



International  
Accounting Standards  
Board

# SEC/FASB/IASB Financial Reporting Update

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**AAA**  
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*The views expressed in this presentation are those of the speaker. Official positions of the IASB on accounting matters are determined only after extensive due process and deliberation.*

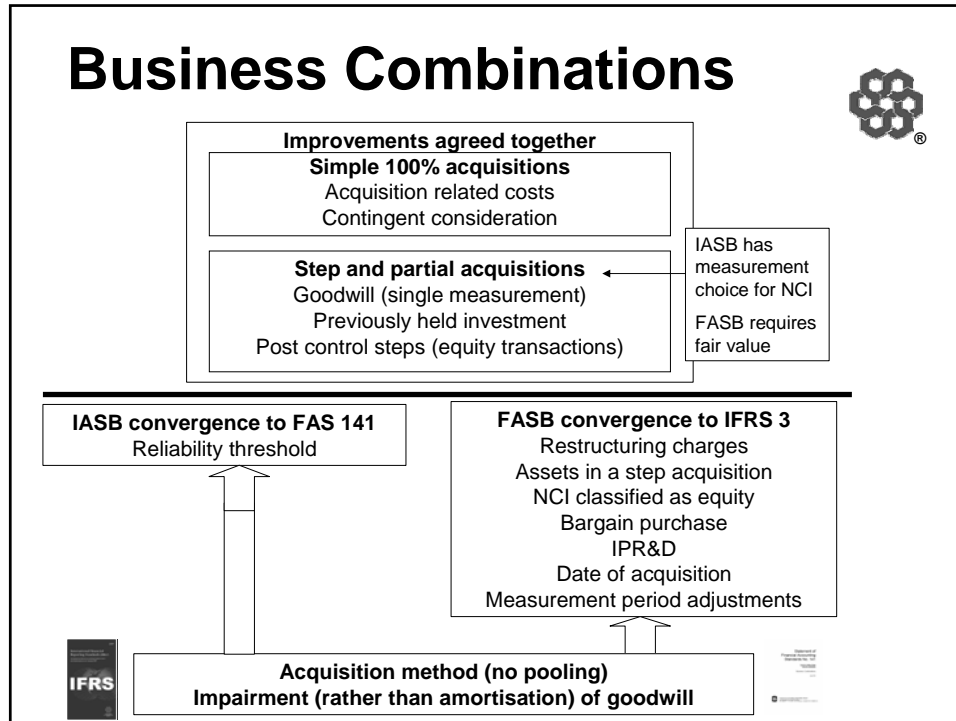
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## IASB agenda

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- ┆ **Business combinations**
- ┆ **Conceptual framework**
- ┆ **Consolidations**
- ┆ **Revenue**
- ┆ **Leases**
- ┆ **Financial statement presentation**
- ┆ **Pensions**
- **Insurance contracts**
- **Liabilities**
- **SMEs**
- **Joint ventures**
- **Fair value measurement**
- **ST Convergence**
  - **Borrowing costs**
  - **Segments**
  - **Income taxes**
  - **EPS**



## Business Combinations

### Are standards converged?

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- **Basic principles, yes**
- **Main differences:**
  - **Scope (different definitions of control)**
  - **Definition of fair value**
  - **Contingencies**
  - **Employee benefits**
  - **Measuring NCI**
    - **SFAS 141R requires fair value; IFRS 3 permits fair value or proportionate interest in net assets**

## **Conceptual Framework Project phases**

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- A: Objective, Qualitative characteristics**
- B: Elements and Recognition**
- C: Measurement**
- D: Reporting entity**
- E: Presentation and disclosure**
- F: Framework purpose and status**
- G: Applicability to not-for-profit sector**
- H: Entire framework**

## **Conceptual Framework Objective**

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- **Consistent with existing frameworks, financial reporting should:**
  - **Provide information**
    - **Useful in making investment, credit and similar resource allocation decisions**
    - **Useful in assessing an entity's net cash flow prospects**
  - **General-purpose reporting to external users who cannot prescribe information they need**

## Conceptual Framework Qualitative characteristics

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- **Much the same; one change in terminology**
  - **Relevance**
  - **Faithful representation (replaces reliability)**
  - **Comparability**
  - **Understandability**
- **Constraints**
  - **Benefits that justify costs**
  - **Materiality**

## Conceptual Framework Elements

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- **Asset working definition**
  - **Present economic resource to which the entity has a present right or other privileged access**
- **Liability working definition**
  - **Present economic burden for which the entity has a present obligation**
- **Liabilities/equity – claims approach?**
- **Distinguish liability and business risk?**

## **Conceptual Framework Measurement**

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### **3 Milestones**

- I. Inventory and define measurement basis candidates**
- II. Evaluate measurement basis candidates using qualitative characteristics and other criteria**
- III. Derive conceptual conclusions from Milestones I and II and address practical implications**

## **Conceptual Framework Reporting entity**

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- **Reporting entity**
  - A circumscribed area of economic interest to external users of financial reports**
- **If an entity reports, it is a reporting entity**
- **Legal existence is sufficient for a reporting entity, but not necessary**
- **Group typically comprises a parent and entities it controls**

## **IAS 37**

### **Main proposals**

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- **Eliminate term ‘contingent liability’**
  - **Currently describes two ideas**
    - **Unrecognised present obligation**
    - **Possible obligation (business risks)**
- **Present obligations are liabilities**
- **Business risks are not liabilities**
- **Uncertainty about outflow affects measurement, not recognition**

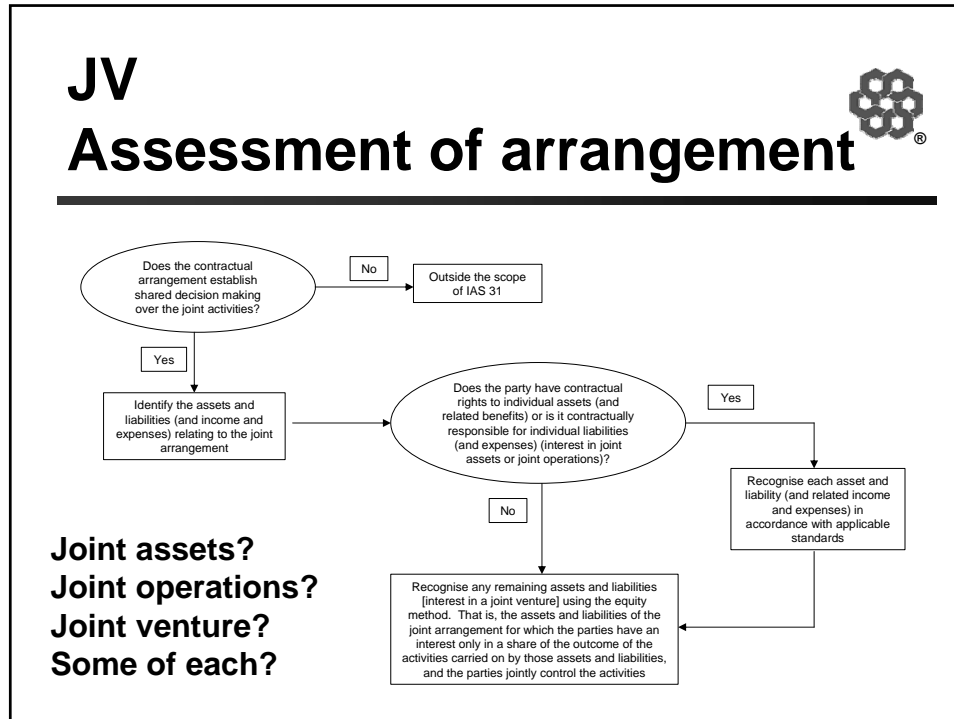
## **Post-employment benefits**

### **Phase 1**

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- **Smoothing and deferral mechanisms**
- **Presentation**
- **Settlements, curtailments and past service costs**
- **Definitions of benefit promises**
- **Accounting for cash balance and similar plans**



- ## Insurance contracts
- **Modified joint project with FASB**
  - **IFRS 4 an interim standard**
  - **Rethinking from first principles**
  - **Focus on liability, current exit value**
  - **Expected cash flows from contract, including inflows required to maintain guaranteed insurability**



***Thank you***