IASB Introduces Improvements to the Accounting for Post-employment Benefits

The International Accounting Standards Board (IASB) announced recently the completion of its project to improve the accounting for pensions and other post-employment benefits by issuing an amended version of IAS 19 Employee Benefits. The amendments make important improvements by eliminating an option to defer the recognition of gains and losses, known as the 'corridor method', improving comparability and faithfulness of presentation, streamlining the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring re-measurements to be presented in other comprehensive income (OCI), thereby separating those changes from changes that many perceive to be the result of an entity's day-to-day operations and enhancing the disclosure requirements for defined benefit plans, providing better information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans. The amendments will provide investors and other users of financial statements with a much clearer picture of an entity's obligations resulting from the provision of defined benefit plans and how those obligations will affect its financial position, financial performance and cash flow. The project also formed part of the Memorandum of Understanding (MoU) between the IASB and the Financial Accounting Standards Board, the US national standard-setter. The elimination of the corridor method further aligns IFRSs and US generally accepted accounting principles. IAS 19 was inherited by the IASB when it began its work in 2001. However, it was not included in the initial set of improvements made by the IASB to achieve a stable platform for IFRS adoption in Europe and other jurisdictions in 2005. The review of IAS 19 began in 2006 with the formation of a working group to advise the IASB on the development and refinement of its proposals. The IASB published a discussion paper for public comment in March 2008 and an exposure draft in April 2010. The exposure draft attracted more than 220 comment letters. In finalising its work, the IASB conducted extensive consultations with interested parties. The amendments to IAS 19 issued recently will ensure that investors and other users of financial statements are fully aware of the extent and financial risks associated with those commitments, in particular by requiring the surplus or deficit of a pension fund to be shown in the financial statements. At the same time the amendments help to separate out the background noise of changes in pension liabilities from the underlying financial performance of the core business. The amended version of IAS 19 comes into effect for financial years beginning on or after 1st January, 2013. Earlier application is permitted. IASB staff will hold a web cast introducing the amendments in due course. Details on how to take part will be posted on the home page of the website.

(***Source:*** *http://www.ifrs.org/News/*)

IASB and FASB to Re-expose Revenue Recognition Proposals

The International Accounting Standards Board (IASB) and the US-based Financial Accounting Standards Board (FASB) agreed recently to re-expose their revised proposals for a common revenue recognition standard. Re-exposing the revised proposals will provide interested parties with an opportunity to comment on revisions the boards have undertaken since the publication of an exposure draft on revenue recognition in June 2010. It was the unanimous view of the boards that while there was no formal due process requirement to re-expose the proposals it was appropriate to go beyond established due process given the importance of the revenue number to all companies and the need to take all possible steps to avoid unintended consequences. Consequently, the boards intend to re-expose their work in the third quarter of 2011 for a comment period of 120 days. Further details will be available shortly from the revenue recognition project sections of the IASB and FASB websites.

(***Source:*** *http://www.ifrs.org/News/*)

IASB and FASB Align Presentation Requirements for Other Comprehensive Income

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB), the US national standard-setter issued recently the amendments that will improve and align the presentation of items of other comprehensive income (OCI) in financial statements prepared in accordance with International Financial Reporting Standards (IFRSs) and those prepared in accordance with US generally accepted accounting principles (GAAP). The amendments to IAS 1 *Presentation of Financial Statements* require companies preparing financial statements in accordance with IFRSs to group together items within OCI that may be reclassified to the profit or loss section of the income statement. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements. The FASB recently issued an Update to Topic 220: *Presentation of Comprehensive Income* that brings US GAAP into alignment with IFRSs for the presentation of OCI. The changes issued do not address which items should be presented in OCI or which and when items should be recycled through profit or loss. However, requiring OCI to be presented as part of, or in close proximity to, the profit or loss (income) statement will make it easier for users of financial statements to assess the impact of OCI items on the overall performance of an entity and improve comparability between IFRSs and US GAAP. These amendments maintain an appropriate separation between OCI and profit or loss while ensuring that the two can be easily read together. The changes do not address the issue of which items of income and expense should be included in profit or loss or OCI. The Board will be asking stakeholders in the near future whether this important

issue should be added to the Board's agenda. The IASB's amendments to IAS 1 are set out in *Presentation of Items of Other Comprehensive Income* and are effective for financial years beginning on or after 1st July, 2012.
(***Source:*** *http://www.ifrs.org/News/*)

IAESB Proposes Clarified Standard on Professional Accounting Education Entry Requirements

The International Accounting Education Standards Board (IAESB) recently released for public exposure a proposed revision of International Education Standard (IES) 1, E*ntry Requirements to a Program of Professional Accounting Education*. The revised education standard is intended to protect the public interest by both establishing fair and proportionate entry requirements—which help those individuals considering professional accounting education make appropriate career decisions—and ensuring that requirements for entry to professional accounting education are not misrepresented. IES 1, originally approved in 2004, currently prescribes the principles to be used by professional accountancy organisations, including member bodies of the International Federation of Accountants (IFAC), when setting entry requirements for professional accounting education and practical experience. The revised standard proposes specification of entry requirements for professional accounting education; explanation for the rationale behind the entry requirements; a requirement that excessive barriers to entry are not put in place; and a requirement to make relevant information publicly available so that candidates can assess their chances of successful completion. The proposed revisions reflect the IAESB's view that the overall objective of accounting education is to develop a competent professional accountant. The IAESB acknowledges that there are different processes and activities that contribute to achieving such competence. These revisions to IES 1 are intended to ensure that entry requirements for professional accountancy education are designed fairly for aspiring professional accountants. The IAESB has undertaken a project to redraft all eight of its IESs in accordance with its new clarity drafting conventions, as outlined in its 2010-2012 Strategy and Work Plan. This project began in December 2010 with the proposed revision of IES 7, *Continuing Professional Development: A Program of Lifelong Learning and Continuing Development of Professional Competence. Proposed revisions of IES 4, Professional Values, Ethics, and Attitudes*, and IES 6, Assessment of Professional Competence, were released for exposure in April 2011, and the comment period is still open. The current timetable envisages that all IESs will have been revised and redrafted, or redrafted only, by the first quarter of 2013.
(***Source:*** *http://press.ifac.org/news/2011/*)

IASB and EFRAG Discuss Completion of Work Plan and Future Agenda of IASB

The International Accounting Standards Board (IASB) and the European Financial Reporting Advisory Group (EFRAG) met recently to review the IASB's current work programme. EFRAG is the private sector body responsible for stimulating debate in Europe around the evolution of International Financial Reporting Standards (IFRSs) and providing input to the work of the IASB, after appropriate due process, on behalf of Europe. The meeting focused on the main projects that the IASB intends to finalise in 2011, as well as the time line for completion of those projects. EFRAG recommendations on the projects on revenue recognition, leases, financial instruments and insurance contracts were discussed. The IASB and EFRAG also agreed to work in close co-operation to ensure a broad European input into the standard-setting process and to organise field testing where appropriate. EFRAG is publishing a summary of the messages expressed at the meeting. This summary is available to download from www.efrag.org.
(***Source:*** *http://www.ifrs.org/News/*)

IFRS Foundation Publishes Proposed IFRS Taxonomy Enhancements for Reporting Common-Practice

The IFRS Foundation recently published for public comment an exposure draft of the *IFRS Taxonomy 2011 interim release: common-practice concepts*. The proposed interim release contains supplementary tags for the IFRS Taxonomy that reflect disclosures that are commonly reported by entities in their IFRS financial statements. The supplementary tags are intended to enhance the comparability of financial information, and are consistent with IFRSs and with the XBRL (eXtensible Business Reporting Language) architecture of the IFRS Taxonomy 2011. In April the IFRS Foundation announced its intention to enhance the usability of the IFRS Taxonomy by providing additional elements that reflect common reporting practice across the world and across industries. The proposed interim release is the first part of this process. Once these initial common-practice tags are finalised, entities will be able to apply these tags to line items in their primary financial statements and to notes and accounting policies within these financial statements (using text blocks) with fewer entity-specific tags. It is expected that reducing the need for entity and jurisdiction-specific tags will reduce divergence in reporting practice, thereby enhancing the comparability of IFRS financial information. The next part of the process will involve the detailed analysis of disclosures within notes to financial statements and identifying common reporting practice in these note disclosures. The *exposure draft of the IFRS Taxonomy 2011 interim release: common-practice concepts* is open for comment until 2nd August, 2011. The IFRS Foundation will consider the feedback received from this consultation, after which a final version of the interim release will be published. The supplementary tags will be consolidated into the IFRS Taxonomy 2012.
(***Source:*** *http://www.ifrs.org/News/*)