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Why Global Standards are Needed

2

- **Accounting standards evolved nationally**
- **Globalisation hindered by national comparisons**



Benefits to Capital Markets

3

- **Credibility of local market to foreign investors**
- **Greater cross-border investment**
- **Efficient capital allocation**
- **Comparability across political boundaries**
- **Facilitates global education and training**



Benefit to companies

4

- **Lower cost of capital**
- **Integrated IT systems**
- **Easier consolidation**
- **“One set of books”**
- **Assist in raising capital overseas**
- **Understand financial statements of overseas suppliers, customers, subsidiaries**



IFRS Around the World

5

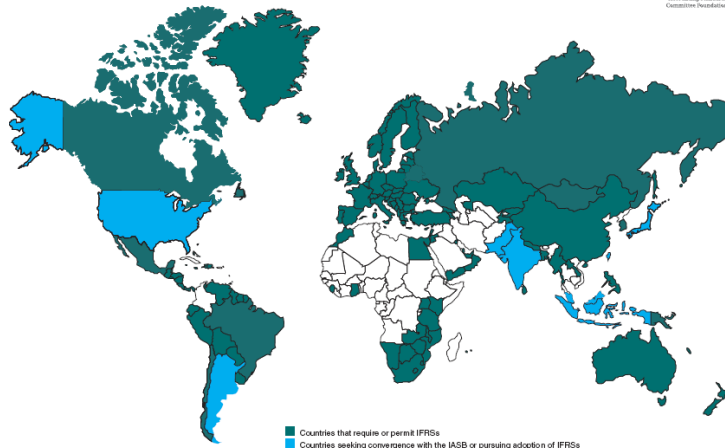
	<u>Total</u>
IFRSs permitted	23
IFRSs required <i>(for all domestic companies)</i>	89
IFRS required <i>(for some domestic companies)</i>	5
	<u>117</u>



The World is Getting Smaller

6

THE MOMENTUM TOWARDS GLOBAL IFRS ADOPTION
More than 100 countries require or permit the use of International Financial Reporting Standards (IFRSs),
or are converging with the IASB's standards.



Fortune Global 500 (July 2009)

7

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

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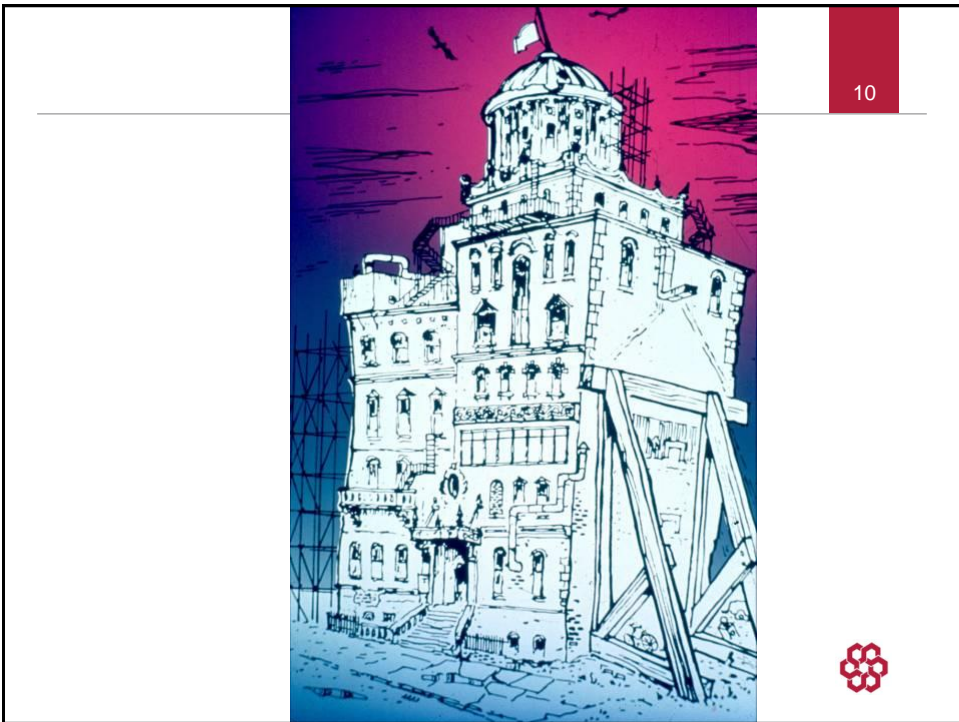
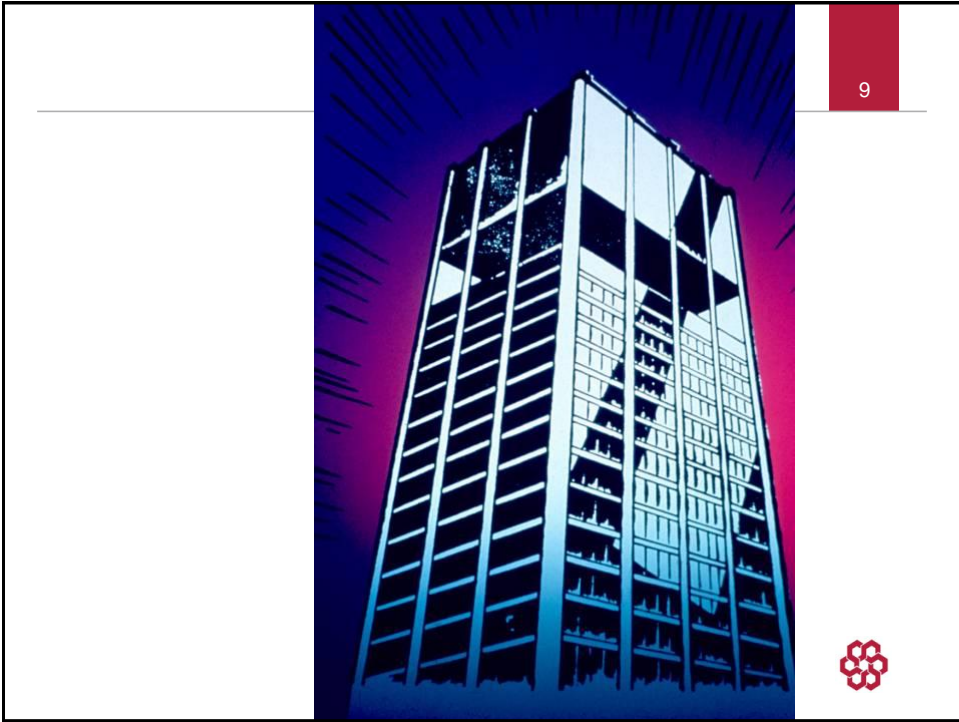


FASB/IASB Agreement - 2002

8

- Remove differences
- Align Agendas
- Interpretation





Conceptual Framework Issues

11

- The objectives of financial reporting
- Qualitative characteristics
- Definitions of assets and liabilities
- Recognition
- Measurement
- Presentation



Roadmap - 2006

12

1. Short term
 - remove major differences
2. Medium term
 - new joint standards where significant improvement required



G20 Summit – 25 September 2009

13

- Redouble efforts to:
 - achieve a single set of high quality, global accounting standards within the context of their independent standard setting process
 - complete convergence project by June 2011.
- IASB’s institutional framework should further enhance the involvement of various stakeholders.
- G20 acknowledge that there could be differences between capital requirements and accounting rules:
 - to ensure comparability, the details of the leverage ratio will be harmonized internationally, fully adjusting for differences in accounting.



Roadmap – Medium term Active Agenda

14

- **Business combinations**
- **Revenue Recognition**
- **Liability/Equity**
- **Performance Reporting**
- **Leases**
- **Pensions**



Leases - 2008

15

- Total Annual leasing volume \$644bn
- N. America 21%
- Europe 49%
- Asia 19%
- Rest of world 11%



Pensions

16

	£m
Deficit	10
Less 10% of liabilities	<u>4</u>
	<u>6</u>

Spread over 10 year working life
Deficit per accounts - £600,000



Roadmap – Medium Term Active Agenda

17

- **Consolidations/SPV**
- **Derecognition**
- **Fair Value Measurement**
- **Financial Instruments**



Off balance sheet accounting

18

- **Consolidation project**
 - when to bring an entity's assets and liabilities onto the balance sheet
 - December 2008, issued exposure draft
- **Derecognition project**
 - when to remove a financial asset from the balance sheet
 - expect exposure draft in March 2009
- **Expect—joint IASB-FASB standards by 2010 - 2011**



Fair value in illiquid markets

19

- June 2008, creation of Expert Advisory Panel
 - 20 industry experts, met 7 times
 - task—identify enhancements to guidance
- October 2008, publication of meetings summary and IASB staff position paper as educational material in October
- October 2008, propose amendments to IFRS 7
 - findings of Panel taken into account when developing fair value hierarchy amendments
- October 2008
 - Reclassifications out of FV



Timetable - Financial Instruments One project – three stages

20

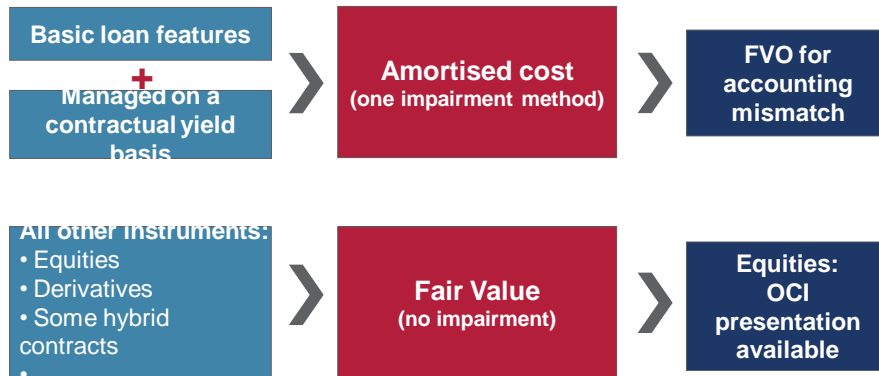
Project stage	Exposure Draft/IFRS	Finalisation
1. Classification and Measurement	IFRS November 2009	
2. Impairment (Board deliberations ongoing)	November 2009	In 2010
3. Hedge Accounting (Board deliberations not started yet)	May 2010	In 2010-2011



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Classification and measurement Overview of approach considered

21



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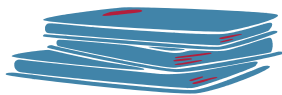
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Can we do it?



Principles



Rules



A principle based standard

25

- No exceptions
- Core principles (objectives)
- No inconsistencies
- Tied to conceptual framework
- Judgement
- Minimum guidance



Rule-based Standards

26

- If don't act with integrity
- If attack reasonable judgement in court
- If ask for voluminous interpretations
- If raw economic facts are unacceptable
- If regulators want one answer



Other Projects

27

- Insurance
- SMEs
- Management Commentary



The future

28

2010	IFRS in +110 countries and US convergence programme
2012	IFRS in +150 countries and US broadly converged
Vision	A single set of high quality global accounting standards

