

## **Progress Report on Commitment to Convergence of Accounting Standards and a Single Set of High Quality Global Accounting Standards**

**29 November 2010**

In a joint Statement issued in November 2009 we, the International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB), reaffirmed our commitment to improving International Financial Reporting Standards (IFRSs) and US generally accepted accounting principles (US GAAP) and achieving their convergence, set forth our plans for completing the major projects in our Memorandum of Understanding issued in 2006 and updated in 2008 (MoU), and committed to providing transparency and accountability by reporting periodically on our progress. This is our third progress report and it reflects the status of our work plan as of the date of this report.

Our last progress report dated 24 June 2010 (June 2010 Report) described changes that we made to our work plan to enable broad-based and effective stakeholder outreach critical to the quality of our standards. That plan prioritises the major MoU projects for which we believe the need for improvement of IFRSs and US GAAP is the most urgent. Those priority projects include:

- our joint projects on financial instruments, revenue recognition, leases, the presentation of other comprehensive income, and fair value measurement.
- for the IASB, improved disclosures about derecognised assets and other off-balance-sheet risks (aligning with recently issued US GAAP requirements), consolidations (particularly in relation to structured entities) and its project on insurance contracts.

The target completion date for these priority projects remains June 2011 or earlier.

Since our last report, the IASB finalised improvements to derecognition disclosures and the presentation of own credit gains and losses when entities have elected to measure liabilities at fair value. Both boards issued consultative documents on revenue recognition, leasing, insurance, and effective date and transition methods. We commenced broad-based stakeholder outreach programmes on those proposals that include educational webcasts, industry workshops, public roundtables, and other meetings with investors, preparers, auditors, national standards setters, and others. We also have begun to consider the many hundreds of comment letters we have received (and will continue to receive) on our various exposure drafts.

In our joint meeting in November, we affirmed the priorities as set forth in the June Report. To put us in the best position to complete the priority projects by the June 2011 target date we amended aspects of our strategies and plans for other projects:

- We decided to defer until after June 2011 substantive deliberations on four projects—the broader financial statement presentation project, financial instruments with characteristics of equity, emissions trading schemes, and the reporting entity phase of the conceptual framework.
- We agreed that consolidation of investment companies is no longer a priority for June 2011. Our aim to complete that joint project by the end of 2011.
- The FASB and IASB also deferred deliberations on several of their independent standards-setting projects (such as contingency disclosures for the FASB and IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and annual improvements for the IASB). Staff have been reassigned to the high priority projects.

Even with those work plan changes, completion of the priority projects requires a focused and intense effort by both us and our stakeholders. Our commitment is to the development of high-quality, improved, and converged standards developed using robust due process. The feedback that we have received (and will continue to receive) through comment letters and other outreach efforts is being considered carefully and will determine the focus of our redeliberations and other steps and efforts that will be required to finalise new standards. We are committed to conducting additional outreach during the redeliberations period, as necessary, to ensure the quality and effective implementation of the final standards.

The Appendix describes our revised strategies, plans, and milestone targets for each project.

## Appendix

This Appendix describes the boards' strategies, plans, and milestone targets for the priority projects and other joint projects, as of the date of this report.

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## Priority Projects

### Financial instruments (MoU project)

#### Classification and measurement, impairment and hedge accounting

#### Current strategy and plans

The boards' goal is to issue comprehensive improvements to this complex and contentious area that will foster international comparability of financial information about financial instruments. The boards expect to achieve that goal by closely coordinating the deliberations of issues arising in their separate standards setting projects.

#### Background

The 2006 MoU included a broad project on financial instruments. US GAAP and IFRS requirements differ in numerous ways and both sets of standards are criticised for their complexity. The recent financial crisis further demonstrated the need for improvements and convergence in this area.

The boards' efforts to improve and achieve convergence of their standards have been complicated by differing imperatives that pushed our development

timetables out of alignment. In particular, the IASB has been replacing its financial instrument requirements in a phased approach, whereas the FASB has been developing a single comprehensive proposal. Those differing development timetables and other factors have contributed to the boards reaching differing conclusions on a number of important technical issues.

The boards' broad strategy for addressing those differences remains the same—each board will publish its proposals and that of the other board as a way of giving interested parties the opportunity to compare and assess the relative merits of both boards' proposals. The boards will consider together the comment letters and other feedback they receive in an effort to reconcile differences in ways that foster improvement and convergence.

#### **Description of the IASB's projects**

In November 2009, the IASB issued IFRS 9 *Financial Instruments*. The new IFRS addresses the classification and measurement of financial assets and has an effective date of 1 January 2013.

In May 2010, the IASB published an exposure draft on the fair value option for financial liabilities. The primary focus of the proposals was on improving how, for financial liabilities that an entity has elected to measure at fair value, the change in fair value associated with a change in that entity's creditworthiness is reported. After considering the comments it received, the IASB finalised those improvements by adding them to IFRS 9. Those improvements have an effective date of 1 January 2013.

In the fourth quarter of 2010, the IASB plans to publish an exposure draft of proposed requirements for general hedge accounting. It also plans to re-expose proposals for impairment accounting early in the first quarter of 2011. The IASB plans to complete those improvements by 30 June 2011.

#### **Description of the FASB's Project**

In May 2010, the FASB issued its comprehensive proposal addressing recognition and measurement, impairment, and hedge accounting requirements.

In October 2010, the FASB held public round-table meetings with stakeholders in which the IASB participated.

The FASB decided in November to prioritise its redeliberations, focusing first on classification, measurement, and impairment. It will not begin redeliberations of proposed hedge accounting requirements until the second

quarter of 2011 and, as discussed below, it will consider input received on the IASB's exposure draft on hedging that it will issue later this year.

### **The boards' strategy for reducing or eliminating differences between their proposals**

#### ***Recognition and measurement of financial instruments***

The FASB is considering the comments it has received on its proposals for the classification and measurement of financial instruments. Once the FASB has decided what changes, if any, it intends to make to its proposals the boards will identify any differences that remain between the FASB's (modified) proposals and IFRS 9 and evaluate whether and how they might reduce the differences or otherwise enhance comparability. Although the boards have demonstrated the ability to work together to resolve differences in views in many projects, they understand the difficulties they may face in reconciling their differing views in relation to classification and measurement.

#### ***Impairment***

Both boards have received broad support for a move to an expected loss impairment model. The boards' objective is to develop a common approach to impairment and they commenced joint deliberations in November. The IASB has decided it will issue an Exposure Draft of a revised impairment model early in 2011. The boards' aim is to complete this phase of the financial instruments project by June 2011.

#### ***Hedge Accounting***

The IASB will be issuing an exposure draft on hedge accounting in Q4 2010 and the FASB expects to seek comments from its stakeholders on that proposal.

### **Balance Sheet Offsetting of Derivatives and Other Financial Instruments**

#### **Current strategy and plans**

The boards are undertaking a joint project to improve and converge US GAAP and IFRS requirements relating to the balance sheet offsetting of derivatives and other financial instruments. The boards expect to publish exposure drafts in the first quarter of 2011 and aim to finalise new requirements by 30 June 2011.

#### **Background**

In response to stakeholders' concerns (including those of the Basel Committee on Banking Supervision and the Financial Stability Board), the boards decided

to undertake a discreet joint project to address differences between IFRS and US GAAP requirements relating balance sheet offsetting of derivative contracts and other financial instruments. The boards understand the importance of this issue, which is one of the more significant financial instrument presentation differences between IFRSs and US GAAP.

The boards have nearly concluded their deliberations and plan to publish exposure drafts of converged requirements in the first quarter of 2011. The boards plan to hold public roundtable meetings after the end of the comment period.

### **Leases (MoU project)**

#### **Current strategy and plans**

The boards have a joint project on their agenda to improve and achieve convergence of IFRS and US GAAP requirements for leasing. They expect to commence deliberations early next year on their exposure drafts issued last August toward the objective of issuing improved and converged standards in the second quarter of 2011.

#### **Background**

The boards included a leases project in the 2006 MoU because their highly similar standards are in significant need of improvement. The objective of this project is to develop common lease accounting requirements that would improve financial reporting by ensuring that all assets and liabilities arising from lease contracts are recognised in the statement of financial position. The project will provide accounting standards for both a lessor and a lessee.

In August 2010, the boards published exposure drafts proposing the accounting for leases from the perspective of the lessor and the lessee. The comment periods close on 15 December 2010 and the boards have public roundtables planned for December 2010 and January 2011.

### **Revenue Recognition (MoU project)**

#### **Current strategy and plans**

The Boards are working jointly to improve and achieve convergence of their standards for revenue recognition. Later this year, the boards will commence joint deliberations of their common exposure drafts issued in June 2010, toward the objective of finalising improved and converged standards in the second quarter of 2011.

## **Background**

The boards included revenue recognition in the 2006 MoU to develop a single, common revenue recognition model that can be applied to a wide range of industries and transaction types. US GAAP often is criticised for its complexity; it includes many industry-specific revenue recognition requirements that require different accounting treatments for economically similar arrangements. IFRSs are perceived as lacking necessary application guidance. The standards resulting from this project would eliminate weaknesses and inconsistencies in the existing standards.

The boards published a joint discussion paper in December 2008 that proposed a single revenue recognition model built on the principle that an entity should recognise revenue when it satisfies its performance obligations in a contract by transferring goods or services to a customer. That principle is similar to many existing requirements. However, the boards think that clarifying that principle and applying it consistently to all contracts with customers will improve the comparability and understandability of revenue for users of financial statements.

On 24 June the boards published exposure drafts. The comment periods closed on 22 October and the boards held public roundtable meetings in November 2010.

## **Consolidations (MoU project)**

### **Current strategy and plans**

The boards' strategy for improving and bringing about convergence of their respective consolidation requirements involve close coordination of their separate and joint standards setting projects:

- The IASB plans to finalise an IFRS on consolidation early in the first quarter of 2011 that will result in the substantial convergence with US GAAP on consolidation of structured investment vehicles and other special purposes entities as well as related disclosures.
- The IASB and FASB are jointly considering issues relating to the consolidation of investment companies and plan to issue converged standards by late 2011 (both boards plan to publish Exposure Drafts in mid 2011).

- The FASB will consider in late 2010 or early 2011 whether to propose amendments that would achieve convergence of US GAAP consolidation requirements for voting interest entities with IFRSs.

### **Background**

The 2006 MoU included a joint project to eliminate differences between US GAAP and IFRS consolidation requirements through the development of an improved, common standard.

Differing imperatives arising from the recent financial crisis, however, caused the boards to adopt different strategies and timetables for improving their standards.

- As part of its comprehensive review of off-balance sheet activities, the IASB published in 2008 an exposure draft of a comprehensive replacement of its consolidation requirements that included a new definition of control of an entity that would apply to a wide range of situations and be more difficult to evade by special structuring. The exposure draft also proposed enhanced disclosures about securitisation and investment vehicles (such as special-purpose entities and structured investment vehicles) that an entity has sponsored or with which it has a special relationship, but does not control.
- In June 2009, the FASB completed a project that amended and improved US GAAP to address reporting issues in standards for consolidation of variable interest entities (and related disclosures) highlighted by the recent financial crisis.

When those separate standard-setting efforts are completed, US GAAP and IFRS requirements relating to the consolidation of structured investment vehicles and other special purpose entities will substantially converge and related disclosures will align. The boards think these aspects of US GAAP and IFRS consolidation guidance are the highest, near-term priorities for improvement and convergence. Those efforts will not, however, eliminate differences between US GAAP and IFRS requirements for consolidation of investment companies and so-called voting interest entities.

In November 2009, the boards agreed that, ideally, their standards for consolidation should include common objectives and principles for assessing control that would be applied consistently for all types of entities and produce globally comparable results.

By May 2010, the boards had agreed on common consolidation requirements for investment companies and were well advanced in their plans to expose proposals in this area. However, the boards still had not resolved all matters relating to voting interest entities and, in May, agreed that the IASB should finalise and publish its consolidation standard by the end of 2010 (including improved disclosures about structured entities). By doing so, the boards expect to achieve consistent consolidation decisions about structured entities by companies applying IFRSs or US GAAP.

In June, the IASB decided to undertake additional outreach activities before it finalised amendments to its consolidation requirements, including discussion of its proposed consolidation standard with US stakeholders through public roundtable meetings sponsored by the FASB (held on 22 November). The FASB agreed to also consider that input and decide whether to proceed with an exposure draft that is consistent with the IASB's published requirements (eliminating differences between US GAAP and IFRS standards relating to voting interest entities).

The boards plan to develop improved and converged standards relating to consolidation of investment companies jointly and, as a next step, will publish exposure drafts of proposed changes to their respective consolidation requirements to achieve fully converged standards in this area. In June, the boards reported their plans to publish those exposure drafts by the end of 2010. In November, despite having completed their deliberations, the boards decided to delay publication until the second quarter of 2011 to ensure the consultation period follows completion of their priority MoU projects. The boards expect to issue converged standards of consolidation for investment companies in the second half of 2011.

## **Fair value measurement (MoU project)**

### **Current strategy and plans**

The Boards are actively working on a joint project to improve and achieve convergence of the definition of fair value and provide common implementation guidance. The boards are redeliberating proposals issued earlier this year with the objective of publishing final, converged requirements in the first quarter of 2011. Recognising the need for additional outreach relating to measurement uncertainty disclosures, the boards decided to finalise those disclosures separately from the main project.

## **Background**

The objective of this project is to develop a converged definition of fair value and common implementation guidance, such as guidance on measuring fair value when markets are illiquid. Achieving convergence of the definition of fair value is necessary to achieving full convergence of any standards that require a fair value measure. The boards' goal is to express the definition and related implementation guidance using common language.

The converged fair value measurement requirements will apply whenever US GAAP or IFRS requires a fair value measurement; they will not change existing US GAAP or IFRS requirements that determine when a fair value measure is required.

The FASB issued Statement No. 157 *Fair Value Measurements*, in 2006 and those requirements have been in effect since November 2007. In May 2009, the IASB published an exposure draft of an IFRS on fair value measurement. The exposure draft is largely consistent with the FASB requirements.

In June of this year the FASB issued an exposure draft of minor amendments to its fair value definition and related implementation guidance to achieve convergence with the proposed IFRS. The IASB re-exposed one matter related to disclosure to gather additional stakeholder input.

The boards have begun considering the comments received and remain on target to complete the project in the first quarter of 2011. At their November joint meeting, recognising the need for additional outreach relating to measurement uncertainty disclosures, the boards decided to finalise those disclosures separately from the main project.

## **Derecognition (MoU project)**

### **Current strategy and plans**

Through their separate standards setting efforts completed in 2010, the boards reduced differences between IFRS and US GAAP relating to the derecognition of financial assets and liabilities and aligned their related disclosure requirements. The FASB plans to conduct a post-implementation review of its amended derecognition requirements, the results of which will be used to decide on the nature and scope of any further improvement and convergence efforts.

## **Background**

The 2006 MoU also included a project to improve US GAAP and IFRS standards for derecognition and to bring about their convergence.

The boards needed to take separate strategies to improve their standards in response to the recent financial crisis.

- In June 2009, the FASB finalised amended and improved requirements relating to the derecognition of financial assets and liabilities. The changes (in particular, the elimination of the QSPE concept), reduced the differences between IFRSs and US GAAP.
- As part of its comprehensive review of off-balance sheet activities, the IASB added a project to improve the derecognition requirements for financial assets and to provide users with better information about an entity's exposure to the risks of transferred financial assets. The IASB published proposals in 2009 and the responses showed stronger support for the alternative derecognition requirements described in the exposure draft.

As planned previously, the IASB developed more fully the alternative model described in its exposure draft and the boards' discussed it together during several joint meetings. In May, the boards reconsidered their strategies and plans for derecognition in the light of:

- their joint discussions of the alternative derecognition model developed by the IASB
- the recent FASB amendments that reduce the differences between IFRSs and US GAAP
- the guidance the IASB received from National Standards-Setters on the largely favourable effects of the IFRS derecognition requirements during the financial crisis.

The boards agreed that their near-term priority should be on increasing the transparency and comparability of their standards by improving and converging US GAAP and IFRS disclosure requirements for financial assets transferred to another entity. The boards also decided to conduct additional research and analysis, including a post-implementation review of the FASB's recently amended requirements, as a basis for assessing the nature and direction of any further efforts to improve or achieve convergence of IFRSs and US GAAP.

In November 2010, the IASB finalised improved disclosure requirements that are similar to recently amended US GAAP requirements.

The FASB plans to undertake a post-implementation review of the application of its amended derecognition requirements. The Boards will use the results of that review, among other things, to help them make a decision about the nature and scope of any further improvement and convergence efforts.

## **Insurance Contracts**

The IASB has had a major insurance contracts project on its agenda for many years. That project is important because IFRSs currently lack specific accounting requirements for insurance contracts. In 2007, the IASB published a discussion paper, *Preliminary Views on Insurance Contracts*, and has been developing proposals on the basis of that discussion paper, in the light of comments received. In 2007, the FASB issued an Invitation to Comment containing the IASB's discussion paper to solicit input on whether it should undertake a comparable project jointly with the IASB.

In October 2008, the FASB added a project on insurance contracts to its agenda and the boards agreed to undertake it jointly. The boards began discussing the project together in 2009.

The IASB published an exposure draft *Insurance Contracts* on 30 July 2010. Comments are due by 30 November and public roundtables will be held in December. Because the FASB had not published a discussion paper, the FASB published that exposure draft, with alternative views, as a discussion document in September 2010. Comments are due in December 2010 and public roundtables will be held in December.

The IASB expects to publish an IFRS in June 2011. The FASB will determine its next steps after considering the input received on its September 2010 Discussion Paper.

## **Other Projects**

### **Post-employment benefits (MoU project)**

In April 2010, the IASB published an exposure draft of proposed amendments that, like recent amendments of US GAAP, would improve reporting by eliminating provisions that permit off-balance sheet reporting of post-employment benefit obligations. The comment period closed on 6 September

2010 and the IASB has begun considering the comments received. The IASB expects to publish a revised standard in the first quarter of 2011.

### **Joint ventures (MoU project)**

The IASB has a project to develop an IFRS that enhances the accounting for, and the quality of information being reported about, joint arrangements by establishing a principle-based approach to the accounting for joint arrangements and by improving the disclosure requirements to allow investors to gain a better understanding of the nature, extent and financial effects of the activities that an entity carries out through joint arrangements. In doing so, the IASB will reduce the differences between IFRS and US GAAP. The IASB has held back finalisation of the IFRS so that it can publish it at the same time as its *Consolidations* IFRS.

### **Financial statement presentation (MoU project)**

#### **Presentation of other comprehensive income**

##### **Current strategy and plans**

The boards have a joint project to improve and converge IFRS and US GAAP requirements for the presentation of other comprehensive income. They expect to complete redeliberations of their May 2010 exposure drafts later this year and issue final requirements in the first quarter of 2011.

##### **Background**

In late 2009, the boards decided to accelerate the portion of their financial statement presentation project that would improve and converge IFRS and US GAAP standards for presentation of items of other comprehensive income. The objective of the separate project is to develop presentation standards that would improve the transparency of reported items of other comprehensive income and make it easier to compare income statements prepared using IFRSs or US GAAP.

The boards published exposure drafts in May so that stakeholders could evaluate the proposed presentation requirements at the same time that they consider exposure drafts on financial instruments (FASB and IASB) and post-employment benefits (IASB) that would require additional items to be reported in other comprehensive income. The proposed presentation requirements would, however, apply to all items of other comprehensive income.

The boards have begun considering the comments received and expect to finalise improved and converged standards in the first quarter of 2011.

## **Main project**

### **Current strategy and plans**

The boards have a joint project to develop comprehensive standards for the presentation of information in financial statements and are undertaking comprehensive stakeholder outreach on a tentative model published as a staff draft in June of this year. The boards have asked the staff to complete that outreach and discuss with them a comprehensive report of their findings in the first quarter of 2011. That comprehensive report will provide a basis for future board deliberations which, in the light of the decision to prioritise certain other major MoU projects, are now expected to commence after June 2011.

### **Background**

The FASB and IASB are working together to establish a common standard that would improve how information is organised and presented in the financial statements. The IASB has implemented the decisions reached in the first phase of this project into IFRSs. Accordingly, a future FASB exposure draft will include improvements related to that phase as well as the matters the boards are currently discussing together.

In 2008, the boards published a discussion paper in which they set out the principles for presenting financial statements in a manner that portrays a cohesive financial picture of an entity's activities, disaggregates information so that it is useful in predicting an entity's future cash flows, and helps users to assess an entity's liquidity and financial flexibility. The boards actively reconsidered the discussion paper proposals in the light of the comments received, the results of their other outreach activities with preparers and users, and academic research assessing the utility of certain proposals from a user perspective.

Through comment letters on the discussion paper, discussions with the boards' respective advisory councils, and other constituent outreach, preparers communicated to both boards their concerns about whether the benefits of the proposed changes justify the expected implementation costs, which could be significant. In the light of the input received, and because this project will shape the presentation of financial information for many years to come, the

boards decided in May to modify their strategies and work plan to ensure this important project has the best possible outcome.

In particular, the boards decided to engage in additional outreach activities before finalising and publishing an exposure draft. Those outreach activities will focus primarily on two issues: (1) the perceived benefits and costs of the proposals and (2) the implications of the proposals for financial reporting by financial institutions.

At their joint meeting in November, the boards discussed a progress report on the outreach activities the staff have undertaken since the Staff Draft was released in July. The staff are about half way through the planned activities, with a series of European meetings planned for November and December and some field testing still to be completed. The boards observed that the outreach has been very valuable and the staff should continue with the programme including meeting with the project working groups (Joint International Group and Financial Institution Advisory Group) as planned in December. The boards directed the staff to complete those outreach activities and provide them with a comprehensive written report of their findings in the first quarter of 2011. That report will serve as the basis for future deliberations.

As a consequence of the decision to give priority to other MoU projects targeted for completion in June 2011, the boards decided to defer deliberations on this project until after June 2011. They no longer plan to issue an Exposure Draft in the first quarter of 2011.

### **Discontinued operations**

As of November 2009, the boards had decided to accelerate the portion of the financial statement presentation project to eliminate differences between the IFRS and US GAAP definitions of discontinued operations and related disclosures and, as of March 2010, had agreed on converged requirements.

In May, the boards decided to align the project timetable with the main financial statement presentation project. However, in the light of the decision to defer consideration of the main project until after June 2011 the boards decided in November to publish proposals to align the requirements early in the second quarter of 2011. The IASB expects to propose changes to its disclosure requirements through its annual improvements project. The FASB plans to issue an Exposure Draft of proposed changes to converge with the IFRS

definition of discontinued operations and related disclosures. They expect to finalise the related amendments in the second half of 2011.

## **Financial instruments with characteristics of equity (MoU project)**

### **Current strategy and plans**

The boards have a joint project on their agenda to improve and converge IFRS and US GAAP requirements for accounting for financial instruments with characteristics of equity. Due to their decision to prioritise other major MoU projects, the boards no longer plan to publish an Exposure Draft in the first quarter of 2011. They expect to recommence substantive deliberations on this project after June 2011.

### **Background**

Existing IFRS and US GAAP requirements are similar in many respects but also differ in certain respects, such as the accounting for convertible debt. Moreover, some aspects of the current IFRS and US GAAP requirements have been criticised for their complexity or inconsistency. As a result, the IASB and FASB decided to include in the 2006 MoU a joint project to improve and, as a consequence, simplify the financial reporting requirements for financial instruments with characteristics of equity. The purpose of this project is to develop a better way to distinguish instruments that are equity from those that are assets or liabilities.

By early 2010, the boards had jointly developed a proposed standard using existing IFRSs as a starting point. External stakeholders that reviewed a staff draft of that proposal raised concerns about the meaning, enforceability, and internal consistency of some of the proposed requirements. In May, the boards decided that more time was required to work through these concerns and to consider whether clarifications or other changes are required, particularly its likely affect for those applying US GAAP.

At their joint meeting in November, the boards decided that the need to give priority to projects targeted for completion in June 2011, means that the boards no longer plan to issue an Exposure Draft in the first quarter of 2011. The boards expect to return to the project after June 2011.

## **Emissions Trading Schemes**

Both boards understand the importance of emissions trading schemes as a mechanism to help manage carbon dioxide emissions. The financial reporting

consequences of the many different allocation and trading systems will become increasingly important as more and more countries adopt them.

In May, the boards agreed that other MoU projects had a higher priority. The boards now expect to publish an exposure draft together in the second half of 2011 with the aim of issuing converged standards in 2012.

## **Additional consultation**

### **Effective dates and transition**

In October 2010, the IASB and FASB published documents seeking views on when the new financial reporting standards resulting primarily from their work to improve and achieve convergence of IFRSs and US GAAP should become effective and how entities should transition to the new requirements.

When finalising a standard the boards identify a date from which entities must apply the new requirements (known as the effective date). This date is often 12-18 months after the date the standard is published, allowing time for entities to prepare for the change and for jurisdictions to implement the standards into their legal or regulatory regimes. With several major projects planned to be completed in 2011, the boards are seeking input on whether or how to sequence effective dates in order to reduce the burden to interested parties and allow adequate time to prepare for and implement the change.

## **Conceptual Framework**

Since late 2004, the FASB and IASB have been conducting a joint project to develop an improved, common conceptual framework that builds on their existing frameworks (that is, the IASB's *Framework for the Preparation and Presentation of Financial Statements* and the FASB's *Statements of Financial Accounting Concepts*). In developing the MoU in 2006 and when updating the timetable in 2008, the Boards highlighted the importance of an improved framework to the development of high quality standards and their continuing efforts to address, as part of that framework, issues relating to the range of measurement attributes (including cost and fair value) used in accounting standards.

Since their last report, the boards finalised improved concepts relating to the objectives of financial reporting and the qualitative characteristics of financial information. They also issued an Exposure Draft of a proposed concept of a

reporting entity. At their November joint meeting, the boards decided that the need to focus on the projects they are aiming to complete by 30 June meant they would not be able to give the matters raised in comment letters relating to the reporting entity concept the attention they deserve until after June 2011.