



The future of IFRSs The path forward for the IASB

IMA-France -- September 2011

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The views expressed in this presentation are those of the presenter, not necessarily those of the IFRS Foundation or the IASB

From 2001 to 2011

A decade of success

Past ten years shaped by mainly three events:

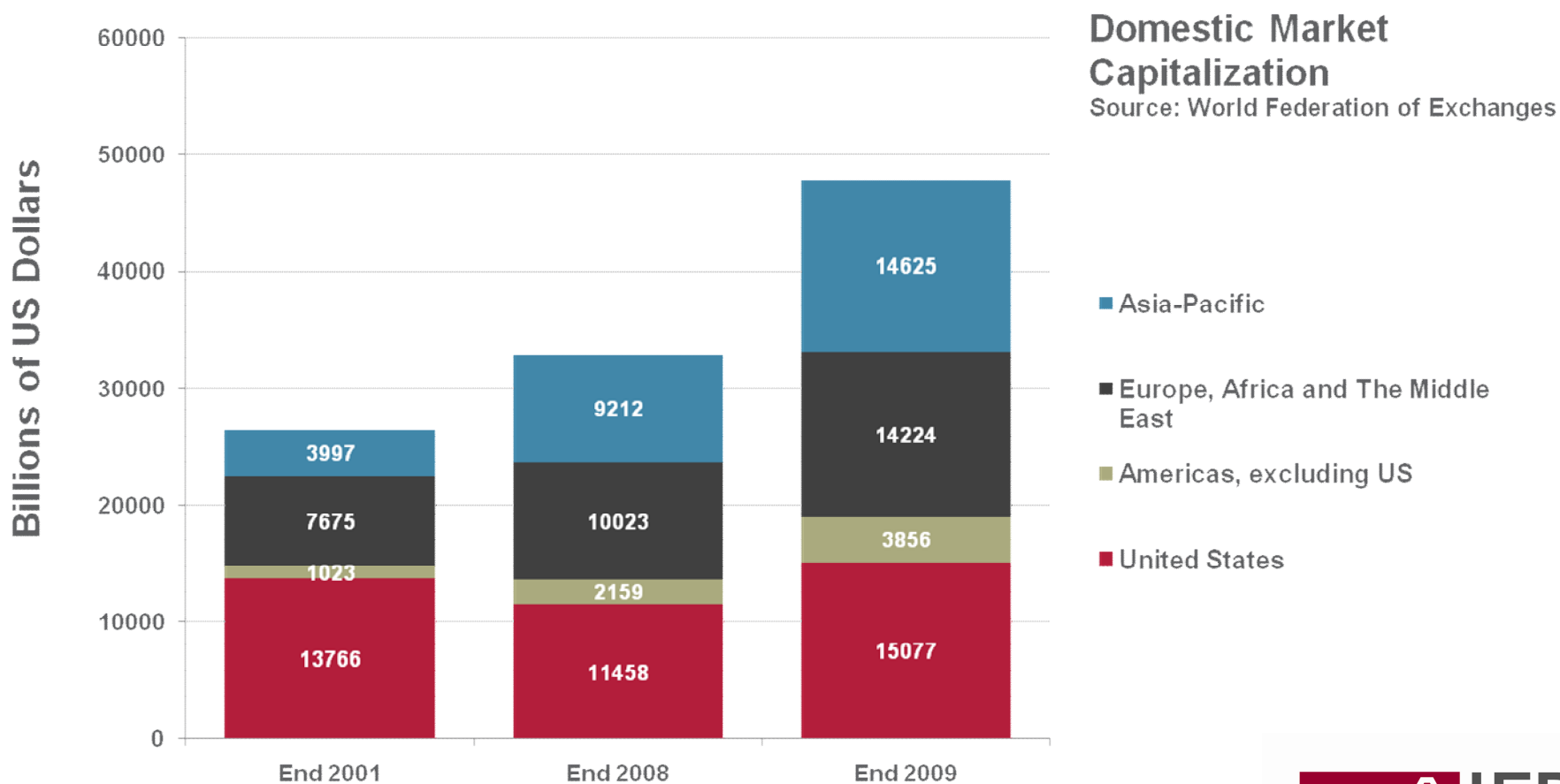
- 1. Upgrading** inherited standards for European adoption (and others) in 2005;
- 2. Promoting** the adoption of IFRSs around the world; in particular the G20-endorsed convergence programme with US FASB; and
- 3. Responding** to the financial crisis in line with the requests of the G20 and others; supporting a second wave of economies preparing to adopt IFRSs.

A growing community

- +120 countries require or permit use of IFRSs
- More to come

Fortune G500	Based on announced plans		
	2009	2013	Japan 2015?
Which GAAP?			
IFRSs and word-for-word IFRS equivalents	190	245	310
US GAAP	155	155	140
National GAAPs	155	100	50
Total	500	500	500

Success of IFRSs driven by needs of global capital markets



Convergence – 10 years of success

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- 2002 – Norwalk Agreement
- 2006 – A roadmap to convergence / MoU IASB-FASB
- 2008 – removal of reconciliation requirement for non-US companies; completion of short-term convergence programme
- 2009 – Reaffirming the commitment
- 2010 – Modified convergence strategy – prioritize !
- 2011 – SEC decision

➔ The future?

Short-term convergence projects

Project	Status	Result
Share-based payments	✓ Completed	Substantially converged standards issued in 2004.
Segment reporting	✓ Completed	IFRS 8 Segment Reporting issued in 2006.
Non-monetary assets	✓ Completed	FAS 153, Nonmonetary Assets issued in 2004.
Inventory accounting	✓ Completed	FAS 151, Inventory Costs issued in 2004.
Accounting changes	✓ Completed	FAS 154, Accounting Changes and Error Corrections issued in 2005.
Fair value option	✓ Completed	FAS 159, issued in 2007.
Borrowing costs	✓ Completed	Revised IAS 23 Borrowing Costs issued in 2007.
Research Costs	✓ Completed	FAS 141R, Business Combinations issued in 2007.
Non-controlling interests	✓ Completed	FAS 160 issued in 2007.
Joint ventures	✓ Completed	IFRS 11 Joint Arrangements issued in May 2011.
Income tax	Reassessed as a lower priority project	IASB exposure draft in 2009.
Investment entities	IASB ED published in 08/2011, FASB ED to follow	Broadly aligned proposals, joint deliberation

Main MoU projects

Project	Status	Result
Business combinations	✓ Completed	Joint requirements for business combination accounting and non-controlling interests issued in 2008.
Derecognition	✓ Completed	Each board has introduced reforms substantially aligning the disclosure requirements and bringing US GAAP accounting requirements closer to IFRSs.
Consolidated financial statements (incl disclosure about off balance sheet risks)	✓ Completed	IFRS 10 Consolidated Financial Statements and IFRS 12 Disclosure of Interests in Other Entities issued in May 2011. FASB agent-principal guidance
Fair value measurement	✓ Completed	IFRS 13 -- Joint definition and measurement guidance issued in May 2011
Post-employment benefits	✓ Completed	Amendments to IAS 19 Employee Benefits issued in May 2011.
Financial statement presentation	Joint OCI amendments issued in May 2011	Reassessed as a lower priority project in 2010. However, amendments made to closer align presentation of OCI
Financial instruments with the characteristics of equity	Deferred	Joint DP in 2008. Reassessed as a lower priority project in 2010.
Intangible assets	Not added to the agenda	—

- Substantially completed response to financial crisis in line with G20 recommendations
- About to complete key convergence areas (joint)
 - Financial instruments
 - Leasing
 - Revenue recognition
- Completing project on insurance accounting (joint since 2009)
- Expected decision on US adoption of IFRSs
- More countries are joining

What's next

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“Under new management”

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Hans Hoogervorst, Chairman	Netherlands
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Elke Koenig	D
Patricia McDonnell	USA
Takatsugu Ochi	Japan
Paul Pacter	USA
Darrel Scott	RSA
John Smith	USA
Zhang Wei-Guo	China

But consistent views : supporting stability through transparency

- Transparency ensures an understanding of risks involved in a company's activities
- Transparency helps to avoid artificial noise in the balance sheet and P/L
- Transparency is therefore in the interest of investors and prudential regulators alike

- Stability is a result of transparency
- IFRSs provide the transparency needed

EN VUE

Hans Hoogervorst

En pointant les banques françaises comme de mauvais élèves pour avoir répercuté trop chichement sur leurs bilans la décote des obligations grecques, le tout nouveau président de l'IASB ne va pas améliorer l'image de cet organisme auprès de la place de Paris, qui avait beaucoup ferraillé contre la philosophie de sa réforme des normes comptables. Pourtant, ce Hollandais, né à Haarlem il y a cinquante et un ans, tranche avec le profil de ses prédécesseurs. Pour la première fois, ce n'est pas un comptable de profession, mais un politique, formé aux relations internationales à la John Hopkins University après des études à Amsterdam. Son expérience de la banque se limite à un passage de trois ans à la Banque Nationale de Washington, au début des années 1980, après quoi ce militant libéral, père d'un enfant, se lança dans une brillante carrière ministérielle aux Pays-Bas. Sa fascination pour le monde anglo-saxon a survécu à ses pérégrinations dans les cabinets gouvernementaux, et il s'est toujours vanté de ses excellentes relations outre-atlantique. Ministre de l'économie, c'est toutefois au portefeuille de la santé qu'il a laissé sa marque dans son pays, avec sa réforme de l'assurance-maladie - bien qu'il fut le premier à parvenir à un tel poste sans aucun bagage médical. Ce qui lui fait penser que pour faire la leçon à tous les comptables de la planète, ne pas en être un lui donne peut-être là encore un avantage (lire page 23).



MORCHISSE « LES ECHOS » 2011

Les Echos

Challenges ahead

- Complete strive to become single financial reporting language around the world (listed companies)
- Consolidate achievements – post-implementation reviews
- Achieve balance between desired stability of reporting framework and
 - need to help jurisdictions who have recently adopted IFRS (maintenance of existing platform)
 - complete current agenda – deliver 2015 stable platform
- Ensure consistent application of IFRSs
- Further strengthen governance

How to address the challenges

1. Continue to create high quality IFRSs - need to be beyond doubt
2. Further enhance outreach activities to strengthen due process
3. Take into account ability of preparers and users alike to digest new standards – careful choice of effective dates and transition methods
4. Ensure an even stronger system of accountability, providing all with a sense of ownership of IFRSs

An important first step

Consultation on future agenda

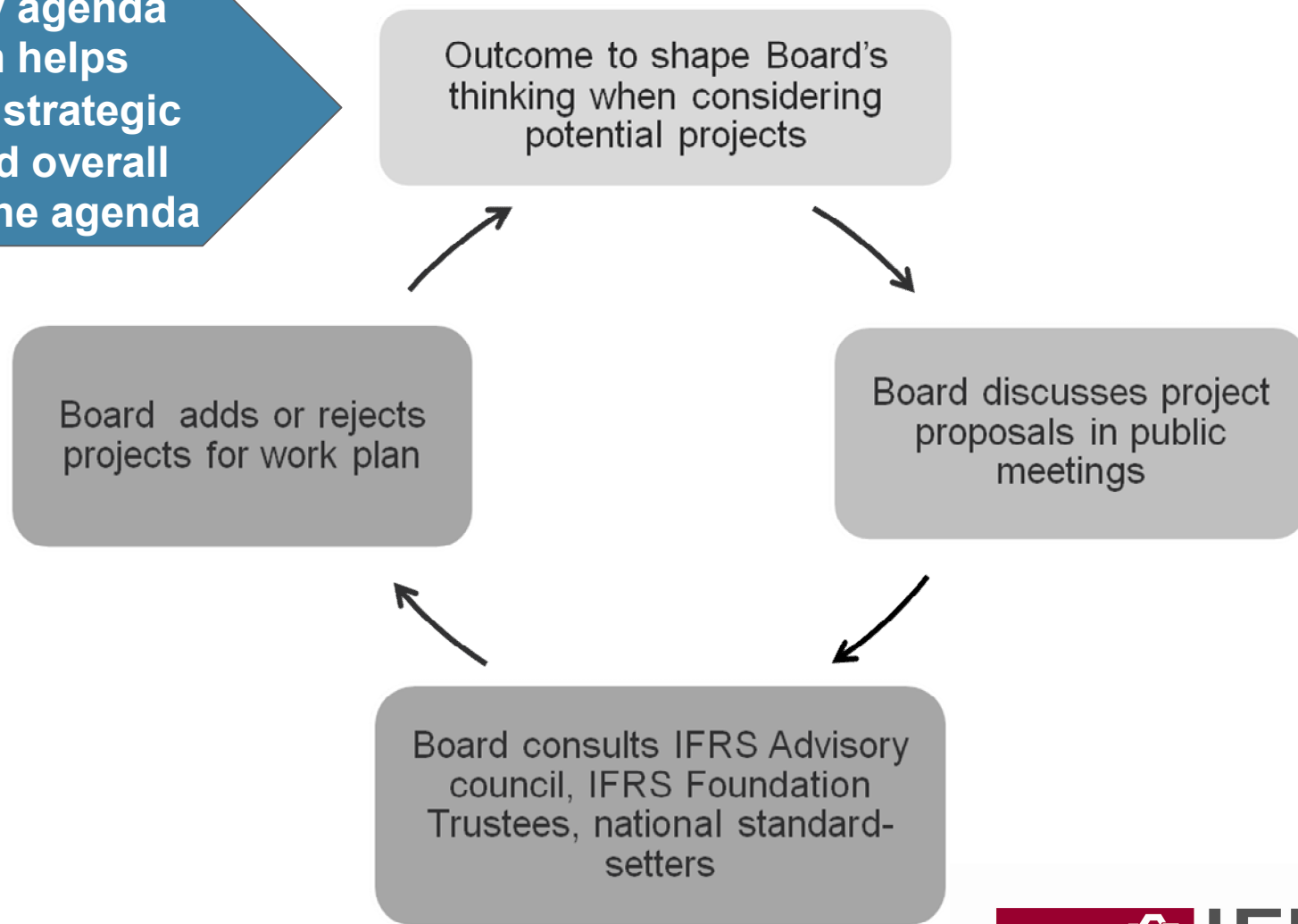
- First public agenda consultation
- Introduced by Trustees as a result of feedback received on constitution review
- Contributes to enhancing stakeholder engagement and the accountability and legitimacy of IFRSs

Objective: Understanding global financial reporting needs for the next few years

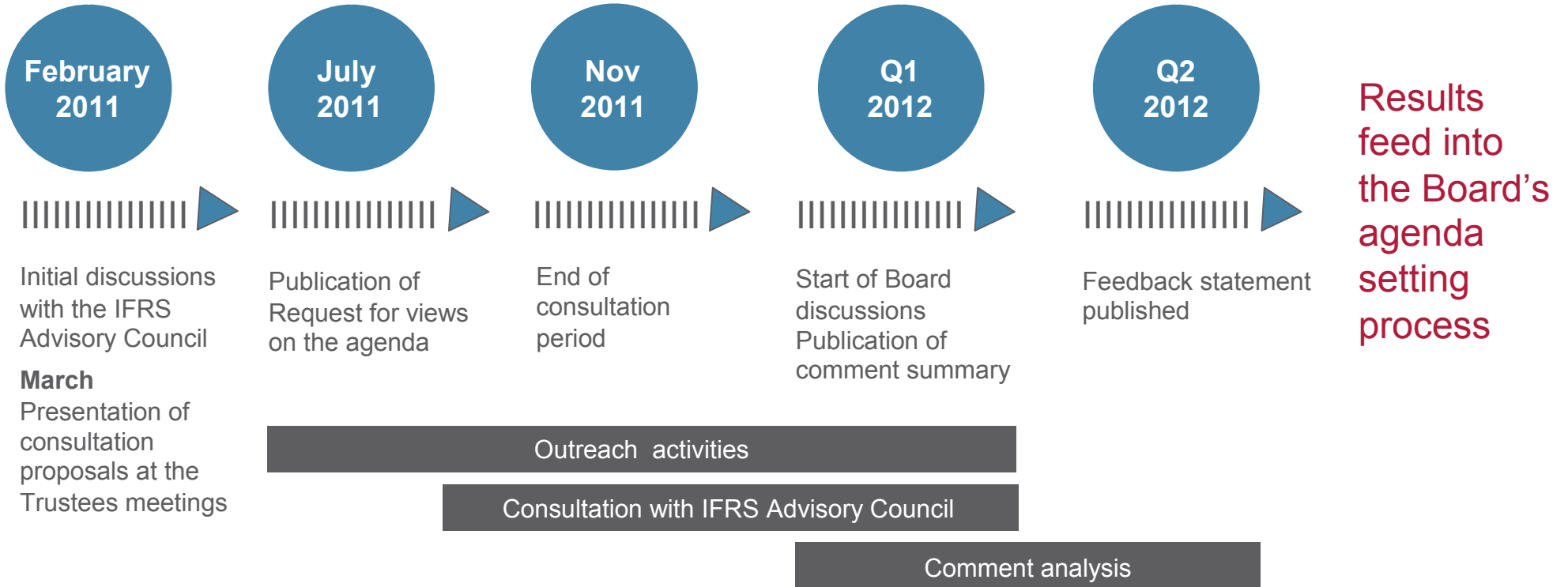
- Long list of deferred and suggested new areas
- Examples include:
 - Agriculture: bearer biological assets
 - Foreign currency translation
 - Other Comprehensive Income – what should be included and should it be recycled?
- Need to hear: what should we address, how and why -- considering: resource constraints (time and staff)

Shapes the broad direction but maintains its independence

Three-yearly agenda consultation helps shaping the strategic direction and overall balance of the agenda



Timeline



Active Projects

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**IASB Work Plan – projected targets as at
14 September 2011**



Financial Crisis related projects	2011 Q3	2011 Q4	2012	MoU	Joint
IFRS 9: Financial instruments (replacement of IAS 39)					
Deferral of mandatory effective date of IFRS 9 [ED, comments due 21 October 2011]	Comment Period				
Impairment		Re-exposure or Review draft		✓	✓
Hedge accounting					
General hedge accounting	Ballot (target IFRS Q4)			✓	
Macro hedge accounting		Publish ED			
Asset and liability offsetting	Ballot (target IFRS Q4)			✓	✓
Consolidation – Investment entities* [ED, comments due 5 January 2012]	Comment Period				✓

Memorandum of Understanding projects	2011 Q3	2011 Q4	2012	MoU	Joint
Leases		Re-exposure	Target IFRS	✓	✓
Revenue recognition		Re-exposure	Target IFRS	✓	✓

} Effective date
01/01/2015

Other projects	2011 Q3	2011 Q4	2012	MoU	Joint
Insurance contracts		Re-exposure or Review draft			✓
Annual improvements 2009-2011 [ED, comments due 21 October 2011]	Comment period				

Agenda consultation	2011 Q3	2011 Q4	2012
Three-yearly public consultation [Comments due 30 November 2011]	Comment Period		

Active projects

Financial crisis

- Financial Instruments (Impairment, Hedge Accounting, Asset and liability offsetting)
- Classification and measurement

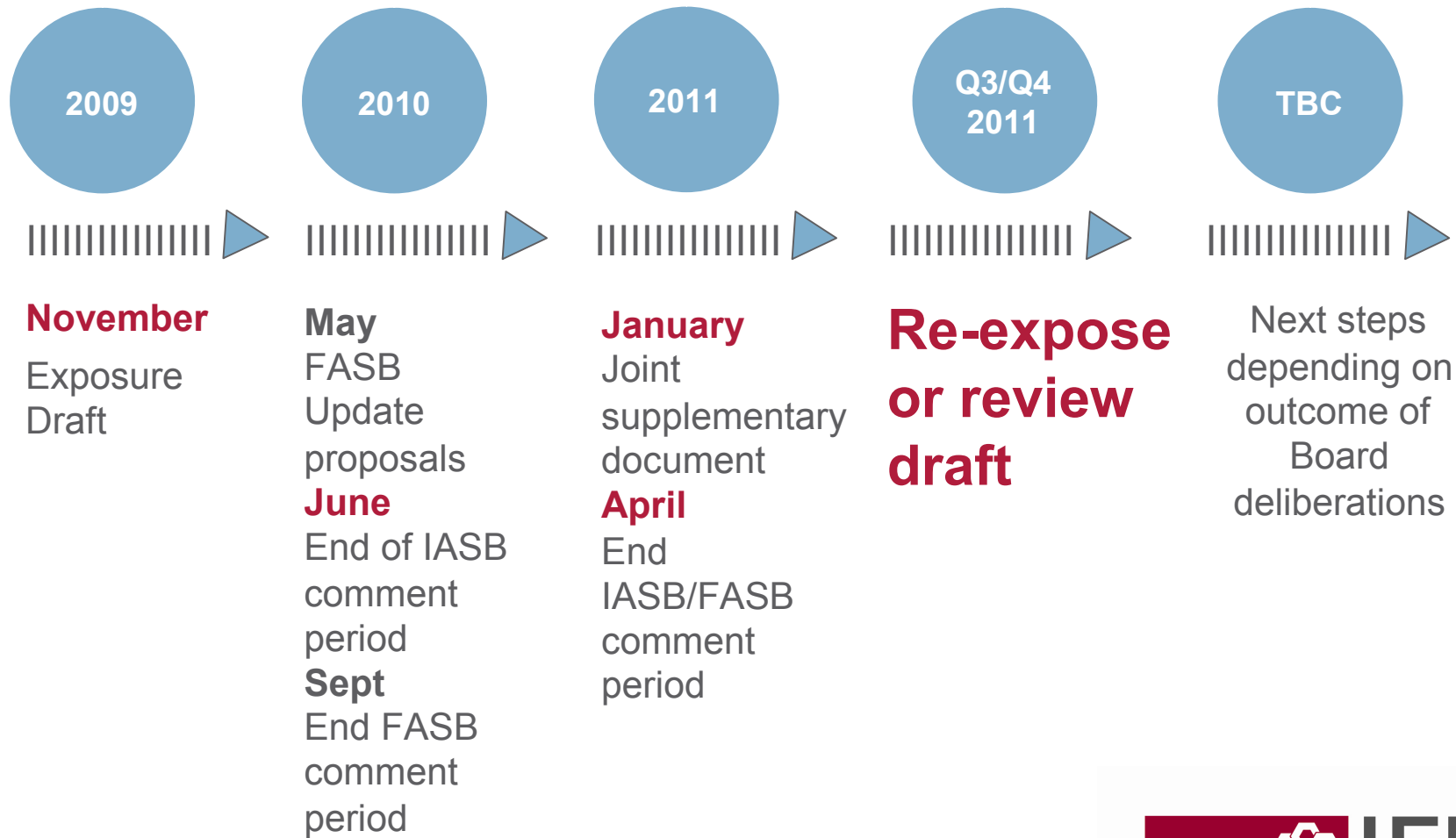
MoU

- Leases, Revenue Recognition

Other

- Insurance contracts, Investment entities, Annual Improvements

Impairment



- **General model**
 - Exposed in 2010
 - Extensive outreach
 - Generally well received
 - Target: Ballot in third or fourth quarter
- **Macro hedges**
 - Addresses risk management strategies referring to open portfolios (macro hedging) not covered by the 2010 exposure draft for general hedge accounting.
 - Will be developed further before the general model is completed
 - Board's education began at September meeting

Asset liability and offsetting

- Joint exposure draft published in January 2011
- Boards reach different conclusions in June 2011

	Confirm proposals	IAS 32	US GAAP
IASB	15	0	0
FASB	3	0	4

- The boards are identifying how to reconcile the differences (disclosures)

Classification and Measurement

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- IASB considering deferring mandatory date for IFRS 9 until 1 January 2015 (see July Board)
- IASB monitoring FASB progress (session held with FASB in June)
- FASB still to decide on several matters
- Once the FASB has made its decisions about classification and measurement, the IASB will assess how best to seek views on whether the IASB will need to consider how, or indeed if, it should bridge or reconcile any differences between IFRS 9 and US GAAP.

- Board decided in June to re-expose the proposals
 - 120 day comment period
 - Narrow scope re-exposure
 - All documents exposed (including application guidance and basis for conclusions)
- Aiming for completion in first half of 2012

- Main decisions expected to be finalised in July
 - Lessor accounting
 - Lessee accounting
- Decision to re-expose or not likely to be in late July
- Aiming for completion in first half of 2012

Insurance contracts

- Joint project with FASB
- IASB and FASB due process steps not aligned
- Decision to re-expose or not likely to be in the fourth quarter

Investment entities

- Proposal to create a scope exception to IFRS 10 *Consolidated Financial Statements*
- Joint project with FASB
- ED issued in July

Annual improvements

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- Latest cycle of proposals published in June
- 120 day comment period
- Seven amendment proposals (affecting five standards)

- Strategy Review by the Trustees

<http://www.ifrs.org/The+organisation/Governance+and+accountability/Strategy+Review/Strategy+Review.htm>

- Monitoring Board's own review

At the Trustees' meeting in New Delhi, India, on 15 and 16 January 2009 the decision was made to enhance the organisation's public accountability by establishing a link to a Monitoring Board of public authorities.

http://www.iosco.org/monitoring_board/

→ Completion end of 2011

Monitoring Board' Review

- **IFRS Foundation Monitoring Board - Consultative Report on the Review of the IFRS Foundation's Governance**

February 7, 2011 EXECUTIVE SUMMARY

In April 2010, the IFRS Foundation Monitoring Board commenced a review of the governance structure supporting International Financial Reporting Standards (IFRSs) as a set of high quality, globally accepted accounting standards. The current structure comprises three levels, whereby the standard-setter, the International Accounting Standards Board (IASB), is overseen by the IFRS Foundation, and the IFRS Foundation, in turn, is subject to public oversight by the Monitoring Board. The fundamental question for the review is whether the current governance structure effectively promotes the standard-setter's primary mission of setting high quality, globally accepted standards as set forth in the Constitution of the IFRS Foundation, and whether the standard-setter is appropriately independent yet accountable..../...

Questions or comments?

Expressions of individual views by members of the IASB and its staff are encouraged. The views expressed in this presentation are those of the presenter. Official positions of the IASB on accounting matters are determined only after extensive due process and deliberation.



Read the IFRS Foundation's Annual Report:
<http://www.ifrs.org/News/Announcements+and+Speeches/2010+Annual+Report.htm>