



# BAKER TILLY INTERNATIONAL

*Great Firms, Outstanding Network*

INTERNATIONAL

International **INSIGHT**  
April 2011

## EDITORIAL

A number of standards were due to be issued in the second half of the year and the consultation on these continues. Comments have been received on the leasing and revenue recognition proposals: according to reports, these are, at best, mixed. In particular, the leasing proposals have attracted negative comment. The result of this is an amendment to the convergence timetable and the standards will probably be delayed. Please note that the work plan reproduced below does not take account of this development.

With such significant topics being addressed it is to be expected that there will be many arguments to be resolved before finalisation. However, they are two of the most significant projects for the IASB (International Accounting Standards Board) and FASB (Financial Accounting Standards Board) in the US as they work towards convergence.

XBRL remains a hot topic and this is likely to continue for some time, as its use becomes mandatory in more and more jurisdictions.

**Paul Ginman**

*Chief operating officer and technical director, Baker Tilly International*

## AMENDMENTS TO STANDARDS

No amendments to standards have been made in the period.

## EXPOSURE DRAFTS

### Proposal on Balance Sheet Netting Requirements

The IASB and FASB in the US have published a joint proposal for an approach to offsetting financial assets and liabilities on the statement of financial position (balance sheet).

If the proposal is adopted it will address the issue of the often substantial differences arising depending on whether an entity reports under IFRSs (International Financial Reporting Standards) or US GAAP (generally accepted accounting principles). Broadly, current US GAAP allows offsetting to be used more widely than under IFRSs.

The proposal stipulates that offsetting should apply only when:

- The right of set-off is enforceable at all times, including in the event of default or upon bankruptcy
- Right of set-off is unconditional
- The parties intend to settle via a single payment or payments are to be made simultaneously.

If all conditions are met, offsetting will be required.

Comments are due by 28 April 2011.

### Proposal on Impairment Accounting

The IASB and FASB have published a joint proposal on accounting for impairment of financial assets.

IFRSs and US GAAP currently use the incurred loss model to account for credit losses. The proposal advocates a shift to an expected loss model. The main impact would be that there will be no requirement for evidence of a loss before a financial asset can

be written down. This is thought to reflect the commercial reality of lending decisions and responds to the perceived need for those accounting for credit losses to adopt a forward-looking approach.

The proposal supplements exposure drafts issued by the IASB and FASB in 2009 and 2010 respectively.

The exposure period closed on 1 April 2011.

## **OTHER DOCUMENTS**

### **Trustees of IFRS Foundation Clarify Strategy Review**

Following the death of Tommaso Padoa-Schioppa, the trustees of the IFRS Foundation announced the steps to be taken during the process to identify a permanent chair.

The trustees remain committed to the original timing of the strategy review and have provided clarification on the timetable for completion. The revised timetable includes an extra public consultation on their conclusions.

The strategy review concerns the mission, governance, standard setting process and financing of the IFRS Foundation.

### **Conclusion on Pilot XBRL Initiative**

The initiative dealt with US-listed foreign companies producing IFRS financial statements, compliant with US SEC (Securities and Exchange Commission) requirements, using XBRL (eXtensible Business Reporting Language). It aimed to obtain feedback on the ease, or otherwise, of use of the IFRS Taxonomy.

On the whole, conclusions were encouraging and the IFRS Foundation XBRL Team has agreed further steps following an analysis of the results of the initiative. The next steps include minor amendments to the way in which a number of disclosures are represented in the IFRS Taxonomy; an analysis of commonly reported concepts not currently covered; and further field tests.

### **IFRS Foundation Publishes IFRS Taxonomy 2011**

Following a brief exposure period, the IFRS Taxonomy 2011 was issued by the IFRS Foundation.

The taxonomy translates IFRSs as issued at 1 January 2011 into XBRL, and is consistent with IFRSs, IASs (International Accounting Standards) and the IFRS for SMEs (Small and Medium-sized Entities).

Various supporting materials were also published to assist users of the taxonomy. It is anticipated that IFRSs issued after 1 January 2011 will be dealt with via interim releases of the 2011 taxonomy.

### **SME Implementation Group Guidance**

The SME Implementation Group has published, for comment, draft guidance on the IFRS for SMEs.

The guidance addresses the issue of the ability of a parent entity to apply the IFRS for SMEs in relation to its separate financial statements if it is part of a group presenting consolidated financial statements in accordance with IFRSs.

The SME Implementation Group decided to issue the guidance in a question and answer document. The group is responsible for reacting to questions arising on the implementation of the IFRS for SMEs in a timely manner. Its guidance is non-mandatory.

The comment period closed on 4 April 2011.

### **IFRS Foundation to Publish Supplementary Tags for the IFRS Taxonomy**

The IFRS Foundation will extend the IFRS Taxonomy to reflect disclosures commonly reported in IFRS financial statements.

Publishing supplementary tags will provide additional elements as part of its XBRL taxonomy. These will reduce the need for entities to produce their own specific tags and will assist with comparisons of financial information on both a geographic and an industry basis.

It is anticipated that the first tags will be issued shortly as an interim release of the IFRS Taxonomy 2011.

## IASB Work Plan – Projected Timetable as of 28 March 2011

	Estimated Publication Date					
	2011 April	2011 May	2011 June	2011 H2	MoU	Joint
<b>Financial Crisis Related Projects</b>						
IFRS 9 : Financial instruments (replacement of IAS 39) Impairment [Supplement, comments due 1 April 2011]					✓	✓
Hedge accounting			Ballot	Publish IFRS	✓	
Asset and liability offsetting [ED, comments due 28 April 2011]					✓	✓
Consolidation Replacement of IAS 27	Publish IFRS 10				✓	✓
Disclosures of interests in other entities	Publish IFRS 12					
Investment companies		Publish ED				✓
Fair value measurement	Publish IFRS 13				✓	✓
<b>Memorandum of Understanding Projects</b>						
Financial statement presentation (Presentation of OCI)	Publish amended IAS 1					
Leases			Ballot	Publish IFRS	✓	✓
Revenue recognition			Ballot	Publish IFRS	✓	✓
Joint ventures	Publish IFRS 11				✓	
Post-employment benefits	Publish amended IAS 19				✓	
<b>Other Projects</b>						
Insurance contracts		Ballot	Publish IFRS			✓
Annual improvements 2009-2011		Publish ED				
<b>Agenda Consultation</b>						
Three-yearly public consultation		Publish RV				

### Abbreviations

AD	Agenda Decision (to add the topic to the active agenda)
PS	IFRS Practice Statement
Ballot	All Board decisions and formal voting completed
RT	Roundtables
DP	Discussion Paper
RV	Request for Views
ED	Exposure Draft
TBD	To be determined
IFRS	International Financial Reporting Standard



### Disclaimer

Baker Tilly International is a worldwide network of independent accountancy and business advisory firms united by a commitment to provide exceptional client service. Baker Tilly International provides no professional services to clients but acts as a member services organisation. Baker Tilly International Limited is a company limited by guarantee and is registered in England and Wales.

International **INSIGHT** is designed for the information of users. Every effort has been made to ensure that at the time of preparation the information contained is accurate. Information within International **INSIGHT** is not designed to address a particular circumstance, individual, or entity. Users should not act upon it without seeking professional advice relevant to the particular situation. No responsibility for loss, however arising, to any person acting or refraining from acting as a result of any material in this publication will be accepted by Baker Tilly International Limited.

© 2011 Baker Tilly International Limited, all rights reserved.

Baker Tilly is a trademark of the UK firm, Baker Tilly UK Group LLP, used under licence.

### WorldHeadquarters

25 Farringdon Street  
London EC4A 4AB  
United Kingdom

T. +44 (0)20 3201 8800

F. +44 (0)20 3201 8801

E. [info@bakertillyinternational.com](mailto:info@bakertillyinternational.com)

[www.bakertillyinternational.com](http://www.bakertillyinternational.com)