

Straight away

IFRS bulletin from PricewaterhouseCoopers

IASB and FASB issue details on Modified Convergence Strategy

What is the issue?

On June 24th, the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) (the boards) announced their modified strategy, outlining a new prioritization and timeline for their convergence projects. The modified strategy is intended to address the concerns of stakeholders and includes:

- A new timeline prioritizing the major projects, providing a sharper focus on the projects deemed to be the most urgent by the FASB and IASB.
- A limit to the number of exposure drafts (ED) published in a quarter. The boards have agreed that only four significant or complex ED's will be issued in a quarter.
- A proposal to issue a separate consultation document seeking input about the effective dates and transition methods for the major MoU projects.

The details of the modified strategy were included in a progress report to the Group of 20 Nations (G20) on the boards' convergence work. The much anticipated report follows an announcement by the boards in early June that they planned to modify their convergence strategy.

Overview of the Modified Strategy and Work Plan

The modified strategy retains the target completion date of June 2011 or earlier for the convergence projects the boards consider most urgent. Projects that the boards believe are of a lower priority, or that may need further research and analysis, are now targeted to be completed by the end of 2011.

The table below summarizes the timeline for the priority projects:

Priority Projects	FASB		IASB	
	Exposure Draft	Final Standard	Exposure Draft	Final Standard
Financial Instruments - Recognition & Measurement	Q2 2010 ^d	Q2 2011		
• Asset			2009 ^a	2009 ^a
• Liability			Q2 2010 ^a	Q2 2011
- Impairment			Q4 2009 ^a	Q2 2011
- Hedging			Q3 2010	Q2 2011
Revenue Recognition	Q2 2010 ^a	Q2 2011	Q2 2010 ^a	Q2 2011
Leases	Q3 2010	Q2 2011	Q3 2010	Q2 2011
Statement of Comprehensive Income	Q2 2010 ^a	Q4 2010	Q2 2010 ^a	Q4 2010
Fair Value Measurement	Q2 2010	Q1 2011	Q2 2010	Q1 2011

^a Issued

The table below summarizes the timeline for the other convergence projects:

Other Projects	FASB		IASB	
	Exposure Draft	Final Standard	Exposure Draft	Final Standard
Derecognition - Disclosure	TBD	TBD	2009 ^a	3Q 2010
Consolidation - General	TBD	TBD	2008 ^a	Q4 2010
- Investment Companies	Q4 2010	Q2 2011	Q4 2010	Q2 2011
Post Employment Benefits	TBD	TBD	Q2 2010	Q1 2011
Balance Sheet - Netting	Q4 2010	Q2 2011	Q4 2010	Q2 2011
Financial Statement Presentation	Q1 2011	Q4 2011	Q1 2011	Q4 2011
Discontinued Operations	Q1 2011	Q4 2011	Q1 2011	Q4 2011
Financial Instruments with Characteristics of Equity	Q1 2011	Q4 2011	Q1 2011	Q4 2011
Insurance Contracts	TBD	TBD	Q3 2010	TBD
Emission Trading Schemes	Q2 2011	2012	Q2 2011	2012

^a Issued

TBD – To be determined

In addition the modified strategy highlights changes in approach for certain projects:

- **Financial Instruments:** The boards acknowledge the difficulties in reconciling their differing views on the financial instruments project. However, they plan to jointly consider the comment letters and other feedback they receive in an effort to reconcile their differences, to foster improvement and achieve convergence.
- **Consolidations:** The boards have decided to split the consolidations project into two separate work streams in order of priority: (1) a consolidation standard that the IASB plans to finalize this year (the FASB will decide whether additional guidance is needed by the end of the year) and (2) a more narrow work stream related to the consolidation of investment companies.

Am I affected?

Almost certainly! The IASB's work programme involves new or revised standards in many of the main areas of accounting and there are very few companies that report under IFRS (or plan to do so) who will not be affected by the work discussed in this statement.

What do I need to do?

This week's statement is for information only. But it is clear that, despite the deferral of some projects, the work programme is still extensive and the flow of proposals and final documents will be heavy. We encourage companies and other constituents to keep a close eye on the IASB's output and to comment on the proposals as far as possible. An immediate priority is the revenue recognition exposure draft, also issued this week.

A very real practical concern is implementation – both the effective date and the transitional arrangements – of all these new standards. The IASB will be consulting separately on this aspect and we encourage companies to consider this and respond to the IASB.

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