

General information on IASB and IFRS

AMIS

Mike Lombardi

2 December 2009

Agenda

1 IASB purpose

2 Convergence

3 Ongoing IASB projects

4 Information sources

Appendix A Glossary

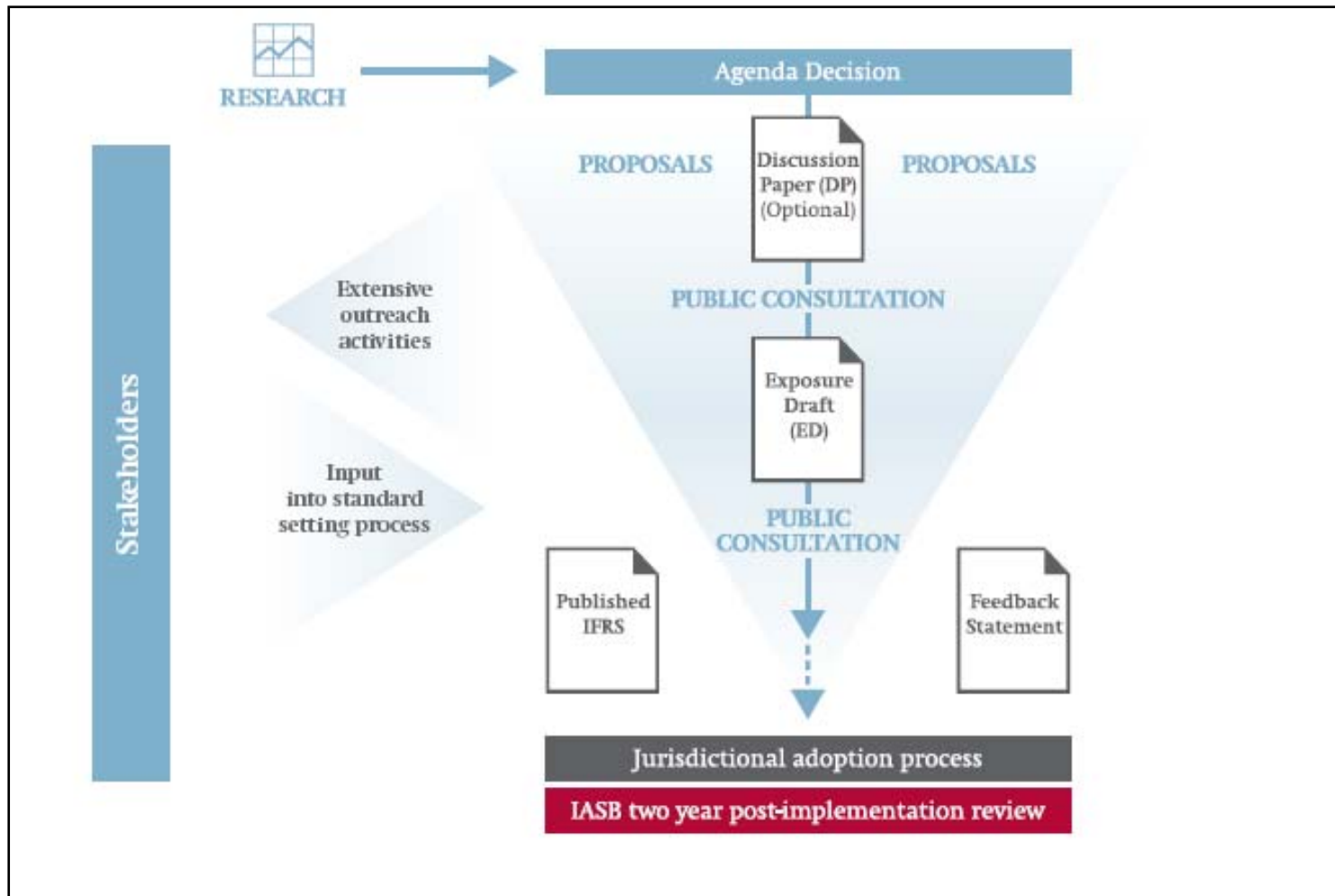
International Accounting Standards Board (IASB)

- Issues International Financial Reporting Standards (IFRSs)
- Based in London, UK
- Founded in 2001
- Replaced the International Accounting Standards Committee (IASC), which previously published International Accounting Standards (IASs)
- Follows a thorough, open and transparent due process
- Collaborative efforts with the worldwide standard-setting community

“To develop a single set of high quality, understandable and enforceable accounting standards to help participants in the world’s capital markets and other users make economic decisions”

Source: IASB “Who we are”

How are standards developed?



Source: IASB "Who we are"

Why did IASB start a project on insurance?

- No existing IFRS standards for insurance products
- National diversity of practices
- Divergence from other sectors (e.g. banking)
- Lack of transparency
 - Insurance difficult to understand
 - Need to open up the actuarial “black box”



History - Insurance project

- IASB (IASC prior to 2002)
 - Started project in 1997
 - Released early sections of Insurance DSOP in November 2001
 - Phased approach defined by IASB for insurance IFRS in May 2002
 - Phase I (intent is to put some components in place sooner)
 - Phase II (full insurance standards)
- International Actuarial Association
 - started project to support insurance IFRS with international actuarial guidance – 2002
 - Examples
 - International Actuarial Standards of Practice (IASP)
 - “Margins paper” April 2009 (Measurement of Liabilities for Insurance Contracts: Current Estimates and Risk Margins)
- European Union
 - Adopted regulation requiring IAS and IFRS effective January 1, 2005 for all publicly traded companies
- IASB
 - Phase II Discussion Draft (May 2007)

Agenda

1 IASB purpose

2 Convergence

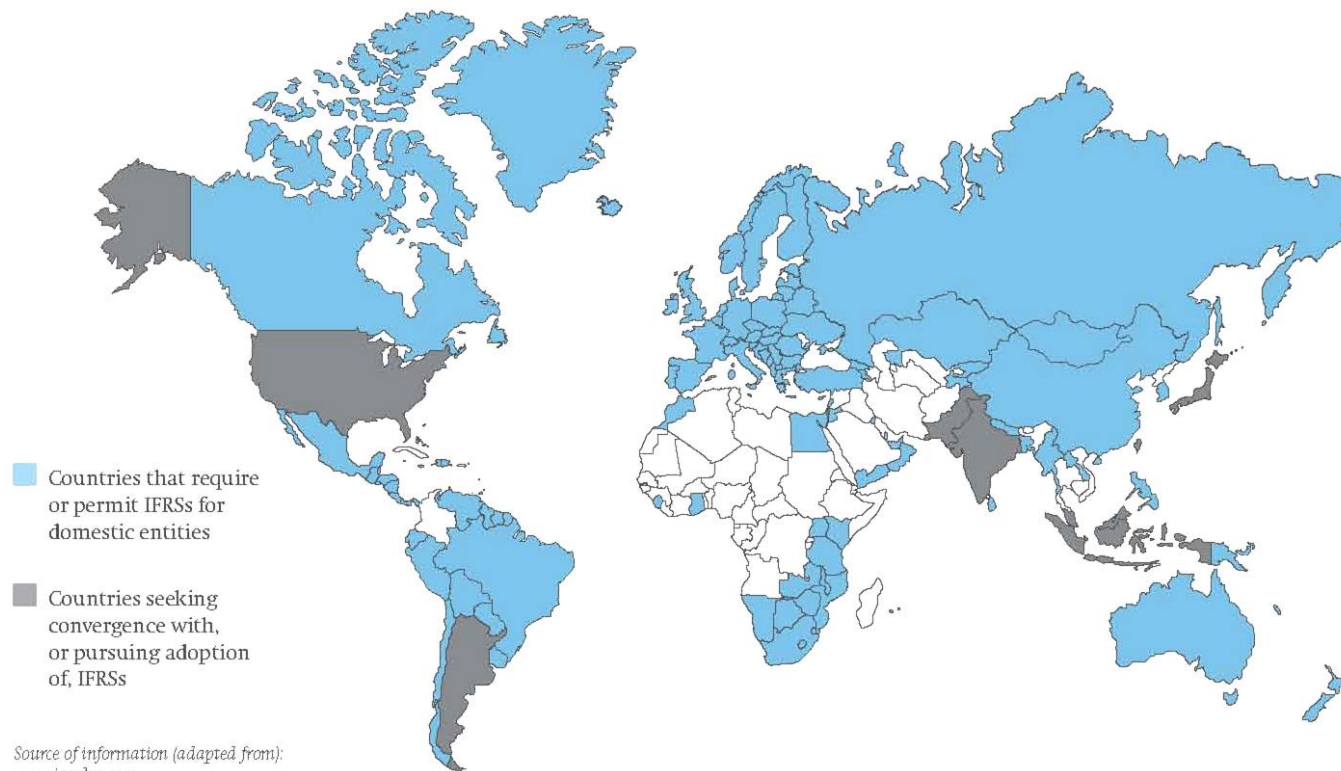
3 Ongoing IASB projects

4 Information sources

Appendix A Glossary

Geographical coverage of IFRSs

Since 2001, over 100 countries have required or permitted the use of IFRSs



Countries that require or permit IFRSs (excerpt)

Jurisdiction	Domestic listed companies			Domestic unlisted companies
	IFRSs permitted	IFRSs required for some	IFRS required for all	
Australia			Yes ²	Australian IFRS equivalents required for some large unlisted companies, permitted for others
EU / EEA			Yes ¹	IFRSs often permitted in consolidated statements, sometimes permitted in separate statements
Hong Kong			Yes ³	Hong Kong IFRS equivalents permitted
Israel		All except banks		IFRSs permitted (except banks)
New Zealand			Yes ²	New Zealand IFRS equivalents required for some large unlisted companies, permitted for others
Russia		Banks		Unlisted banks must use IFRSs. Other unlisted entities may prepare IFRS financial statements in addition to Russian GAAP
South Africa			Yes	
Switzerland	Yes			

Source: www.iasplus.com, © Deloitte Touche Tohmatsu 2009

¹ IFRSs as adopted by the EU

² Australia and New Zealand have adopted national standards that they describe as IFRS-equivalents

³ Hong Kong has adopted national standards that are identical to IFRSs

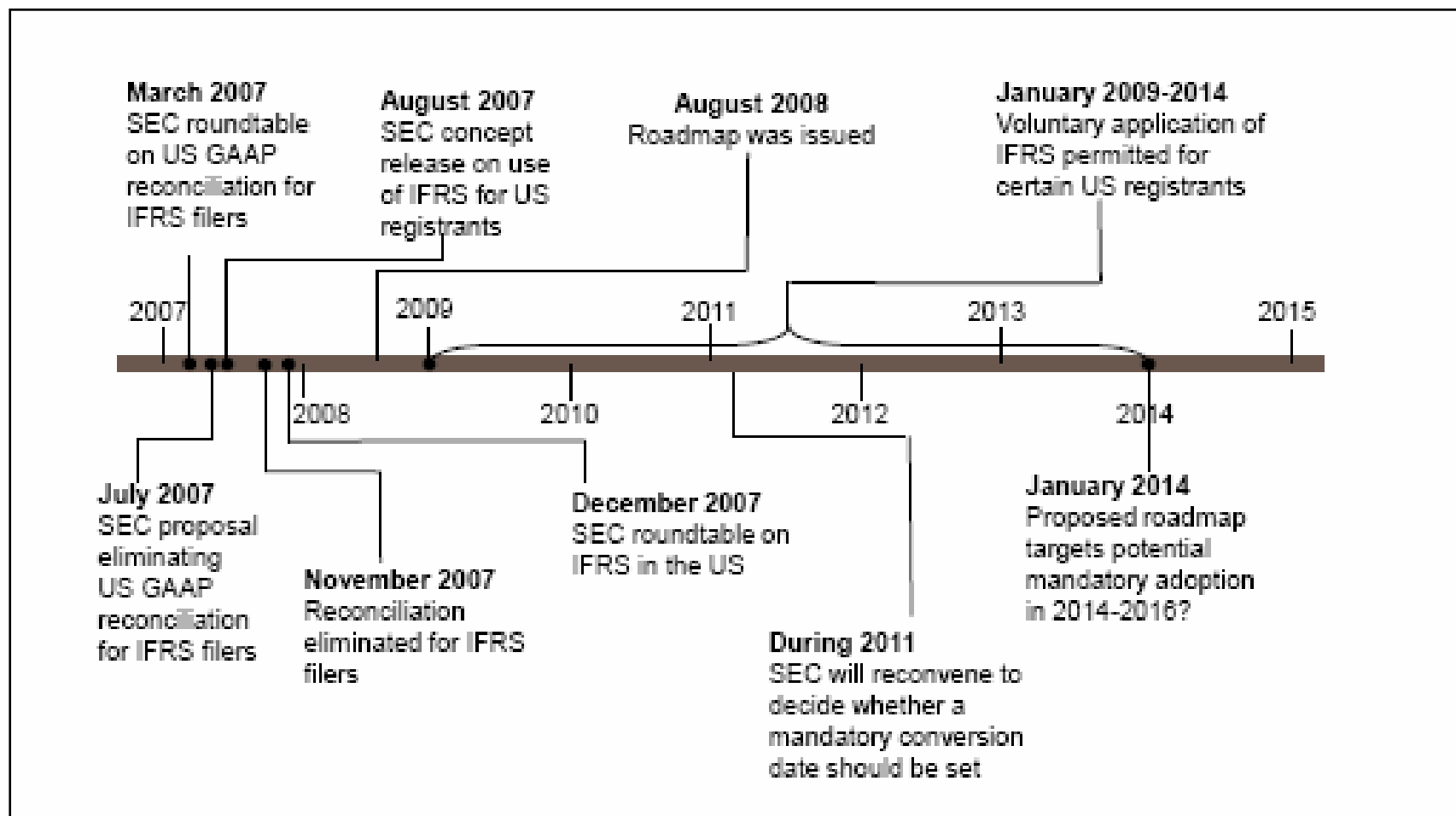
Countries seeking convergence with or pursuing adoption of IFRSs (excerpt)

Jurisdiction	Convergence or adoption measures
Brazil	IFRSs required for all listed companies and all financial institutions starting 2010. Optional for listed companies prior to 2010.
Canada	Canada has adopted a plan to adopt IFRSs in full as Canadian Financial Reporting Standards effective 2011. Companies [except financial institutions such as banks and insurance companies] are permitted to begin using IFRSs as early as 2008 on approval of their provincial securities regulator.
India	India has announced a plan to adopt IFRSs as Indian Financial Reporting Standards effective 2011.
Japan	In August 2007, the ASBJ and the IASB agreed on a process for converging Japanese GAAP and IFRSs. 'Major differences' will be eliminated by 30 June 2011. The target date of 2011 does not apply to any major new IFRSs now being developed that will become effective after 2011.
Korea	Korea has announced a plan to adopt IFRSs as Korean Financial Reporting Standards effective 2011, with early adoption permitted starting 2009.
Mexico	On 11 November 2008, the Mexican Securities and Exchange Commission announced that all companies listed on the Mexican Stock Exchange will be required to use IFRSs starting 2012. Listed companies will have the option to use IFRSs earlier – starting as early as 2008 – subject to requirements set out by the Commission.
Taiwan	On 20 October 2009, the Taiwan Financial Supervisory Commission announced that it will form a task force to study the adoption of IFRSs in Taiwan.
United States	On 14 September 2008, the US SEC published for comment a proposed Roadmap for the Potential Use of Financial Statements Prepared in Accordance with IFRSs by US Issuers.

Memorandum of Understanding (MoU)

- Norwalk Agreement, October 2002
 - Agreement between IASB and FASB to converge their financial standards
- In February 2006 a roadmap for convergence was established covering,
 - Short-term adjustments
 - Long-term development of joint projects
- Late 2007, the US Security and Exchange Commission (SEC) waived the requirement for foreign private issuers to reconcile to US GAAP. This is only applicable for those who are *fully* IFRS compliant (which means, not European or other versions of national IFRSs)
- When issued, the MoU set out joint project priorities and milestones only through 2008, but it has now been updated to 2011
- Most active projects on the IASB's agenda are expected to be completed by 2011 at the latest
- Thereafter follows a two year "quiet period" with 2013 as the target date for mandatory adoption for capital markets not yet adopting IFRSs
- Recently, the G20 group of countries have emphasised the need for fast convergence

When might the transition to IFRSs occur in the US?



Source: IAA

Agenda

1 IASB purpose

2 Convergence

3 Ongoing IASB projects

4 Information sources

Appendix A Glossary

IASB Work Plan (excerpt)

	Estimated publication date							IASB-FASB Collaboration	
	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 H1	2011 H2	MoU	Joint
Financial crisis related projects									
Consolidation				IFRS				✓	✓
Fair value measurement guidance	RT			IFRS				✓	
Financial instruments (IAS 39 replacement)									
Classification and measurement	IFRS							✓	✓
Impairment	ED				IFRS			✓	✓
Hedge accounting		ED		IFRS				✓	✓
Memorandum of Understanding projects									
Financial statement presentation									
Statement of comprehensive income		ED		IFRS				✓	✓
Financial instruments with characteristics of equity			ED			IFRS		✓	✓
Post employment benefits		ED				IFRS		✓	
Revenue recognition			ED			IFRS		✓	✓
Other projects									
Insurance contracts			ED			IFRS			✓
Liabilities (IAS 37 amendments)	ED			IFRS					

Footnote: DP – Discussion Paper, ED – Exposure Draft, IFRS – International Financial Reporting Standard, RT – Round tables

Source: IASB, 6 November 2008

Agenda

1 IASB purpose

2 Convergence

3 Ongoing IASB projects

4 Information sources

Appendix A Glossary

Information sources

Internet address	Owner	Content
www.iasb.org	IASB	Structure, meeting agendas, observer notes, discussion papers, exposure drafts, final standards and information on IASB
www.fasb.org	Financial Accounting Standard Board (FASB)	FASB's structure, meeting agenda, joint projects and other information about FASB
www.iasplus.com	Deloitte	Latest news, comparisons between local GAAP and IFRSs, convergence status
www.efrag.com	European Financial Reporting Group (EFRAG)	Working groups and projects to assist the European Commission in IFRSs
www.actuaries.org	International Actuarial Association	International Actuarial Standards of Practice (IASPs)
www.ifrs.com	AICPA	Training sessions / seminars, literature, links to other relevant homepages
www.towersperrin.com	Towers Perrin	Our services in relation to financial reporting and IFRS

Agenda

1 IASB purpose

2 Information sources

3 Convergence

4 Ongoing IASB projects

Appendix A Glossary

Glossary

Term	Definition	Source
Asset	An asset is a resource controlled by the entity as a result of past events and from which future economic benefits are expected	Framework:49
Contingent asset	A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity	IAS 37:IN20
Intangible asset	An intangible asset is an identifiable non-monetary asset without physical substance	IAS 38:8
Equity	Equity is the residual interest in the assets of the entity after deducting all its liabilities	Framework:49
Liability	A liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits	Framework:49

Glossary

Term	Definition	Source
Contingent liability	<p>A contingent liability is:</p> <ul style="list-style-type: none"> ■ A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or ■ A present obligation that arises from past events but is not recognised because <ul style="list-style-type: none"> ■ It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or ■ The amount of the obligation cannot be measured with sufficient reliability 	IAS 37:IN18
Constructive obligation	<p>A constructive obligation is:</p> <ul style="list-style-type: none"> ■ An obligation that derives from an entity's actions where: <ul style="list-style-type: none"> ■ By an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities; and ■ As a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities 	IAS 37:IN18

Glossary

Term	Definition	Source
Income	Income is increases in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in equity, other than those relating to contributions from equity participants	Framework:70
Expenses	Expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrences of liabilities that result in decreases in equity, other than those relating to distributions to equity participants	Framework:70
Profit	Profit is the residual amount that remains after expenses (including capital maintenance adjustments, where appropriate) have been deducted from income	Framework:105
Loss	If expenses exceed income, the residual amount is a loss	Framework:105
Revenue	Revenue is the gross inflow of economic benefits during the period arising in the course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants	IAS 18:7
Other comprehensive income	Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in profit or loss as required or permitted by other IFRSs	IAS 1:7