BOARD DECISIONS ON INTERNATIONAL FINANCIAL REPORTING STANDARDS

IASB UPDATE

報告事項（１）－３

November 2008

IASB Update *is published as a convenience for the Board's constituents. All conclusions reported are tentative and may be changed or modified at future Board meetings.*

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 met in London on 17 - 21 November, when it discussed:

- Global financial crisis
- Conceptual framework
- Fair value measurement
- Financial instruments with characteristics of equity
- IFRIC issues
- IFRS for private entities
- Leases
- Post-employment benefits
- Related party disclosures
- SAC update

Global financial crisis

The Board discussed various aspects of its response to the credit crisis:

- Consolidation
- Derecognition
- Financial instruments – public round-table meetings
- Financial instruments – agenda decision
- Financial instruments – educational discussion

Consolidation

In drafting the consolidation exposure draft to be published by the Board before the end of the year, the staff identified seven issues for Board discussion. The Board tentatively decided that:

- the general guidance on control with less than half the voting rights should apply to options and convertible instruments.
- when a reporting entity holds voting rights both directly and as an agent for other parties, and it is difficult to identify whether the entity uses the voting rights of the other parties for its own benefit or for the benefit of those other parties, the reporting entity should exclude the voting rights it holds as an agent only if the reporting entity:
  - (a) can demonstrate that it is obliged to act in the best interests of those other parties, and
  - (b) has policies and procedures in place that ensure the independence of the decision making in its role as an agent from that as a holder of voting rights directly.
- a reporting entity should assess power over a structured entity if it obtains returns that are potentially significant and are more than those received by any other party.
- a reporting entity should disclose information to help users evaluate the extent of the group's activities that are attributable to non-controlling interests, and information about restrictions that are a consequence of assets and liabilities being held by subsidiaries.
- the accounting and disclosure requirements for separate financial statements would be retained in IAS 27.
- entities should apply the new IFRS on consolidated financial statements prospectively.
- the comment deadline for the exposure draft will be 20 March 2009.

Derecognition

The Board continued its discussion of two possible approaches to making a derecognition principle for financial assets operational, and made the following tentative decisions:

- For transfers involving an entire asset, transferring the right to the cash flows of a financial asset is akin to transferring the asset itself.
- For transfers involving a part of a financial asset, the following item would be assessed for derecognition:
  - (a) within approach 1 - any cash flows that are generated by the financial asset or group of financial assets
  - (b) within approach 2 - a part of a financial asset or group of financial asset as defined in paragraph 16 of IAS 39, subject to specific guidance about transfers of groups of similar financial assets, derivatives, embedded derivatives and equity instruments.
- 'Continuing involvement' in a transferred financial asset or component thereof (the Asset) represents retention of any contractual rights or contractual obligations inherent in the Asset or the acquisition of any new contractual rights or contractual obligations relating to the Asset (eg any interest in the future performance of the Asset or a responsibility to make payments in the future in respect of the Asset under any circumstances). Continuing involvement may result from contractual provisions incorporated in the transfer agreement itself or a separate agreement with the transferee or a third party entered into in connection with the transfer. Continuing involvement would not include standard representations and warranties, fiduciary/agency servicing, fair value forwards and fair value options
- For a transferee to have the practical ability to transfer a financial asset purchased from a transferor, it must be in a position immediately after the purchase to transfer the asset

Tel: +44 (0)20 7332 2730
Fax: +44 (0)20 7332 2749
Website: www.iasb.org
Email: publications@iasb.org
ISSN 1474-2675

to a third party unilaterally without having to impose additional restrictions on that transfer. Determining whether a transferee has the practical ability to transfer a financial asset requires judgment considering all the relevant facts and circumstances.

- The transferor would not reassess 'practical' ability in subsequent periods, except in some cases (such as when an option is exercised or expires) when the transferee subsequently acquires the practical ability to transfer the asset to a third party.
- The derecognition tests would be applied from the perspective of the transferee, not the perspective of the transferor. The Board asked the staff to illustrate whether Approach 1 might be improved by adopting the perspective of the transferor.

The Board will discuss further issues at its meeting in December, and expects to issue an exposure draft in the first half of 2009.

Financial instruments – public round-table meetings

In October the IASB and the US Financial Accounting Standards Board (FASB) announced their joint approach to dealing with reporting issues arising from the global financial crisis. As part of that approach, the boards decided to hold three round-table meetings in Europe, North America and Asia.

The first round table was held in London on 14 November.

At this meeting, the staff provided an oral summary to the Board of the matters discussed at the round tables. No decisions were made.

The other round tables are on 25 November in Norwalk in the US and on 3 December in Tokyo in Japan.

Additional information on the round tables (including the materials distributed to the participants) is available on the IASB public Website.

Financial instruments – agenda decision

The IASB Due Process Handbook sets out five factors that the Board must consider before adding issues to its agenda. At this meeting, the Board considered those factors and tentatively decided to add to its active agenda a project on the recognition and measurement of financial instruments. This project was already on the Board's research agenda.

At this meeting, the Board also discussed three topics that are relevant to the Board's current activities related to the global financial crisis:

- fair value option
- accounting for investments in credit-linked financial instruments
- impairment requirements for financial instruments

The discussions were educational and no decisions were made. The materials for the discussions are available from http://www.iasb.org/Meetings/IASB+Board+Meeting+19+November+2008.htm

Financial instruments – educational discussion

At this meeting, the Board also discussed three topics that are relevant to the Board's current activities related to the global financial crisis:

- fair value option
- accounting for investments in credit-linked financial instruments
- impairment requirements for financial instruments

The discussions were educational and no decisions were made. The materials for the discussions are available from http://www.iasb.org/Meetings/IASB+Board+Meeting+19+November+2008.htm

Conceptual framework

Measurement

The Board discussed the beginnings of an approach to the measurement of assets of liabilities for inclusion in the conceptual framework.

The approach under consideration would address both the theoretical merits and practical limitations of different types of measurements but would not lead automatically to a decision about measurement in particular instances. It would describe the circumstances and factors that should be considered when making decisions about measurement methods.

The Board discussed five factors that might be considered in selecting from among alternative measurement bases. A list of those factors may be found at the Website for this joint project with the US Financial Accounting Standards Board (http://www.fasb.org/project/cf_phase-c.shtml).

The Board did not make a decision about the individual aspects of the approach discussed, but the Board supported the general ideas and directed the staff to continue to develop the approach.

Reporting entity

The staff presented a summary of comments received on the discussion paper *Preliminary Views on an improved Conceptual Framework for Financial Reporting: The Reporting Entity* and explained the plans for redeliberations. No decisions were made.

Fair value measurement

The Board discussed whether it is appropriate to recognise a gain or loss when IFRSs require or permit fair value at initial recognition. The Board asked the staff to research how entities obtain and evaluate evidence to support a conclusion that a fair value measurement at initial recognition is different from the transaction price if that fair value measurement is derived using unobservable inputs.

No decisions were made at this meeting.

Financial instruments with characteristics of equity

The Board published the discussion paper *Financial Instruments with Characteristics of Equity* in February 2008. The comment period ended in September. In October the Board considered an analysis of the comment letters received and decided to begin future deliberations using the principles underlying the perpetual and basic ownership approaches.

At this meeting, the Board continued to develop that approach and made the following tentative decisions:

- All perpetual instruments (including perpetual basic ownership instruments) should be classified as equity.
- Derivatives on an issuer's own equity instruments should be classified as non-equity. The Board will discuss at a future meeting whether derivative instruments within the scope of IFRS 2 *Share-based Payment* would be subject to that classification principle.

The Board also had a preliminary discussion of other issues including:

- which hybrid instruments should be separated;
- the classification of puttable and mandatorily redeemable instruments; and
- whether instruments issued by a subsidiary should be classified in the consolidated financial statements the same way as in the subsidiary's separate financial statements.

The Board did not take any decisions on these issues.

IFRIC issues

IFRIC 15 Agreements for the Construction of Real Estate

The Board received comments on the effective date and transition provisions of IFRIC 15 (the two letters the Board received were posted on the IASB's Website in the Observer Notes for the meeting). Commentators proposed that IFRIC 15 should be applied prospectively instead of retrospectively and that the effective date should be delayed to give sufficient time for preparers to make the necessary changes to their financial reporting systems.

The Board noted that the IFRIC discussed both the effective date and transition thoroughly as part of finalising IFRIC 15 in May 2008 as had the Board in June. As reported in IFRIC *Update*, the IFRIC believed that the main change in practice expected as a result of IFRIC 15 would be a shift from the percentage of completion method to recognition of revenue on completion. For this reason, both the IFRIC and the Board concluded that IFRIC 15 should be applied retrospectively. The IFRIC also considered how much lead time entities would need to apply the Interpretation. The normal policy is to make an Interpretation effective three months after it is published. In this case, the IFRIC decided, on the basis of its assessment of the information requirements for entities that would need to change their accounting policies, that a six-month lead time would be sufficient. Therefore it recommended to the Board that IFRIC 15 should be effective for annual periods beginning on or after 1 January 2009.

At this meeting, the Board concluded that the effective date and transition provisions of IFRIC 15 should not be amended.

IFRIC – Approval of Interpretation

The Board approved IFRIC 17 *Distributions of Non-cash Assets to Owners*.

Update on IFRIC activities

The staff reported on the IFRIC's meeting in November. Details of the meeting had been published in IFRIC *Update*, which was available on the IASB's Website.

The IFRIC completed its redeliberations of draft Interpretation D24 *Customer Contributions* and approved an Interpretation *Transfers of Assets from Customers* subject to its final review of drafting changes. The near final draft of the Interpretation will be posted on the IASB's Website. At its meeting in January 2009 the IFRIC will consider any comments received on the near final draft before it submits the Interpretation to the Board for approval in January.

The IFRIC tentatively decided not to add the issue of regulatory assets and liabilities to its agenda. At its November meeting, the Standards Advisory Council expressed support for this item to be added to the Board's agenda. The staff will prepare an agenda proposal for the Board's meeting in December.

IFRS for private entities (formerly small and medium-sized entities, or SMEs)

At this meeting the Board discussed some of the issues that had been deferred at previous meetings and some new issues on which respondents requested further guidance, in particular, on matters addressed by some IFRIC Interpretations. The Board made the following tentative decisions:

Income taxes. The Board decided tentatively :

- to pursue an approach that starts from the temporary difference approach as set out in the latest version of a forthcoming exposure draft of revisions to IAS 12 *Income Taxes*, but makes simplifications
- to retain the requirements proposed in the exposure draft of an IFRS for SMEs (ED) and contained in IAS 12 regarding the measurement of deferred tax when a jurisdiction imposes different tax rates on distributed and undistributed income, rather than follow the forthcoming exposure draft of revisions to IAS 12.
- to require all deferred tax assets and liabilities to be classified as non-current.
- to prohibit discounting of current and deferred tax assets and liabilities.
- not to require private entities to disaggregate the initial measurement of assets and liabilities that have a tax basis different from their initial carrying amount into (i) an asset or liability excluding entity-specific tax effects and (ii) any entity-specific tax advantage or disadvantage.
- that deferred tax assets should be recognised for unused tax loss and tax credit carry forwards, subject to the same criteria as in IAS 12.

Share-based payment (SBP). The Board decided tentatively that private entities should recognise an expense for equity-settled SBPs and that the expense should be measured on the basis of observable market prices, if available, or, if not, using the directors' best estimate of the fair value of the equity-settled SBPs. Disclosure alone, without expense recognition, would not be permitted.

For SBP transactions that give either the entity or the counterparty a choice of settlement in cash or equity instruments, the Board decided that the entity should account for the transaction as a cash-settled SBP transaction unless either:

- the entity has a past practice of issuing equity instruments or
- the option to settle in cash has no commercial substance.

In the latter two circumstances, the transaction should be treated as equity-settled.

The Board decided tentatively to simplify the disclosure requirements for SBPs. However, the Board asked the staff to ensure that the disclosure requirements for private entities are sufficient for an understanding of how the amount recognised in profit or loss has been determined, including information on the key assumptions used in measuring SBPs.

Post-employment benefit plans. The Board rejected a staff proposal to require an entity to measure the defined benefit obligation of a defined benefit plan at the current termination amount (vested benefit obligation) in some circumstances. However, in the Board's view the defined benefit accounting under IAS 19 *Employee Benefits* should be simplified for private entities. The Board asked the staff to bring back an approach at a future meeting that is more in line with the current IAS 19 approach (eg it includes consideration of unvested benefits), but would be something that entities would generally be capable of applying themselves without needing to use external specialists. The Board suggested that the staff should also consider whether the concept of accumulated benefit obligation in SFAS 87 might be suitable.

The Board also decided tentatively:

- to retain the requirements for multi-employer plans as proposed in the ED (and contained in IAS 19), ie when sufficient information is not available to use defined benefit accounting for a multi-employer plan that is a defined benefit plan, an entity should treat the plan as a defined contribution plan with appropriate disclosure.
- to permit subsidiaries to recognise a charge based on a reasonable allocation of the group charge if the parent presents consolidated financial statements under the IFRS for Private Entities or full IFRSs.
- not to require entities to divide the return on assets into an expected return and an actuarial gain or loss.
- to allow two methods for recognising actuarial gains and losses - immediate recognition in profit or loss (as proposed in the ED) and immediate recognition in other comprehensive income.

IFRIC Interpretations. The Board decided tentatively to include in the IFRS for Private Entities the following IFRIC Interpretations, suitably adapted.

- IFRIC 4 Determining whether an Arrangement contains a Lease
- IFRIC 8 Scope of IFRS 2
- IFRIC 12 Service Concession Arrangements
- IFRIC 15 Agreements for the Construction of Real Estate

Name of standard. The Board discussed the proposed title of the Standard in the light of some negative reactions received on the change from SMEs to private entities. The Board decided tentatively that the title should describe the types of entities to which the standard would be applicable. As Board members' views were divided on a specific title, the Board decided to invite public comment via the IASB's Website or a Webcast.

Outstanding issues. The staff noted that a few outstanding issues have been deferred at previous meetings, and the Board will discuss these at one or more future Board meetings. Some of the main outstanding issues relate to restructuring the financial instruments section, concepts and pervasive principle, impairment of goodwill and simplification of defined benefit pension accounting (see discussion above).

Leases

The Board discussed the following lease accounting issues:

- initial recognition and measurement of the lessee's obligation to pay rentals when the lease includes optional periods, purchase options, contingent rentals or residual value guarantees
- subsequent measurement of the lessee's right-of-use asset and its obligation to pay rentals
- presentation of leases in the statements of financial position and comprehensive income
- subleases

Leases with options

The Board considered leases containing options to extend or terminate the lease term.

The Board tentatively decided to treat uncertainty about the lease term as a recognition question. For example, with a 10-year lease and an option to extend for an additional 5 years the lessee would decide whether to recognise a 10-year lease or a 15-year lease, on the basis of an estimate of the most likely lease term. The lessee would account for purchase options in the same way as options to extend or terminate the lease, on the basis of the most likely outcome.

Contingent rentals or residual value guarantees

In July the Board tentatively decided that the lessee's obligation to pay rentals should include amounts payable under contingent rental arrangements. At this meeting, the Board tentatively decided that:

- the initial measurement of the lessee's obligation to pay rentals should include a probability-weighted estimate of contingent rentals (an expected outcome technique).
- the assets and liabilities initially recognised by the lessee should include amounts payable under a residual value guarantee, measured initially using an expected outcome technique.

Subsequent measurement

The Board tentatively decided that the lessee should:

- amortise its right-of-use asset over the shorter of the lease term and the economic life of the leased asset, on the basis of the pattern of consumption of economic benefits embodied in the right-of-use asset.
- recognise interest expense on the outstanding obligation to pay rentals.

- reassess at each reporting date the lease term and the obligation to pay rentals.
- account for changes in cash flow estimates using a catch-up approach. The interest rate used to discount cash flows would be revised to reflect current conditions. However, the Board did not reach a view on whether the interest rate should be revised at each reporting date or only when there is a change in estimated cash flows.
- recognise any change in the liability as a result of a change in the estimated rental payments by adjusting the carrying amount of the right-of-use asset.

Presentation

The Board tentatively decided that lessees should present:

- the right-of-use asset based upon the nature of the underlying asset and disclose such assets separately from owned assets.
- the obligation to pay rentals as a financial liability.

Subleases

The Board discussed possible approaches to accounting for subleases. No decisions were reached. The Board instructed the staff to include a description of the problems associated with subleases in the leases discussion paper.

Post-employment benefits

The Board discussed an overview of responses to its discussion paper *Preliminary Views on Amendments to IAS 19 Employee Benefits*. No decisions were made.

Related party disclosures

The forthcoming exposure draft of proposed amendments to *IAS 24 Related Party Disclosures* will propose a revised exemption for entities controlled, jointly controlled or significantly influenced by the state (‘state-controlled entities’). At this meeting, the Board decided tentatively that when the exemption applies, an entity should disclose the extent of its transactions with the state or other state-controlled entities. To comply with this, the entity should disclose (a) the types of individually or collectively significant transactions with the state or other state-controlled entities and (b) a qualitative or quantitative indication of their extent. Types of transactions include those listed in paragraph 20 of IAS 24.

The Board also decided that the comment period would be 90 days. The Board expects to publish the exposure draft in December.

SAC update

The Director of Technical Activities reported on the last meeting of the Standards Advisory Council (SAC) in its current form. He noted that the SAC supported adding projects on the agenda for revising the financial instruments standards and addressing rate-regulated activities. He also summarised the feedback the SAC had provided on the IFRS for Private Entities project. The next SAC meeting is in February 2009, with a new chairman and different composition.

Future Board meetings

The Board will meet in public session on the following dates. Meetings take place in London, UK, unless otherwise noted.

2008

15—19 December