



On the Horizon for IFRS

May 14, 2009

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All decisions reached at IFRIC meetings are tentative and may be changed or modified at future meetings. Committee decisions become final only after completion of a formal vote on an Interpretation or Draft Interpretation, which is confirmed by the IASB.

The International Financial Reporting Interpretations Committee has issued the March 2009 [IFRIC Update](#), which summarizes the Committee's meeting in London on March 5, 2009. Highlights of the meeting are discussed below.

Update on IFRIC projects

The staff briefed the IFRIC on the actions taken by the staff and the IASB with respect to IFRIC issues since the IFRIC meeting in November 2008 (the planned January 2009 IFRIC meeting was cancelled):

- The IFRIC discussed the staff's analysis of comments received on the IASB's exposure draft of a proposed amendment to paragraph 5 of IFRIC 9, *Reassessment of Embedded Derivatives*. The amendment excludes

from the scope of IFRIC 9 derivatives embedded in contracts acquired a) in combinations of entities or businesses under common control or b) in the formation of joint ventures. (Note: On March 12, 2009, the IASB issued *Embedded Derivatives (Amendments to IFRIC 9 and IAS 39)*, which includes conforming amendments to IFRIC 9 for changes made in October and November 2008 to IAS 39, *Financial Instruments: Recognition and Measurement*, that permitted reclassification of non-derivative financial assets out of the fair value through profit or loss category in certain circumstances.)

- The staff advised the IFRIC that, following the issuance of *Reclassification of Financial Assets (Amendments to IAS 39 and IFRS 7)* in October 2008, constituents informed the IASB that there was uncertainty about the interaction between those amendments and IFRIC 9. The Board proposed an amendment to IFRIC 9 to clarify that when an entity reclassifies a hybrid financial asset out of the fair value through profit or loss category, the entity must assess whether an embedded derivative must be separated from the host contract. (Note: The amendment was approved by the IASB at its meeting in March 2009 and was included in the 2009 *Improvements to IFRSs* issued on April 17, 2009.)
- The staff advised the IFRIC that, at the meeting in January 2009, the IASB tentatively decided to amend IFRIC 14, *IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, so that an entity recognizes an asset for a prepayment that will reduce its future contributions. The IFRIC had been asked for comments on the pre-ballot draft of the amendment.
- The IFRIC discussed the staff's analysis of comments received on the IASB's exposure draft of a proposed amendment to paragraph 14 of IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*. IFRIC 16 does not permit hedge accounting if the hedging instrument is held by the foreign operation

that is being hedged. The amendment, if approved, would remove this restriction. (Note: The amendment was approved by the IASB at its meeting in March 2009 and was included in the 2009 *Improvements to IFRSs* issued on April 17, 2009.)

- The staff advised the IFRIC that no substantive comments had been received on the near final draft of IFRIC 18, *Transfers of Assets from Customers*, which was posted on the website after the IFRIC meeting in November 2008. Accordingly, the staff presented IFRIC 18 to the IASB and the final Interpretation was approved at the IASB meeting in January 2009. On January 29, 2009, the IASB issued IFRIC 18.

IFRIC discusses compliance costs for REACH

The IFRIC discussed the results of staff research on the rights an entity acquires under the “European Regulation on the Registration, Evaluation, Authorisation and Restriction of Chemicals” (REACH) as well as the staff's analysis of what requirements of IFRS might apply. The IFRIC did not reach a decision on whether to add the issue to the agenda.

In order to determine whether it can specify an appropriate scope for this project, the IFRIC asked the staff to identify the characteristics of registration or licensing costs that produce future economic benefits and to determine whether, and in what circumstances, such costs are capitalized in practice. The staff was also asked to determine whether there is diversity in practice in the accounting for REACH costs.

IFRIC discusses statement of cash flows – determination of cash equivalents

The IFRIC received a request for guidance on whether investments in shares or units of money market funds that are redeemable at any time can be classified as cash equivalents in the Statement of Cash Flows.

The IFRIC discussed the criteria in the definition of cash equivalents included in paragraph 6 of IAS 7, *Statement of Cash Flows*, and the requirements that cash equivalents be short-term and convertible to known amounts of cash. The IFRIC noted that paragraph 7 of IAS 7 concludes that equity instruments are excluded from cash equivalents unless they are, in substance, cash equivalents.

The IFRIC tentatively agreed that shares in a money market fund must be convertible into an amount of cash that is known at the time of the initial investment in order to be in substance a cash equivalent. The fact that the instrument itself has a readily determinable market value is not sufficient to satisfy this requirement. An entity must also make an assessment that the risk of future changes in value is insignificant at the time of the initial investment. Possible approaches to such an assessment might be to consider the definition criteria in relation to the fund's stated investment policy or to look through the fund to the underlying investments.

The IFRIC also noted that IAS 7 is generally considered to be converged with FASB Statement 95, *Statement of Cash Flows*, and wanted to avoid implications that entities would reach different conclusions about which instruments would meet the definition of cash equivalents in accordance with IAS 7.

The IFRIC asked the staff to develop either of the following proposals for discussion at the next meeting:

- A proposal for changes to the definition of cash equivalents in IAS 7 that could be recommended to the IASB
- A proposal for an agenda decision for a project to clarify the definition of cash equivalents

IFRIC discusses investments in associates – partial use of fair value through profit or loss

The IFRIC received a request to consider an issue with respect to IAS 28, *Investments in Associates*. The issue relates to situations in which a parent has an investment in an associate, one part of which is held by a subsidiary that is an investment-linked insurance fund (or mutual fund, unit trust or venture capital organization). At initial recognition the subsidiary elected to recognize the investment in the associate at fair value through profit or loss in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*. The part of the investment in the same associate held by the parent is accounted for in accordance with IAS 28 using the equity method (or at cost, if certain conditions are met). The issue is whether both measurement bases can be used in the consolidated financial statements.

The IFRIC discussed two views on this issue:

- View A – Identify all direct and indirect interests held in the associate by either the parent or any of its subsidiaries and apply IAS 28 to the entire investment in the associate
- View B – Identify all direct and indirect interests held in the associate to determine whether a significant interest exists, but use the scope criteria in IAS 28 to determine the allowed accounting treatments for the investment (or a portion of the investment)

The IFRIC did not reach a conclusion on whether to add this issue to its agenda and asked the staff to perform additional research and analysis for consideration at a future IFRIC meeting.

Agenda decisions

IFRIC agenda decisions are not Interpretations, which are determined only after deliberation and due process, including a formal vote. IFRIC Interpretations become final only when approved by the IASB.

At the November 2008 meeting, the IFRIC tentatively decided to defer a decision on whether to add six issues to the agenda. The IFRIC reconsidered the issues at the March 2009 meeting.

IFRS 3, Business Combinations – Customer-related intangible assets

The Committee received a request to provide guidance on the circumstances in which a non-contractual customer relationship arises in a business combination. IFRS 3, *Business Combinations* (as revised in 2008) requires an acquirer to recognize the identifiable intangible assets of the acquiree separately from goodwill. An intangible asset is identifiable if it meets either the contractual-legal criterion or the separable criterion in IAS 38, *Intangible Assets*. Contractual customer relationships are always recognized separately from goodwill as they meet the contractual-legal criterion. However, non-contractual customer relationships are recognized separately from goodwill only if they meet the separable criterion.

The Committee noted the following:

- The IFRS Glossary defines the term *contract*
- Paragraphs B31–B40 in the application guidance of IFRS 3 provide guidance on the recognition of intangible assets and the different criteria related to whether they are established based on a contract
- Paragraph IE28 in the illustrative examples accompanying IFRS 3 provides indicators for identifying the existence of a customer relationship between an entity and its customer and states that a customer relationship “may also

arise through means other than contracts, such as through regular contact by sales or service representatives”

The Committee concluded that how the relationship was established helps to identify whether a customer relationship exists but should not be the primary basis for determining whether the acquirer recognizes an intangible asset. The Committee indicated that the criteria in paragraph IE28 might be more relevant for recognition. The existence of contractual relationships and information about a customer’s prior purchases should not determine whether a customer relationship is recognized, but, if recognized, would be important inputs in valuing the intangible asset.

Since there is explicit guidance in IFRS 3, the Committee decided that developing interpretative guidance reflecting its conclusion would not be possible. The IFRIC decided that the widespread confusion in practice on this issue would be best resolved by referring it to the IASB and the FASB with a recommendation to review and amend IFRS 3 by:

- Removing the distinction between *contractual* and *non-contractual* customer-related intangible assets recognized in a business combination
- Reviewing the indicators that identify the existence of a customer relationship in paragraph IE28 and including them in IFRS 3

IAS 28, *Investments in Associates – Potential effect of IFRS 3, Business Combinations* (as revised in 2008) and IAS 27, *Consolidated and Separate Financial Statements* (as amended in 2008) on equity method accounting

The staff noted that the FASB’s Emerging Issues Task Force (EITF) recently added to its agenda, EITF Issue 08-6, “Equity Method Investment Accounting Considerations,” which addresses several issues resulting from the recently concluded joint project by the IASB and FASB on accounting for business combinations and accounting and reporting for non-

controlling interests. That project resulted in the issuance of IFRS 3 (as revised in 2008) and IAS 27 (as amended in 2008) and FASB Statement 141(R), *Business Combinations* and FASB Statement 160, *Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51*.

EITF 08-6 addresses the following issues:

- How to determine the initial carrying value of an equity method investment
- How to account for an issue of shares by an equity method investee
- How to perform an impairment assessment of an underlying indefinite-lived intangible asset of an equity method investment
- How to account for a change in an investment from the equity method to the cost method

The IFRIC noted that IAS 28 provides explicit guidance on the last two issues and therefore, does not expect diversity in practice. The IFRIC decided not to add these issues to the agenda.

IAS 32, Financial Instruments: Presentation – Classification of puttable and perpetual instruments

The Committee received a request for guidance on the classification of an entity's puttable instruments that are subordinate to all other classes of instruments when the entity also has perpetual instruments that meet the definition of equity instruments in accordance with IAS 32.11 and .16.

The Committee noted the following:

- A financial instrument is first classified as a liability or equity instrument in accordance with the general requirements of IAS 32. That classification is not affected by the existence of puttable instruments.

- Second, if a financial instrument meets the definition of a financial liability because it is puttable to the issuer, the entity considers the conditions in IAS 32 paragraphs 16A and 16B to determine whether it should be classified as equity. Accordingly, the IFRIC noted that IAS 32 does not preclude the existence of several classes of equity.

The Committee also noted that IAS 32.16A(c) applies only to “instruments in the class of instruments that is subordinate to all other classes of instruments.” Paragraph 16A(b) of IAS 32 specifies that the level of an instrument's subordination is determined by its priority in liquidation. Accordingly, the existence of the puttable feature does not of itself imply that the puttable instruments are less subordinate than the perpetual instruments.

The Committee decided not to add this issue to the agenda because it did not expect significant diversity in practice.

IAS 37, Provisions, Contingent Liabilities and Contingent Assets/IAS 38, Intangible Assets – Regulatory assets and liabilities

The Committee received a request to consider whether regulated entities could or should recognize a liability or an asset as a result of rate regulation by regulatory bodies or governments.

The Committee discussed this issue and noted the following:

- Rate regulation is widespread and significantly affects the economic environment of regulated entities
- Divergence does not seem to be significant in practice
- Resolving the issue would require interpreting the definitions of assets and liabilities described in the Framework and their interaction with one or more IFRS

- The issue is now specifically being considered in an active IASB project and it relates to more than one active IASB project

The Committee decided not to add this issue to the agenda since the agenda criteria were not met, it did not expect significant diversity in practice, and there is now a project on rate regulated activities on the IASB's active agenda.

IAS 39, Financial Instruments: Recognition and Measurement – Derecognition

The Committee had previously been asked to provide guidance for certain derecognition tests included in IAS 39. At its meeting in January 2007, the IFRIC decided to add a limited scope project on derecognition to its agenda; however, the project had been inactive awaiting the availability of staff resources.

The IASB has since accelerated its project to develop a replacement for the sections of IAS 39 that would have been interpreted by the IFRIC. The IASB expects to issue a new standard on derecognition no later than 2010. Therefore the IFRIC decided to remove this issue from its agenda.

IAS 39, Financial Instruments: Recognition and Measurement – Fair value measurements of financial instruments in inactive markets: determining the discount rate

The Committee received an external proposal that discussed how a discount rate should be determined when fair value is established using a valuation technique. The proposal noted that both the credit spread and liquidity spread components of the discount rate might not be observable in inactive markets. The proposal included the following:

- The liquidity spread would not exceed that of a non-tradable loan or receivable which is comparable to the security being measured

- A model-based valuation would aim to calculate the value of a financial instrument that market participants would agree on if they were acting in a rational manner

The IFRIC noted that IAS 39 states that the objective of using a valuation technique is to establish what the fair value (i.e. the transaction price in an arms' length exchange motivated by normal business considerations) would have been on the measurement date. To meet that measurement objective, a valuation technique incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. The IFRIC concluded that any suggestion that a valuation technique should consider factors differently from the way a market participant would be expected to consider them so as to arrive at a price that is different from the price a market participant would determine would not be consistent with IAS 39. The approach in the proposal suggests that certain factors should be adjusted away from a market participant's view, which would be inconsistent with both the fair value measurement objective and the existing IAS 39 guidance.

After its tentative agenda decision was issued, the Committee received the following clarification from the authors of the original external proposal:

- They did not intend to suggest that particular factors should be adjusted away from a market participant's view.
- The current liquidity risk of a comparable non-tradable loan or receivable is one indicator that management could use in applying judgment when determining liquidity spread rather than as an absolute limitation of liquidity risk.
- Forced transactions, involuntary liquidations, or distress sales are not relevant transactions for the purpose of determining fair value and, to

the extent that their effect on a market price can be identified, that effect would be eliminated.

The Committee also noted that it could only provide implementation guidance not an interpretation. In addition, the IASB has issued the report of its Expert Advisory Panel which explains how experts measure and disclose the fair values of financial instruments in inactive markets as well as a staff summary on the use of judgment to measure those values when markets are no longer active. The Committee decided that the proposed issue relates directly to issues that were discussed at the joint IASB/FASB roundtable meetings held in November and December 2008. Any new or amended guidance that is necessary should be provided as a result of the IASB's joint activities with the FASB and its fair value measurement project.

Accordingly, the IFRIC decided not to add this issue to its agenda.

Tentative agenda decisions

After reviewing the following issues, the Committee made the following tentative decisions. These issues will be reconsidered at the May 2009 meeting.

IAS 12, Income taxes – Classification of tonnage taxes

The Committee received a request to consider whether a tax based on tonnage capacity could be an income tax in accordance with IAS 12. In some jurisdictions, shipping companies can choose to be taxed based on either tonnage transported or tonnage capacity instead of based on the standard corporate jurisdictional income tax regulations; this choice is irrevocable.

Previously, the Committee had noted that IAS 12 defines *income taxes* as taxes that are based on taxable profit and that the term *taxable profit* implies a notion of a net rather than a gross amount. Taxes based upon either tonnage transported or tonnage capacity are based on gross rather than net amounts and

would not be considered to be income taxes in accordance with IAS 12. However, the Committee also noted that, in accordance with paragraph 85 of IAS 1, *First-time Adoption of International Financial Reporting Standards*, an entity subject to tonnage tax would present additional subtotals in that statement if that presentation is relevant to an understanding of its financial performance.

Given the requirements of IAS 12, the Committee did not expect significant diversity in practice and therefore decided not to add this issue to the agenda.

IAS 16, Property, Plant and Equipment – Disclosure of idle assets and construction in progress

The Committee received a request to consider the extent of required disclosures relating to property, plant and equipment temporarily idle and assets under construction when additional construction has been postponed.

The Committee noted the following:

- Paragraph 74(b) of IAS 16 indicates that an entity must disclose the amount of expenditures recognized in the carrying amount of an item of property, plant and equipment in the course of its construction
- Paragraph 79(a) of IAS 16 encourages an entity to disclose the amount of property, plant and equipment that is temporarily idle
- Paragraph 112(c) of IAS 1 requires an entity to provide in the notes information that is not presented elsewhere in the financial statements that is relevant to their understanding

In the current economic environment, the Committee also noted that disclosure regarding idle assets might be relevant. Accordingly, the

Committee expected that entities would provide information in addition to that specifically required by IAS 16 when idle assets or postponed construction projects were significant.

Given the requirements of IAS 16 and IAS 1, the Committee did not expect significant diversity in practice and decided not to add this issue to its agenda. However, the Committee asked the staff to recommend that the IASB undertake a review of all disclosures encouraged (but not required) by IFRS with the objective of either confirming that they are required or eliminating them.

IAS 38, Intangible Assets – Accounting for sales costs

The Committee received a request to clarify how a real estate developer should account for initial selling and marketing costs incurred during construction that relate to the specific real estate construction project. In accordance with IFRIC 15, *Agreements for the Construction of Real Estate*, revenue for the construction project will be recognized as a *sale of goods* in accordance with IAS 18, *Revenue*.

The following are examples of the initial selling and marketing costs in question:

- Advertising expenses for the project
- Sales commission paid for selling the units
- Fees paid to the bank to list the property to enable buyers to get mortgages

The Committee noted the following:

- Selling costs cannot be capitalized if the real estate units are considered to be inventory in accordance with IAS 2, *Inventory*. Similarly, these costs cannot be capitalized as property, plant and equipment unless they are directly attributable to preparing the asset to be used.

- Paragraph 20 of IAS 11, *Construction Contracts*, excludes selling costs from contract costs even if the specific construction project is within the scope of IAS 11
- Other standards conclude that some direct and incremental costs recoverable as a result of obtaining a specifically identifiable contract with a customer may be capitalized in narrow circumstances. However, none of those standards permit an entity to capitalize costs incurred in attempting to obtain customer contracts.

The Committee indicated that it is not possible to reach a conclusion on the appropriate accounting for broad categories of initial selling and marketing expenses in all circumstances since the accounting for such costs varies depending on specific facts and circumstances.

With respect to the existing guidance in IFRS, the Committee did not expect significant diversity in practice and decided not to add this issue to the agenda.

IAS 39, Financial Instruments: Recognition and Measurement – Participation rights and calculation of the effective interest rate

The Committee received a request to consider how an issuer should account for a financial liability that contains participation rights by which the instrument holder shares in the net income and losses of the issuer. The holder receives a percentage of the issuer's net income and is allocated a proportional share of the issuer's losses. Losses are applied to the nominal value of the instrument to be repaid on maturity. Losses allocated to the holder in one period can be offset by profits in subsequent periods. The request assumed that the financial liability does not contain any embedded derivatives, is measured at amortized cost using the effective interest rate method, and does not meet the definition of a floating rate instrument.

The Committee noted the following:

- Paragraphs AG6 and AG8 of IAS 39 provide the relevant application guidance for measuring financial liabilities at amortized cost using the effective interest rate method
- It is inappropriate to analogize to the derecognition guidance in IAS 39 because the liability has not been extinguished

The Committee decided not to add this issue to its agenda since specific application guidance already exists.

IAS 39, Financial Instruments: Recognition and Measurement – Classification of failed loan syndications

The Committee received a request to consider whether a loan amount resulting from a loan syndication that the originator intends to sell in the near term must always be classified as held for trading. The question arises when loans are originated with an intention of syndication but the arranger fails to find sufficient commitments from other participants (failed syndications). The arranger then tries to sell the surplus loan amount to other parties in the near term rather than holding it for the foreseeable future.

The Committee noted the following:

- The terms *loans and receivables* and *financial asset or financial liability at fair value through profit or loss* are defined in paragraph 9 of IAS 39 and would determine the classification of a loan in such circumstances.
- The definition of loans and receivables explicitly requires a loan (or portion of a loan) that is intended to be sold immediately or in the near term to be classified as held for trading on initial recognition.
- Paragraph AG14 of IAS 39 describes characteristics that generally apply to financial instruments classified as held for trading. However, these general

characteristics are not a prerequisite for all instruments the standard requires to be classified as held for trading.

- In accordance with paragraph 50D of IAS 39, an entity would be permitted to consider reclassifying a surplus loan amount that it no longer intends to sell.

Given the specific requirements in IAS 39, the Committee did not expect significant diversity in practice and therefore decided not to add this issue to its agenda.

IAS 41, Agriculture – Discount rate assumption used in fair value calculations

The Committee received a request to consider how an entity should determine an appropriate discount rate when the fair value of biological assets is estimated as the present value of expected net cash flows.

The Committee noted the following:

- The fair value measurement objective in IAS 41 is consistent with that in other standards. Paragraph 21 of IAS 41 was amended in May 2008 to clarify that an entity includes the net cash flows that market participants would expect the asset to generate in determining the present value of net cash flows.
- When an entity incurs an initial cost with respect to a biological asset, paragraph 24 of IAS 41 notes that that cost may approximate fair value when little biological transformation has taken place since the cost was incurred.
- IAS 39 and other recently issued material by the IASB provides extensive guidance on estimating fair values for assets that do not have readily observable prices in active markets that would also be relevant for biological assets.

Given the guidance already available, the Committee did not expect significant diversity in practice and therefore decided not to add this issue to its agenda.

IFRIC 14, IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – voluntary prepayments

The IFRIC had previously noted that the requirements in IFRIC 14 could produce unintended consequences in certain circumstances with respect to the treatment of voluntary prepaid contributions under a minimum funding requirement and in November 2008, had decided to add this issue to the agenda. However, at the January 2009 IASB meeting, the IASB decided to proceed with its own project to amend IFRIC 14 to address this issue. Accordingly, the Committee decided to remove the issue from its agenda.

IFRIC work in progress

The IFRIC reviewed a summary of outstanding issues and noted that all requests received were either discussed at the March 2009 meeting or are being considered by the IASB.

Future Committee meetings

The Committee held a subsequent meeting on May 8, 2009. The next Committee meeting is July 9-10, 2009.

IASB issues Annual Improvements 2009

The IASB has issued *Improvements to IFRSs* (2009 Improvements), which makes minor amendments to a number of IFRS. This publication completes the IASB's second round of annual improvements.

Background to the 2009 Improvements

The annual improvements process has been developed to address non-urgent, but necessary, minor amendments to IFRS. Issues dealt with in this process

arise from matters raised by the IFRIC and suggestions from staff or practitioners, and focus on areas of inconsistency in IFRS or where clarification of wording is required. Rather than making a series of piecemeal changes during the year, the process streamlines the IASB's improvement activity by presenting the changes in a single document each year.

The 2009 Improvements reflect issues that were included in exposure drafts of proposed amendments to IFRS issued in October 2007, August 2008, and January 2009.

Effective date

The effective date for each amendment has been included in the amended text of each of the IFRS affected. The transitional rules vary, with some amendments requiring retrospective application, while others are to be applied prospectively. For a proper understanding of the effective date and transition requirements, refer to the 2009 Amendments.

IFRS affected

The following table summarizes the IFRS that are affected by the amendments, the issue addressed, a brief description of the change and a reference to the effective date and transition requirements. References in the effective date and transition column are to the IFRS as amended by the 2009 Improvements. Refer to the 2009 Improvements for more details.

Standard affected	Issue	Summary of change	Effective date and transition
IFRS 2, <i>Share-based Payment</i>	Scope of IFRS 2 and revised IFRS 3	Amends IFRS 2 to confirm that the contribution of a business on the formation of a joint venture and common control transactions are not within the scope of IFRS 2	IFRS 2.61

Standard affected	Issue	Summary of change	Effective date and transition
IFRS 5, <i>Non-current Assets Held for Sale and Discontinued Operations</i>	Disclosures of non-current assets (or disposal groups) classified as held for sale or discontinued operations	Clarifies that IFRS 5 and other IFRS that specifically refer to non-current assets (or disposal groups) classified as held for sale or discontinued operations provide all the disclosures required with respect to those assets or operations	IFRS 5.44E
IFRS 8, <i>Operating Segments</i>	Disclosure of information about segment assets	Clarifies that a measure of segment assets should be disclosed only if that amount is regularly provided to the chief operating decision maker	IFRS 8.35A-36

Standard affected	Issue	Summary of change	Effective date and transition
IAS 1, <i>Presentation of Financial Statements</i>	Current/non-current classification of convertible instruments	Clarifies the classification of a liability that can, at the option of the counterparty, be settled by the issue of the entity's equity instruments	IAS 1.139D
IAS 7, <i>Statement of Cash Flows</i>	Classification of expenditures on unrecognized assets	Amends IAS 7 to state explicitly that only an expenditure that results in a recognized asset in the statement of financial position can be classified as a cash flow from investing activities	IAS 7.56

Standard affected	Issue	Summary of change	Effective date and transition
IAS 17, <i>Leases</i>	Classification of leases of land and buildings	Clarifies that when a lease includes both land and buildings elements, an entity assesses the classification of each element as a finance or an operating lease separately in accordance with the general guidance on lease classification in paragraphs 7-13 of IAS 17. In determining whether the land element is an operating or a finance lease, an important consideration is that land normally has an indefinite economic life.	IAS 17.68A and .69A

Standard affected	Issue	Summary of change	Effective date and transition
IAS 18, <i>Revenue</i>	Determining whether an entity is acting as a principal or as an agent	Provides guidance on determining whether an entity is acting as a principal or as an agent	None, amendment to non-mandatory Appendix
IAS 36, <i>Impairment of Assets</i>	Unit of accounting for goodwill impairment test	Clarifies that the largest unit permitted by IAS 36 for the purpose of allocating goodwill to cash-generating units is the operating segment level defined in paragraph 5 of IFRS 8 before aggregation	IAS 36.140E

Standard affected	Issue	Summary of change	Effective date and transition
IAS 38, <i>Intangible Assets</i>	Additional consequential amendments arising from revised IFRS 3	Clarifies the effect of IFRS 3 (revised in 2008) on the accounting for intangible assets acquired in a business combination	IAS 38.130C and .130E
	Measuring the fair value of an intangible asset acquired in a business combination	Clarifies the description of valuation techniques commonly used by entities when measuring the fair value of intangible assets acquired in a business combination that are not traded in active markets	

Standard affected	Issue	Summary of change	Effective date and transition
IAS 39, <i>Financial Instruments: Recognition and Measurement</i>	Treating loan prepayment penalties as closely related embedded derivatives	Clarifies whether embedded prepayment options, in which the exercise price represented a penalty for early repayment of the loan, are considered closely related to the host debt contract	IAS 39.103K and .108C

Standard affected	Issue	Summary of change	Effective date and transition
	Scope exemption for business combination contracts	Clarifies that the scope exemption in IAS 39.2(g) applies only to binding (forward) contracts between an acquirer and a selling shareholder to buy or sell an acquiree that will result in a business combination at a future acquisition date	

Standard affected	Issue	Summary of change	Effective date and transition
	Cash flow hedge accounting	Clarifies when gains and losses on hedging instruments should be reclassified from equity to profit and loss account as a reclassification adjustment	
IFRIC 9, <i>Reassessment of Embedded Derivatives</i>	Scope of IFRIC 9 and revised IFRS 3	Clarifies that IFRIC 9 does not apply to embedded derivatives in contracts acquired in a combination between entities or businesses under common control or the formation of a joint venture	IFRIC 9.11

Standard affected	Issue	Summary of change	Effective date and transition
IFRIC 16, <i>Hedges of a Net Investment in a Foreign Operation</i>	Amendment to the restriction on the entity that can hold hedging instruments	Removal of the restriction that the hedge of a net investment in a foreign operation cannot be held by the foreign operation that is itself being hedged	IFRIC 16.18

At its April 2009 meeting, the IASB reviewed the FASB's FSPs on fair value measurement and impairment. The IASB concluded the following:

- *Fair value measurement:* The guidance on fair value measurement issued by the FASB is consistent with existing guidance on IFRS, which is contained in the IASB's Expert Advisory Panel report, *Measuring and disclosing the fair value of financial instruments in markets that are no longer active*. To ensure ongoing consistency in the application of IFRS and U.S. GAAP, the IASB will include relevant guidance from the FSP in the IASB's exposure draft on fair value measurement that will be issued in May 2009.
- *Impairment of financial assets:* The IASB agreed with the widespread view among commentators that the IASB should improve its impairment requirements. The IASB plans to consider the broad issue of impairment as part of its comprehensive and urgent review of IAS 39. The IASB believes that an immediate response to the recent FSP on impairment is unnecessary. The IASB will work with the FASB as part of its comprehensive project to ensure global consistency in impairment approaches.

Further information on the IASB's timetable to revise IAS 39 and its conclusion on the consultation on the FASB's FSPs are included in the Notes to Editors section at the end of the Press Release.

Financial Crisis Advisory Group issues letter to G-20 leaders

On April 29, 2009, the [Financial Crisis Advisory Group \(FCAG\)](#) issued a [letter](#) to the G-20 leaders. The FCAG was established by the IASB and FASB to advise the two Boards about standard setting implications of the

IASB announces timetable for IAS 39 replacement and conclusions reached on FASB FSPs

The IASB [announced](#) a six-month timetable for issuing a proposal to replace its existing financial instruments standard, IAS 39, *Financial Instruments: Recognition and Measurement*. The IASB also announced the results of its 30-day accelerated consultation on the recently issued FASB Staff Positions (FSPs) on fair value measurement and impairment.

The IASB's comprehensive project on financial instruments responds directly to, and is consistent with, the recommendations and timetable proposed by the Group of 20 (G20) nations at their meeting earlier this month. The IASB will work jointly with the FASB to pursue the objective of a globally accepted replacement of the requirements on accounting for financial instruments.

global financial crisis and potential changes to the global regulatory environment.

The staff of the IASC Foundation and the IASB recently prepared a document, [Strengthening Transparency and Accountability](#), which is a comprehensive overview of measures undertaken by the IASC Foundation and the IASB responding to the conclusions reached by the G-20 at their summit in London on April 2, 2009. As indicated in the responses to the G-20 recommendations, the IASB and the FASB are working jointly to improve and converge standards and have given priority to areas highlighted by the financial crisis. In its letter, the FCAG indicated that it is encouraged by the significant progress that has been made, and continues to be made, by the two Boards. The Boards are jointly working to issue a comprehensive proposal later this year on financial instruments. In addition, the FCAG believes that improved standards in the valuation, off-balance sheet, and provisioning areas would increase transparency, preserve financial statement integrity, and contribute to reducing the financial sector's vulnerability to excesses of the business cycle.

In addition to issuing a report in July 2009, the FCAG will meet again in December 2009 to follow up with the Boards on their efforts and proposed guidance.

IASB announces roundtable discussions as part of comprehensive review of off balance sheet activities

The IASB [announced](#) the details of [roundtable discussions](#) on consolidation and derecognition of financial instruments that will take place in June 2009 and will be held in Asia, Europe, and North America. The roundtables follow the publication of the IASB's proposals on consolidation and derecognition in December 2008 and March 2009, respectively.

The objective of the roundtables is to gather additional views on the consolidation proposals (for which the comment deadline closed in March 2009) and to discuss the interaction of those proposals and the proposals on derecognition, particularly with respect to securitizations and the use of structured vehicles for off balance sheet accounting.

Off balance sheet activity was identified as a matter of concern by the G-20 leaders at their meeting in Washington in November 2008. In response to those concerns, the IASB accelerated its work in this area and announced at a joint meeting with the FASB that the two Boards would work together to develop a joint approach to off balance sheet activity once the FASB has completed short-term amendments to its own standards. The roundtable discussions are scheduled to take place in Toronto on June 1 and 2, 2009, in Tokyo on June 8 and 9, 2009, and in London on June 15 and 16, 2009. Each session will be open to the public so interested parties are welcome to register through the IASB's website.

The IASB will use the insights gained at the roundtables to work towards issuing its new requirements on consolidation by the end of 2009 and on derecognition of financial instruments in the first half of 2010.

See the [consolidation](#) and [derecognition of financial instruments](#) IASB project summary pages for more information on the projects.

IASB and the IASC Foundation update *Who We Are and What We Do*

The IASB has issued an updated version of the IASB and the IASC Foundation booklet – [Who We Are and What We Do](#), which includes information about the organizations and their work, including the goal;

structure; due process; Board members, IASCF Trustees, and Senior Staff; funding; use of IFRS; and contact details. Since 2001, over 100 countries have required or permitted the use of IFRS.

Senior Brazilian financial regulator appointed to the IASB

The Trustees of the International Accounting Standards Committee (IASC) Foundation [announced](#) the appointment of Amaro Luiz de Oliveira Gomes to the IASB. Mr. Gomes, who is currently Head of Financial System Regulation Department of the Central Bank of Brazil, will join the IASB as a full-time member on July 1, 2009 for a five-year term. Before joining the IASB, he will resign from his position at the Central Bank of Brazil.

Sir David Tweedie, Chairman of the IASB said:

Amaro is a great addition to the IASB and I look forward to him joining in July. As a senior financial regulator his expertise and insight will be of immense benefit to the Board, whilst his

knowledge of South American markets will further enhance the truly global credentials of the IASB.

AICPA updates its IFRS backgrounder publication

The AICPA has updated its publication [An AICPA Backgrounder: International Financial Reporting Standards \(IFRS\)](#). The publication has been updated mainly for the proposed SEC Roadmap and includes sections on:

- Get Ready for IFRS
- Worldwide Momentum
- SEC Leadership in International Effort
- AICPA Participation
- Two Sides of The Story
- GAAP and IFRS, Still Differences
- What CPAs Need To Know