International Financial Reporting Standards*.

Appendix II Forthcoming documents expected to be published by  
31 December 2009

First quarter 2008	Second quarter 2008	Second half 2008	2009
Financial instruments: puttable instruments – <b>final standard</b>	Annual improvements (Year 1) – <b>final standard</b>	Joint ventures – <b>final standard</b>	Annual improvements (Year 2) – <b>final standard</b>
Related party disclosures – <b>final standard</b>	Cost of an investment in a subsidiary, jointly controlled entity or associate in the separate financial statements of an investor on first-time adoption of IFRSs (IFRS 1, IAS 27) – <b>final standard</b>	SMEs – <b>final standard</b>	Income taxes – <b>final standard</b>
Conceptual framework: phase A Objectives and qualitative characteristics – <b>exposure draft</b>	Income taxes – <b>exposure draft</b>	Financial instruments: portions – <b>final standard</b>	Liabilities: Amendments to IAS 37 and IAS 19 – <b>final standard</b>
Earnings per share – <b>exposure draft</b>	Financial statement presentation: phase B – <b>discussion paper</b>	Annual improvements (Year 2) – <b>exposure draft</b>	Fair value measurement guidance – <b>exposure draft</b>
Conceptual framework: phase D Reporting entity – <b>discussion paper</b>	Revenue recognition – <b>discussion paper</b>	Consolidation, including SPEs – <b>discussion paper</b>	Post-employment benefits (including pensions) – <b>exposure draft</b>
Financial instruments: replacement of existing standards – <b>discussion paper</b>	Fair value measurement guidance – <b>round-table discussion</b>	Extractive activities – <b>discussion paper</b>	Insurance contracts phase II – <b>exposure draft</b>
Financial instruments: liabilities and equity – <b>discussion paper</b>		Conceptual framework: phase C Measurement – <b>discussion paper</b>	Leasing – <b>discussion paper</b>
Post-employment benefits (including pensions) – <b>discussion paper</b>			Conceptual framework: phase B Elements and recognition – <b>discussion paper</b>

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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