



Straight away

An overview of financial reporting developments

IASB and FASB update convergence strategy

What is the issue?

On November 29, 2010, the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) (the Boards) published a progress report that outlines a revised plan and timeline for their convergence projects. The updated plan:

- Reprioritizes the major convergence projects that the Boards believe address those aspects of existing accounting standards that are in most urgent need for improvement;
- Confirms that the Boards are carefully considering the feedback received through comment letters and other outreach efforts (e.g., roundtables); and
- Reaffirms the Boards' continued commitment to develop high-quality, improved, and converged standards.

Overview of the reprioritized convergence strategy

In their progress report, the Boards retain the target completion date of June 2011 or earlier for the convergence projects they consider most urgent and make changes to the timeline on certain lower priority projects.

Joint priority projects

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

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Other changes to the strategy

The Boards decided to defer substantive deliberations on four of the joint projects: (1) the broader financial statement presentation project, (2) financial instruments with characteristics of equity, (3) emissions trading schemes, and (4) the reporting entity phase of the conceptual framework.

Although the broader financial statement presentation project has been deferred until after June 2011, the Boards expect to move forward on the discontinued operations portion of the project. The IASB expects to propose changes to the disclosure requirements for discontinued operations through its annual improvements project, and the FASB plans to finalize its guidance in the second half of 2011. The Boards also expect to publish an exposure draft in the first quarter 2011 on balance sheet offsetting and target issuing a final standard by June 2011.

Meanwhile, the IASB plans to continue to work on its non-joint projects, with a goal of reducing the differences between IFRS and U.S. GAAP. The following projects remain a priority for the IASB: de-recognition disclosures (aligning with recently issued U.S. GAAP requirements), consolidations (particularly related to structured entities), and insurance contracts. The IASB issued its final guidance on de-recognition in November 2010, and expects to issue final consolidation guidance in the first quarter of 2011 and insurance contracts guidance in June 2011. The FASB will determine its next steps on the insurance contracts project after considering the input received on its September 2010 Discussion Paper and by the IASB on its project.

The Boards also recently deferred deliberation on two of their independent standard setting projects relating to contingencies.

Am I affected?

Almost certainly! The IASB has updated its work plan to reflect the above changes and provide more detail of the expected timing of pronouncements and there are very few companies that report under IFRS (or plan to do so) who will not be affected by these updates.

What do I need to do?

This straight away 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.

If you have questions about this issue, please contact PwC IFRS team.

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