

IAS Plus.

Published for our clients and staff Asia-Pacific region

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IAS Plus website

Over three million people have visited our www.iasplus.com web site. Our goal is to be the most comprehensive source of news about international financial reporting on the Internet. Please check in regularly.

International financial reporting news

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IASB PROJECT TIMETABLE – ACTIVE PROJECTS	
Accounting Standards for Small and Medium-sized Entities (Non-Publicly Accountable Entities)	<ul style="list-style-type: none"> • Discussion Paper was issued in June 2004 • Recognition and measurement questionnaire issued April 2005 • Public round-tables held October 2005 • Exposure draft (ED) expected summer 2006.
Business Combinations – Phase II – Purchase Method* – Non-controlling Interest* – Liabilities (IAS 37 amendments)	<ul style="list-style-type: none"> • Separate EDs on the three topics issued June 2005 • Public round-tables held November 2005 • Final standards expected second half 2007
Conceptual Framework Eight phases in all	<ul style="list-style-type: none"> • ED on objectives and qualitative characteristics expected second quarter 2006
Consolidation, including SPEs*	<ul style="list-style-type: none"> • ED(s) expected first half 2007 • Final standards expected 2008
Convergence – Short-term Issues, IFRSs and US GAAP*	<p><u>IAS 12 Income Taxes</u></p> <ul style="list-style-type: none"> • ED expected second quarter 2006 • Final standard second half 2007 <p><u>IAS 23 Borrowing Cost</u></p> <ul style="list-style-type: none"> • ED expected second quarter 2006 • Final standard first half 2007 <p><u>IAS 14 Segment Reporting</u></p> <ul style="list-style-type: none"> • ED issued January 2006. • Final standard expected fourth quarter 2006. <p><u>IAS 31 Joint Ventures</u></p> <ul style="list-style-type: none"> • ED expected fourth quarter 2006 • Final standard expected second half 2007. <p><u>Impairment</u></p> <ul style="list-style-type: none"> • Project not yet started.
Earnings per Share amendment	<ul style="list-style-type: none"> • ED expected second quarter 2006 • Final standard expected first half 2007
Financial Statement Presentation (Performance Reporting)* Phase A: IAS 1: A Revised Presentation Phase B: Presentation	<ul style="list-style-type: none"> • Working group appointed in 2005 • ED on Phase A issued March 2006 • Final standards on Phase A expected first half 2007 • Discussion paper on Phase B expected first half 2007
Government Grants and Emission Rights Trading*	<ul style="list-style-type: none"> • Work deferred pending IAS 37 amendments project. • ED expected second half 2007
Fair Value Measurement Guidance*	<ul style="list-style-type: none"> • IASB will issue ED wrap-around of final FASB standard on fair value measurement – expected third quarter 2006 • Final standards expected second half 2007.
IFRS 1 Amendment – Separate Financial Statements of Parent	<ul style="list-style-type: none"> • Added to agenda March 2006 • ED expected third quarter 2006
IFRS 2 Amendment – Vesting Conditions and Cancellations	<ul style="list-style-type: none"> • ED issued February 2006 • Final amendment expected fourth quarter 2006
Insurance Contracts – Phase II	<ul style="list-style-type: none"> • Discussion paper expected fourth quarter 2006 • ED expected in 2008
Revenue Recognition*	<ul style="list-style-type: none"> • Discussion paper expected fourth quarter 2006 • ED expected in 2008
Puttable instruments	<ul style="list-style-type: none"> • ED expected second quarter 2006 • Final standards expected first half 2007

IASB PROJECT TIMETABLE – RESEARCH AGENDA	
<i>Projects agreed in the February 2006 IASB-FASB convergence agreement:</i>	
Derecognition*	<ul style="list-style-type: none"> • Staff research paper being developed
Financial Instruments*	<ul style="list-style-type: none"> • Working group appointed • Staff research questionnaire issued March 2006
Intangible Assets*	<ul style="list-style-type: none"> • Staff research under way
Leases*	<ul style="list-style-type: none"> • Discussion paper in 2006
Liabilities and Equity*	<ul style="list-style-type: none"> • Discussion paper in 2006 or later
Post-retirement Benefits (including Pensions)*	<ul style="list-style-type: none"> • Staff research under way
<i>Other IASB Research Projects:</i>	
Extractive Industries	<ul style="list-style-type: none"> • Group of national standard setters conducting research
Hyperinflationary Economies	<ul style="list-style-type: none"> • Group of national standard setters conducting research
Investment Entities	<ul style="list-style-type: none"> • Plans not announced
Management Commentary	<ul style="list-style-type: none"> • Discussion Paper issued October 2005
Measurement Objectives	<ul style="list-style-type: none"> • Discussion Paper issued November 2005

* IASB projects with milestones agreed in the February 2006 IASB-FASB Memorandum of Understanding on convergence – see story on page 6.

This timetable is derived from the IASB's published timetable supplemented by decisions and comments made at recent meetings of the Board.

Details:

www.iasplus.com/standard/ifrs02.htm

The ED is available on the IASB's website until the close of the comment period:

www.iasb.org

IASB news

IASB proposes amendments on share-based payment

In February 2006, the IASB issued an Exposure Draft that proposes to amend two aspects of IFRS 2 *Share-based Payment* – what are 'vesting conditions' and what is a 'cancellation':

- **Vesting conditions.** Vesting conditions are the conditions that an individual or an organisation must satisfy to receive an entity's shares under a share-based payment arrangement. IFRS 2 currently states that vesting conditions include service conditions and performance conditions. It is silent on whether other features of a share-based payment are vesting conditions. The ED proposes that vesting conditions should be restricted to service conditions and performance conditions. Under IFRS 2, features of a share-based payment that are not vesting conditions must be included in the grant date fair value of the share-based payment (the fair value also includes market-related vesting conditions).
- **Cancellations.** Under IFRS 2, a failure to meet a condition, other than a vesting condition, is a cancellation. IFRS 2 specifies the accounting treatment of cancellations by the entity but does not give guidance on the treatment of cancellations by parties other than the entity. This amendment proposes that cancellations by parties other than the entity should be accounted for in the same way as cancellations by the entity.

The proposed amendments would apply for annual periods beginning on or after 1 January 2007, with earlier application encouraged. Comment deadline is 2 June 2006.

Details:

www.iasplus.com/standard/ias01.htm

The ED is available on the IASB's website until the close of the comment period:

www.iasb.org

IASB proposes to amend IAS 1

As part of the first stage of its Performance Reporting Project, the IASB has issued an Exposure Draft (ED) of proposed amendments to IAS 1 *Presentation of Financial Statements*. The ED, if adopted, would bring IAS 1 largely into line with the equivalent US standard.

Comment deadline is 17 July 2006.

The Exposure Draft:

- specifies that entities should present all income and expenses in one or two statements, separately from changes in equity arising from transactions with owners in their capacity as owners (that is, owner changes in equity). Consequently, all owner changes in equity are presented separately from non-owner changes in equity. Accordingly, entities are not permitted to present income and expenses (ie non-owner changes in equity), as defined in the Framework, in the statement of changes in equity. The purpose of this amendment is to provide better information to users by requiring aggregation of items with shared characteristics.

IASB proposes to amend IAS 1, continued

- requires a statement of financial position at the beginning of the period as well as at the end of the period. Accordingly, in addition to notes, entities presenting comparative information for the previous period are required to include, as a minimum, three statements of financial position and two of each of the other financial statements.
- replaces the term 'balance sheet' with 'statement of financial position' to reflect the function of that statement more closely.

You can download the Statement of Best Practice here: www.iasplus.com/resource/0602workingrelationships.pdf

IASB statement on relationships with standard setters

The IASB has published a *Statement of Best Practice: Working Relationships between the IASB and other Accounting Standard-Setters*. The Statement identifies a range of activities that the IASB and regional and national accounting standard-setters believe they should undertake in the interests of facilitating the adoption of or convergence with IFRSs issued by the IASB. Those activities include:

- Communication, both between standard-setters and their constituents and among standard-setters themselves.
- Project development, including the ways in which other accounting standard-setters can assist the IASB in progressing particular projects.
- Input on IASB consultative documents.
- The processes and approaches other accounting standard-setters might employ in adopting or converging with IFRSs.
- Co-operation in the development of interpretations of IFRSs.

The Statement makes the following points, among others, regarding local adoption of IFRSs:

- In adopting IFRSs to apply in their own jurisdictions, other accounting standard-setters should not change requirements contained in IFRSs.
- If a requirement in an IFRS is deleted temporarily because of a legal impediment to its use, the standard-setter should seek to achieve full conformity with the IFRS as soon as circumstances permit.
- If a jurisdiction's policy is to converge local standards with IFRSs rather than adopting them verbatim, the ultimate objective should be to enable the entities applying the standards that have converged with IFRSs to make an unreserved statement of compliance with IFRSs.
- If an accounting standard-setter makes any changes to an IFRS, for example adding a disclosure that is considered necessary in the local environment, or removing an optional treatment, this should be made clear so that users of the standard are aware of the changes.

You can download the full text of the MOU here:

www.iasplus.com/pressrel/0602roadmapmou.pdf

Updated IASB-FASB convergence agreement

In February 2006, the US Financial Accounting Standards Board (FASB) and the IASB published a Memorandum of Understanding (MOU) that reaffirms the boards' shared objective of developing high quality, common accounting standards for use in the world's capital markets. The MOU is a further elaboration of the objectives and principles first described in an MOU published in October 2002. While the new document does not represent a change in the boards' convergence work programme, it does reflect the context of the US SEC's 'roadmap' for the removal of the reconciliation requirement for non-US companies that use IFRSs and are registered in the United States. It also reflects the work undertaken by the Committee of European Securities Regulators (CESR) to identify areas for improvement of accounting standards.

Both the FASB and the IASB note that removing the current reconciliation requirements will require continued progress on the boards' convergence programme. Accordingly, the MOU sets out milestones that the FASB and the IASB believe are achievable...

- The boards agreed that trying to eliminate differences between standards that are both in need of significant improvement is not the best use of resources. Instead, new common standards should be developed. Consistent with that principle, convergence work will continue to proceed on the following two tracks:
 - First, the boards will reach a conclusion about whether major differences in focused areas should be eliminated through one or more short-term standard-setting projects, and, if so, the goal is to complete or substantially complete work in those areas by 2008.
 - Second, the FASB and the IASB will seek to make continued progress in other areas identified by both boards where accounting practices under US GAAP and IFRSs are regarded as candidates for improvement.

The goal by 2008 is to reach a conclusion about whether major differences in the following few focused areas should be eliminated through one or more short-term standard-setting projects and, if so, to complete or substantially complete work in those areas.

Issues to be examined by the FASB

- Fair value option*
- Impairment (jointly with the IASB)
- Income tax (jointly with the IASB)
- Investment properties**
- Research and development
- Subsequent events

*Already on FASB's active agenda

** To be considered by the FASB as part of the fair value option project

Updated IASB-FASB convergence agreement, continued

Issues to be examined by the IASB

- Borrowing costs
- Impairment (jointly with the FASB)
- Income tax (jointly with the FASB)
- Government grants
- Joint ventures
- Segment reporting

These topics are already part of the IASB's existing short-term convergence project except for impairment, which will be added to that project

The two Boards will meet on 27 and 28 April 2006 in London, when they will discuss topics described in the MOU.

Both the US SEC and the European Commission have issued press releases expressing strong support for the updated MOU. The SEC's release said:

SEC Chairman Christopher Cox has publicly stressed the agency's commitment to a 'roadmap' for elimination of the requirement that foreign private issuers reconcile financial statements prepared using international financial reporting standards to the U.S. system of Generally Accepted Accounting Principles (GAAP). "The SEC is working diligently toward the goal of eliminating the existing IFRS to U.S. GAAP reconciliation requirement", he said.... "Achieving that goal depends on the contributions of many parties, including U.S. and international standard setters. This important step by IASB and FASB will help ensure that investor protection remains paramount in these efforts."

Copies of BV2006 are available at £60 each from the IASB's

Website:

www.iasb.org

Then click on IASCF Shop. Bulk discounts are available.

2006 Bound Volume of IFRSs

The IASB has published the 2006 Bound Volume of International Financial Reporting Standards as approved at 1 January 2006. BV2006 includes all IFRSs, IASs, Interpretations, and the supporting documents published by the IASB – Bases for Conclusions, Implementation Guidance, and Illustrative Examples. New material in this 2,400-page edition includes:

- Revised Constitution, approved by the Trustees in June 2005
- IFRS 7 *Financial Instruments: Disclosures*
- Three new Interpretations – IFRICs 6 to 8
- Amendments to IFRS 1, IFRS 4, IFRS 6, IAS 1, IAS 21, and IAS 39, as well as consequential amendments to other IFRSs resulting from those pronouncements
- Editorial corrections.

IASB website:

www.iasb.org

IASB posts updated editorial corrections lists

The IASB has posted on its website an updated list of editorial corrections to its published standards, including:

- Corrections to the text of the Bound Volume 2006
- Corrections to the text of the Bound Volume 2005
- Corrections to IFRSs issued since 1 January 2005

You can download the full text of the questionnaire here:
www.iasplus.com/pressrel/0603fairvaluequestionnaire.pdf

IASB and FASB study fair value for financial instruments

The IASB and the US FASB are jointly requesting input from users of financial statements about the kinds of information about fair values of financial instruments, and changes in those fair values, that is useful to those making investment or credit decisions or advising others on investment or credit decisions. For this purpose, financial instruments include not only debt securities, equity securities, and derivatives, but also loans and accounts payable or receivable, and almost any other amount payable or receivable.

The Boards have issued a questionnaire and related background paper aimed at seeking users' views about whether current standards provide the information that investors and creditors need to analyse companies that report some or all financial instruments at fair value. The Boards cite the following as examples of possible additional information that users may need:

- Quantitative information about the reasons why the fair values of financial instruments changed.
- Disclosure of exposures to future changes in the fair values of financial instruments.

The questionnaire has five questions with various sub-questions:

- Question 1 asks users about how they currently use fair value information about financial instruments and what information they wish they had but do not currently receive.
- Question 2 asks about the kinds of information users of financial statements would like to help them understand the reasons why fair values changed during a period.
- Question 3 asks about reporting interest income and expense for financial instruments measured at fair value and whether such interest should reflect current market cost/return and credit quality.
- Question 4 asks how users assess exposure to future changes in fair values of financial instruments.
- Question 5 asks about the relative importance of different types of information that should be required.

Response deadline: 14 April 2006.

Deloitte Letters of Comment

All Deloitte letters of comment to IASC and IASB may be found here:

www.iasplus.com/dttletr/comment.htm

Our view: Management commentary proposals

We have submitted our comments on the IASB's discussion paper *Management Commentary*, which was published on 27 October 2005. The discussion paper addresses information presented outside the financial statements in the form of management's explanation of the enterprise's financial condition, changes in financial condition, results of operations, and causes of changes in material line items. This project is currently on the Board's research agenda. The main points of our comments:

We believe it would have been helpful if the discussion paper indicated the extent to which its content had been debated by the Board. We note that providing guidance on management commentary (MC) is a considerable leap from the standard-setting activities that have previously been undertaken by the Board, and we would have appreciated it if the document had suggested the extent to which the Board members themselves support taking this step.

In summary, we do not believe the development of an MC standard is an appropriate task for the IASB at this time, if ever. We believe that the desirable content of MC is driven by cultural factors and expectations about how companies should do business. We therefore consider that the form and content of MC should continue to be regulated by local or regional regulators. We believe that the amount of IASB staff and Board time that would be consumed by the project is not justifiable until such time as the Board has completed some of the more contentious projects currently on its agenda. Should this item become an active Board project in the future, we would strongly recommend that the IASB staff work with a selection of local regulators in developing the requirements.

All Deloitte letters of comment to IASC and IASB may be found here:

www.iasplus.com/dttletr/comment.htm

Our view: IFRIC D18

IFRIC Draft Interpretation D18 *Interim Financial Reporting and Impairment* addresses a conflict between IAS 34 and the impairment reversal provisions of IAS 36 and IAS 39.

While Deloitte supports the draft Interpretation as an interim solution, we believe it is "not ideal as a long-term and sustainable solution" because some aspects of IAS 34 conflict more broadly with the comparability provisions of the IASB Framework. We believe that IASB needs to address the broader issues.

All past Deloitte letters of comment to IASC and IASB may be found here:
www.iasplus.com/dttletr/comment.htm

Our view: Measurement bases discussion paper

On 17 November 2005, the IASB published for public comment a Discussion Paper *Measurement Bases for Financial Reporting - Measurement on Initial Recognition*. The Discussion Paper, prepared by staff of the Canadian Accounting Standards Board (AcSB), analyses possible bases for measuring assets and liabilities on initial recognition. These include: historical cost, current cost, fair value, net realisable value, value in use, and deprival value.

The main points of our comments:

It is not clear to us how this discussion paper fits into the current agenda of the International Accounting Standards Board (IASB). The IASB should have indicated how it believes this discussion paper is intended to complement its work on the fair value measurement and concepts projects, if at all. It appears that the discussion paper has been overtaken by events elsewhere in the IASB's agenda. In addition, the discussion paper deals with the narrow issue of measurement on initial recognition after making the presumption that assets and liabilities should be measured as of the date they are initially recognised (paragraph 415). The issue of when initial recognition should take place is deferred to a different analysis that is yet to be undertaken. Given the interdependencies between the question of 'when' initial recognition should take place and 'what' should be recognised with the initial measurement issue discussed in the paper, we are of the view that the issues related to 'when' and 'what' should have been thoroughly researched first. The issue of 'how' to measure assets and liabilities follows from there. This approach may have highlighted issues that could have lead to less uncertainty about the discussions and proposals in the discussion paper. We imagine that when the IASB deals with the 'when' and 'what' issues, some parts of the discussion paper may become irrelevant....

We are of the view that existing measurement guidance within various International Financial Reporting Standards (IFRS) is inconsistent and that a project to address these issues is overdue in light of the developments in theory and practice. However, as the IASB is in the process of finalising an exposure draft on fair value measurement, we reserve our comments on the specific questions set out in the discussion paper.

Furthermore, we have not responded to the request for comments on the differences between the proposed measurement hierarchy in the discussion paper and the equivalent guidance in the Financial Accounting Standards Board's (FASB) exposure draft as set out in the third paragraph of the Introduction (on page 6 of the discussion paper). The discussion paper fails to identify which version of the FASB exposure draft constituents should base their comments. In addition, no effort has been made to highlight the significant areas of difference between the two documents.

News from IFRIC

Our summary of issues not added to IFRIC's agenda:
www.iasplus.com/ifric/notadded.htm

Issues not added to IFRIC agenda

At its meetings in January and March 2006, the International Financial Reporting Interpretations Committee (IFRIC) decided not to add to its agenda the following potential projects:

- Scope of IFRS 6 Extractive Industries.
- IFRS 3 Business Combinations – Whether a new entity that pays cash can be identified as the acquirer
- IFRS 3 Business Combinations – 'Transitory' common control
- IAS 17 Leases – Leases of land that do not transfer title to the lessee
- IAS 12 Income Taxes – Scope
- IAS 18 Revenue – Subscriber acquisition costs in the telecommunications industry
- IAS 27 Consolidated and Separate Financial Statements – Separate financial statements issued before consolidated financial statements

Our summary of IFRIC 9:
www.iasplus.com/interps/ifric009.htm

IFRIC Interpretation 9 on embedded derivatives

On 1 March 2006, the IFRIC issued Interpretation 9 *Reassessment of Embedded Derivatives*. An embedded derivative is a component of a hybrid (combined) financial instrument that also includes a non-derivative host contract (for example, the conversion option in convertible debt). Some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. IAS 39 requires an entity, when it first becomes a party to a hybrid contract, to assess whether any embedded derivatives contained in the contract are required to be separated from the host contract and accounted for as if they were stand-alone derivatives.

IFRIC 9 addresses whether IAS 39 requires such an assessment to be made only when the entity first becomes a party to the hybrid contract, or whether the assessment should be reconsidered throughout the life of the contract. IFRIC 9 concludes that an entity must assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required.

IFRIC 9 is effective for annual periods beginning on or after 1 June 2006. Earlier application is encouraged.

You will find the full list of IFRIC members here:
www.iasplus.com/restruct/ifric.htm

Ken Wild reappointed to IFRIC

The Trustees of the International Accounting Standards Committee Foundation have reappointed Ken Wild as a member of the International Financial Reporting Interpretations Committee (IFRIC) for another three-year term.

Ken is the National Director of Accounting and Audit at Deloitte & Touche LLP (United Kingdom) and is Deloitte Touche Tohmatsu's Global IFRS Leader. The Trustees have also initiated a search to replace three retiring IFRIC members – Shunichi Toyoda, Leo van der Tas, and Patricia Walters. The deadline for applications and nominations is 9 May 2006.

IASC Foundation news

Full list of IASCF Trustees:
[www.iasplus.com/
restruct/trustees.htm](http://www.iasplus.com/restruct/trustees.htm)

The Trustees meet next in
Berlin, Germany on 28-29 June
2006

David Shedlarz named IASCF Trustee

David L Shedlarz has been appointed as a Trustee of the IASC Foundation for a term ending 31 December 2008. Mr Shedlarz is a Vice Chairman and member of the Executive Committee of Pfizer Inc, where he oversees operations including finance, strategic planning, global sourcing, human resources, and information systems. He served on the Standards Advisory Council from 2001 to 2005.

IASCF Trustees meeting 23 March 2006

The Trustees of the IASC Foundation (IASCF), under which the IASB operates, met in public session on 23 March 2006. Here is a brief summary of the points they discussed:

Divergent interpretations of IFRSs. The Trustees discussed reports of divergent interpretations of IFRS by various national bodies. They considered:

- The role of national/regional regulators and standard-setters in interpreting IFRSs.
- Whether IFRIC should provide more Interpretations.
- IASB communication with national standard-setters.
- Principles-based vs. rules-based standards.

Trustees agreed that this is an important strategic issue that should be discussed in a more structured manner during the next meeting.

IASCF Trustees' Meetings. The trustees agreed to hold four meetings a year, rather than the current three.

IASB's Due Process Handbook. The revisions to the Handbook were discussed in November 2005. The Trustees approved the revised Handbook. It will be available on the IASB's website.

IFRIC's Draft Due Process Handbook. The Trustees approved the Draft Handbook for release for public comment for a period of 120 days.

Activities of the Standards Advisory Council (SAC). The SAC Chairman identified four challenges for IFRSs as a set of global standards: interpretation, education, enforcement, and translation. He indicated that SAC members are generally happy with the Board's agenda, though SAC will try to be more active in the future agenda discussions. In response to a question on whether the SAC Chairman saw the SAC's main objective as (a) helping the Board with the strategic direction or (b) participating in technical discussions, the SAC Chairman said that SAC's involvement in the technical issues is unavoidable.

IASB's Work Programme on Convergence. The IASB's Chairman, Sir David Tweedie, made a presentation outlining three groups of convergence projects: short-, mid- and long-term. The first two aim to eliminate reconciliations between IFRS and US GAAP for SEC private registrants. A summary of Sir David's report is presented on the next page.

**Report of IASB Chairman to IASCF Trustees, 23 March 2006
IASB Work Programme**

CONVERGENCE PROJECTS

Short-term:

- IAS 23 - eliminate the expense option for borrowing costs
- IAS 31 - eliminate the proportionate consolidation option for joint ventures
- IAS 14 - converge with US GAAP (FAS 131) for segment reporting. ED 8 has been issued.

Mid-term, that is, by 2008, including implementation in 2008:

- Business Combinations Phase II – Sir David acknowledged that there is little support for the existing IASB-FASB joint Exposure Draft. The IASB will deliberate again.
- Consolidations, including SPEs. The US tends to look at majority ownership while IFRSs use a control approach.
- Fair Value - IASB will propose measurement guidance based on the forthcoming FASB standard.
- Liability and equity - the FASB is leading the project.
- Performance Reporting - The IASB issued an Exposure Draft on Segment A in mid-March 2006, addressing the format of the income statement. Segment B will address more fundamental issues.
- Pensions cause many concerns world-wide. This project is not on the agenda at the moment, but the IASB would like to address it.
- Revenue Recognition - the project will result in a Discussion Paper.

Long-term, that is, five year period:

- Derecognition generally.
- Replacement of IAS 39.
- Intangible assets (project led by Australia).
- Leases - liabilities should be on balance sheet.

PROJECTS NOT PART OF THE CONVERGENCE PROGRAMME

- Insurance.
- Standards for SMEs. Sir David said that the main objective is to simplify IFRSs. The IASB's main challenge is to find the right balance between simplification and being faithful to IFRSs.
- Conceptual Framework.

Except for administrative and personnel matters, all of these meetings are open to public observation. Registration forms are on IASB's website: www.iasb.org

Upcoming meeting dates

IASB and SAC MEETINGS 2006	
London, UK	24-26 April 2006, and 27-28 April 2006 joint IASB/FASB meeting
London, UK	22-26 May 2006
London, UK	19-23 June 2006, and 26-27 June 2006 with the Standards Advisory Council
London, UK	17-21 July 2006
London, UK	18-22 September 2006
London, UK	16-20 October 2006
Norwalk, CT, USA	23-24 October 2006 joint meeting with FASB
London, UK	13-17 November 2006, and 9-10 November 2006 with the Standards Advisory Council
London, UK	11-15 December 2006

IFRIC MEETINGS 2006	
London, UK	11-12 May 2006
London, UK	6-7 July 2006
London, UK	7-8 September 2006
London, UK	2-3 November 2006

Other News

Download the UNCTAD report here:

www.iasplus.com/resource/0511unctad.pdf

UNCTAD report on implementation of IFRSs

The United Nations Conference on Trade and Development has released a staff *Review of Practical Implementation Issues of International Financial Reporting Standards*. The document provides an overview of recent trends in the IFRS convergence process and highlights major practical issues that are arising in the implementation process, such as institutional challenges, enforcement mechanisms, and technical issues. UNCTAD noted that:

In 2005, an unprecedented number of enterprises and countries around the world adopted IFRS as their basis for financial reporting, regarding these as a means to improve the quality of information on enterprise performance, reduce the cost of capital, increase investors' confidence and facilitate investment flows and economic development. In this context, member States are pursuing coherence between current global developments and their national strategies and policies in the area of corporate transparency in order to reap the full benefits of a transition towards harmonization of reporting requirements. However, while the advantages of a common set of global reporting standards are recognized, there are a number of serious implementation challenges at the international and national levels if the objective of an improved and harmonized reporting system is to be achieved.

News from IFAC

IFAC website:
www.ifac.org

IFAC ED on corporate code of conduct

In January 2006, the International Federation of Accountants (IFAC) issued for comment an exposure draft, *Guidance for the Development of a Code of Corporate Conduct*, proposing guidance to assist professional accountants and others in establishing and implementing codes of conduct in their organisations worldwide. The exposure draft is designed to help professional accountants in profit, not-for-profit, and government organisations to address issues relating to the developing, monitoring, reinforcing, and reporting of a code of conduct. Comment deadline ended 15 April 2006.

The ED is available here:
www.ifac.org/IPSASB

IPSASB ED on non-exchange revenue

The International Public Sector Accounting Standards Board (IPSASB) has proposed a new accounting standard for non-exchange revenue, including taxes and transfers. The exposure draft, *Revenue from Non-Exchange Transactions (Including Taxes and Transfers)* deals with the basis on which different kinds of taxes should be recognised and how they should be measured.

The ED also addresses accounting for other major sources of non-exchange revenue for public sector entities, including transfers from other governments and international organisations, and gifts and donations. The ED also provides guidance on how conditions and restrictions on the use of transferred resources are to be reflected in the financial statements.

The IPSASB requests comments on the ED by 30 June 2006.

IAASB website:
www.ifac.org/IAASB

IAASB exposure draft on group audits

The International Auditing and Assurance Standards Board (IAASB) has issued a re-exposure draft (ED) of proposed International Standard on Auditing 600 (Revised and Redrafted) The Audit of Group Financial Statements. Following earlier consultations, the IAASB has modified the proposals and reissued the ED. The primary issues revolve around the extent to which the group auditor needs to be involved in the audits of components that are audited by other auditors, whether these auditors are independent of the group auditor (unrelated) or belong to the group auditor's national or international firm or network of firms (related auditors). Comments are requested by 31 July 2006.

You can find the IFAC statement on:
www.ifac.org

IFAC urges focus on needs of SMEs

In April 2006, the IFAC issued a statement expressing support for "appropriate, simplified guidance being developed for small and medium entities.... Recognising that international standards that are right for a large public company may be burdensome for a small enterprise, IFAC, together with its member bodies, is urging standard setters and regulators to consider the unique needs of small and medium enterprises (SMEs) in developing their rules and regulations."

IFRS-related news from the United States

SEC news release:
www.sec.gov/news/press/2006-17.htm

Eliminating the IFRS reconciliation in the USA

European Union Internal Markets Commissioner Charlie McCreevy and US Securities and Exchange Commission Chairman Christopher Cox met in Washington on 8 February 2006. They discussed, among other things, progress toward eliminating the need for reconciliation between International Financial Reporting Standards and US Generally Accepted Accounting Principles in SEC filings by non-US IFRS issuers.

Both the EC and the SEC agreed that, for the reconciliation to be eliminated, regulatory procedures need to be in place in a non-US SEC registrant's home country to ensure that IFRSs are applied and interpreted faithfully and consistently. Work on those procedures in the EU is underway.

www.sec.gov/news/speech/spch022306cag.htm

An SEC Commissioner comments on the reconciliation

In remarks before the Tenth Annual Conference on SEC Regulation Outside the United States, US SEC Commissioner Cynthia Glassman spoke about, among other things, convergence of US GAAP and IFRSs and eliminating the SEC's required reconciliation. An excerpt:

The other significant issue on the international accounting front is reconciliation. As you well know, in their SEC filings, companies that use IFRS or other accounting standards have to reconcile their financial statements to U.S. GAAP. I fully support what has become known as the 'roadmap' to achieving the acceptance of IFRS in the U.S. without reconciliation. Basically, our staff is looking to see the nature and scope of the reconciliations and the consistency of IFRS implementation across countries. While our staff has already begun planning the initial phase of the roadmap, we really cannot get started evaluating the 2005 results of the IFRS/US GAAP reconciliations until mid-year, because IFRS has only been recently implemented in many countries for the first time.

www.sec.gov/news/speech/spch031306aln_iib.htm

SEC Commissioner discusses the 'roadmap'

In her remarks before the Institute for International Bankers Annual Conference in Washington on 13 March 2006, US SEC Commissioner Annette L. Nazareth discussed "the prospect of convergence of US and EU accounting standards". Her comments addressed the adoption of International Financial Reporting Standards as the single accounting standard in the EU and the principles underlying the 'roadmap' by which the Commission is considering accepting IFRS as a primary accounting system without requiring reconciliation to US GAAP. An excerpt:

How the Commission arrived at a reconciliation requirement is rooted in two fundamental policy considerations. One is consistency, that is, the investing public in the United States needs the same type of basic information disclosed for an investment decision regardless of whether the issuer is foreign or domestic. This view suggests that foreign registrants be subject to exactly the same requirements as domestic ones.

SEC Commissioner discusses the ‘roadmap’, continued

The other policy consideration is that it is in the public interest to permit US investors the opportunity to invest in a broad array of securities, including foreign securities. This suggests that the Commission avoid overly burdensome requirements on foreign issuers. According to this reasoning, the public interest would be better served by encouraging foreign issuers to register their securities with the Commission.

These same considerations are at the heart of the determination of a reconciliation requirement. Thus the roadmap focuses on whether foreign private issuer financials prepared under IFRS, without reconciliation to US GAAP, will achieve the goal of opening our markets further while remaining consistent with the objective of providing disclosure of comparable quality, transparency, and usefulness.

FASB statements and exposure drafts (full text) may be downloaded without charge from:
www.fasb.org

FASB convergence on embedded derivatives

The US Financial Accounting Standards Board (FASB) has issued Statement of Financial Accounting Standard No. 155 *Accounting for Certain Hybrid Instruments* that allows financial instruments with embedded derivatives to be accounted for as a whole at fair value through profit and loss. This option eliminates the need to separate the derivative from its host contract. A similar accounting option was added to IAS 39 as part of the Fair Value Option Amendments to IAS 39 in June 2005.

FASB currently has on its agenda a separate project to consider the other aspects of the IAS 39 fair value option (story on page 18).

PCAOB website:
www.pcaobus.org

Two PCAOB releases on audit firm quality controls

The US Public Company Accounting Oversight Board has issued two releases concerning the Board’s implementation of a provision of the Sarbanes-Oxley Act of 2002 that gives registered accounting firms an incentive to address quality control criticisms in Board inspection reports within 12 months after the Board issues the reports.

The Act provides that “no portions of the inspection report that deal with criticisms of or potential defects in the quality control systems of the firm under inspection shall be made public if those criticisms or defects are addressed by the firm, to the satisfaction of the Board, not later than 12 months after the date of the inspection report.”

- The first PCAOB release provides information about the PCAOB’s process for determining whether a registered accounting firm has satisfactorily addressed quality control criticisms in an inspection report.
- In the second PCAOB Release, the Board describes observations about efforts undertaken by the four largest US accounting firms to address quality control concerns identified during the Board’s initial, limited inspections of those firms.

FASB statements and exposure drafts (full text) may be downloaded without charge from:
www.fasb.org

FASB issues pensions exposure draft

In early April 2006, the FASB proposed that employers recognise the overfunded or underfunded positions of defined benefit postretirement plans, including pension plans, in their balance sheets. The so-called 'corridor approach' that allows deferral of most actuarial gains and losses would be eliminated. IAS 19 currently also allows the 'corridor approach'.

The proposal would also require that employers measure plan assets and obligations as of the date of their financial statements. FASB's exposure draft is the first phase of a comprehensive project to reconsider its Statement 87 *Employers' Accounting for Pensions* and Statement 106 *Employers' Accounting for Postretirement Benefits Other Than Pensions*.

A second, broader phase will comprehensively address remaining issues. The FASB said it expects to collaborate with the IASB on that phase, though the IASB does not yet have the project on its agenda. Comment period ends 31 May 2006.

FASB statements and exposure drafts (full text) may be downloaded without charge from:
www.fasb.org

FASB issues 'fair value option' exposure draft

FASB has issued an exposure draft that would provide companies with the option to report selected financial assets and liabilities at fair value. Under the option, any changes in fair value would be included in earnings. FASB's proposed 'fair value option' is similar to the one included in IAS 39 *Financial Instruments: Recognition and Measurement*. The intent of such an option is to reduce volatility in earnings caused by 'accounting mismatches' when different bases are used for measuring related financial instruments. Comment deadline on the ED is 10 April 2006.

FASB response to SEC on off-balance-sheet items

The FASB has submitted its response to the *SEC Staff Report on Off-Balance Sheet Arrangements, Special Purpose Entities, and Related Issues* released by the US Securities and Exchange Commission in June 2005. The SEC Staff Report was prepared pursuant to the Sarbanes-Oxley Act of 2002 and was submitted to the President and several Congressional committees. The SEC Staff Report includes an analysis of the filings of issuers as well as an analysis of pertinent US generally accepted accounting principles and Commission disclosure rules. The Report contains several recommendations for potentially sweeping changes in current accounting and reporting requirements for pensions, leases, financial instruments, and consolidation.

FASB's response discusses a number of "fundamental structural, institutional, cultural, and behavioural forces" that it believes cause complexity and impede transparent financial reporting. FASB provides an update on its activities and projects intended to address and improve outdated, overly complex accounting standards. The FASB also identifies several other initiatives aimed at improving the understandability, consistency, and overall usability of existing accounting literature, through codification, by attempting to stem the proliferation of new pronouncements emanating from multiple sources, and by developing new standards in a 'principles-based' or 'objectives-oriented' approach.

News about IFRSs in Europe

You will find the formal agreement at:
www.iasplus.com/efrag/efrag.htm

Working relationship of EC and EFRAG

The European Commission and the European Financial Reporting Advisory Group (EFRAG) have entered into a formal Working Arrangement on issues relating to the application of IFRSs in Europe. EFRAG will continue to act as an advisor by providing endorsement advice to the EC and technical input to the standard setters, IASB, and IFRIC.

Under the Working Arrangement EFRAG will participate proactively in the IASB's due process. EFRAG will, in close consultation with the Commission, participate in the early phases of debate on all issues related to the standard setting process and will, when requested by the Commission, attend working groups of IASB, liaise with European national standard setters, and hold Advisory forums.

www.efrag.org

EFRAG urges comprehensive measurement debate

The Technical Expert Group of the European Financial Reporting Advisory Group (EFRAG) has written to IASB Chairman Sir David Tweedie recommending that the IASB organise a comprehensive global debate on measurement. An excerpt from the letter:

Measurement issues are at the core of many of the longer-duration projects on which the IASB is now working (including, for example, the projects considering revisions to IFRS 3 and IAS 37, and the fair value measurement guidance project). Many of these projects will determine the direction in which accounting will develop. We think it would be inappropriate for the IASB to publish any major new proposals or standards on measurement before the comprehensive measurement debate has taken place. Although we have argued before that the IASB should resolve framework issues before bringing forward proposals for standards that make assumptions about how those framework issues will be resolved, we understand that the IASB does not agree with this point of view. However, on measurement the issues involved are so fundamental and the concerns, misunderstandings, etc so great that we suspect that it would not be possible for the IASB to win acceptance for any such proposals or standards until the underlying fundamental issues have been resolved.

www.fee.be

FEE urges mutual recognition of IFRSs and US GAAP

The European Federation of Accountants (FEE) has published a position paper on *Financial Reporting: Convergence, Equivalence and Mutual Recognition*. FEE notes that “the only way for Europe to make a real input to global convergence in standards is to be co-ordinated in its approach.... It is only through substantive European input to the IASB work programme, enhanced coordination and greater transparency and consultation that real progress can be achieved.” In launching this paper, FEE President David Devlin said:

The time is right for the acceptance of IFRSs as truly global financial reporting standards. The European accountancy profession welcomes the recent confirmation of the European Commission's and the SEC's commitment to global accounting convergence and to eliminating reconciliation requirements. It is of crucial importance that a specific level of convergence is not needed for mutual recognition of IFRS and US GAAP.

[http://europa.eu.int/comm/
internal_market/
accounting/index_en.htm](http://europa.eu.int/comm/internal_market/accounting/index_en.htm)

ARC supports IFRIC 7 and IAS 21 amendments

At its meeting on 17 February 2006, the European Commission's Accounting Regulatory Committee recommended that the Commission endorse the following pronouncements for use in Europe:

- *IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies*, issued 24 November 2005
- *Amendment to IAS 21 for Net Investment in a Foreign Entity* issued 15 December 2005

The Commission is expected to consider these two items for endorsement in April or May 2006.

www.cesr-eu.org/

CESR studies public access to IFRS reports

The Committee of European Securities Regulators (CESR) is studying the appropriate mechanism for making the financial reports of European listed companies available electronically throughout the European Union. Such reports would include annual, semi-annual, and other interim reports (which include IFRS financial statements), as well as reports of major holdings and insider information. Adoption of such a pan-European storage and retrieval mechanism is part of the process for implementing the 'Transparency Directive'. CESR will make a recommendation to the European Commission, with a goal of having an interim system in place by January 2007.

CESR has issued a consultation document. Responses to it were due by 31 March 2006. CESR also held an open hearing on the issues on 2 March 2006.

http://europa.eu.int/comm/commission_barroso/mccreevy/speeches/index_en.htm

EU will require foreign audit firms to register

In a Speech on 'The Transatlantic Capital Market' to the US Chamber of Commerce, EU Internal Market Commissioner Charlie McCreevy cited eliminating the SEC's accounting reconciliation requirement between IFRSs and US GAAP as one of the four most pressing Transatlantic regulatory matters. He also outlined the progress that has been made in capital market reforms in the EU. He indicated that the EU shortly will adopt regulations requiring registration of foreign audit firms that perform audits in the EU. An excerpt:

Take auditing for example. The EU has just put the finishing touches to its new directive on Statutory Audit (the 8th Directive). During its implementation one of the key challenges will be the question of registration of third country audit firms in the EU by 2008. All third country audit firms, including US ones, auditing foreign companies listed in the EU will have to be registered with EU oversight bodies - unless their home country oversight bodies can be considered as equivalent.

Similarly, EU firms auditing SEC registrants will face inspections from the PCAOB in 2006 and 2007. The new EU directive provides for cooperation with the PCAOB on access to audit working papers. These are tricky issues where the EU and the US must have close and pragmatic cooperation or willingness to 'agree to agree' as Bill McDonough, former chairman of the PCAOB, put it. Both sides have to deliver. And both sides must be willing to respect each other's rules and limitations. Deepening cooperation is the name of the game.

www.efrag.org

EFRAG letter to IASB on SME project

The European Financial Reporting Advisory Group (EFRAG) has written to IASB Board Vice Chairman Tom Jones, who chairs the Board's SME Working Group, recommending that the Board change its approach to developing an exposure draft of an IFRS for Small and Medium-sized Entities (SMEs). Here is an excerpt from EFRAG's letter:

EFRAG wants to express its full support for the comments you made in your introduction to the Board's deliberations at the January meeting where you indicated that:

- (a) the direction in which the project is presently heading under Board members' guidance is leading to a standard which appears far too lengthy and complex; and*
- (b) more simplifications are needed than decided up to date in order to meet constituents' expectations.*

We agree with this view. We think it is important that the IFRS for SMEs is easy to understand and comprehensive on a stand-alone basis.

www.efrag.org

EFRAG concerns on IASB measurement paper

The European Financial Reporting Advisory Group (EFRAG) has invited comments on its draft response to the IASB Discussion Paper *Measurement Bases for Financial Accounting - Measurement on Initial Recognition*. In its draft response, EFRAG expresses “a number of fundamental concerns regarding the reasoning and conclusions reached in the paper”, including the following:

- The paper’s exclusive focus on initial measurement in isolation from subsequent measurement.
- The “basic assumption... that perfect markets (or at the very least active and liquid markets that involve low transaction costs) exist for every asset and liability”. In EFRAG’s view this is the exception rather than the norm.
- The necessity to decide on financial statement concepts of financial performance and financial position before addressing measurement issues.
- Lack of evidence for the superiority of market value measurement objectives over entity-specific measurement objectives. “If the arguments in the paper are the only arguments in favour that exist and have been expressed in the paper in the best way possible, we do not understand how the paper could have reached the conclusions it has.”

EFRAG requests comments by 1 May 2006.

www.cesr-eu.org/

www.c-ebs.org/

www.ceiops.org

EU financial regulators will study reporting requirements

The three main committees of European Union financial regulators – the Committee of European Securities Regulators (CESR), the Committee of European Banking Supervisors (CEBS), and the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS) – have published a common cross-sector work programme for 2006. The main goal of this supervisory cooperation is to enhance consistency in implementing EU legislation across financial sectors. The work programme includes an examination of reporting requirements, including IFRSs:

The Committees will request input from relevant market participants to take stock of potential inconsistencies in reporting requirements stemming from sectoral EU directives applying to European supervised entities and market participants, taking into account IFRSs. The Committees aim at presenting a first result of this inventory within the second half of 2006. Based on this inventory, future work may be proposed.

CEBS: Impact of IFRSs on European bank regulatory capital

A study by the Committee of European Banking Supervisors (CEBS) has found that the guidelines that it published in December 2004 for adjustments to IFRS financial data reported by European banks for the purpose of determining banks' 'own funds' (equity capital for regulatory purposes) have satisfactorily addressed concerns of bank supervisors. Supervisors were concerned that the introduction of IFRSs might:

- *Jeopardise the criteria that regulatory own funds have to fulfil, namely that they be (i) permanent, (ii) readily available for absorbing losses, and (iii) reliable as to their amounts.*
- *Introduce volatility into institutions' financial statements and, more particularly, into regulatory own funds, in ways which might not reflect the economic substance of institutions' financial positions.*

The CEBS compared the 31 December 2004 national-GAAP balance sheets of banks in 18 European countries with their IFRS balance sheets at 1 January 2005. CEBS found that "the overall effect of transition to IAS/IFRS and of the application of the prudential filters results in a moderate decrease in 'Total Eligible Own Funds': 2% in the aggregate sample." CEBS concludes that:

- The analysis of the aggregate sample data confirms that the Guidelines neutralise the negative impact on credit institutions' regulatory own funds that IAS/IFRS were observed to have at transition.
- The results of this analysis – together with the conclusions of a survey that CEBS conducted in 2005 on the implementation of the Guidelines, which indicated that participating CEBS members complied satisfactorily with the Guidelines' recommendations – should help to mitigate supervisors' concerns.

Use of IFRSs elsewhere in the world

www.iasplus.com/country/korea.htm

Non-domestic listed companies may use IFRSs in Korea

South Korea's Financial Supervisory Commission has approved regulatory amendments proposed by the Korea Exchange to allow non-Korean listed companies to use IFRSs or US GAAP instead of Korean Accounting Standards. At 31 December 2005, the World Federation of Exchanges reports that 1,619 domestic and 0 non-domestic companies were listed on the Korea Exchange.

www.drsc.de

German interpretation on accounting for electronic waste

The German Accounting Standards Board has issued AIC 2 Obligation to Dispose of Electrical and Electronic Equipment. AIC 2 is immediately effective, with application for financial statements for periods ending on 31 December 2005 encouraged.

AIC 2 covers those areas that were not addressed by the International Financial Reporting Interpretations Committee in IFRIC 6 *Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*. Broadly described, the issues addressed in AIC 2 involve what constitutes the obligating event under IAS 37.17 for recognition of provisions for:

- Historical waste from private households.
- Historical waste from commercial users.
- New waste from private households.
- New waste from commercial users.

While the interpretation is written in the context of German law, some of the guidance may be relevant in other European jurisdictions as well.

www.asb.or.jp/index_e.html

ASBJ statement on progress toward convergence

The Accounting Standards Board of Japan (ASBJ) has released a *Statement on Japan's Progress Toward Convergence between Japanese GAAP and IFRSs*. In the statement, the ASBJ describes its recent progress toward convergence on asset retirement obligations, construction contracts, and disclosure of financial instruments at fair value. The ASBJ also describes its plans to address the issues that the Committee of European Securities Regulators (CESR) identified in the technical advice on equivalence of third country GAAP in July 2005.

www.asb.org.uk

United Kingdom: Accounting for heritage assets

The United Kingdom Accounting Standards Board (ASB) has published a Discussion Paper *Heritage Assets: Can Accounting Do Better?* setting out proposals to improve the consistency and transparency of the financial reporting of heritage assets. The proposals will be relevant to entities such as museums holding collections of art, antiques, and books and also to entities that own and manage landscape or buildings for their environmental or historical qualities. The report concludes that the best financial reporting requires heritage assets to be reported as assets at current value, and the paper makes proposals to facilitate that approach. However, it offers an alternative approach for those entities that face genuine difficulties in valuing their heritage assets. Illustrative disclosures are included.

The ASB requests comments by 31 May 2006.

www.iasplus.com/country/china.htm

China adopts 38 new accounting standards

The Ministry of Finance (MOF) of the People's Republic of China has announced that it has adopted a new basic standard and 38 new Chinese Accounting Standards that are substantially in line with IFRSs, though a few exceptions are acknowledged. The basic standard is akin to a conceptual framework, and the 38 standards address nearly all other issues covered in IFRSs.

The MOF has also adopted 48 new Chinese Auditing Standards that are similar to International Standards on Auditing issued by the International Auditing and Assurance Standards Board.

The new accounting and auditing standards will become effective for listed enterprises from 1 January 2007. Other enterprises are encouraged to adopt them.

The MOF announced the new standards in a ceremony in the Great Hall of the People, in Beijing. IASB Chairman David Tweedie participated, saying that he expected China's speedy move toward international standards is likely to spur some other countries in the Asia-Pacific region to do the same.

www.iasplus.com/country/brazil.htm

Brazil will require IFRSs for financial institutions

On 9 March 2006, the Board of Directors of The Central Bank of Brazil decided to require that all Brazilian banks, and all financial institutions licensed by Central Bank to do business in Brazil, fully comply with IFRSs beginning with the financial statements for the year ending 31 December 2010.

The Board has asked each of its departments responsible for bank regulation to identify the changes that will be required to existing Bank regulations to achieve the 2010 target and to report back by 31 December 2006. Thereafter, working groups will be formed to propose solutions so that there will be no impediments to using IFRSs in 2010.

The Central Bank also announced that it intends to require auditors of financial statements of banks and all other licensed financial institutions to follow the International Standards of Auditing (ISAs) issued by International Auditing and Assurance Standards Board.

[www.iasplus.com/
country/slovak.htm](http://www.iasplus.com/country/slovak.htm)

Slovak Republic extends the use of IFRSs

In the Slovak Republic, listed companies must use IFRSs for their consolidated financial statements under the EU Accounting Regulation. Starting in 2006, the IFRS requirement has been extended to large unlisted companies.

[www.iasplus.com/
country/bulgaria.htm](http://www.iasplus.com/country/bulgaria.htm)

Bulgaria extends the use of IFRSs

In Bulgaria, since 2003, all listed companies and financial institutions have been required to use IFRSs for their consolidated financial statements. Starting in 2005, IFRSs have been extended also to individual company financial statements and to large unlisted companies. Small companies are permitted but not required to use IFRSs.

[www.iasplus.com/
country/india.htm](http://www.iasplus.com/country/india.htm)

India moving to align its GAAP with IFRSs

The Prime Minister of India Manmohan Singh has announced that his government will introduce comprehensive new company legislation that will include aligning Indian accounting standards with IFRSs. The new law replaces the existing 50-year-old companies' law with the objective of promoting greater transparency and efficient governance, the Prime Minister said.

[www.iasplus.com/
countries/uruguay.htm](http://www.iasplus.com/countries/uruguay.htm)

Uruguay requires IFRSs

In Uruguay, two governmental decrees – 2004 #162/004 and 2005 #90/005 – require that all Uruguayan companies must follow those IFRSs in existence at 19 May 2004. The auditor's report refers to conformity with Uruguayan GAAP because of the 19 May 2004 cut-off.

You will find the analysis at:
[www.iasplus.com/
country/canada.htm](http://www.iasplus.com/country/canada.htm)

Analysis of Canadian-US GAAP differences

The Canadian Accounting Standards Board (AcSB) has prepared an analysis of reported Canadian/US GAAP differences based on a survey of 150 public Canadian companies for fiscal years ending in 2004. All the companies have listings on major US stock exchanges or issue debt securities in the US.

IFRS publications from Deloitte

Download this special edition newsletter here:

www.iasplus.com/iasplus/iasplus.htm

Special IAS Plus newsletter on ED 8 operating segments

On 19 January 2006, the IASB published Exposure Draft 8 *Operating Segments*. ED 8 would replace IAS 14 and align segment reporting with the requirements of FASB's SFAS 131 *Disclosures about Segments of an Enterprise and Related Information*. Deloitte has published a Special Edition of the IAS Plus Newsletter explaining ED 8.

Download this special edition newsletter here:

www.iasplus.com/iasplus/iasplus.htm

Special IAS Plus newsletter on IFRIC 9

We have posted a new IAS Plus Newsletter explaining IFRIC 9 *Reassessment of Embedded Derivatives* (see story on page 11). The newsletter provides details about the ED and includes two examples.

Download this special edition newsletter here:

www.iasplus.com/iasplus/iasplus.htm

Special IAS Plus newsletter on revisions to IAS 1

We have published a special edition of our IAS Plus newsletter on *Proposals to Revise Presentation of Financial Statements*. On 16 March 2006, the IASB issued an Exposure Draft (ED) of proposed amendments to IAS 1 *Presentation of Financial Statements* (see story on page 4). The newsletter provides details about the ED.

The book can be purchased through www.cch.co.uk or by phone at +44 (0) 870 777 2906 or by email: customerservices@cch.co.uk.

You will find this and other Deloitte IFRS-related publications at: www.iasplus.com/pubs/pubs.htm

The book may be ordered from the John Wiley & Sons Website. www.wiley.com

You can download Deloitte model IFRS financial statements here: www.iasplus.com/fs/fs.htm

Deloitte guidance on IFRSs for financial instruments

Deloitte & Touche LLP (United Kingdom) has developed iGAAP 2006 Financial Instruments: IAS 32, IAS 39 and IFRS 7 Explained, which has been published by CCH. This publication is the authoritative guide for financial instruments accounting under IFRSs. The 2006 edition expands last year's edition with 150 new pages of interpretations, examples, guidance on the recent amendments to the standards, as well as comparisons of IFRSs with US GAAP on financial instruments.

New Deloitte guide to interim financial reporting

IAS 34 *Interim Financial Reporting* prescribes the minimum content for an interim financial report and the principles for recognition and measurement in financial statements for a financial reporting period shorter than a full financial year. Our new publication *Interim Financial Reporting: A Guide to IAS 34* provides an overview of the Standard, application guidance and examples, a model interim financial report, and an IAS 34 compliance checklist.

IFRS workbook and guide

Abbas Ali Mirza and Magnus Orrell of Deloitte, along with Prof. Graham Holt, have co-authored International Financial Reporting Standards Workbook and Guide, published by John Wiley & Sons. The book is intended as a quick reference guide to IFRSs, including outlines of standards, case studies with solutions, illustrations, and multiple-choice questions with solutions.

New Danish-language model financial statements

Deloitte (Denmark) has updated the Danish-language translation of the 2005 model IFRS financial statements to reflect disclosures required by Standards/Interpretations recently issued but not yet effective.

Accounting Standards Update in the Asia-Pacific Region

AUSTRALIA

Contact: Bruce Porter
bruporter@deloitte.com.au

The Australian Accounting Standards Board ('AASB') revised AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* to permit access to AASB 1 for not-for-profit public sector entities in rare and exceptional circumstances where they experienced extreme difficulties in complying with certain Australian equivalents to IFRSs (A-IFRS) due to information deficiencies. The revised Standard applies to annual reporting periods ending on or after 30 June 2006 with early adoption permitted for annual reporting periods beginning on or after 1 January 2005.

Further, the AASB has agreed that all Australian guidance paragraphs that relate to for-profit entities, except those necessary to provide guidance on non-IFRS requirements of the standards, are to be deleted from the Australian Accounting Standards to ensure A-IFRS is consistent with IFRS.

The AASB also issued the following exposure drafts:

- ED 146 *Proposed Amendments to AASB 2 Share-based Payment – Vesting Conditions and Cancellations* (consistent with IASB ED of *Proposed Amendments to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations*).
- ED 147 *Revenue from Non-Exchange Transactions (Including Taxes and Transfers)* (consistent with IFAC ED 29 *Revenue from Non-Exchange Transactions (Including Taxes and Transfers)*).
- ED 148 *Proposed Amendments to AASB 101 Presentation of Financial Statements: A Revised Presentation* (consistent with IASB ED *Proposed Amendments to IAS 1 Presentation of Financial Statements: A Revised Presentation*).

The AASB have also agreed to disband the Urgent Issues Group (UIG) and adopt a new Interpretations model in Australia under which the AASB will have direct responsibility for interpretations, with advisory panels formed on a topic-by-topic basis. It is most likely that the new Interpretations model will have effect from 1 July 2006.

The UIG have issued the following new Interpretations:

- UIG Interpretation 7 *Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies* (consistent with IFRIC Interpretation 7).
- UIG Interpretation 8 *Scope of AASB 2* (consistent with IFRIC Interpretation 8).
- UIG Interpretation 9 *Reassessment of Embedded Derivatives* (consistent with IFRIC Interpretation 9).

The UIG also issued an Invitation to Comment on IFRIC Draft Interpretation D18 *Interim Financial Reporting and Impairment*.

HONG KONG
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During January 2006, the Hong Kong Institute of Certified Public Accountants (HKICPA) issued a new Interpretation, HK(IFRIC)-Int 7 *Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies*. HK(IFRIC)-Int 7, based on IFRIC 7, contains guidance on how an entity would restate its financial statements in the first year it identifies the existence of hyperinflation in the economy of its functional currency. The Interpretation is effective for annual periods beginning on or after 1 March 2006.

Also in January, Amendments to HKAS 21 *The Effects of Changes in Foreign Exchange Rates* and HKAS 39 *Financial Instruments: Recognition and Measurement* were released. The Amendment to HKAS 21 was released in response to an identical amendment to IAS 21 and is effective for annual periods beginning on or after 1 January 2006. It clarifies the requirements of HKAS 21 regarding an entity's investment in a foreign operation and associated hedges of that investment. The Amendment to HKAS 39 amends the transitional provisions for available-for-sale assets set out in paragraph 104(d) of HKAS 39.

In March 2006, Accounting Guideline AG 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* was released. AG 7 is effective for engagements where the investment circular is dated on or after 1 April 2006. The Guideline is intended primarily for the purpose of assisting listed issuers or listing applicants in preparing and presenting pro forma financial information under the Stock Exchange Listing Rules.

The HKICPA also adopted the IASB Revised Guidance on Implementing IFRS 4 (the international equivalent to HKFRS 4). The revised guidance applies when an entity adopts HKFRS 7 *Financial Instruments: Disclosures*, which is effective for annual periods beginning on or after 1 January 2007.

During the first quarter of 2006, the HKICPA also invited comments on three IFRS proposals:

1. IFRS ED 8 *Operating Segments*
2. IFRIC Draft Interpretation D18 *Interim Financial Reporting and Impairment*
3. *Proposed Amendments to IAS 1 Presentation of Financial Statements*

JAPAN

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The following accounting and auditing standards and related publications were issued in Japan during the first quarter of 2006:

Issued	Issuer	Document Description
7 Feb. 2006	Ministry of Justice	Ministry Ordinance of the new Corporate Law
13 Mar. 2006	FSA*	Draft Amendment to the Securities and Exchange Law

*FSA: Financial Services Agency

Ministry Ordinance of the new Corporate Law

On 7 February 2006, the Ministry of Justice issued the Ministry Ordinance of the new Corporate Law (the "Corporate Law"), to be effective 1 May 2006. The Ministry Ordinance provides three regulations under the Corporate Law which are;

1. Regulations for implementation of the Corporate Law;
2. Regulations for corporate accounting; and
3. Regulations for electronic publication.

Under these new regulations, current practices are to be changed as follows;

- The Statement of Changes in Shareholders' Equity is to be a component of the statutory financial statements, replacing the current Statement of Changes in Surplus (or Statement of Appropriation of Surplus).
- Dividends can be paid to shareholders at any time on resolution at the shareholders' meeting. Currently, dividends can be paid only once a year on resolution at the annual shareholders' meeting other than one-time interim dividends paid on resolution of the Board of Directors.
- Directors' bonus is to be expensed under the new regulations, replacing the current accounting treatment of appropriation of surplus.
- Definition of a subsidiary is to be determined on the existence of control (consistent with current Japanese GAAP), replacing the current definition which requires majority ownership.
- The company shall state the outline of its internal control systems in its Business Report.
- The company shall state its prevention measures for a potential takeover on its Business Report.

These regulations are consistent with Accounting Standards that were published by the Accounting Standards Board of Japan during the fourth quarter in 2005.

Draft Amendment to the Securities and Exchange Law

On 13 March 2006, the Financial Services Agency (FSA) submitted to the National Diet (Parliament) the Draft Amendment to the Securities and Exchange Law. The Law will be referred to as the "Financial Instruments and Exchange Law (Investment and Service Law)", expanding the scope of the existing Law in order to cover financial instruments having the natures of an investment. Main features of the draft amendment are as follows;

- To introduce a quarterly reporting system from the fiscal years beginning on or after 1 April 2008. Listed companies shall publish its quarterly financial information within 45 days after quarter end.

JAPAN, continued

- To strengthen the reporting requirements concerning the Internal Control System from the fiscal years beginning on or after 1 April 2008. Management of listed companies shall submit annually to the Prime Minister a report stating the accuracy of its internal control system, together with its annual report. The report is to be audited by CPAs or Auditing firms.
- To require the submission to the Prime Minister a certification by management. Management of listed companies is to submit together with its annual report, a letter certifying the accuracy of its annual report.
- To expand disclosure rules for new shares issued for reorganisation purposes.
- To expand the scope of financial instruments which require certain disclosures.

MALAYSIA

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FRSs Now Optional for Private Companies

On 23 February 2006, the Malaysian Accounting Standards Board (MASB) announced that the new/revised Financial Reporting Standards (which are generally consistent with IFRSs) are now optional for 'private entities'. Effective 1 January 2006, private entities may elect to use the former MASB standards instead of the recent FRSs. In effect, there are now two sets of accounting standards in Malaysia:

- Financial Reporting Standards (FRS), which must be used by companies that are required to prepare or lodge financial statements under any law administered by the Securities Commission or the Bank Negara Malaysia, and by subsidiaries, associates, or companies jointly controlled by them.
- Private Entity Reporting Standards (PERS), which may be used by all other companies.

MASB releases exposure drafts on agriculture and insurance contracts

The MASB has released exposure drafts of proposed standards on agriculture and insurance contracts for public comment:

- ED 50 Agriculture is identical with IAS 41 Agriculture. Once issued, this standard will be known as FRS 141.
- ED 51 Insurance Contracts it is identical with IFRS 4 Insurance Contracts which IASB issued in March 2004.

Three draft IC interpretations for comments

The MASB has released the following draft IC interpretations for public comment:

- IC Interpretation 1: Changes in Existing Decommissioning, Restoration & Similar Liabilities
- IC Interpretation 2: Members' Shares in Co-operative Entities & Similar Instruments
- IC Interpretation 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

NEW ZEALAND

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IASB Exposure Drafts and Discussion Papers Issued

The Financial Reporting Standards Board (FRSB) issued the following IASB and IFRIC documents for comment:

- Exposure Draft of Proposed Amendments to IAS 1 Presentation of Financial Statements
- Request for information from users of financial statements about information on financial instruments
- Amendments to IFRS 2 Share Based Payment: Vesting Conditions and Cancellations
- NZ ED 8 Operating Segments
- NZ IFRIC Draft Interpretation D18 Interim Financial Reporting and Impairment

IASB Equivalent Standards Issued

The following New Zealand Equivalent standards to IFRS were issued:

- NZ IFRIC 7 Applying the Restatement approach under NZ IAS 29 Financial Reporting in Hyperinflationary Economies
- New Zealand Equivalent to IFRIC Interpretation 8 Scope of NZ IFRS 2 (NZ IFRIC 8)
- New Zealand Equivalent to IFRIC 9 Reassessment of Embedded Derivatives

IASB Amendments Issued

The following New Zealand Equivalent standards to IFRS were amended for IASB amendments:

- Amendment to IFRS 7 Financial Instruments: Disclosures – Day 1 Profit Disclosures
- Amendments to New Zealand Equivalent to International Accounting Standard 39 Financial Instruments: Recognition and Measurement Cash Flow Hedge Accounting of Forecast Intragroup Transactions

NZ IFRS Issued for New Zealand Specific Matters

The following standards were amended for New Zealand-specific matters:

- Amendment to New Zealand Equivalent to IAS 19 Employee Benefits: Actuarial Assumptions – Allowance for Taxes in Defined Benefit Plans
- FRS 42 Prospective Financial Statements

NZ Exposure Drafts Issued for New Zealand Specific Matters

In addition the FRSB issued the following New Zealand-specific exposure drafts:

- None

The International Public Sector Accounting Standards Board (IPSASB) Exposure Drafts and Discussion Papers Issued

The Financial Reporting Standards Board (FRSB) issued the following IPSASB documents for comment:

- IPSASB ED 29 Revenue from Non-Exchange Transactions

PHILIPPINES

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Two Deferrals from IFRS Equivalents

In general, the Philippines has adopted all IASs and IFRSs in full as Philippines GAAP effective 2005. Two transition deferrals have now been adopted:

- Pre-need Insurance companies, which otherwise would have been required to use the Philippines IFRS equivalents in full in 2005, have been exempted by the Securities and Exchange Commission (SEC, the regulatory body for insurance entities) from applying the Philippines equivalents of IAS 32, IAS 39, and IFRS 4 for year-end 2005 reporting. They are however, required to submit financial statements fully adopting all the standards by 31 August 2006.
- As reported in the January 2006 edition of *IAS Plus*, non publicly accountable entities (NPAEs, also called SMEs) have been given a three-year deferral (2005 to 2007) from the transition to IFRS equivalents. Instead, they are permitted to use Philippines accounting standards that were in effect in 2004.

New and Revised Financial Reporting Standards

In Philippines, the SEC must approval all financial reporting standards. During the first quarter of 2006, the SEC issued a circular approving the adoption of IFRS 6 and IFRS 7 and the IASB's amendments to 39 and IAS 1.

SINGAPORE

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The Council on Corporate Disclosure and Governance (CCDG) has issued the following, which are identical to those issued under the IASB's agenda during the 1st quarter of 2006:

New/Revised Standards and Interpretations:

- FRS 107 (IFRS 7) Financial Instruments: Disclosures;
- Amendment to FRS 1 (IAS 1) Presentation of Financial Statements on Capital Disclosures;
- Amendments to FRS 21 (IAS 21) The Effects of Changes in Foreign Exchange Rates on Net Investment in a Foreign Operation;
- Amendments to FRS 39 (IAS 39) Financial Instruments: Recognition and Measurement on Fair Value Option;
- Amendments to FRS 39 (IAS 39) Financial Instruments: Recognition and Measurement and FRS 104 (IFRS 4) Insurance Contracts on Financial Guarantee Contracts;
- Amendments to FRS 101 (IFRS 1) First-time Adoption of Financial Reporting Standards on comparative disclosures for FRS 106 (IFRS 6) Exploration for and Evaluation of Mineral Resources;
- Revisions to FRS 104 (IFRS 4) Insurance Contracts: Implementation Guidance;
- INT FRS 107 (IFRIC Interpretation 7) Applying the Restatement Approach under FRS 29 (IAS 29) Financial Reporting in Hyperinflationary Economies; and
- INT FRS 106 Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment (IFRIC Interpretation 6).

SINGAPORE, continued

Proposed Standards:

- ED Proposed Amendments to FRS 1 (IAS 1) A Revised Presentation;
- ED Proposed Amendments to FRS 102 (IFRS 2) Vesting Conditions and Cancellations; and
- ED FRS Operating Segments (ED IFRS 8).

Proposed Interpretation:

- ED INT FRS Interim Financial Reporting and Impairment (IFRIC Draft Interpretation D18).

The following exposure drafts on proposed standards are still outstanding:

Issued in 2004

- ED Proposed Amendments to FRS 103 (IFRS 3) Business Combinations – Combinations by Contract Alone or Involving Mutual Entities.

Issued in 2005

- ED Proposed Amendments to FRS 37 (IAS 37) Provisions, Contingent Liabilities and Contingent Assets and FRS 19 (IAS 19) Employee Benefits;
- ED Proposed Amendments to FRS 27 (IAS 27) Consolidated and Separate Financial Statements; and
- ED Proposed Amendments to FRS 103 (IFRS 3) Business Combinations.

The following exposure drafts on proposed interpretations are still outstanding:

Issued in 2004

- ED INT FRS Multi-employer Plans (IFRIC Draft Interpretation D6);
- ED INT FRS Members' Shares in Co-operative Entities (IFRIC Interpretation 2);
- ED INT FRS Employee Benefit Plans with a Promised Return on Contributions or Notional Contributions (IFRIC Draft Interpretation D9); and
- ED INT FRS Changes in Contributions to Employee Share Purchase Plans (IFRIC Draft Interpretation D11).

Issued in 2005

- ED INT FRS Service Concession Arrangements – Determining the Accounting Model (IFRIC Draft Interpretation D12);
- ED INT FRS Service Concession Arrangements – The Financial Asset Model (IFRIC Draft Interpretation D13);
- ED INT FRS Service Concession Arrangements – The Intangible Asset Model (IFRIC Draft Interpretation D14);
- ED INT FRS Reassessment of Embedded Derivatives (IFRIC Interpretation 9);
- ED INT FRS Scope of FRS 102 Share-based Payment (IFRIC Interpretation 8); and
- ED INT FRS 102 Group and Treasury Share Transactions (IFRIC Draft Interpretation D17).

TAIWAN

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In December 2005, the Accounting Research and Development Foundation (ARDF) in Taiwan revised Statement of Financial Accounting Standards No. 25 *Business Combinations - Accounting Treatment under Purchase Method* to adopt the IFRS 3 approach to goodwill. Under IFRS 3, goodwill is not amortised but, instead, is tested for impairment at least annually. This revision to SFAS 25 is effective for financial years beginning on or after 1 January 2006. Earlier application is not permitted. Financial statements that had been prepared in accordance with the provisions of SFAS No.25 prior to the revision do not have to be restated retroactively.

In the fourth quarter of 2005, the ARDF also revised SFAS No.1 *Conceptual Framework for Financial Accounting and Preparation of Financial Statements*; SFAS No.5 *Long-Term Investments in Equity Securities*; SFAS No.7 *Consolidated Financial Statements*; and SFAS No. 35 *Accounting for Asset Impairment*. The revisions, which were made for purposes of harmonising those standards with SFAS No. 25, should be applied to accounting periods beginning on or after 1 January 2006. Earlier application is not permitted.

The ARDF is now framing SFAS No.37 *Accounting for Intangible Assets*. This standard, which is in line with IAS No. 38 *Intangible Assets*, will specify standards for recognising, measuring, and disclosing information about intangibles.

Furthermore, SFAS No. 34 *Accounting for Financial Instruments*, and SFAS No. 36 *Presentation and Disclosure of Financial Instruments* have been adopted effective 1 January 2006.

The most comprehensive IFRS news on the Net

The IAS Plus website, maintained by Deloitte, provides the most comprehensive information on the Internet about international financial reporting. It is aimed at accounting professionals, businesses, financial analysts, standard-setters and regulators, and accounting educators and students. The site, which is totally free of charge, has a broad array of resources about the International Accounting Standards Board and International Financial Reporting Standards, including:

- A news page (updated almost daily). Day-by-day past news back to December 2000.
- Detailed summaries of all Standards and Interpretations.
- E-learning modules for each IAS and IFRS – made available at no charge in the public interest.
- Model IFRS financial statements and disclosure checklists.
- Downloadable Deloitte publications relating to IFRSs (over 60 publications available).
- Background and updates on all IASB and IFRIC agenda projects, including decision summaries of all IASB meetings.
- Comparisons of IFRSs and various national GAAPs.
- Complete history of the adoption of IFRSs in Europe, with links to all the relevant documents.
- Information about adoptions of IFRSs elsewhere around the world.
- Updates on national accounting standards development in nearly 40 countries throughout the world.
- A resource library of important documents relating to International Financial Reporting Standards.
- Description of the IASB structure, component bodies, and key organisations with which it interrelates.
- History of the IASB, including a comprehensive chronology.
- Links to nearly 200 global IFRS-related websites.
- Even some tools to help in your work, such as world time clock, 9-year calendar, unit conversions, amortisation calculator, telephone codes, currency converter, stock market indexes, worldwide weather, and a calculator.
- Some statistics about our site (April 2006):

Total visitors: 3,400,000

Average page views per visitor: Over 4

Number of files: 2,990

Total file size: 410mb

Number of HTML pages: 512

HTML page views per month: Over 500,000

GIF image files: 386

JPG image files: 126

Downloadable PDF files: 1,930

Links to other websites: 1,023

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