

## IASB-FASB convergence update



The IASB<sup>1</sup> and the FASB<sup>2</sup> (the Boards) issued a report on their progress in achieving the milestones set out in their Memorandum of Understanding on 21 April 2011.

The Boards have revised the timeline for the four remaining major convergence projects and now plan to issue standards on revenue, leases and financial instruments by the end of 2011. The IASB also plans to issue a standard on insurance contracts by the end of 2011, and the FASB plans to issue an exposure draft in a similar timeframe.

For each of these projects, the Boards will consider whether re-exposure is necessary and whether sufficient outreach has been conducted before issuing a final standard. The Boards also emphasised the need to allow adequate time to implement the new requirements when setting effective dates.

In addition, a number of converged or substantially converged standards are expected to be released in May 2011. This reflects work completed on consolidation including disclosures, joint arrangements, fair value measurement, employee benefits and other comprehensive income.

### Highlights

- Progress report issued by IASB and FASB.
- Completion target for the four remaining major convergence projects delayed beyond June 2011.
- Boards to consider re-exposure and further outreach on these projects.
- IASB to publish final standards in May 2011 on:
  - consolidation including disclosures
  - joint arrangements
  - fair value measurement
  - employee benefits
  - other comprehensive income.

## Major convergence projects

The Boards will continue work on the four remaining major convergence projects: revenue, leases, financial instruments and insurance. In each case, the completion target is beyond June 2011.

On the revenue and leases projects, the Boards acknowledge that their most recent decisions depart from the proposals in the 2010 exposure drafts. The Boards plan to complete their technical discussions and then consider whether to re-expose the revised proposals. If the Boards decide against re-exposure, then they will prepare drafts of the new standards which will be publicly available for review and use in outreach activities. The Boards plan to issue final standards on these projects by the end of 2011.

On the financial instruments project, the Boards acknowledge that they have followed different timetables and not published joint proposals. The Boards' efforts to reconcile their differences will include the following steps.

- On classification and measurement, the IASB plans to expose the FASB's final conclusions for comment.
- On impairment, the Boards aim to agree on a basic approach by the end of June. The Boards will then consider what additional steps to take, including possible re-exposure or further outreach.
- On hedge accounting, the Boards will continue redeliberations of their proposals, and the IASB expects to publish an exposure draft on portfolio hedge accounting later this year.
- On offsetting, public roundtable meetings are scheduled for May and the Boards aim to substantially complete their redeliberations in the next quarter.

The Boards plan to issue final standards on financial instruments by the end of 2011.

On insurance, the Boards aim to conclude on the major issues by June 2011, though some discussions may continue beyond that date. In the second half of 2011, the IASB plans to issue a standard and the FASB plans to issue an exposure draft. Before issuing a standard, the Boards will consider the need for re-exposure and further outreach.

In each case, the Boards are yet to conclude on the effective dates of the final standards and emphasised the need to allow adequate time to implement the new requirements when setting effective dates.

## Final standards in May 2011

Following completion of other convergence projects, the Boards plan to publish a number of converged or substantially converged standards. The IASB plans to publish the following in May 2011:

- IFRS 10 *Consolidated Financial Statements*
- IFRS 11 *Joint Arrangements*
- IFRS 12 *Disclosure of Interests in Other Entities*
- IFRS 13 *Fair Value Measurement*
- Amendments to IAS 19 *Employee Benefits*
- Amendments to IAS 1 *Presentation of Financial Statements*, for presentation of other comprehensive income.

Refer *In the Headlines – Issue 2011/10* for a summary of the status of the IASB's other projects as at 31 March 2011.

### Abbreviations

- 1 IASB: International Accounting Standards Board
- 2 FASB: US Financial Accounting Standards Board

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