

In the January 2010 issue

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The changing landscape of financial reporting in 2010

2010 is going to be an interesting year in the accounting standard-setting arena. The financial crisis may have passed but its implications are still being felt. This year we can expect to see many of the initiatives of the standard-setters to address the accounting problems highlighted during the financial crisis coming to fruition. Project Director Deepa Raval looks at the scene and surveys the year ahead.

The environment

Accounting standards were the subject of much discussion last year with politicians and regulators in particular becoming involved in the debate. Most notably, accounting standards were a feature of both the G20 Economic Summits held during 2009, where the leaders have called upon the International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) to 'redouble their efforts to achieve a single set of high quality, global accounting standards within the context of their independent standard-setting process'.

More specifically, the G20 encouraged the IASB and FASB to take action by the end of 2009 to:

- reduce the complexity of accounting standards for financial instruments;
- strengthen accounting recognition of loan-loss provisions by incorporating a broader range of credit information;
- improve accounting standards for provisioning, off-balance sheet exposures and valuation uncertainty;

as well as making significant progress on convergence. The European Union (EU) also pressed the IASB to find solutions to crisis related issues in time for the preparation of the 2009 year end financial statements, notably on the application of fair value accounting (on which more below).

The detail of how the two Boards have responded can be seen on the IASB's website at <http://www.iasb.org/Financial+crisis/Response+to+the+credit+crisis.htm>. But it has led to a busy period for all participants in the financial reporting community. The ASB, for example, responded to 27 consultations from Cannon Street during 2009, with at least another 15 anticipated for 2010.

The saga of IFRS 9

The major development during the year was the issue by the IASB, on 12 November, of International Financial Reporting Standard (IFRS) 9 on the classification and measurement of financial assets, and the reaction to its publication in the EU. IFRS 9 represents the first phase of the IASB's work to replace its existing standard (IAS 39)

on the recognition and measurement of financial instruments.

The IASB had been urged by many to issue a standard by the end of 2009, with early adoption permitted from 2009 year-end financial statements. In finalising the standard, the IASB had sought to respond to a number of European concerns, in particular to give primacy to the so-called business model test as the main criterion for determining which financial assets should be measured at amortised cost, and scoping out financial liabilities (which had been included in the Exposure Draft, (ED).

Given the importance of the issue, moves were made to provide for the possibility of a 'fast-track' endorsement of IFRS 9 for use in the EU in time for 2009 year-ends. The European Financial Reporting Advisory Group (EFRAG) provided draft advice that IFRS 9 met the technical criteria for endorsement and recommended that it should be adopted for use in the EU. The ASB supported EFRAG's recommendation and encouraged UK constituents to register their support. However, while the UK business

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community was solidly in support of endorsing IFRS 9, this was not the case across all of Europe, as was evident from a stakeholder meeting hosted by the European Commission on 11 November. Following an Accounting Regulatory Committee (ARC) meeting later that day, it was decided not to seek an accelerated endorsement of IFRS 9, although Commissioner McCreevy subsequently wrote to the Chairman of the Trustees of the International Accounting Standards Committee Foundation (IASCF) to emphasise that the EC remains “fully committed to IFRS as the single set of globally accepted accounting standards”.

At the time of writing, there are no indications of when endorsement might be expected. The assumption is that the usual process for endorsement is being followed.

In 2010 we hope to see the standard-setting process escaping political pressures and focusing on quality. In particular the process needs to allow sufficient time for consultation field-testing to ensure the standards produced are workable.

So what can we expect from the IASB in 2010?

Further new standards which address some of the issues arising from the global financial crisis are due to be issued. The most significant changes to financial reporting will be contained in the next phases of the new standard on financial instruments. The IASB has set itself an ambitious target that the complete IFRS 9 will be available by the end of 2010. The key dates for each of the phases are listed below.

Phase	Timeline
Classification and measurement of financial liabilities	Early 2010
Impairment	ED published 5 November 2009 Comments due by 30 June 2010
Hedge Accounting	ED expected Q1 2010
Other related projects	
Derecognition	Standard expected Q3/Q4 2010
Fair Value Measurement	Standard expected Q3 2010

Financial liabilities

Prior to issuing the standard on Classification and Measurement the IASB decided to exclude financial liabilities from the scope of this part of the project. The main reasons for this relate to unresolved issues relating to own credit risk and the treatment of embedded derivatives. Members of the IASB's Financial Instruments Working Group (FIWG) were asked for their views on the treatment of own credit risk in December 2009. It is expected that the IASB will use input from its outreach activities to develop an approach for financial liabilities in the upcoming months.

Impairment

In a nutshell, the IASB's Exposure Draft (ED) 'Financial Instruments: Amortised Cost and Impairment', issued in November 2009, proposes an expected loss model as an alternative to the current incurred loss approach. The main difficulty of the expected loss model is its operational aspects and there are calls for more guidance than is provided currently in the ED. An Expert Advisory Panel (EAP), which met for the first time in December, has been set up specifically to consider how the model can be implemented in practice. Further meetings of the EAP are due to be held every 4-6 weeks. The questions are whether the expected loss model represents an improvement and whether it will be acceptable to politicians and regulators, as the model is unlikely to solve the problem of banks having insufficient capital buffers.

Hedge accounting

The IASB is expected to publish an exposure draft on hedge accounting in the first quarter of 2010. The ED is likely to contain proposals to simplify the existing hedge accounting requirements. Discussions to date have focused on replacing fair value hedge accounting with an approach similar to cash flow hedge accounting whereby gains and losses on hedging instruments are deferred in Other Comprehensive Income (OCI) until such time as the hedged item affects profit or loss. The hedged item would not be adjusted under this approach. Portfolio hedge accounting and hedge accounting for

net investments in a foreign operation are going to be dealt with separately and may not form part of the ED. The main theme arising from discussions with constituents in this area is the lack of an overarching principle for hedge accounting. Further, there is a need for a hedge accounting model to provide further information about an entity's risks and how an entity uses hedging instruments to manage these risks.

Derecognition

The IASB is developing an alternative approach to derecognition based on the alternative approach proposed in the Derecognition ED published last year (as reported in *Inside Track 60*). Discussions are at an early stage. However, it is recognised that the treatment of repos, which would have come off balance sheet as proposed in the ED, is going to be problematic.

Fair Value Measurement

In January 2010, the IASB began joint discussions with FASB to develop converged fair value measurement guidance, in the light of responses to its May 2009 ED 'Fair Value Measurement' (reported on in *Inside Track 60*).

FASB work on financial instruments

FASB is planning to publish comprehensive proposals for its replacement standard for financial instruments in the first quarter of 2010 but is not as advanced as the IASB in its discussions. FASB is likely to move towards a full fair value model for classification and measurement, which could make a converged solution more difficult to achieve.

But convergence goes on

That said, both the IASB and FASB continue to work in pursuit of convergence. During November the two Boards reaffirmed their commitment to work together to bring about the convergence of IFRS and US GAAP and to intensify their efforts to complete the major joint projects set out in their Memorandum of Understanding (MoU).

Future of UK GAAP

As reported in *Inside Track 61*, the ASB published its Policy Proposal 'The Future of UK GAAP' on 11 August 2009, with a consultation period running until 1 February 2010. During this consultation period, representatives of the ASB have given 18 presentations on the proposals to around 2000 people and the Board has urged all interested parties to consider the proposals and submit their views.

So what's next?

- The first task will be for the ASB staff to analyse and report back to the Board feedback on the comment letter responses to the questions outlined in the proposals invitation to comment. At the time of writing this paper 20 comment letters have been received and it is anticipated that considerably more letters will be received around the deadline.
- The ASB plans, later in the year, to host its own 'Roadshow' to share with UK and Irish constituents the feedback from the initial analysis of the comment letter responses.
- All ASB Board meetings from February 2010 will include papers on the issues arising from the proposals to enable the Board to conclude on the most appropriate way forward.
- After due consideration to the feedback on this policy proposal it is the Board's intention that an Exposure Draft will be published outlining the Board's recommendations for the Future of UK GAAP.
- The Board together with the UK Department for Business Innovation and Skills (BIS) will explore more fully the most appropriate mechanism to implement the new UK GAAP and its consequential impact on other reporting requirements.

The final message remains that it is important that all interested parties submit their views on these proposals.

IASB Board publishes an exposure draft on the measurement of liabilities in IAS 37

Project Director Michelle Sansom gives an overview of the main proposals and outlines the ASB's views on these proposals

The IASB has in January issued an exposure draft (ED) that re-exposes the measurement of liabilities in IAS 37 from the proposals set out in the exposure draft issued June 2005 when it proposed to amend IAS 37 'Provisions, Contingent Assets and Contingent Liabilities' (June 2005 ED). The ED can be accessed from the IASB's website at <http://www.iasb.org/News/Press+Releases/IASB+re-exposes+proposals+on+measuring+liabilities.htm>.

Overview of proposals

The ED proposes that an entity measures a liability at the amount that it would rationally pay to be relieved of the present obligation. This is the lowest of:

- a. the present value of the resources required to fulfil the obligation;
- b. the amount that the entity would have to pay to cancel the obligation; and
- c. the amount that the entity would have to pay to transfer the obligation to a third party.

Where an entity is unable to transfer or cancel an obligation it measures the liability at the present value of the resources required to fulfil the obligation. This amount is made up of:

- a. expected cash outflows;
- b. the time value of money; and
- c. the risk that the actual outflows of resources might ultimately differ from those expected.

The expected cash outflows are calculated by:

- a. identifying each possible outcome;
- b. making an unbiased estimate of the amount and timing of the outflows of resources for that outcome;
- c. determining the present value of these outflows;
- d. making an unbiased estimate of the probability of each outcome.

The estimate of the outflows of resources incorporates, in an unbiased way, all available information about the timing and probability of the relevant future outflows and should be consistent with observable market prices.

The relevant future outflows are those that affect the amount that the entity would rationally pay to be relieved of the present obligation. For obligations that are fulfilled by making payments to the counterparty the relevant outflows include payments to the counterparty and associated costs. For obligations that will be fulfilled by undertaking a service the relevant future outflows are the amounts that the entity would rationally pay a contractor at the future date to undertake the service on its behalf.

In the circumstances that there is a market for the service the relevant future outflow is the price that the entity estimates a contractor would charge at the future date to undertake the service. In the circumstance that there is no market for the service then the relevant future outflows is the amount that the entity would charge another party at the future date to undertake the service – this amount includes a margin for profit. The discount rate to be applied is the current market assessment of the time value of money and risks that are specific to the liability.

An entity is also required to consider risk and make an adjustment for the risk that the actual outflows of resources might ultimately differ from those expected. The risk adjustment is said to be a measure of the amount the entity would rationally pay in excess of the expected present value of the outflows to be relieved of this risk.

An entity is required to adjust the carrying amount of a liability at the end of each reporting period to the amount that the entity would rationally pay to be relieved of the present obligation at that date.

ASB review of the proposals

The ASB considered an update to the project at its meeting in November 2009. It expressed concerns about the proposal that future outflows should incorporate a margin. The ASB is unclear why the IASB is proposing to alter the current requirements which are based on costs.

The ASB will be considering how to respond formally to the ED in the coming months. The IASB deadline for comments is 12 April 2010.

European Developments

European Financial Reporting Advisory Group (EFRAG) Issues

A report of EFRAG's Supervisory Board (SB) on November 2009 is available on the EFRAG website at: <http://www.efrag.org/news/detail.asp?id=480>. The SB met again on 19 January, but no report of that meeting was available at the time of going to press. We understand that the SB considered recommendations from EFRAG's Nominating Committee for the appointments and re-appointments to EFRAG's Technical Experts Group (TEG), including a new TEG Chairman.

The ASB continues to work with EFRAG and other major European standard-setters on proactive issues which fall within the remit of the Planning and Resources Committee (PRC) of EFRAG. Ian Mackintosh is a member of the PRC. The PRC held its latest meeting on 26 January, where the agenda items included the status of current proactive projects, proposals for new projects and a discussion of a proposed research strategy for proactive work.

As reported in *Inside Track 59*, a research paper 'Performance Reporting: A European Discussion Paper' was issued in March 2009. The paper explores some fundamental issues about the presentation of financial performance. The ASB responded to the DP in December, welcoming its issue as a contribution to the performance reporting debate, and agreeing with the views that:

- performance is a complex, multi-faceted issue that cannot be encompassed in one or a few numbers;
- key lines are very important;
- requiring one or two statements of performance is peripheral as long as the key lines that meet user needs are reported.

On alternative models for disaggregating performance, the ASB supports a model based on a split of operating, investing and financing activities. The ASB's response is available on the FRC website at: <http://www.frc.org.uk/asb/publications/other.cfm?cat=74>.

European Commission

The European Commission is currently reviewing the 4th and 7th Company Law Directives (usually referred to as the Accounting Directives). It issued a report on 21 October summarising the responses to its February 2009 consultation. The report, which is available at : http://ec.europa.eu/internal_market/accounting/sme_accounting/review_directives_en.htm contains a detailed analysis of the 105 substantive responses and does not give an indication of the likely direction the Commission will take on the review.

In the meantime, the European Commission has launched (on 17 November), a public consultation on the IFRS for SMEs, with a deadline for comments of 12 March 2010. The aim of the Commission document is to seek views of EU constituents on the IFRS for SMEs: it does not contain any views or comments on whether it is compatible with the current Accounting Directives, but simply notes that the Commission Services are working on this issue with EFRAG and other experts. The ASB plans to submit a response. The consultation document can be accessed at: http://ec.europa.eu/internal_market/consultations/2009/ifrs_for_sme_en.htm.

EFRAG has been asked by the Commission to consider compatibility issues. EFRAG has set up an SME Working Group to assist the TEG in this exercise. The SME Working Group is preparing a paper which looks at

IFRS for SMEs section by section, and highlights where there are (a) differences between its provisions and those in the Directives; and (b) potential conflicts between them.

EU Endorsement of IFRS

Any new or revised IFRS or IFRIC Interpretation has first to be endorsed for use in the EU before it can be applied by EU-listed companies in their consolidated financial statements under a process first set out in Regulation 1606/2002, and as amended in Regulation 297/2008.

During January, EFRAG issued its latest report showing the status of endorsement for application in the EU of each IFRS and IFRIC Interpretation. The report can be downloaded from the EFRAG website at: <http://www.efrag.org/news/detail.asp?id=470>. There are currently 7 IASB pronouncements awaiting European Commission endorsement for use in Europe:

Standards

- IFRS 9 Financial Instruments

Interpretations

- Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

Amendments

- Improvements to IFRSs (Issued 16 April 2009)
- Amendments to IFRS 2 Group Cash-settled Share-based Payment Transactions
- Amendments to IFRS 1 Additional Exemptions for First-time Adopters
- IAS 24 Related Party Disclosures.

International Issues

ASB Publication

ASB visit to Japan

During January, ASB Chairman Ian Mackintosh and Technical Director David Loweth visited Japan to hold discussions with the Accounting Standards Board of Japan (ASBJ), the Japanese Financial Services Agency (FSA) and Japanese market participants. The visit was timely given the announcement made by the Japanese FSA in December to allow for the voluntary application of IFRS by Japanese listed companies whose financial or operational activities are conducted internationally, for fiscal years beginning on or after 31 March 2010.

National Standard-Setters (NSS) meeting April 2010

As part of the ASB's influencing role, Ian Mackintosh chairs a group of national accounting standard-setters from around the world, plus other organisations that have a close involvement in financial reporting issues. Preparations are underway for the next meeting of the NSS group, which will take place in Seoul on 14-15 April.

International Accounting Standards Committee Foundation (IASCF) Review of the Constitution

As reported in *Inside Track 59*, the IASCF Constitution commits the Trustees to undertake a five-yearly review of the organisation's constitutional arrangements. The second such review is now underway. The Financial Reporting Council (FRC) responded to the Trustees' latest consultation 'Proposals for Enhanced Public Accountability' in November. The response is available at <http://www.frc.org.uk/publications/pub2179.html> and highlights a number of key messages:

- the convergence of national accounting standards and IFRS should not be an objective of the organisation, but rather considered as one of the means by which a set of high-quality globally accepted accounting standards could be enhanced;
- the IASB should consult widely and publicly on its agenda priorities as part of discharging its accountability and in demonstrating that its activities are in the public interest; and
- while the FRC supports the notion of a fast-track procedure for dealing with urgent changes to IFRS, this should happen only in rare circumstances and where there is a clear justification, with a minimum 30 day consultation period.

Amendment to FRS 25 'Classification of Rights Issues'

The ASB has, in January, published an amendment to FRS 25 (IAS 32) Financial Instruments: Presentation 'Classification of Rights Issues'. The amendment requires a rights issue involving the exchange of a fixed number of an entity's own equity instruments for a fixed amount of cash denominated in a foreign currency to be classified as an equity instrument.

The amendment follows the issue of 'Classification of Rights Issues – Amendment to IAS 32' published by the IASB in October 2009.

The ASB published a Financial Reporting Exposure Draft (FRED) in November 2009 proposing parallel amendments to FRS 25. Respondents to the FRED were supportive of the ASB's proposals on the basis that the amendment ensures consistency with IAS 32 'Financial Instruments: Presentation'.

Entities are required to apply the amendment for annual periods beginning on or after 1 February 2010.

Update on Current

Management Commentary

The IASB published an ED on Management Commentary (MC, the international term for the Business Review/Operating and Financial Review, OFR) on 23 June 2009. The ED sets out a proposed non-mandatory framework to help entities prepare and present MC, building on the responses to the Discussion Paper issued in 2005 by an international project team (including ASB staff). The ED is open for comment until 1 March 2010.

The ASB has long believed that the publication of a narrative explanation of a company's development, performance, position and prospects should be regarded as an important element of best practice in corporate reporting. The ASB is finalising its response to the ED broadly supporting the flexible 'framework' approach in the ED, but highlighting its view that the desirable qualitative characteristics of MC are not all the same as those that apply to the financial statements. We agree that the qualitative characteristics of management commentary should be relevance, timeliness and understandability. We also agree that management commentary should be comparable, but only over time and not as between entities, given that the purpose of management commentary is explain management's view of the entity. But we have concerns that management commentary can possess the qualitative characteristics of faithful representation, in particular the requirement for information to be 'neutral'. We would prefer that management commentary should possess the characteristic of 'balance', as suggested in the October 2005 DP. We also have concerns that verifiability can be applied to management commentary and again we prefer the characteristic of 'supportability' suggested in the DP.

Financial Statement Presentation

The IASB continues to debate issues related to financial statement presentations in light of the responses to its Discussion Paper (DP). The DP, published in March 2009, was described in *Inside Tracks 58 and 59*.

Some of the tentative decisions made by the IASB in its joint October and December 2009 meetings with the FASB are to:

- Add an additional subcategory to the business section in the financial statements labelled 'financing arising from operating activities', which will include items such as the defined benefit pension liability. This category is in addition to the operating and investing subcategories in the business section already proposed in the DP;
- Specify that an entity must classify its cash balance at the reporting entity level, rather than at the reportable segment level as proposed in the DP. This means that cash will be presented in one category on the Statement of Financial Position (SFP) instead of multiple categories as was possible in the DP;
- Require presentation of bank overdrafts in the debt category of the financing section of the SFP;
- Replace the reconciliation schedule proposed in the DP with an analysis of the changes in balances of all significant asset and liability line items;
- Retain the DP proposal requiring preparation of a direct method cash flow statement, but supplemented by indirect method information in the notes; and
- Articulate an overall disaggregation principle that requires an entity to consider disaggregation by function, nature and measurement bases in the financial statements as a whole.

Leases

The IASB continues to debate issues related to accounting for leases in light of the responses received to its Leases Discussion Paper (DP).

The joint IASB/FASB November and December meetings included discussion of lessee and lessor accounting for optional lease terms, contingent rentals and the scope of a new standard on lease accounting. The following tentative decisions were reached:

- The recognised lease term would be the longest possible lease term that is more likely than not to occur;
- Both lessee's and lessor's would include contingent rentals in the lease obligation, measured using an expected outcome technique; and
- The scope of a new standard would exclude leases of intangible assets, biological assets and for exploration of natural resources such as oil and gas.

Insurance

2010 promises to be an important year for those interested in insurance accounting because the IASB is expecting to issue its long-awaited exposure draft of a comprehensive standard on Accounting for Insurance Contracts in Quarter2 2010. As the comment period will probably be at least four months, the ED will keep interested parties busy through the summer and into autumn. The current timetable envisages a final standard in mid-2011. The IASB is carrying out the project jointly with FASB, and the plan is that the two Boards will issue the same ED and put forward joint proposals. There are currently significant differences in the tentative conclusions the two Boards have reached separately. Effort is now being put into reducing these. The shape and direction that the proposed standard will take is not yet clear, although it is likely that all insurance obligations should be measured using the following building blocks:

Projects

- the unbiased, probability-weighted average of future cash flows expected to arise as the insurer fulfils the obligation;
- the time value of money;
- a risk adjustment for the effects of uncertainty about the amount and timing of future cash flows; and
- an amount that eliminates any gain at inception of the contract.

The ASB is following the IASB's discussions closely, and it is envisaged that there will be a more detailed update on this project in the next edition of Inside Track.

Credit Risk in Liability Measurement

The IASB considered responses to the Invitation to Comment on a staff paper at its meeting in September 2009 (see *Inside Track 61*). At this meeting the IASB decided to consider the findings from this work in its replacement project on IAS 39 'Financial Instruments'.

IASB Project on Post Employment Benefits

The IASB has now issued its amendment to IFRIC 14 'IAS 19 – Prepayments of a Minimum Funding Requirement'. The amendment applies in the limited circumstances when an entity is subject to minimum funding requirements and makes an early prepayment of contributions to cover these requirements. The amendment permits such an entity to treat the benefit of such an early prepayment as an asset. The amendment applies from 1 January 2011 with early adoption permitted.

The IASB will continue its deliberations of its Discussion Paper (DP) issued in January 2008 that made proposals to address a number of urgent issues with the aim of significantly improving accounting for pensions by 2011. At its meeting in January 2010 the IASB will consider disclosure proposals for the forthcoming ED. It is anticipated

that the ED will be published in the first quarter of 2010 and address recognition, presentation and disclosure.

Improvements to IFRSs

The International Financial Reporting Interpretations Committee (IFRIC) is currently deliberating the comments received on the IASB exposure draft of Improvements to IFRS issued in August 2009.

The ASB issued its Improvements to FRS in December 2009 that incorporated the improvements made by the IASB in its Improvements to IFRS issued in April 2009.

Consolidation

The IASB is continuing to consider the comments received on its exposure draft issued in December 2008 ED 10 'Consolidated Financial Statements'. At its January 2010 meeting the IASB considered control through voting rights (including less than a majority of voting rights), options and convertible instruments, kick-out rights and agency relationships.

At the joint IASB and FASB meeting in October 2009 the IASB agreed to amend its project timetable to give both Boards the opportunity to deliberate the consolidation requirements, with the goal that the FASB would publish an exposure draft that is consistent with the consolidation standard issued by the IASB. The Boards think that this approach increases the likelihood that the FASB and the IASB consolidation requirements will result in a converged solution.

IPSASB Update

The International Public Sector Accounting Standards Board (IPSASB), an independent standard-setting Board of the International Federation of Accountants, published in November 2009 a consultation paper '*Reporting on the Long-Term Sustainability of Public Finances*'. This seeks views on how information on the long-term sustainability of government programs, increasingly available in many jurisdictions, may complement information available in traditional financial statements, thereby increasing transparency and enhancing accountability and decision making.

Comments are requested by 30 April 2010 and the consultation paper is available to download free of charge from the IFAC website (<http://www.ifac.org/PublicSector>).

At its December meeting in Rome, IPSASB achieved its goal of substantial convergence with IFRSs dated 31 December 2008, with a series of new or improved standards. Three of these new International Public Sector Accounting Standards (IPSASs) deal with financial instruments – in terms of presentation, recognition and measurement, and disclosures. A fourth standard covers intangible assets and an improvements standard makes minor changes to existing IPSASs. They are primarily drawn from IFRSs, with limited changes dealing with public sector specific issues. In addition, IPSASB approved an exposure draft covering service concessions.

The new standards and the exposure draft will be available to download free of charge from the IFAC website (www.ifac.org/publications) in January 2010.

UITF and IFRIC Update

The IFRIC issued IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' in November 2009. IFRIC 19 applies in the circumstances that an entity renegotiates the terms of a financial liability and issues equity instruments to extinguish all or part of the financial liability.

IFRIC 19 requires that the equity instruments issued are measured at their fair value. If their fair value cannot be reliably measured the equity instruments are measured to reflect the fair value of the financial liability extinguished. IFRIC 19 states the difference between the financial liability extinguished and the initial measurement amount of the equity instrument issued is included in profit and loss.

The IFRIC is currently developing a draft Interpretation that will address the accounting for production phase stripping costs in the mining industry.

In addition, the IFRIC has decided to take onto its agenda a project to clarify the vesting conditions in accordance with IFRS 2 'Share-based Payment'.

People

Pauline Wallace, PwC's UK leader of public policy and regulatory affairs, has joined the Board to take the slot vacated by **Mike Ashley**.

Kirsty Gray has been appointed and **Lynn Hine** has been reappointed to the Board's Committee for Public-benefit entities (CAPE).

Steve Bailey has been reappointed to the Board's Committee for Smaller Entities (CASE).

On the staff side, **Melanie Kerr** has returned to live in Canada.

Further Information

For further information on any of these topics please contact Peter Godsall at Aldwych House.

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The Board's Publications

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