



# On the Horizon for IFRS

September 15, 2008

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## IASB and FASB issue update to 2006 Memorandum of Understanding

On September 11, 2008, the IASB and the FASB issued a [joint press release](#) announcing an update to their 2006 Memorandum of Understanding (MoU). The [updated MoU](#) discusses the progress the Boards have made since the 2006 MoU was issued and sets a goal to complete the major joint projects by 2011. The Boards have again affirmed their commitment to developing a common set of high-quality standards that would improve the quality, consistency, and comparability of financial information for investors and capital markets around the world. The updated MoU includes a summary of the current status, expected completion dates, and next steps for short-term convergence and each of the major joint projects. In addition, the updated MoU describes the relationship between the MoU projects and the joint conceptual framework project, which is not formally included in the MoU work plan. The Boards have placed a priority on the topics included in the updated MoU; however they will continue to work on other projects and respond to market demands, as deemed appropriate.

### Short-term convergence

The 2006 MoU had a goal of converging the major differences for a few focused areas by 2008. The FASB has since issued Statement 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, which introduced a fair value option approach and Statement 141 (revised 2007), *Business Combinations*, which adopts the IFRS approach for accounting for research and development assets acquired in a business combination. The IASB has since issued IAS 23, *Borrowing Costs* and IFRS 8, *Operating Segments*, both of which converge IFRS with U.S. GAAP. The updated MoU describes the current status of the short-term convergence projects that are summarized in the table that follows:

Convergence topic to be reviewed by the FASB	Current status	Next steps
Income taxes Investment properties Research and development	FASB to review its strategy in the second half of 2008 on whether to undertake projects to eliminate differences between U.S. GAAP and IFRS	FASB to issue Invitation to Comment on income taxes on the IASB's proposed replacement to IAS 12, <i>Income Taxes</i> (see below)
Subsequent events – accounting and reporting	On-going deliberations by FASB	Proposed standard to be issued in second half of 2008
Income taxes	On-going deliberations by IASB to improve IAS 12, <i>Income Taxes</i> , and eliminate certain differences in IFRS and U.S. GAAP	IASB Exposure Draft to be issued in the fourth quarter of 2008
Joint arrangements (joint ventures)	Exposure Draft issued in 2007	Final standard to be issued at the beginning of 2009

The Boards have decided to defer completing short-term convergence projects on impairment and government grants.

### Major joint projects

The 2006 MoU included milestones to be completed on major joint projects by 2008. The Boards have since completed one of the major projects; during 2007, the FASB issued Statement 141 (revised 2007), *Business Combinations* and during 2008 the IASB issued revisions to IFRS 3 (revised 2008), *Business Combinations*. A post implementation review is planned for the revised Statement 141 and the revised IFRS 3 during the first-half of 2012. At the April 2008 joint IASB/FASB meeting, the Boards agreed on priorities and milestones to be completed by 2011 on the major joint projects that are summarized in the table that follows:

Current joint projects on areas identified for improvement in IFRS and U.S. GAAP

Convergence topic	Current status	Next steps
Financial instruments	IASB Discussion Paper issued in 2008 FASB Invitation to Comment issued in 2008 FASB Exposure Draft issued in 2008 to simplify hedge accounting	Decision by late 2008 with respect to the nature and scope of any proposed improvements
Financial statement presentation	IASB issued a revision to IAS 1, <i>Presentation of Financial Statements</i> , in 2007 and joint Board deliberations are on-going	Preliminary Views/Discussion Paper to be issued in third quarter of 2008
Leases	Project added to the joint agenda with ongoing Board deliberations	Preliminary Views/Discussion Paper to be issued in the second half of 2008
Liabilities and equity distinctions	Preliminary Views/Discussion Paper issued in the first half of 2008	Exposure Draft to be issued in 2009
Revenue recognition	Joint Board deliberations are on-going	Preliminary Views/ Discussion Paper to be issued in fourth quarter of 2008

Areas identified for improvement where the Boards are at different stages in standard development and are seeking a common standard

Convergence topic	Current status	Next steps
Consolidations	Both Boards to issue Exposure Drafts in 2008	Decision in 2008 on a strategy to develop a common standard
Derecognition	Both Boards to issue Exposure Drafts in 2008 or early 2009	Decision in 2008 on a strategy to develop a common standard
Fair value measurement	FASB issued Statement 157, <i>Fair Value Measurements</i> , in 2006 IASB issued Discussion Paper in 2007	FASB to review Statement 157 IASB to issue Exposure Draft in first half of 2009
Post-employment benefits (including pensions)	FASB completed first-stage of its project IASB Discussion Paper issued in March 2008	IASB to issue Exposure Draft in 2009

### Conceptual Framework

The Boards noted that the major joint projects will include the ongoing work of both Boards to improve and to bring convergence to their respective Conceptual Frameworks.

## IASB issues July 2008 meeting highlights

All decisions reached at IASB meetings are tentative and may be changed or modified at future meetings. Board decisions become final only after completion of a formal ballot to issue a Standard or Interpretation or to publish an Exposure Draft.

The International Accounting Standards Board has issued the July 2008 [IASB Update](#) which summarizes the Board's meeting in London on July 22-25, 2008. Highlights of the meeting are discussed below.

### **IASB continues discussions on proposals for non-current assets held for sale and discontinued operations**

The Board addressed the remaining issues with respect to the proposed exposure draft to amend IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* and reached the following tentative decisions:

- *Additional criteria for the definition of discontinued operations:* The definition of discontinued operations should include *businesses*, as defined in IFRS 3 (as revised in 2008), *Business Combinations*, that meet the criteria to be classified as held for sale on acquisition regardless of whether disposal is required by law or regulation.  
*A business* is defined as “an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants.”
- *Disclosure exemptions:* Certain disclosures will not be required for businesses that meet the criteria to be classified as held for sale on acquisition.

- *Disclosure requirements:* An entity should be required to reconcile the amounts disclosed in the notes to amounts in the financial statements as follows:
  - Major income and expense items to the post-tax profit or loss presented in the statement of comprehensive income
  - Major classes of the assets (liabilities) held for sale to the assets (liabilities) presented in the statement of financial position

See the [IASB project summary](#) for more information on this project.

### **Board discusses the consolidation project to revise IAS 27 and SIC 12**

A working draft of an exposure draft to replace IAS 27, *Consolidated and Separate Financial Statements* and SIC-12, *Consolidation – Special Purpose Entities*, was presented by the staff. The working draft gave the Board an opportunity to assess the tentative decisions that it had already made on this project for consistency and to identify those areas that require additional analysis.

No decisions were reached by the Board; however the Board asked the staff to provide additional analyses of the definition of significant involvement, the disclosure requirements, reputational risk, and agency relationships. The Board also asked the staff to consider the implications of the working draft for IAS 28, *Investments in Associates*, and to provide additional guidance on the concepts of significant involvement and significant influence.

In addition, the Board discussed the overall structure and direction of the staff's working draft. Although the working draft is not a formal exposure draft, the working draft will be made available on the IASB's consolidation project webpage after it has been revised to reflect the discussion at the July 2008 meeting. The revised working draft will be used as a basis of

discussions for the Board's public roundtables beginning in September 2008. The Board expects to issue an exposure draft by the end of this year.

See the [IASB project summary](#) for more information on this project.

### **Board completes first phase of its review of fair value measurements included in IFRS**

The Board's standard-by-standard review of fair value measurements currently required or permitted in IFRS consists of two phases.

#### **First phase**

The first phase of the review (to determine whether the IASB/IASC intended each fair value measurement basis to be a current exit price) has been completed. The review determined that entry and exit prices are equal when they relate to the same asset or liability on the same date in the same form in the same market. Therefore the Board tentatively decided to define *fair value* as a current exit price. At a future meeting the Board will discuss which market to select as the reference market. In addition, the definition of fair value will indicate that an exit price considers a market participant's ability to generate economic benefit by using an asset or by selling it to a third party.

#### **Second phase**

The second phase of the review consists of a scope assessment for existing uses of fair value in IFRS. In situations where the Board decides that a current exit price definition of fair value is not appropriate (e.g. at initial recognition), an entity could be required to use the transaction price or another measurement basis instead of fair value. The Board will reach this decision at a future meeting along with a discussion of liabilities.

See the [IASB project summary](#) for more information on this project.

### **Education session conducted on financial instruments with characteristics of equity**

The IASB added to its active agenda a joint project with the FASB on financial instruments with characteristics of equity (see summary below on Agenda Proposals.) At the July 2008 education session, representatives from the PAAinE (Proactive Accounting Activities in Europe) initiative of the European Financial Reporting Advisory Group (EFRAG) and the German Accounting Standards Board updated the IASB about their approach for distinguishing between liabilities and equity. Details of their approach are included in the [EFRAG Discussion Paper, Distinguishing Between Liabilities and Equity](#), which was issued in January 2008. No decisions were made by the IASB.

See the [IASB project summary](#) for more information on this project.

### **Board discusses financial statement presentation issue**

The Board discussed a financial statement presentation issue that resulted from the drafting of the forthcoming discussion paper. The Board confirmed its June 2008 decision that this project will not change existing requirements related to the recognition of items in other comprehensive income or reclassification of other comprehensive income to net income or profit or loss.

The Board reached a decision that the discussion paper should briefly describe the various approaches considered by the Board for amending or eliminating the existing treatment of other comprehensive income and indicate that further consideration of these approaches is beyond the scope of this project.

See the [IASB project summary](#) for more information on this project.

### **IASB continues redeliberations of proposed IFRS for private entities**

The Board continued its redeliberations of the proposals in the Exposure Draft of a proposed *IFRS for Private Entities* (formerly the *IFRS for Small and Medium-sized Entities*) (the Exposure Draft), discussed the following issues, and reached tentative decisions relating to Sections 13-27.

#### **Investments in associates**

The accounting policy options for investments in associates should include the accounting policy options included in the Exposure Draft: the cost model, equity method, and fair value through profit or loss model. However, the cost method would not be permitted for an investment in an associate that has a published price quote.

In addition, a private entity should use the most current information with respect to the equity method when a difference exists between the reporting date of the financial statements of the associate and those of the investor. This is in contrast to what had been proposed in the Exposure Draft that the difference between the dates of the financial statements should not be greater than three months.

#### **Jointly controlled entities**

The Exposure Draft for Private Entities was developed prior to the issuance of IASB ED 9, *Joint Arrangements*, in September 2007. If ED 9 is finalized before the Exposure Draft, then the new requirements for joint arrangements should be considered for the private entity proposals. If ED 9 is not finalized, then the private entity proposals for jointly controlled entities should include the accounting policy options included in the Exposure Draft: the cost model; equity method; fair value through profit or loss model; and proportionate consolidation. However, the cost model would not be permitted for an investment in a jointly controlled entity that has a published price quote.

In addition, a private entity should use the most current information with respect to the equity method and proportionate consolidation method when a difference exists between the reporting date of the financial statements of a jointly controlled entity and those of the investor. This is in contrast to what had been proposed in the Exposure Draft that the difference between the dates of the financial statements should not be greater than three months.

#### **Investment property**

A private entity should have the option to use the cost model or the fair value through profit or loss model. If specified criteria are met, the option to classify property held under an operating lease as investment property should be retained as proposed in the Exposure Draft. The investment property method would apply to the investment component of mixed-use property unless the entity elects to apply the cost model to all of its investment property and the applicable class of property, plant and equipment.

#### **Property, plant and equipment**

A private entity should have the option to use the cost model or the revaluation model. The Exposure Draft for Private Entities defines depreciation as “the systematic allocation of the depreciable amount of an asset over its useful life.” Component depreciation should be used only when the significant parts have significantly different patterns of benefit consumption. The residual value, useful life, and depreciation method for an asset should be reassessed only when there is an indication of change from the last reporting date. Examples of the indicators that could trigger such a reassessment will be included.

#### **Intangible assets other than goodwill**

A private entity should have the option to use the cost model or the revaluation model for intangible assets other than goodwill. A private entity should assess whether the useful life of an intangible asset is finite or indefinite. Assets with an indefinite life will not be amortized. The residual value, amortization period and amortization method for an intangible asset should be reassessed only when there is an indication of change from the last reporting date. In addition, a private entity should have the option to use the expense model or the capitalization model for development costs.

#### **Business combinations and goodwill**

A private entity should not be permitted to amortize goodwill. If the fair value of intangible assets and contingent liabilities acquired in a business combination can be reliably measured, those assets and liabilities should be recognized separately. Specific guidance should be added when the initial accounting of a business combination can only be determined provisionally due to uncertainty about the cost of the combination or the fair values of acquired assets and liabilities. In addition, the pooling of interests method of accounting should not be permitted for business combinations.

#### **Leases**

The classification of leases should be either operating or financing according to the substance of the lease, which is similar to the criteria used in IAS 17, *Leases*. Additional guidance should be added to assist private entities in applying the criteria “major part of the economic life of the asset” that is included in paragraph 19.4(d) of the Exposure Draft.

#### **Provisions and contingencies**

The proposals for the measurement requirements for provisions were reaffirmed and should not be simplified. However, additional implementation

guidance should be provided for provisions that a private entity would commonly encounter (e.g., sales refunds, warranties, and contingent liabilities.)

#### **Equity**

A private entity that issues a compound financial instrument should use split accounting, which classifies the instrument components separately as financial liabilities, financial assets, or equity instruments. The implementation guidance should include examples to assist private entities in accounting for compound instruments.

#### **Revenue – percentage of completion**

The percentage of completion method should be applied when recognizing revenue from services and construction contracts and additional examples should be included as implementation guidance.

#### **Government grants**

The “IFRS for Private Entities model” (as described in paragraphs 23.4 and 23.5 of the Exposure Draft) should be required for all government grants. The proposed option to apply IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, for government grants not related to assets measured at fair value through profit or loss will be deleted.

#### **Borrowing costs**

A private entity should have the option to use the expense model or the capitalization model.

#### **Impairment of non-financial assets**

A private entity should perform an impairment test only if there is an indication that an asset may be impaired. When impairment is indicated, the impairment loss should be determined using an approach similar to IAS 36, *Impairment of Assets*. Accordingly, the proposed *IFRS for Private Entities*

should include the concepts of *recoverable amount*, *value in use* and *cash-generating units*. The approach should clarify that a private entity may use the asset's value in use as its recoverable amount when there is no basis for making a reliable estimate of the fair value less cost to sell amount.

#### Post-employment benefits

All actuarial gains and losses and past service cost should be recognized immediately in profit or loss. The Board discussed whether private entities might be allowed to measure the defined benefit obligation at a current liquidation amount. No decision was made.

See the [IASB project summary](#) for more information on this project.

#### Board reviews draft proposals of amendments on income taxes

The Board discussed the following issues that resulted from the review of a pre-ballot draft of the exposure draft of amendments on income taxes and reached tentative decisions on:

- *Format of the exposure draft*: The format of the exposure draft should be a draft IFRS (not an amendment to IAS 12, *Income Taxes*).
- *Taxes relating to equity instruments*: Equity instruments issued by a private entity should not have a tax basis. Instead, tax consequences with respect to these equity instruments that will occur without any change to the carrying amount in equity should be regarded as consequences relating to items that have a tax basis but no asset or liability carrying amount.
- *Foreign subsidiaries and joint ventures*: When foreign subsidiaries cease to be subsidiaries or when foreign investments become subsidiaries, the resulting changes in deferred tax assets and liabilities should be treated in the same way as disposals or step-acquisitions in IFRS 3 (revised in 2008).

- *Substantive enactment*: Tax rates should be considered to be substantively enacted when future events required by the enactment process historically have not affected the outcome and are unlikely to do so. The basis for conclusions should not state that national standards may wish to give jurisdictional guidance on this matter.
- *Disclosures*: The disclosures should focus on changes in the amounts recognized, and no further disclosures should be proposed with respect to the differences between the recognized amounts and the amounts claimed in the tax return.
- *Uncertain tax positions*: The effects of changes in uncertain tax positions should be recognized in continuing operations, even if the related tax assets and liabilities were originally recognized in another component of comprehensive income or equity. The basis for conclusions should explain why this is consistent with the proposals on tax uncertainties and intraperiod allocation.
- *First-time adopters*: The requirements of IFRS 1, *First-time Adoption of International Financial Reporting Standards* should be applied for first-time adopters and the proposed transitional requirements included in the Exposure Draft for private entities should be deleted.

In addition, the Board confirmed the following tentative decisions that had been previously reached during the project:

- The exposure draft should include the proposed requirements on intraperiod tax allocation from the draft amendments to FASB Statement 109, *Accounting for Income Taxes*. Those proposed requirements preclude tracking (sometimes referred to as “backward tracing”) of the effects of changes in deferred tax assets and liabilities to

the component of comprehensive income or equity where the deferred tax effect was originally recognized.

- When a temporary difference arises on the initial recognition of an asset or liability, an entity should:
  - Separate that the asset or liability into two items:
    - An asset or liability due to a tax basis available to market participants in a transaction for the individual asset or liability in that tax jurisdiction measured in accordance with the applicable IFRS and excluding any entity-specific tax effects
    - An asset or liability due to any additional entity-specific tax effects on the tax basis
  - Recognize a deferred tax asset or liability for the temporary difference between the carrying amount of the asset or liability and the tax basis available to the entity.
  - Recognize a premium or allowance if the transaction does not affect comprehensive income, equity, or taxable profit at the time of the transaction and is not a business combination. The premium or allowance would be part of the deferred tax asset or liability. The premium or allowance will result in the sum of the initial carrying amounts of the asset or liability and the related deferred tax asset or liability equaling the transaction price.
- An entity's expectations do not affect the tax basis, which is determined by the deductions that will be available on sale of the asset or settlement of the liability. However, the entity's expectations about the way in which the asset or liability will be recovered or settled do affect determination of whether any difference between the carrying amount and the tax basis is a temporary difference and the rate used to measure any temporary difference.

- Entities should not recognize a deferred tax liability or asset for temporary differences arising from permanent investments in foreign subsidiaries and joint ventures. If an entity recognizes a deferred tax asset resulting from such a temporary difference, it should assess the need for a valuation allowance in the same way as for any other deferred tax asset (see below).
- There should be a two-step approach for deferred tax assets:
  - Recognize a deferred tax asset for the tax effect of the full amount that an entity is entitled to receive in deductions in the future after consideration of any uncertainty over what deductions the tax authority may allow
  - Recognize a valuation allowance as necessary until it is more likely than not that there will be sufficient future taxable profits to utilize the net amount recognized
- Discounting of deferred tax assets arising from unused tax losses and tax credits should not be introduced in this project.
- An entity should make an accounting policy decision on how to classify interest and penalties payable to tax authorities.

See the [IASB project summary](#) for more information on this project.

#### **Project plan for leases discussed**

The Board discussed the following issues with respect to its lease accounting project:

- *Scope of the project and whether it should include lessor accounting:* The Board reached a decision to defer the development of a new accounting model for lessors and to focus on lessee accounting. In addition, the Board decided on an overall approach that would apply the present

finance lease model in IAS 17, *Leases*, adapted where necessary, to all leases. The finance lease model treats the lease as an in-substance purchase of the physical asset by the lessee. The lessee would record an asset and a liability for the present value of the rentals due under the lease.

- *Lease contracts that give the lessee an option to extend the lease for an additional period or an option to terminate the lease early:* The Board reached a tentative decision that the lessee should not recognize these options as separate assets. Instead, the assets and liabilities should be recognized by the lessee based upon an assessment of the lease term. Three approaches for determining the lease term were considered:
  - Including optional periods in the lease term when exercise of the option is reasonably certain
  - Using a best estimate of the lease term, without probability weighting
  - Using a probability-weighted best estimate of the lease term

The Board rejected the first approach and some Board members indicated a preference for the third approach; however no decision was reached. The Board tentatively decided that contractual, non-contractual and business factors should be considered when determining the lease term.

- *Factors that affect whether a lessee will exercise an option to extend or terminate the lease:* The Board tentatively decided that contractual, non-contractual, and business factors should be considered when determining the lease term.
- *Contingent rentals:* The Board decided tentatively to develop a new approach for contingent lease payments using a probability-weighted best estimate of the rentals payable.
- *Initial and subsequent measurement of a lessee's right-of-use asset and obligation to make rental payments:* The Board tentatively decided that on initial measurement, a

lessee should measure both its right-of-use asset and its lease obligation at the present value of the lease payments, using the lessee's incremental borrowing rate for secured borrowings. On subsequent measurement, a lessee should amortize the right-of-use asset over the shorter of the lease term or the economic life of the leased asset based upon the pattern of consumption of economic benefits. The lease payment should be allocated between interest and the reduction of the outstanding liability in order to produce a constant periodic rate of interest on the remaining balance of the liability.

- *Whether to retain the requirement to classify leases as operating or finance leases:* The Board decided to delete the existing requirement to classify a lease as a finance lease or an operating lease (the same approach would therefore apply for all leases.)

See the [IASB project summary](#) for more information on this project.

#### **Tentative decisions reached on the management commentary discussion paper**

The Board considered the conclusions reached in the Discussion Paper, *Management Commentary*, with respect to the Board's proposals for Phase A of the Conceptual Framework (see the [Exposure Draft](#), *An Improved Conceptual Framework for Financial Reporting: Chapter 1 The Objective of Financial Reporting and Chapter 2 Qualitative Characteristics and Constraints of Decision-useful Financial Reporting Information*).

The Board reached the following tentative decisions:

- Base the management commentary project on the in-process work for Phase A of the Conceptual Framework project

- Mirror the objective, users, and qualitative characteristics described in the Phase A of the Conceptual Framework project
- Include the following specific content elements in addition to those described in the Discussion Paper:
  - Strategy used for evaluating management (including executive remuneration)
  - Strategy used for minimizing taxes and how that strategy integrates with the entity's uncertain tax position
  - Discussion of key resources (including unrecognized intangible assets) and financing obligations

In addition, the Board reached a tentative decision to develop presentation requirements for management commentary that link to IFRS 8, *Segment Reporting*.

The Board asked the staff to draft an exposure draft of a proposed guidance statement, which is tentatively scheduled to be issued in the fourth quarter of 2008.

See the [IASB project summary](#) for more information on this project.

### **IASB discusses revenue recognition project plan and the measurement of performance obligations**

The IASB discussed the revenue recognition project plan and the measurement of performance obligations.

#### **Project plan**

The IASB confirmed the staff's plan to issue a discussion paper in the fourth quarter of 2008 with a comment period of six months. In addition, the IASB

indicated that it plans to make significant improvements to the existing revenue recognition standards by June 2011.

#### **Measurement of performance obligations**

At its May 2008 meeting, the IASB expressed a preliminary view in favor of measuring performance obligations using the customer consideration approach. At its July 2008 meeting, the Board considered the description of this approach for inclusion in the forthcoming discussion paper.

#### **On initial measurement**

The IASB agreed with the proposed description of how performance obligations are measured at contract inception (i.e., before either party has performed) and the two views that will be presented to support that approach. The IASB asked the staff to also include a brief description of the rejected measurement approach.

The IASB reached a tentative decision that the allocation of the total transaction price to individual performance obligations should be calculated pro rata to the entity's observed or estimated stand-alone selling prices for each promised good or service. However, if a Level 1 fair value measurement, as described in FASB Statement 157, *Fair Value Measurements*, exists at contract inception for any of those goods and services, the promised good or service should be measured at that fair value. The IASB will decide in its fair value measurement project whether to adopt a Level 1 measurement concept.

#### **On subsequent measurement**

The IASB did not reach any decisions on the circumstances that would require remeasurement of performance obligations that are not deemed to be onerous. Before the IASB can reach a preliminary view on

remeasurement in a general revenue recognition standard, the staff was asked to consider how an onerous contract test would work.

See the [IASB project summary](#) for more information on this project.

### **Board continues discussions on valuing financial instruments in markets that are no longer active**

A working group of the [expert advisory panel](#) held meetings in July 2008 to discuss the measurement issues previously identified by the panel, with a focus on how those issues are being resolved in practice. The issues discussed included the following:

- Measurement of fair value when observable market prices no longer exist. As a result of the credit crisis, new approaches have been developed to establish a fair value for certain instruments.
- Use of transaction prices when there is a decrease in the number of actual transactions and when there are no transactions at all
- Use of data from pricing services, brokers, or other sources and the need to investigate and understand the derivation of those prices
- Selection and adjustment of inputs to models
- Clarification of what constitutes a forced transaction (forced liquidation or distressed sales), whether an observed transaction price should be ignored, and the need to understand the circumstances of observed transactions
- Measurement of changes in non-performance risk (own credit)

As a result of the working group discussions, the Board noted that the requirements and guidance included in IAS 39, *Financial Instruments: Recognition and Measurement*, with respect to fair value measurement, are generally clear and there is consistency in the approach used to arrive at a fair value measure. However, there may be a need for educational guidance for smaller entities.

Therefore, at the next expert advisory panel meeting on July 30, 2008, the panel will discuss a draft document that will include:

- A summary of the credit crisis issues
- IAS 39 requirements and guidance for those issues
- A summary of how the issues have been dealt with in practice, with a focus on the processes and approaches used when measuring the fair value of financial instruments when there is no longer an active market

The initial focus of the panel has been on measurement issues and later discussions will address disclosures. A summary of the discussions at each panel meeting will be presented to the Board in future public meetings.

See the [IASB project summary](#) for more information on this project.

### **Standards Advisory Council report**

The Director of Technical Activities indicated that the relevant project teams had been informed of the views expressed at the June 2008 meeting of the Standards Advisory Council.

### **Agenda proposals**

The Board decided to add to its active agenda the following projects that had previously been on the Board's research agenda:

- *Financial instruments with characteristics of equity*: The objective of this joint project with the FASB is to improve the distinction between equity and non-equity instruments. See the [IASB project summary](#) for more information on this project.
- *Derecognition of financial instruments*: The objective of this joint project with the FASB is to develop a new approach to derecognition with an initial focus on financial assets that would be an improvement to both,

IAS 39, *Financial Instruments: Recognition and Measurement* and FASB Statement 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. See the [IASB project summary](#) for more information on this project.

**Update on IFRIC activities**

See the August 20, 2008 [IFRS Update](#) for a summary of the highlights of the July 2008 IFRIC meeting.

**Future Board meeting**

The next Board meeting is September 16-19, 2008.

World Standard Setters

**September 2008 meeting**

The World Standard Setters participated in a meeting in London on September 11-12, 2008. See the agenda papers for [September 11](#) and [September 12](#).