



Convergence with IFRS around the World: IASB activities Update

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Disclaimer

Expressions of individual views by members of the IASB and its staff are encouraged. The views expressed in this presentation are those of the speaker.

Official positions of the IASB on accounting matters are determined only after extensive due process and deliberation.



Outline

- **Objectives of IASB**
- **Convergence efforts (EU, USA, Canada, China, Koera and Japan etc)**
- **Three new projects**
- **Stability of IFRSs & enhanced consultation**



Objectives of IASB

- Development of a *single set* of high quality, understandable and enforceable global accounting standards that require *high quality, transparent and comparable* information in financial statements;...
- Bringing about *convergence* of national accounting standards and IFRS to high quality solutions



Achieving Convergence with IFRS Worldwide

- Put emphasis on achieving relationship with regionally and worldwide
- Deletion of “liaison countries” (June 2005)
- Regional Interaction:
 - Regular meeting with NSS in the region
 - South East Asia, China/Japan/Korea etc
- World Standards setters meeting:
 - Five annual meetings since November 2002



EU adoption of IFRS

- **European Commission's IFRS Regulation**
 - **Passed in 2002**
 - **Requires all EU companies listed on EU regulated markets to prepare first full consolidated IFRS accounts for 2005**
 - **Member States may extend to 2007 for**
 - **companies using US GAAP**
 - **companies with only listed debt**
 - **Option to require IFRS for other companies**



Convergence project with US

- **A focus is convergence with US FASB**
- **Norwalk Agreement aims to achieve convergence in short and long term (October 2002)**
- **MoU related to SEC Roadmap is second step of Norwalk Agreement (February 2006)**



Convergence project with US

■ Agreement

- SEC 'road map' – removal of reconciliation to US GAAP by 2009, provided conditions are met
- April 2005 – SEC/EC agreed on 'roadmap'
- Progress of convergence by 2008

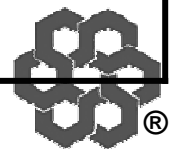
■ Target

- Not necessary to achieve full convergence on all standards
- Working jointly and making progress on major projects by 2008 (MoU)



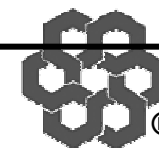
Convergence project with US FASB – ‘MoU – Short term’

FASB examination	IASB examination
Fair value option	Borrowing costs
Impairment (with IASB)	Impairment (with FASB)
Income tax (with IASB)	Income tax (with FASB)
Investment properties	Government grants
Research and development	Joint ventures
Subsequent events	Segment reporting



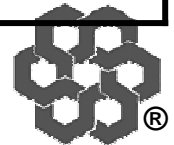
Convergence with US FASB – ‘MoU – Other projects’

Project	Progress to achieve by 2008
Business Combinations	To have issued converged standards (projected for 2007)
Consolidations	To implement work aimed at the completed development of converged standards as a matter of high priority
Fair Value Measurement	To have issued converged guidance



Convergence with US FASB – ‘MoU – Other projects’

Project	Progress to achieve by 2008
Liabilities / equity	To have issued one or more due process documents
Performance Reporting	To have issued one or more due process documents on the full range of topics
Post-retirement benefits (inc. pensions)	To have issued one or more due process documents



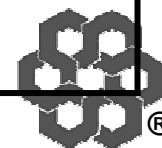
Convergence with US FASB – ‘MoU – Other projects’

Project	Progress to achieve by 2008
Revenue Recognition	To have issued one or more due process documents
Derecognition	To have issued a due process document relating to the results of staff research efforts
F Instruments (replace existing standards)	To have issued one or more due process documents relating to the accounting for financial instruments



Convergence with US FASB – ‘MoU – Other projects’

Project	Progress to achieve by 2008
Intangible assets	To have considered the results of the IASB’s research project and made a decision about the scope and timing of a potential agenda project
Leases	To have considered and made a decision about the scope and timing of a potential agenda project



Convergence Effort in Canada

- **Strategy announced in January 2006**
- **Separate strategies for major categories of entities**
- **For public companies, converge Canadian GAAP with IFRS**
 - **US GAAP as an alternative**
 - **5 year transition then “big bang” (2011)**



Convergence Project with China

- **June 2005 – China agrees to make up an action plan to achieve high-quality accounting standards**
- **October 2005 – IASB staff was in China to discuss Chinese EDs for convergence**
- **November 2005 – the 1st convergence meeting including IASB Board members**
- **February 2006 – issuance of new standards substantially converged with IFRS in main principles (effective from January 2007 for listed companies)**



Convergence Effort in Korea

- February 2006 – establishment of ‘IFRS convergence task force’ to discuss the three step strategy – replacement of KAS by translated version of IFRS (full adoption)
- Phase I – Optional application of KIFRS or KAS for all entities (starts by 2009)
- Phase II – Application of KIFRS to listed global entities
- Phase III – Application of KIFRS to all listed entities
- Timing of Phase II and III is not decided



Convergence Project with Japan

- **October 2004 –inauguration of the Joint Convergence project**
- **March 2005 –items to be dealt with in the 1st phase were announced (1st meeting)**
- **September 2005 – progress has been reported (2nd meeting)**
- **March 2006 – a new (whole picture) approach agreed and three new items added (Asset removal obligation etc) (3rd meeting)**
- **September 2006 – 4th meeting was held in London**



New Project Employee Benefits

- **Phased approach**
- **First phase by 2010**
 - **Presentation & disclosure**
 - **Definition of DB & DC arrangements and accounting for cash balance plans**
 - **Deletion of smoothing & deferral mechanisms**
 - **Treatment of settlements and curtailments**
- **Second phase – not yet decided**
- **Working closely with FASB**



New Project Leases

- **Fundamental reconsideration of lease accounting – DP will be in late 2008**
- **For both lessee and lessor**
- **Focus on assets and liabilities arising from contractual rights and obligations**
- **To reflect the conveyance of the right of use and control of the associated future economic benefits**



New Project

Related party disclosures

- **Proposed by CASC & ASBJ**
- **Review of requirements re state-owned entities (SOE) transactions with SOEs**
- **Review of the disclosure scope**
- **Transactions between an associate and a subsidiary of the associate's significant investor**
- **ED will be by the end of 2006**



Stability of IFRSs & enhanced consultation

- 12 months lead time to the implementation
- DP for Conceptual framework
- DP for Fair value measurement
- Round-table discussions for review of IAS 37 and measurement phase of CF
- No requirement to apply new IFRSs until 2009 (four year stability)



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