**REPORT OF THE MEETING OF NATIONAL STANDARD-SETTERS (NSS) 14-15 APRIL 2010**

The NSS group met in Seoul on 14-15 April 2010 and considered the agenda items set out below.

**Background**

The NSS is a grouping of national accounting standard-setters from around the world, plus other organisations that have a close involvement in financial reporting issues. The group is chaired currently by Ian Mackintosh, Chairman of the UK Accounting Standards Board (ASB).

The meeting was attended by representatives of standard setters from Australia, Austria, Canada, France, Germany, Hong Kong, India, Italy, Japan, Malaysia, Netherlands, New Zealand, Republic of Korea, Singapore, South Africa, Spain, Sudan, Switzerland, Taiwan, the United Kingdom, and the United States. Representatives of the European Financial Reporting Advisory Group (EFRAG) and the International Accounting Standards Board (IASB) also attended, as did a Deputy Chairman of the International Financial Reporting Standards (IFRS) Advisory Council (AC) and the Chairman of the International Public Sector Accounting Standards Board (IPSASB). A list of participants is attached. A number of observers, in particular from the Korean Accounting Standards Board (KASB), also attended.

**Address by Sir David Tweedie, Chairman of the IASB**

David Tweedie gave an opening address to the meeting, highlighting in particular:

- the importance to the IASB of the next couple of years, with a further wave of countries moving to International Financial Reporting Standards (IFRS), to join the 117 countries that had already adopted them. David made a plea for jurisdictions to adopt IFRS as published by the IASB ie with no amendments or adaptions;
- the continuing importance of seeking to achieve convergence, in line with the G20 recommendations, and the Memorandum of Understanding (MoU) with the US Financial Accounting Standards Board (FASB). In this respect, David referred to the publication on that day of a quarterly report by IASB and FASB[1] setting out the progress on their joint work to improve and achieve convergence of IFRS and US GAAP, and summarising where matters stood on each of the major MoU projects;
- the challenge of achieving the June 2011 target for completing the joint programme under the MoU, particularly in those areas where IASB and FASB continued to hold different views. Various possibilities, such as reconciling statements, were being looked at, but the aim was to arrive at globally consistent answers. The IASB recognised that it would be pushing out a lot of consultation documents for comment in the coming months and would be further enhancing its outreach programme, but it would welcome help from the NSS during this time. If NSS members became aware of issues and/or concerns

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1 Available at: http://www.iasb.org/News/Press+Releases/IASB+FASB+quarterly+report.htm.

on particular projects, they should alert the IASB, even before the end of a comment period;
- the introduction of Post-Implementation Reviews (PIRs) and consideration of the IASB's agenda post-2011, on which NSS views would be sought. PIRs would provide the opportunity for re-examination of individual IFRS and to change them if appropriate;
- the on-going debates on (a) the transparency of financial reporting and financial stability, which were not mutually exclusive, although policymakers needed to understand that transparency was a key aspect of financial stability; (b) regulatory capital problems stemming from, for example, substantial distributions of profits through dividends and compensation; and (c) the unhelpful ideological measurement battle between fair value and historical cost. While fair value had acted as a 'canary in the coalmine' throughout the crisis, both had their place; and
- a plea to NSS members to stake their claim to IFRS and to add their voices to the debates, including engaging with their Governments and regulators.

## 1. Global Financial Crisis: Accounting Developments and Implications

1.1 A representative of the UK Accounting Standards Board (ASB) updated NSS members on developments related to the global financial crisis and their implications for financial reporting. The latest most significant developments included:

- the appearance by David Tweedie before the Council of European Union (EU) Economic and Finance Ministers (ECOFIN) on 16 March. In his prepared statement, David highlighted the publication, in November 2009, of International Financial Reporting Standard (IFRS) 9 'Financial Instruments' and some of the issues that had been raised subsequent to the consultation on and the publication of the standard. The statement also referred to some of the next steps on financial instruments reform;
- although the EU had yet to adopt IFRS 9, it was noted that a number of jurisdictions, including Australia, Brazil, Canada, China, Hong Kong, Japan, New Zealand and South Africa, had already adopted or taken steps to permit or require the use of IFRS 9. The group also noted the expression of support for IFRS 9 that had been made in the November 2009 communiqué following the first meeting of the Asian-Oceanian Standard-Setters Group (AOSSG);
- the joint letter, dated 29 March, from the leaders of Canada, France, Korea, United Kingdom, and United States to the other leaders of the G20 countries highlighting the need for continued cooperation on the regulatory reform agenda to strengthen the international financial system that they agreed to at their summit meeting in Pittsburgh in September 2009;
- the stakeholder meetings on the classification and measurement of financial instruments being hosted by the European Commission later in April 2010;
- the continuing pressure for there to be greater alignment between financial reporting and prudential regulatory reporting.

1.2 The latest activities on financial crisis issues by the IASB and the FASB were also considered, in particular the IASB's Exposure Draft (ED) on 'Amortised Cost and Impairment of Financial Assets', which proposed that the current incurred loss impairment model should be replaced by an expected cash flow model.

1.3 The implications of the proposals in the IASB's ED that were discussed included:

a. the need to formulate expected cash flow data for individual assets and/or portfolios of assets;
b. the need to estimate initially and subsequently re-estimate credit loss expectations for individual assets and portfolios of assets (which was not a requirement of the current incurred loss impairment approach); and
c. the interaction between individual and collective impairment assessments in the event of a loss incurred on specific assets in the portfolio (which also affected the incurred loss impairment approach to some degree).

1.4 As a result, those applying the proposed method would need historical data and modelling tools that many of them did not have and would need to develop short-cuts and other practical expedients that would add a greater degree of approximation to estimates that would already be subject to a relatively high degree of management judgement. This led some to question whether the benefits of the proposed change exceeded the costs that would be involved.

1.5 A number of other concerns that had been identified included:

a. a view that the IASB's proposals forced a closed portfolio approach, notably the originate and distribute model used in the US. Banks operating in a number of jurisdictions argued that the majority of their business was not conducted in this way and that in fact they had large numbers of open portfolios. Given the IASB model required ongoing resetting of cash flows any additions to open portfolios would need to be separately analysed;
b. conceptual concerns with the IASB model in that the initial expected cash flow estimate was recognised over the life of the related assets but the present value adjustments in the expected cash flows were recognised in the single period of the change. Preparers were concerned that this would result in increased subjectivity, volatility and procyclicality in financial statements; and
c. that the model appeared to be more of a revenue recognition model, i.e. by prescribing the methodology for initial recognition and ongoing maintenance of cash flows from financial instruments. As such, it made impairment just a subset of the overall revenue recognition model, when many considered it was in fact a separate item in the income statement.

1.6 As a result of the sort of concerns mentioned, a number of industry bodies, regulators and/or groups of preparers were working on alternative proposals to those in the IASB's ED, including the European Banking Federation (EBF) and the Accounting Task Force of the Basle Committee on Banking Supervision. NSS members also noted the idea of a Regulatory Income Statement that had been suggested by David Tweedie at his 16 March appearance before ECOFIN. The Accounting Standards Board of Japan (ASBJ) had also considered an alternative approach to the prospective allocation of estimated losses over the life of an instrument. It was noted that FASB was apparently not intending to propose that its existing incurred loss impairment model should be abandoned in favour of an expected loss model.

1.7 In discussion, NSS members:

- acknowledged that they, too, were hearing concerns similar to those outlined above. Many of them had held, or had scheduled, public meetings with their constituents to discuss the IASB's proposals. It was noted that in these discussions the financial institutions were well engaged with the debate, but that it was proving more difficult to get input from other sectors, although a number of NSS members noted difficulties with the proposals on practical expedients for trade receivables. In general, the banks were emphasising the costs and complexities of the proposals, although the insurance sector appeared to be less concerned. Views had been sought from users, but substantive comments had yet to be received; and
- expressed a variety of views as to whether the expected loss model was conceptually superior to the incurred loss model. Some felt that it was, while others expressed a view that the problems with the current incurred loss model were more those of application, rather than the model itself. However, everyone acknowledged that the pressure on the IASB had been such that it had had no option but to investigate the need for an expected loss model and to consult on that.

1.8 A number of comments were also made on other aspects of the IASB's crisis-related work:

- the progress on the consolidation project was noted, although a view was expressed that the IASB's existing literature on the subject had held up well during the crisis and there was a concern that the proposals to replace it might not represent an improvement. On consolidation, the IPSASB Chairman noted that this was a major issue for the public sector across the world;
- on hedging, the IASB's proposal to take a comprehensive look at hedge accounting was welcomed, although the difficulties in coming with a principles-based approach were acknowledged;
- on the classification and measurement of financial liabilities, it was noted (but not discussed) that the IASB's tentative proposals were that, largely, the existing requirements in International Accounting Standard (IAS) 39 would be carried forward into the new standard, rather than aligning the approach with that for financial assets in IFRS 9; and
- a general comment that there was a need to assess how the crisis-related projects as a whole addressed the concerns expressed by the G20 and others and whether the proposals appropriately depicted economic reality and performance. A view was expressed that there was also a need to test the effects of the proposals, along with regulatory proposals, in order to build confidence.

1.9 Summing, up, the NSS Chairman noted that all NSS were currently considering the proposals in the IASB's ED on Amortised Cost and Impairment, and all recognised that the issue was a difficult one for the IASB. On hedging, it was a case of waiting to see what proposals the IASB would consult on.

## 2 Intangible Assets

2.1 A representative of the Australian Accounting Standards Board (AASB) staff presented NSS members with a Draft Project Plan 'Post-implementation Review of the Initial Accounting for Intangible Assets under IFRS 3 'Business Combinations' that had been prepared by AASB staff. This had been prepared following the discussion that had been held at the meeting of NSS in September 2009, when members had considered a summary of responses to the October 2008 AASB staff Discussion Paper (DP) 'Initial Accounting for Internally Generated Intangible Assets' and a proposed follow-up to undertake a 'Post-implementation review of the initial accounting for intangible assets under IFRS 3 'Business Combinations'' by for-profit entities. The AASB staff's reasoning for this was because:

(a) the conclusions in the DP relied heavily on the assumption that the principles in IFRS 3 regarding intangible assets were appropriate for internally generated intangible assets. Accordingly, a post-implementation review of IFRS 3 should assist in determining whether this reliance was appropriate and provide information on the practicability of the conclusions in the DP; and

(b) the results from such a post-implementation review were also likely to be useful input for either or both the IASB and FASB in any future review of IFRS 3.

2.2 In presenting this item, the AASB staff sought to:

(a) outline the objective, scope, methodology and potential resource needs of the post-implementation review, including the version of IFRS 3 to be examined (ie the 2004 version, the revised version published in 2008, or both) and a proposed questionnaire;

(b) provide a tentative timetable for completion of the post-implementation review (the highlights of which assumed a questionnaire distributed in August 2010, responses submitted by the end of December 2010, and a report submitted to the IASB and FASB in November 2011); and

(c) seek feedback from NSS members regarding the working draft of a post-implementation review questionnaire, including whether there should be separate questionnaires for different classes of respondents.

2.3 In discussion, NSS members agreed that:

(a) the AASB staff, on behalf of the NSS, should proceed with preparing a questionnaire that covered post-implementation experience of applying both versions of IFRS 3 and any similar GAAP, such as SFAS 141 'Business Combinations';

(b) one questionnaire was generally appropriate for all potential types of recipients (users, acquirers, auditors etc.) but that consideration should be given to:

(i) having a separate questionnaire for users that more directly addressed their particular interests, albeit without forcing issues on them;

(ii) using further 'go to' directions within the questionnaire to direct particular types of recipients to questions relevant to them to minimise the time they would need to take to respond;

(c) in general, the questionnaire needs to be more focused and user friendly; and

(d) AASB staff should consider consulting with the IASB staff responsible for recent outreach work on the basis that they might be able to assist with the structuring and presentation of the questionnaire.

2.4 NSS members also noted:

(a) the proposed timetable;

(b) in revising the questionnaire, the opportunity to comment should be extended to all NSS;

(c) NSS participating in the post-implementation review that wished to have the questionnaire prepared in a language other than English would need to provide the necessary expertise in terms of both the questionnaire itself and the responses to the questionnaire; and

(d) NSS participating in the post-implementation review would need to follow up with questionnaire recipients in their respective jurisdictions in order to assist in obtaining useful results.

2.5 Summing up, the NSS Chairman noted that the AASB would be finalising the questionnaire for distribution out of session and seeking the co-operation of NSS in the post-implementation review. He proposed that the AASB provide a progress report to the NSS meeting in April 2011.

## 3 IFRS 2 'Share-based payment' review project

3.1 A representative of the staff of the French *Autorité des Normes Comptables* (ANC) gave a presentation of the progress of its project to review IFRS 2 and to develop a draft revised standard without changing the basic principles underlying the existing standard, in accordance with the IASB's objectives. The work was being taken forward by a working group set up by the ANC.

3.2 NSS members were reminded that the ANC's objectives of the review project were to:

(a) clarify the underlying accounting principles of IFRS 2;
(b) ensure the consistency of these principles both within IFRS 2 and with other IFRS; and
(c) make the standard easier to understand and apply.

3.3 The paper provided an update of the work of the ANC working group on two possible accounting objectives of what the standard was setting out to portray:

(1) to represent assets acquired by or services rendered to the reporting entity as part of a share-based payment transaction irrespective of whether there was an identifiable payment made by the entity (or by an entity's shareholder or another entity of the group). This implied that these services

were supposed to be rendered regularly on an accrual basis and were supposed to be proportional to the employee's presence (or performance); or

(2) to represent share-based payments made by the reporting entity (or by an entity's shareholder or another entity of the group) irrespective of whether there was an identifiable service rendered to the entity. This implied that services were supposed to be received only if all conditions (presence and performance) were fully completed.

3.4 The ANC working group had yet to reach a consensus on which of the accounting objectives referred to in paragraph 3.3 above was the more appropriate, but had concluded that the modified grant date method in IFRS 2 failed to reflect consistently either of the two objectives. The group had also concluded that the accounting requirements of IFRS 2 in respect of forfeitures, plan modifications and cancellations were neither consistent nor principles-based (including the asymmetrical treatment of modifications that were advantageous or disadvantageous to the employee). Given the lack of consensus on the accounting objective, the ANC working group was presenting two proposed alternative approaches to recognition and measurement:

(1) the 'unit of service method', which was the most appropriate method if the objective of IFRS 2 was considered to represent services received in a share-based payment transaction. This method represented remuneration expense as actual periods of service measured at grant date fair value irrespective of whether those periods of service actually gave rise to a payment. Forfeitures, modifications and cancellations arising during the vesting period did not affect previous periods of service as the services for those periods were considered to have been received; or

(2) the 'payment approach', which represented remuneration expense as the fair value of instruments expected to vest. Forfeitures, modifications and cancellations therefore led to an adjustment of cumulative remuneration expense. Fair value excluded vesting conditions which were taken into account in the number of instruments expected to vest.

3.5 The ANC working group noted that the unit of service method had been criticised for its complexity, but – despite that – concluded that it was the method that provided the most relevant representation of services received in a share-based payment transaction.

3.6 During the session NSS members:

- expressed support for the project and the quality of the analysis done to date, although a comment was made that the basis for choosing between the two approaches referred to above needed to be made clearer and benchmarked to the elements set out in the IASB's Framework;
- asked for further details of the ANC's expectation of the review of IFRS 2 and the timing, noting that the IASB would not be able to start looking at the subject until after mid-2011 at the earliest. A comment was made that this was difficult territory and should not be rushed. There should be consistency between employee share-based payments and accounting for incentives more generally, and a need to consider whether IFRS 2 remained applicable for the newer types of share-option plans that were now being seen in at least some jurisdictions;

- noted that the ANC was constrained by the agreement that it had made with the IASB as to the scope of the review and the fact that it would not challenge a number of the core principles in IFRS 2, notably the use of grant-date accounting;
- expressed differing views as to whether the unit of service approach or the payment approach was more relevant. Those who favoured the unit of service approach acknowledged that it was more complex to apply, but argued that it would make the standard easier to understand.

3.7 The Chairman of the ANC acknowledged that the work would take some time to complete. While he might favour rather faster progress, he accepted the desirability of being able to draw more cross-cutting conclusions in the wider area of accounting for incentives, but that went wider than the scope of the current project being undertaken by the ANC.

3.8 Summing up, the NSS Chairman suggested that the ANC should first look to complete the IFRS 2 project as agreed, and then take stock as to whether it wanted to embark on a wider project. A further progress report could be presented to the NSS meeting in September 2010.

## 4 The corporate reporting framework

4.1 David Phillips (a partner with PricewaterhouseCoopers, PwC, in the UK) gave a presentation on the 'Connected Reporting' model that had been proposed under an Accounting for Sustainability (A4S) project. The aim of A4S was to help organisations tackle the challenges of sustainability, in particular considering the role of information and accounting, in order to embed sustainability within corporate decision-making and reporting processes. To date, more than 200 private and public sector organisations had been involved.

4.2 The Connected Reporting framework had been launched at a roundtable event hosted by the Prince of Wales in December 2009, with the aim of presenting a balanced and strategic picture of a business' contribution to wealth creation and broader society impacts. At that roundtable, two broad themes had been discussed and agreed:

> (1) there was a need for a connected and integrated reporting model, which was more concise, coherent and comprehensive, and which was capable of providing a more balanced and complete picture of performance, structured around the organisation's strategic objectives, its governance and business model and integrating both material financial and non-financial information; and
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> (2) establishing an International Connected Reporting Committee. In the same way that the Financial Stability Board (FSB) had been established in the wake of the financial crisis, so similar action was needed to how best to create an international governance structure to oversee the development of a more concise, connected and integrated reporting model, and to determine its role and how it should interface with established institutions and standard-setters.

4.3 The plans for 2010 envisaged an 'establishment' phase, under which proposals would be prepared for both a governance structure and the scope and content of integrated reporting. The plans also assumed engagement with governments and regulators, companies and investors, and the wider stakeholder community. A particular action point would be to seek the endorsement of the G20 for the establishment of a new governance structure for collaboration and change.

4.4 In discussion, NSS members:

- expressed a degree of support for the proposals, with some participants (for example, India and IPSASB) noting similar initiatives in their own jurisdictions or sectors, although a number also highlighted the practical challenges involved, including potential issues relating to assurance;
- questioned what exactly was being sought from the G20 and whether the G20 would be interested, given that the focus of that forum recently had been on issues relating to the financial crisis, rather than any wider reporting issues;
- noted that this could potentially cover a very wide scope of reporting, which raised boundary issues as to feasibility and what would be different as a result of this. David Phillips responded that the aim was to try to create a focus to ensure that the broader aspects of reporting were looked at in a more considered way;
- expressed concerns that there was too much emphasis on environmental issues, rather than the driver being integrated reporting, which could cause problems, given the view that a fair proportion of sustainability reporting to date could be seen as 'greenwash';
- noted that the focus was not just on what would be included in the annual report, but covered transparent reporting across a range of communication channels, including XBRL;
- highlighting concerns with the relationship to financial reporting, given that the IASB had yet to determine in its conceptual framework project what was meant by financial reporting;
- were unclear as to which body would be responsible for covering the wider reporting aspects, if the IASB covered financial reporting. If no such body existed, there could be increasing pressure on the IASB to take on aspects of reporting that were outside its remit and competence.

4.5 Summing up, the NSS Chairman thanked David Phillips for a thought-provoking presentation and asked him to consider how the NSS, both individually and as a group, might be involved and assist the work going forward. The Chairman invited David Phillips to come back to a future meeting for a further discussion.

## 5 Disclosure Framework

5.1 A representative of the staff of the US FASB gave a presentation on that board's disclosure framework project. The background and history to the project were summarised, including the recommendations on developing a disclosure framework that had been made by (a) the FASB's Investors Technical Advisory Committee (ITAC) and (b) the SEC's Advisory Committee on Improvements to Financial Reporting (CIFR, also known as the Pozen Committee). In terms of timing, it was noted that the FASB Board was scheduled to start discussions on the subject in May 2010, with the aim of issuing a Discussion Paper (DP) in October 2010.

5.2 The dual objectives of the project were to:

- establish an overarching framework to make financial statement disclosures more effective, co-ordinated and less redundant; and
- seek ways to better integrate information disclosed in:
    - financial statements and notes;
    - management's discussion and analysis (MD&A); and
    - other parts of a company's public reporting package.

5.3 It was noted that there were uncertainties as to how the FASB would work with the US Securities and Exchange Commission (SEC) to meet the second of the above objectives, given that responsibility for MD&A in particular rested with the SEC. The presentation also covered a number of key issues for FASB and its US constituents, including whether the disclosure framework should go beyond the objective and current boundaries of general purpose financial reporting.

5.4 The presenter also shared FASB staff thinking that was developing about how disclosure objectives might be formulated based on the objectives of financial reporting and how the Qualitative Characteristics (QCs) of information and cost constraint might be used as the basis for developing formal criteria for required disclosures. It was noted that such criteria would be for use by standard setters similar to current use of formal recognition and measurement criteria. The materiality constraint, in the presenter's view, would continue to be applied in an entity specific way rather than as a criterion for use by the standard-setter. As an observation, a comment was made that the compliance mindset together with a failure to apply the materiality concept (or ambiguity about how to apply to disclosures) might be contributing to ineffective disclosures or the so-called overload problem.

5.5 Three broad questions were raised for discussion:

(1) did other jurisdictions need a disclosure framework? Even if it was not needed, would it be useful?;
(2) were the issues sufficiently similar for other jurisdictions?; and
(3) were there opportunities for collaboration?

5.6 In discussion, the answers to the above questions were basically 'yes':

(1) most jurisdictions had an interest in developing a disclosure framework, and one which went beyond simply the disclosures in the notes to the financial statements. Divergent views were mostly based on the differing legal responsibilities of standard setters with respect to MD&A. There was also great merit in tackling a disclosure framework dealing with the existing disclosures provided in the notes to the financial statements, in order to provide more focus and relevance. The link to the previous discussion on the corporate reporting framework was made, although this project was felt to be more contained and achievable. Suggestions included linking it to the work on Phase E of the joint IASB-FASB conceptual framework project, which would examine the boundaries of financial reporting. FASB was encouraged to engage with the SEC in covering MD&A issues (it was noted that at least some other jurisdictions did not have the same constraint in dual responsibilities as existed in the USA). It was noted that EFRAG had

started a complementary pro-active project on a disclosure framework and that there was a need for EFRAG and FASB to liaise;

(2) the issues were similar for other jurisdictions, but concerns were expressed that a US-only project could be constrained by the US environment; and

(3) the opportunities for collaboration and learning from the experiences of others were highlighted.

5.7 Summing up, the NSS Chairman noted that there was support for the project from NSS members and encouragement for the FASB to work with the SEC to ensure that the project covered disclosures outside the notes to the financial statements. He also emphasised the link to Phase E of the conceptual framework project. He asked that a further paper on this project be brought to the September 2010 NSS meeting.

## 6 Effects Analysis of Accounting Standards: Proposals for a Model Framework

6.1 A representative of the UK ASB presented a paper that was designed to continue the discussions that had been held at the 2009 meetings of the NSS group on an ASB/EFRAG proposal for a model framework to provide a more systematic approach for considering the effects of accounting standards as those standards were developed.

6.2 The main developments that had taken place since the September 2009 NSS meeting were summarised, in particular the presentation that had been given by a representative of the UK ASB to the February 2010 meeting of the IASB's Standards Advisory Council, SAC, now the IFRS Advisory Council). It was noted that that presentation had generated a good deal of reaction, with a dozen SAC members and observers providing comments in support of the work continuing, even though this was acknowledged to be difficult territory and that whatever methodology was applied would have limitations.

6.3 In terms of taking the work forward, the proposition was put to the NSS group that a DP for public comment would be drafted.

6.4 The paper focused on a number of particular aspects:

a. which effects should be considered? While the traditional focus had been on micro-economic effects (costs and benefits), the view was that wider macro-economic effects should also be looked at. The effects analysis that had been prepared by the IASB on the Business Combinations Phase II package issued in January 2008 had, for example, addressed a number of claimed macro-economic effects; and

b. the core principles underpinning the model framework. These had been discussed at earlier NSS meetings, but – in the light of a number of concerns that had been expressed – a revised suggested set of principles was proposed, as follows:

   (1) explain intended outcomes: standard-setters should explain the intended outcomes of any proposal for a new/amended accounting standard in terms of their objectives for financial reporting and improving decision-useful information for users. This should be done at the agenda-setting stage;

(2) encourage input on likely effects: constituents should be actively encouraged to provide input on likely effects, which should be considered against the objectives of financial reporting. Effects should be quantified where such quantification was achievable and likely to be useful to decision-making and policy setting;

(3) gather evidence: the evidence gathered should demonstrate that the proposals faithfully represented the underlying economics and produced information that had utility for users; and

(4) consider effects throughout the due process: consideration of the effects of accounting standards should occur throughout the standard-setting process – it should be embedded in that process and not considered as a single event.

6.5 There was again a lively discussion:

- some of the NSS members who had been previously cautious on this work expressed more support for the proposal following the re-ordering and re-working of the proposed principles. That said, some further suggestions were made to look at the wording of the principles and to clarify what the distinction might be between 'effects' and 'consequences';
- the need to highlight the limitations of any methodology was emphasised, not least in order to manage expectations. A number of members felt that there was a need to clarify the extent of the effects that might be considered and whether one covered consequential effects (the so-called 'effects on effects');
- a number acknowledged that, in the development of an accounting standard, a standard-setter could only look at the likely effects. The actual effects could only be assessed after the standard had come into force as part of a Post Implementation Review (PIR);
- some were strongly in favour of the proposed approach as a means of enhancing accountability and credibility. A number of NSS members were already required to undertake such analyses, including consideration of alternative options. A view was expressed that policy makers would find it difficult to understand why they were not carried out by all standard-setters, especially when such studies were carried out already by prudential regulators;
- a view was put forward that policy makers would also need to understand effects in a broader context than just financial reporting. While standard-setting should be neutral, it was recognised that accounting standards did have effects on behaviour;
- a view was expressed that the DP would need to tackle the issue that in developing an accounting standard there would always be 'winners' and 'losers', or at least those who perceived themselves as being one or the other. A standard-setter would often, if not always, have to take a difficult decision, but the effects analysis framework would provide a basis for documenting that and provide an accountability mechanism. There was also a need to assess this carefully and recognise that some parties claiming to 'lose' in particular would have vested interests.

6.6 In summing up, the NSS Chairman acknowledged that this was a difficult issue but there seemed to be broad consensus in the NSS group that this work should be continued. The UK ASB and EFRAG would reflect on all the comments received during the discussion and would come back to the next meeting of the NSS in September 2010 with a draft DP.

7. **Common Control Transactions**

7.1 A representative of the Korean Accounting Standards Board (KASB) gave a presentation on the work it had been undertaking on accounting for common control transactions. The KASB had embarked on this work as a matter of priority, given that Korea was moving towards the adoption of IFRS, which lacked authoritative guidance on the accounting for such transactions. In the Korean context, some 72 per cent of the business combinations surveyed that had taken place during the period 2004-2009 had been common control transactions.

7.2 The KASB highlighted the issues involved by means of an example, but in summary there were two issues to be determined in how to account for the transaction:

(1) which accounting method should be used: should it be a book value method, or what was termed a 'new basis' (acquisition method, fresh start method or fair value)?; and
(2) if the book value method was selected, whose book value was the most appropriate (the ultimate parent, the relevant intermediate parent, or the relevant subsidiary)?

7.3 The KASB had undertaken a survey of fellow NSS members and requested views from the major accounting firms on the above issues. The responses had highlighted that practices varied.

7.4 A representative of the Italian *Organismo Italiano di Contabilità* (OIC) gave a summary of the parallel project that the OIC was leading under the auspices of EFRAG's Planning and Resources Committee (PRC), which had been motivated by similar concerns to those of the KASB. The OIC had also undertaken its own survey of how local GAAPs within Europe dealt with such transactions. The focus of the OIC-led project was on the initial measurement of the components of a business transferred in a business combination between entities under common control. The aim was to develop a draft of a DP by the end of 2010.

7.5 In discussion:

- a suggestion was made by the NSS Chairman that perhaps the KASB and OIC work could be combined and one paper produced. This was noted, although as it was early days there was a need to consider the scope and objectives of both projects before coming to a decision. Whatever the outcome, the KASB and OIC were already liaising with each other;
- a number of other NSS members noted that accounting for common control transactions were frequent in their jurisdictions, so they supported the work. It was noted that in the survey of NSS members on IASB work plan priorities post-2011 (item 10 on the agenda), common control had ranked first;
- the IPSASB Chairman noted that this was also a big issue in the public sector and that IPSASB was also starting to examine it;

- it was noted that the answers to the questions posed in paragraph 7.2 above could vary depending on the approach taken to separate financial statements and how that related to the reporting entity.

7.6 Summing up, the NSS Chairman stressed the desirability of the KASB and OIC working as closely as possible together and suggested a further report be brought to the September 2010 NSS meeting.

8. **Towards a Measurement Framework for Financial Reporting by Business Entities**

8.1 A representative of the Canadian Accounting Standards Board (AcSB) presented sections of a paper that set out some initial thinking – which was still work in progress – on an approach to developing a conceptual measurement framework for financial reporting by business entities. The purpose of the proposed paper was to deduce, to the extent possible, fundamental measurement principles for financial reporting purposes. It was intended to submit the proposed paper for consideration in the IASB-FASB joint project on the conceptual framework. The AcSB hoped that the paper would contribute to promoting the realisation that a coherent conceptual measurement framework was possible and that its development was essential to the promulgation of rational and consistent principles-based standards for financial reporting.

8.2 The paper set out a number of proposed basic premises to provide a foundation to developing a measurement framework. These were that:

(1) the primary economic purpose of business entities was to add value (create wealth). Business entities invested in assets, regardless of their form, for the future new cash-equivalent flows that they were expected to generate;

(2) the objectives of financial reporting were taken as those set out in the IASB-FASB June 2008 ED *An Improved Conceptual Framework for Financial Reporting: Chapter 1 – The Objective of Financial Reporting*;

(3) business entities typically created wealth through their operating activities by adding value to their assets through processes that used, combined and transformed acquired goods and services (inputs) to create other goods or services (outputs) which were sold to realise cash inflows; and

(4) there was a role for markets and market prices, in that a business entity typically attempted to achieve its economic purpose through one or more cash-generating processes that involved (a) acquiring inputs in the markets for those inputs, (b) using those inputs to create outputs and (c) selling outputs in the markets for those outputs.

8.3 The paper also focused on business operating assets and proposed a number of principles for their measurement:

(P1) a business entity's operating assets should be recognised and measured on the basis of their input or output asset properties within the entity's cash-generating process;

(P2) value added by a cash-generating process should be recognised when that process had generated net output assets for which market values were practicable of faithful representation; and

(P3) assets that were inputs to a cash-generating process should be measured on the basis of prices in the markets in which they could be expected to be acquired, or on the basis of reasonable substitutes when such prices were not practicable of faithful representation.

8.4 NSS members were asked for their views on the proposals, in particular:

- whether they agreed with the development of a coherent conceptual measurement framework;
- what they thought of the priority that should be given to its development, and the approach to be taken;
- whether the proposals offered a promising way forward for that development; and
- whether they wished to be involved in some capacity in the work.

8.5 The IPSASB Chairman noted that the IPSASB conceptual framework project was also looking at measurement. Given that the use of assets in the public sector was more about service potential rather than cash-generation, this was an area where there were valid arguments for having differences between the public and private sectors, although the thinking should be consistent.

8.6 In discussion:

- NSS members broadly welcomed the work and felt that it was worth pursuing, although a number expressed caution at the risk that it might become too much of an academic exercise;
- there were some concerns that such an approach would deflect management's focus from running the business to becoming preoccupied with valuation, but it was acknowledged that a much wider debate was needed to the measurement framework issue;
- there were some concerns about what was meant by 'market value' in the paper. The AcSB confirmed that it was not the same as fair value as defined in the IASB's work on fair value measurement guidance;
- there were a number of suggestions for the developing work, including providing some more details on the concept of capital underpinning the proposals, how the proposals might work for value creation in new technology industries, and whether the proposals could also extend to financial assets;
- in terms of the proposed principles outlined in paragraph 8.3 above, there were suggestions that:
    - under P1, the paper needed to set out more on how the cash-generating process might be determined;
    - P2 needed to be thought about in conjunction with revenue recognition activity, including some consideration of what was the difference between the cash-generating process and the satisfaction of performance obligations;

  - P3 needed to be looked at carefully, as it appeared to be inconsistent with current IASB thinking in a number of other areas, in particular insurance;
- several NSS members expressed their willingness to participate in the on-going work.

8.7 Summing up, the NSS Chairman concluded that the consensus was that it was worth trying to develop this work and he looked forward to seeing the longer, more developed, paper in due course. He also proposed that the IPSASB work on measurement would also be considered at a future NSS meeting.

9 **Conceptual Framework**

9.1 Representatives of the UK ASB and AASB presented a summary of the latest position on the IASB-FASB joint Conceptual Framework project:

- the final output of Phase A (Objectives and Qualitative Characteristics) was to be issued in the near future;
- an ED on Phase D (Reporting Entity) had been issued in March 2010 for comment;
- there had been little recent progress on Phase B (Definitions of Elements and Recognition), and some important issues had yet to be addressed. It was noted that EFRAG and the French ANC had recently issued a staff research paper on the proposed new definition of an Asset tentatively adopted by the IASB and FASB;
- work on Phase C (Measurement) was continuing, but progress seemed to be moderate; and
- the remaining phases were inactive, although a group of NSS members were continuing to do some work on conceptual issues relating to not-for-profit financial reporting (Phase G).

9.2 It was noted that IPSASB's conceptual framework project was being taken forward as a priority and could move ahead of the IASB-FASB project. This had implications for those jurisdictions which had sector neutral standards and NSS members in that position expressed concerns about the potential development of two separate frameworks.

9.3 A number of issues were put to the NSS members for consideration. The main issues discussed were:

(A) was the design of the framework robust? Was the scope of financial reporting clear? – suggestions made on this aspect were that the purpose of the framework itself needed to be clarified, and that the IASB and FASB should clarify what they defined as financial reporting sooner rather than later;

(B) what would be the consequences of having two frameworks (IASB and IPSASB)? – this generated the most discussion and concerns. The IPSASB Chairman acknowledged those concerns. The IPSASB project had originally been aligned with that of IASB-FASB, but the delays in the latter project had meant that IPSASB had to push ahead faster. While one might legitimately expect differences between the two frameworks, IPSASB was keen to ensure that both frameworks were consistent. The involvement of NSS in the IPSASB project was seen as vital in that respect. It was noted that, in fact, IPSASB's work could influence the IASB's thinking;

(C) was the priority of the IASB-FASB framework project appropriate? – the NSS group had consistently emphasised the importance of the project being taken forward as a high priority. The framework was important to the IASB, but it had other pressures and priorities in the period up to June 2011;

(D) were participants concerned that cross cutting issues might be addressed in a standards level project with high visibility and priority before being dealt with in the context of the framework? – the short answer was 'yes'; and

(E) should the NSS be pressing ahead on conceptually related papers to try to influence the IASB work and to spur it along? – again, the answer was 'yes'. One suggestion was that the NSS might do some work on thinking about the boundaries of financial reporting, as referred to in (A) above.

9.4 Summing up, the NSS Chairman noted the concerns that had been expressed about the implications of having two frameworks and urged both the IASB and IPSASB to remain as consistent as possible. He also asked the representatives of the UK ASB and AASB to think about how the NSS group might play a more proactive role on framework issues. He noted that he had been encouraged to write to the Chairmen of the IASB and FASB with positive suggestions as to how the NSS members might have more direct involvement in their framework project.

10 **IASB Work Plan**

10.1 A representative of the UK ASB presented the latest version of the IASB's published work plan (dated 1 March 2010) and noted that it both (a) contained a large number of projects and (b) an ambitious timetable. Also presented were the results of a survey it had conducted seeking the views of NSS members on how they would rank the projects listed in the IASB work plan in order of priority. Additional questions had been asked on the IASB's priorities for the work plan post-June 2011, both in terms of suggested items for the technical agenda and the nature of activities (such as field testing, PIRs and the implications of XBRL).

10.2 During the session on the IASB's work plan up to June 2011:

- NSS members acknowledged that the agenda for this period was essentially fixed, with the emphasis on crisis-related projects and those under the IASB-FASB MoU. There were some concerns expressed that there were already some slippage in the March version of the work plan and that, in order to meet that deadline, the scope of a number of projects might be narrowed. A priority post-June 2011 might then be a 'clean-up' of issues not dealt with before then; and
- concerns were expressed at the continuing pressure being placed on constituents by the intensity of the IASB's work plan, notably for those constituents moving to adopt IFRS in the next couple of years.

10.3 In thinking about the agenda post-June 2011:

- the Deputy Chairman of the IFRS Advisory Council (AC) noted that this would be the main item for discussion at the AC's meeting in June 2010, when the AC expected to finalise its views for submission to the IASB. He anticipated that the AC would, among other things, push for a period of calm, a focus on adoption of IFRS rather than convergence, taking forward PIRs, enhanced outreach and some IASB consideration of the future of financial reporting;
- it was noted that the IASB planned to consult later in the year on proposals for the post-June 2011 agenda, following advice from the AC and a scheduled discussion at the meeting of World Standard-Setters (WSS) in September 2010;
- the NSS Chairman noted that the highest ranked projects in the survey all related to items that were being considered elsewhere at this meeting: completion of the conceptual framework, common control transactions, disclosure framework and intangible assets;
- in terms of other suggestions for the post-June 2011 agenda, two in particular came up:
    - the implications of XBRL, not least on the presentation of financial statements, as well as the more general issue of what was the relationship between XBRL and standard-setting. A representative of the Singapore Accounting Standards Council (ASC) highlighted the importance of XBRL and, in conjunction with the IASB, offered to bring a paper to the NSS meeting in September 2010;
    - looking again at IAS 41 'Agriculture' – the requirement to fair value biological assets (plantations and vines were mentioned specifically) was giving some jurisdictions serious problems (such as India, Malaysia and South Africa).

10.4 Summing up, the NSS Chairman noted that the results of the survey and the issues discussed at the meeting would be reflected in a letter on the work plan that would be sent to the IASB. A draft would be circulated to NSS members for comment. For the NSS meeting in September 2010, he suggested that papers could be submitted on XBRL (Singapore and the IASB) and agriculture (led by Malaysia).

## 11 Reports from Regional Groups

11.1 The group received two presentations under this item.

*European Financial Reporting Advisory Group (EFRAG)*

11.2 A representative of EFRAG gave a presentation on the pro-active work that was being undertaken in Europe by EFRAG and a number of major European NSS.

11.3 A pro-active strategy had been devised that had four aims:

(1) to influence global accounting standards;
(2) engaging with European constituents to ensure an understanding of their issues and effects of accounting standards;
(3) thought leadership in accounting principles and financial reporting issues to support the development of IFRS; and
(4) promote solutions that were practical, improved the quality of information and enhanced transparency and accountability.

11.4 A brief summary was given of the current pro-active projects:

- business combinations under common control;
- accounting for corporate income tax;
- disclosure framework;
- effects of accounting standards; and
- the implications for financial reporting of the business model.

*Asian-Oceanian Standard-Setters Group (AOSSG)*

11.5 The Chairman and Vice-Chairman of the AOSSG gave a presentation on the formation and objectives of the group, together with a report of its first meeting (held in Malaysia in November 2009) and a promotion for the second meeting (to be held in Japan in September 2010).

11.6 The idea of the group was an initiative of China, Korea and Japan. The objectives of AOSSG were to:

(1) promote the adoption of, and convergence with, IFRS by jurisdictions in the region (which potentially covered 74 countries eastwards from Turkey);
(2) promote consistent application of IFRS by jurisdictions in the region;
(3) co-ordinate input from the region to the technical activities of the IASB; and
(4) co-operate with governments and regulators and other regional and international organisations to improve the quality of financial reporting in the region.

11.7 The first meeting had been attended by 21 NSS, plus representatives from the IASB, at which an MoU had been signed and four technical topics discussed for which working groups had been set (a further five groups had been put in place since then) covering:

- financial instruments (led by Australia);
- revenue recognition (Japan and Singapore);
- fair value measurement (China); and
- financial statement presentation (Korea and China).

11.8 The AOSSG representatives were asked how they were expected to get to common views on the technical topics and whether submissions to the IASB would still be submitted. The answer was that AOSSG would seek to arrive at a consensus as far as possible, but could reflect a range of views (a representative of the IASB noted that it would be useful for a range of views to be provided). Individual NSS within AOSSG would still submit their own responses.

11.9 A comment was made that similar regional groupings might be useful for other continents (such as Africa), although the challenge of setting them up was noted.

11.10 Summing up, the NSS Chairman thanked the presenters and suggested that regional reports should be provided on a regular basis (perhaps once a year). He noted the growth of regional groupings, but commented that there was still value in having the NSS group, as it allowed for discussions on a wider global basis.

## 12 Desirable Qualitative Characteristics of Standard-setting

12.1 The Chairman of the Australian Accounting Standards Board (AASB) presented a paper that dealt with the possible qualitative characteristics (QCs) to which standard-setters might aspire. The paper had been prompted by his thinking about the focus over the past nine years or so on the IASB and the increasing adoption of IFRS across the world, which had led to some questioning about the role of individual NSS, as well as their relationships with the IASB.

12.2 In terms of potential QCs, it was proposed that standard-setters should be:

a. independent;
b. acting in the public interest and neutral (although a suggestion was made that it might be better to make the reference to 'serving' the public interest);
c. accountable and transparent;
d. objective;
e. competent;
f. efficient;
g. effective.

12.3 In discussion, NSS members broadly supported the paper and its further development. Members saw those QCs as a part of a broader description of, or framework for, standard setting and encouraged the AASB to further pursue the subject. Members saw such a paper as potentially helpful for both existing and developing standard setters. The reference to public interest generated some debate. A suggestion was made to look at how the QCs fitted into each country's process for standard-setting, as well as providing more context as to how things worked in practice. A caution was expressed that the framework should be realistic about how changes in standard setting were achieved over time.

12.4 Summing up, the AASB Chairman undertook to develop his thinking further and to come back to a future meeting of the NSS with a revised paper.

## 13 Topical Issues

13.1 A representative of the UK ASB introduced this session, the purpose of which was to provide an opportunity for participants to inform the NSS group about issues that were of concern to them or work that they currently had in progress. These might include issues that could be referred to the IFRS Interpretations Committee (formerly IFRIC) or research projects, particularly where collaboration with other standard-setters, or discussion at a future NSS meeting, would be welcomed.

13.2 Ten issues had been submitted for discussion. The topics, and the discussion on them, are summarised at Appendix B.

13.3 Summing up, the NSS Chairman felt that this had been a good session, and that it was useful to share views. This was an agenda candidate for future meetings.

## 14 Operational matters for the Group

14.1 The NSS Chairman noted that this was a standing item. He had three issues to raise.

14.2 The first issue related to the possibility of having an NSS website, which had been discussed at previous meetings. A representative of the IASB offered to host a SharePoint facility for NSS on the IASB website, a password-protected portal which could be used as a forum for document and information sharing. The Chair of EFRAG reminded NSS members that it had made an offer to host the website and asked how the two might sit together. The IASB representative felt that the two were complementary, rather than competing. The Chairman undertook to pursue the issue with the IASB and EFRAG.

14.3 The second issue concerned the venue for the September 2010 NSS meeting, which was scheduled to take place on 18-19 September, immediately before the IASB's meeting with World Standard Setters. Following a vote of participants it was decided to hold the meeting in Rome, following the offer to host it given by the Italian OIC. The NSS Chairman undertook to confirm the IASB representation at that meeting. He would also be contacting NSS members by e-mail with potential items for the agenda and seeking suggestions.

14.4 On the third issue, the NSS Chairman noted that he would be consulting on the options for dates and venue for the NSS meeting to be held in March/April 2011.

14.5 In terms of follow-up to this meeting, the NSS Chairman noted that:

- a letter to the IASB and FASB would be drafted on the conceptual framework project and how the NSS might play a more active role (item 9); and
- the usual letter to the IASB on the meeting and the thoughts of the group on the work plan (item 10) would be drafted.

14.6 Drafts of the letters would be circulated to NSS members for comment.

**Appendix A**

## NSS MEETING – SEOUL: LIST OF PARTICIPANTS

| Surname | First name | Country |
|---|---|---|
| Ng | Christina | Australia |
| Stevenson | Kevin | Australia |
| Thomson | Angus | Australia |
| Prachner | Gerhard | Austria |
| Martin | Peter | Canada |
| O'Malley | Tricia | Canada |
| Abela | Mario | EFRAG |
| Flores | Francoise | EFRAG |
| Bui | Philippe | France |
| Grauer-Gaynor | Isabelle | France |
| Haas | Jerome | France |
| Knorr | Liesel | Germany |
| Chan | Clement | Hong Kong |
| Ong | Steve | Hong Kong |
| Teixeira | Alan | IASB |
| Tweedie | David | IASB |
| Upton | Wayne | IASB |
| Yamada | Tatsumi | IASB |
| Zhang | Wei-Guo | IASB |
| Chander | Avinash | India |
| Chopra | Amarjit | India |
| Fadnis | Manoj | India |
| Bergmann | Andreas | IPSASB |
| Fabi | Tommaso | Italy |
| Giussani | Alberto | Italy |
| Kato | Atsu | Japan |
| Nishikawa | Ikuo | Japan |
| Yoshioka | Toru | Japan |
| Azmi | Mohammad Faiz | Malaysia |
| Tan | Lee Beng | Malaysia |
| De Munnik | Hans | Netherlands |
| McBride | Patricia | NZ |
| Perry | Joanna | NZ |
| Ludolph | Sue | SA |
| Watson | Alex | SA |
| Macek | Charles | SAC |
| Goh (Ms) | Suat Cheng | Singapore |
| Lee | Andrew (Prof) | Singapore |
| Subramanian | Surya | Singapore |
| Kim | Won-jung | South Korea |
| Suh | Chungwoo | South Korea |
| Martinez-Pina | Ana | Spain |
| Borai | Zein | Sudan |
| Leu | Philipp | Switzerland |
| Chang | Conrad | Taiwan |
| Lui | Dr C C | Taiwan |
| Lennard | Andrew | UK |
| Loweth | David | UK |
| Mackintosh | Ian | UK |
| Phillips | David | UK (PwC) |
| Bossio | Ron | United States |

**Appendix B**

**NSS MEETING – AGENDA ITEM 13: LIST OF TOPICAL ISSUES**

**1. Accounting under IFRS in Zimbabwe South Africa (SA)**

1.1 SA had encountered a problem with the application of hyperinflation accounting in Zimbabwe due to the rapid change in price levels and a general collapse of the formal economy. Many SA companies had subsidiaries in Zimbabwe and had audit qualifications, which could potentially lead to listing suspensions. Local practical guidance had been prepared, but was not IFRS-compliant. The issue was how companies affected could transition back to IFRS. SA had suggested two alternatives: (1) an amendment to IAS 29 'Financial Reporting in Hyperinflationary Economies' or (2) an amendment to IFRS 1 'First-time Adoption of IFRS'. The issue was scheduled to be discussed by the IFRS Interpretations Committee (IFRSIC) in May 2010.

1.2 In discussion, NSS members noted the link to issue 4 (below) and felt that the best solution would be to get a clarification that IFRS 1 could be used more than once by the same entity.

**2. IFRS implementation in Japan Japan**

2.1 Japan was moving towards the voluntary adoption of IFRS and the ASBJ wanted to learn from the experiences of others, in particular thinking about the first-time implementation issues that might arise.

2.2 A number of NSS members provided details of how they had, or were, handling such issues, through – for example - the setting up of various technical and advisory groups, education sessions, and so on. The general advice given was to consider carefully what might be referred to the IFRSIC, limiting references only to those that met the agenda criteria for consideration by the Committee.

**3. Raising IFRIC issues France**

3.1 The ANC noted that, following a discussion at the September 2009 NSS meeting, a process had been put in place whereby NSS and the staff of what was now the IFRSIC sought the views of other NSS members on possible items for the IFRSIC agenda. The ANC wanted to get some feedback on how the process was working (some seven requests for comments had been circulated) and whether it was useful.

3.2 In discussion, NSS members in general felt that the process had been useful, although the deadlines for comments were often very short. There was also a need to beware of potential overload.

**4. First-time adoption Australia**

4.1 The AASB raised an issue as to whether IFRS 1 could be used more than once by the same entity (which was linked to issue 1 above).

4.2 In discussion, most NSS members indicated that it would be appropriate for IFRS 1 to be able to be used more than once by the same entity, particularly in light of the possibility that entities might move from one tier of reporting to another and back again – for example, from full IFRS to the IFRS for SMEs and back to full IFRS.

4.3 NSS members agreed that AASB staff should liaise with IFRSIC staff with a view to helping to ensure that relevant aspects of the issue were discussed at the May 2010, particularly in view of the urgent need to address topical issue 1.

**5. PPE under construction Australia**

5.1 The AASB raised an issue as to whether IAS 16 'Property, Plant and Equipment (PP&E)' permitted PP&E under construction to be measured at fair value. There were divergent views on the issue. If fair value measurement was permitted, such PP&E would be outside the scope of IAS 23 'Borrowing Costs'. It was noted that IAS 40 'Investment Property' had been amended in 2008 to permit the measurement at fair value of investment property under construction.

5.2 On the basis that the revaluation of property, plant and equipment was not common in most of the NSS jurisdictions, the issue was viewed by most NSS as not being in urgent need of resolution. However, given the fact that the issue had been clarified in IAS 40 in respect of investment property, there was a sound basis for seeking to have the issue resolved by the IASB for PP&E.

**6. Key Management Personnel Australia**

6.1 The AASB noted that IAS 24 'Related Party Disclosures' defined 'key management personnel (KMP)' in terms of 'persons' and required disclosures about key management personnel compensation. However, some entities that prepared financial statements do not have any employees and paid fees to another entity in compensation for services provided, including KMP services. There are divergent views about whether KMP must be people or could include entities. If the latter, then an entity that obtained its KMP services from another entity could meet the requirements of IAS 24 by disclosing the fee it paid that other entity. If not, it would have to 'look through' the other entity and identify the compensation paid to the people who provided those services.

6.2 In discussion, a general view that emerged was that the definition of KMP related only to people, but that it would be impracticable in many cases to identify the compensation paid to KMP employed by another entity. Furthermore, the view was noted that a possible principle underlying the disclosure framework was that the information disclosed should be about the entity reporting, not information about other entities, and in relation to the case outlined above, it would be best to require disclosure of the fees paid to the other entity as compensation. Accordingly, there was a sound basis for seeking to have the IASB amend IAS 24 to remove issues of impracticability and potentially inappropriate disclosures.

**7. Reflecting an Entity's Business Model? Singapore**

7.1 The ASC noted that, in view of the many impending changes to be made to the current IFRS (including the conceptual framework), it might be useful for the standards-setters to continue to research and deliberate on the best reporting model and whether business model should drive financial reporting, so as to allow a more comprehensive and consistent framework or approach to be applied for the current and future standards such that it would improve information quality and relevance to all users.

7.2 It was noted this aspect would be examined as part of the European pro-active project on the business model referred to in the EFRAG presentation at item 12 on the agenda.

**8. Accounting for systematic risk Sierra Leone**

8.1 The Council for Standards of Accounting, Auditing, Corporate and Institutional Governance (CSAAG) had submitted a paper that suggested that recent developments in economics might call into question some of the fundamental assumptions made in financial reporting, for example that market prices reflect the actions of the rational, perfectly informed 'economic man'.

8.2 There was no discussion on this topic at the meeting.

**9. Accounting for social costs Sierra Leone**

9.1 The CSAAG noted a number of initiatives that were underway on accounting for social costs and natural capital. The CSAAG suggested that the NSS should establish links with the leading initiatives in the field and that the IASB should be encouraged to get into this territory as part of its post-June 2011 agenda.

9.2 There was no discussion, but it was noted that this fitted within the broader corporate reporting framework considered at item 4 on the agenda.

**10. Comment period for IASB consultations Korea**

10.1 The KASB raised an issue about the comment periods provided by the IASB for its consultation documents. The normal period was 120 day, which raised issues for jurisdictions such as Korea for whom English was not their first language and who had to translate the documents for their constituents. A minimum 180 day comment period was suggested.

10.2 In discussion, while there was some sympathy for the KASB position, the general view was that it remained preferable to leave the appropriate comment period to the judgement of the IASB on a case-by-case basis.