KPMG

# IASBriefing

This issue of IASB*riefing* covers the IASB's September and October 2003 meetings. A discussion of the key points in the exposure draft (ED) on fair value hedge accounting for a portfolio hedge of interest rate risk is included in Attachment One. Also, a summary of the IASB's project plan is included in Attachment Two.

November 2003

*Issue 14*

## Share-based payments

The IASB is wrapping up its redeliberations to finalise a standard in the first quarter of 2004. In October it agreed on a change to the accounting for tax effects of share-based payment transactions and tentatively agreed to allocate the tax effects of share-based payment transactions between profit or loss and equity. It also discussed its timetable, transition provisions and potential scope overlap with other standards.

## Share-based payments: transition and timetable

In the IASB's September 2003 meeting, the Board agreed to change the effective date of the final standard based on ED 2 *Share-based payment* to apply to financial periods beginning on or after **1 January 2005**. The standard will continue to apply to equity instruments granted after **7 November 2002** that have not vested at the effective date. Full retrospective application to options granted on or before 7 November 2002 would be allowed *only* if the entity previously had published the fair value of these equity instruments at their grant date.

If previously granted share-based payments are recognised as liabilities (e.g. share appreciation rights) retrospective application would be required for liabilities that exist at 1 January 2005. However, liabilities in respect of *vested* share appreciation rights would be measured at their settlement amount.

Entities applying IFRS 1 *First-time Adoption of International Financial Reporting Standards* would be required to restate their comparatives, even if those comparatives are for periods before 1 January 2005. IFRS 1 will be amended to reflect these transitional requirements.

*KPMG's bi-monthly update on International Financial Reporting Standards (IFRS)*

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## Share-based payments: scope and application

The Board had identified a potential overlap in the scope of its planned standard on share-based payments and the scope of IAS 32 *Financial Instruments: Disclosure and Presentation* and IAS 39 *Financial Instruments: Recognition and Measurement.* To address this potential overlap the Board tentatively decided that contracts in which the entity *receives* goods and services other than financial items will be within the scope of the IFRS on share-based payment if the transaction (a) meets the definition of a share-based payment transaction and (b) is not within the scope of IAS 32 and IAS 39.

Other tentative decisions include to:

- require transactions with non-employees that involve services *similar* to those provided by employees to be measured at fair value of the equity instruments determined at grant date;
- measure other non-employee services at their fair value. There would be a rebuttable presumption that the value of these goods and services could be measured directly. If this presumption is rebutted, measurement would be required at delivery date of the goods or service based on the fair value of the share-based payment granted;
- continue with the approach described in ED 2 with respect to cash settlement options so that an entity would record a liability for share-based payment transactions that could be settled in cash or shares *only* if they have a present obligation to settle in cash;
- not to create any scope exemptions for Employee Share Ownership Plans (ESOPs), Employee Share Purchase Plans (ESPPs) or broad-based employee share plans;
- consider the alternative of intrinsic value at the *exercise* date if it was not possible to estimate the fair value of the equity instruments for listed and unlisted entities, but not to introduce the current US FASB minimum value alternative;
- not prohibit the use of the Black-Scholes formula, but to give guidance on the appropriate option-pricing models to apply in certain circumstances; and
- require disclosures on an annual basis.

## Share-based payments: tax effects

In their joint meeting with the US FASB and the Canadian Accounting Standards Board (AcSB), the IASB tentatively decided to adopt a 'two-step' approach of taxation for share-based payments in a consequential amendment to IAS 12 *Income Taxes*. Under this approach the tax effects of share-based payments would be allocated between profit or loss and equity. The IASB will discuss various allocation methods during its November 2003 meeting. This is a change from ED 2, which had proposed that all tax effects of share-based payments be recognised in profit or loss.

## Business combinations (phase I)

The Board continued its discussion of the comments received on ED 3 *Business Combinations* and tentatively decided to:

- clarify that in normal circumstances the fair value of an intangible asset acquired can be measured reliably;
- clarify that the circumstances where the fair value of an intangible asset cannot be measured reliably include those when the asset is not separable and when there is no history of transactions;
- include a presumption that the fair value of an intangible asset with a finite life can be measured reliably;
- require entities to disclose information on intangible assets not separated from goodwill in a business combination;
- require disclosure of *revenues* as well as profits or losses from acquired companies in the year of acquisition; and
- limit the sensitivity disclosure requirements surrounding the measurement of recoverable amounts. Entities would disclose the most volatile variable for those cash-generating units that hold a significant amount of goodwill or intangible assets with indefinite lives.

Also, the Board re-confirmed the following decisions:

- to remove the rebuttable presumption in IAS 38 *Intangible Assets* that an intangible asset's life cannot exceed 20 years;
- the recoverable amount of an intangible asset with an indefinite life should be measured, and impairment losses for such an asset accounted for, in accordance with the requirements in IAS 36 *Impairment of Assets* for assets other than goodwill;
- to use an infinite life for an intangible asset when there is no foreseeable limit on the period of time over which the asset is expected to generate net cash flows;
- an intangible asset with an indefinite useful life would not be amortised;
- if an intangible asset arises from contractual or other legal rights that are conveyed for a limited term that can be renewed, the useful life should include the renewal period(s) only if there is evidence to support renewal by the entity without significant cost; and
- contingent assets would not be recognised (although this would be reconsidered in phase II).

The IASB also decided to permit, but not require, retrospective application, subject to certain conditions, including the requirement to have had a valuation completed at the time of the acquisition. The use of hindsight would be prohibited in determining the fair values of the net assets acquired when applying the requirements of the final standard based on ED 3. When finalising the proposals, the Board is expected to clarify the retrospective application in the case of a first-time adopter.

## Financial instruments

In September 2003 the IASB clarified its position on use of internal derivatives to manage currency risk. As a result, the revised IAS 39 is expected to change current practice under IAS 39's *Implementation Guidance: Questions and Answers* 134-1-b and would affect not only financial institutions, but also corporates that manage foreign currency risk. The Board is working to finalise revisions to IAS 32 and IAS 39 by the end of 2003 (with the exception of macro-hedging issues covered by its recent ED). Tentative decisions included:

- *Effective interest rate calculations – Expected* cash flows should be the basis for calculating the effective interest rate on

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individual assets as well as on groups of assets. Expected cash flows should not consider any expected future credit losses. This would not preclude measuring at cost assets acquired at a deep discount where the discount was related to credit losses. Discounts, premiums and directly attributable transaction costs or fees that are an integral part of the effective yield would be amortised over the expected term of the loan.

- *Change in estimates* – Changes in estimates would be accounted for using the cumulative catch-up method. Under this method, the amortised cost is adjusted in the period of the change in estimate with the effect of the adjustment recorded in profit or loss.

- *Hedge effectiveness* – The Board clarified that a hedge is 'highly effective' if, at inception and throughout the life of the hedge, the entity expects changes in the fair value of cash flows of the hedged item to be offset almost fully by the changes in fair value or cash flows of the hedging instrument. The 80 to 125 per cent allowance is retrospective only in order to allow for *unexpected* fluctuations.

- *Loan servicing rights* – The scope of IAS 39 would not be amended to include loan servicing rights.

- *Purchased/originated loans* – The loans and receivables category would exclude those instruments on which the holder may not recover substantially all of its initial investment other than because of credit deterioration.

- *Repurchase or early conversion of convertible instruments* – Additional guidance on the accounting for repurchases of convertible instruments would be provided. However, no additional guidance would be provided on the accounting for induced early conversions.

## Financial instruments: transitional requirements

The Board revisited its July 2003 decision on the implementation date of IAS 39. IAS 32 and 39 will be required for periods from 1 January 2005, but comparative figures for first-time adopters in 2005 would not have to reflect either IAS 32 or IAS 39. A reconciliation will be required between amounts recognised at the end of the comparative period (e.g. 31 December 2004) and at the beginning of the next period (e.g. 1 January 2005). The IASB also confirmed that if an entity decided to adopt IAS 39 early it must adopt IAS 32 at the same time. Further it confirmed that if assets and liabilities had been derecognised prior to 2004 they would remain off the balance sheet (other than derivatives, and assets and liabilities that qualify for recognition as a result of a later transaction or event). Assets derecognised after 1 January 2004 would be subject to reinstatement under IAS 39.

## Improvements project

The Board continued its discussions of the improvements project. The Board decided to amend the definition of a current asset to include only assets that *originally* are expected to be realised in the normal course of the enterprise's operating cycle, thereby excluding non-current assets held for sale under ED 4 *Disposal of Non-current Assets and Presentation of Discontinued Operations* from classification as current assets.

The Board also discussed improvements to IAS 1 *Presentation of Financial Statements*, IAS 16 *Property, Plant and Equipment*, IAS 21 *The Effects of Changes in Foreign Exchange Rates*, IAS 27 *Consolidated Financial Statements and Accounting for Investments in Subsidiaries*, and IAS 33 *Earnings Per Share*.

## Extractive industries

The Board discussed a revised draft of an ED addressing several of the current scope exclusions in IFRS for extractive industries. This ED was developed by the Australian Accounting Standards Board. It will allow entities to continue most current practices relating to accounting for exploration and evaluation costs. The ED will amend IAS 36 to facilitate some use of the full cost method of accounting for exploration costs. The ED will permit all exploration and evaluation assets to be considered as a single cash-generating unit under IAS 36. An ED is expected in late 2003.

## Small and medium-sized entities

The Board reaffirmed its earlier decision to develop accounting standards for small and medium-sized entities (SME) and to describe the qualitative characteristics of an entity to which these standards would apply. It also decided tentatively that if the IASB SME standards do not address a particular accounting question full IFRSs would be a mandatory fallback.

The project's focus will be on reducing the burden of disclosure requirements. Recognition and measurement principles will be retained unless the Board specifically decides otherwise in particular cases.

## Other agenda items

Other projects discussed during the IASB's September and October meetings included Business combinations phase II, Consolidation and special purpose entities (SPEs), Convergence project: proposed amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets,* and Revenue recognition: concepts of revenue, liabilities and equity.

## Joint meeting with the FASB

The IASB held a joint meeting with the US FASB in Toronto, Canada on 24 October 2003. The boards decided to establish a joint agenda planning committee. This committee will make recommendations at the next joint meeting of the boards, scheduled for April 2004.

The boards also discussed various convergence issues surrounding their joint projects and decided to establish a working party to seek

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to reduce the numerous differences in their individual reporting performance projects and to formulate a common strategy to address their respective taxation standards.

They also discussed the classification of liabilities when a breach of the debt agreement had occurred. They decided that if a breach occurred at the balance sheet date and there was a grace period that expired within 12 months of the balance sheet date, the debt would be classified as current.

### Short-term convergence: based on the discussion at the joint meeting

It appears that the IASB and FASB will try to wrap up work on their current list of short-term convergence issues and focus instead on joint projects that are long-term convergence objectives.
For example, several differences in tax accounting originally planned to be addressed in short-term convergence may be transferred to the longer-term project described above.

### Joint meeting with the FASB and the AcSB

On 23 October 2003 the International, Canadian and US standard-setting boards met together in Toronto, Canada. They discussed projects on measurement objectives, revenue recognition, disclosure and share-based payments.

### International Financial Reporting Interpretations Committee (IFRIC)

IFRIC, the IASB's interpretive body, met at the beginning of October 2003 and progressed a number of issues. It agreed to issue two draft interpretations:

- *Rights of use* – When an agreement should be accounted for as a lease; and
- *Decommissioning funds* – How to account for a right to receive reimbursement for decommissioning obligations.

IFRIC continued its discussions on:

- *Multi-employer defined benefit plans* and *Benefit plans with minimum guarantees*. For both of these, IFRIC expects to issue draft interpretations following its December 2003 meeting; and
- IAS 11 *Construction Contracts* to develop guidance on combining and segmenting contracts. IFRIC noted that this also would apply to multiple element revenue recognition issues for service contracts.

IFRIC began discussing a project on service concession arrangements, and agreed to add projects on:

- IAS 41 *Agriculture* on measurement of fair value in the absence of market prices; and
- IAS 29 *Financial Reporting in Hyperinflationary Economies* on the calculation of deferred tax assets and liabilities when a country becomes hyperinflationary.

IFRIC also discussed comments it had received on IFRIC D1 *Emission Rights*. It concluded that, while IFRIC D1 was the best interpretation of existing IFRS, it would prefer an approach that presented changes in the fair value of emission right certificates in profit or loss rather than directly in equity. IFRIC asked the IASB staff to develop a limited scope amendment to IAS 38 in order to achieve this preferred interpretation.

### IASB Observer notes

KPMG has arranged to make available copies of the IASB Observer, a publication of European Research Associates Limited, to clients and contacts of its member firms. The IASB Observer provides timely, detailed reporting of IASB meetings. Please talk to your KPMG contact to arrange to receive this service.

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# IASBriefing

November 2003

*Issue 14*
*Supplementary Attachment One: Exposure draft on fair value hedge accounting for a portfolio hedge of interest rate risk*

This supplement summarises the requirements of the exposure draft (ED) on fair value hedge accounting for a portfolio hedge of interest rate risk.

## Overview

In September 2003 the IASB published an ED of amendments to IAS 39 *Financial Instruments: Recognition and Measurement*, covering fair value hedge accounting for a portfolio hedge of interest rate risk. The proposal would allow fair value hedge accounting to be used more readily for a portfolio hedge of interest rate risk.

The ED retains the basic principles of IAS 39. Its primary objective is to reduce the cost of compliance and eliminate the need for extensive changes to an entity's accounting and information systems.

A portfolio hedge of interest rate risk is entered into most commonly by entities in the banking sector. Consequently, while the proposals will not be restricted to the financial services industry, they are most likely to be applicable to this sector.

The proposed significant changes to current practice are discussed below.

## Designation of financial items as hedged items

IAS 39 requires the identification of hedged items whether they are individual assets, liabilities or cash flows, or portfolios thereof. This requirement would be relaxed to allow the portion of financial assets or liabilities to be designated in terms of an amount of currency within a specified repricing/maturity time-band. The current prohibition on designation of a net amount of assets and liabilities would be retained.

The proposed approach is to designate the hedged item as the interest rate risk associated with a percentage of a portfolio of items that mature in specified time periods. The portfolio for risk management purposes might be comprised of both assets and liabilities or might contain only assets or only liabilities. While the portfolio would be used to determine the amount of the assets or liabilities to be hedged, the portfolio itself would not be designated as the hedged item. Instead, the hedged item would be designated as a percentage of assets or liabilities. This means that where, for example, a portfolio containing assets and liabilities had

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a maturity time period that included currency unit (CU) 100 of fixed rate assets and CU90 of fixed rate liabilities, the hedged item would be designated at ten per cent of the fixed rate assets.

### Prepayable assets, and liabilities with a demand feature (core deposits)

Where a portfolio contains prepayable assets, the *expected* repayment dates would be permitted to be used in designating the hedged items. This means that, for example, in the case of a hedge of a portfolio that includes prepayable assets, the change in fair value attributable to a change in the hedged interest rate would be based on expected, rather than contractual, repayment dates. Consequently, if such a portfolio were to be hedged with a non-prepayable derivative, hedge ineffectiveness would arise if the expected repayment dates were revised or actual repayment dates were different from those expected.

In contrast, where a portion of liabilities is to be designated as a hedged item, issues arise if the liabilities have no specified maturity, or are repayable on demand or after a notice period. Such liabilities often are referred to as 'core deposits'. While these do have certain similarities to prepayable assets, such as the potential to estimate their repayment dates, the IASB's proposals prohibit fair value hedging for core deposits.

### Hedging instruments

IAS 39 includes the potential to designate two or more derivatives in combination as designated hedging instruments. Due to the dynamic nature of prepayment expectations, the assets and liabilities in each designated time period are likely to change. This means that the amount that an entity wishes to designate as a hedged item also will change over time. Typically, rather than disposing of derivative instruments, the entity will enter into additional, new derivatives with offsetting risk profiles in order to rebalance the hedge. In order for hedge accounting to be obtained using this approach, the Board has clarified that a designated hedging instrument may be made up from a portfolio of derivatives containing offsetting risk positions.

### Presentation of hedged items

Macro-hedging for interest rate risk may result in the hedged item being made up of thousands of individual assets or liabilities. Due to the number of individual items involved, changing the carrying value of each of these assets or liabilities individually would be impractical. To address this, the IASB has proposed that the change in value of hedged items (assets or liabilities) should be presented as separate line items within assets and liabilities, adjacent to financial assets or financial liabilities.

### Ineffectiveness

The ED proposes that *any* changes in the hedged item during a period would give rise to ineffectiveness. This would be the case even if the expectation were that more would be repaid in the time bucket (i.e. under hedging).

### Other

The changes proposed in this ED would apply only to hedges of interest rate risk and would not be available either directly or by analogy for other hedges.

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# IASBriefing

November 2003 – *Issue 14*

## Supplementary Attachment Two: IASB's project plan

This supplement summarises the IASB's current project plan.

| Project description | Overview | Timing/Status |
|---|---|---|
| **Business combinations phase I** | The proposals would eliminate the uniting-of-interests method of accounting for business combinations; amortisation of goodwill and some other intangibles would cease and negative goodwill would be recognised immediately in the income statement. Contingent liabilities acquired would be recognised and measured at fair value. An objective of the project is convergence with current US GAAP, although there will not be convergence with the US GAAP measurement of impairment of goodwill. | Exposure drafts (EDs) were issued in November 2002. The comment period closed in April 2003 and a final standard is expected to be issued in March 2004. |
| **Business combinations phase II** | This is a joint project with the US FASB that addresses issues dealing with the application of the purchase method of accounting for business combinations. It would require entities to adopt the full goodwill method when acquiring less than 100 per cent of an entity, and to account for acquired contingent assets as well as contingent liabilities at fair value. It also would include significant revisions to the accounting for minority interests, which would be treated as part of group equity. | One or more EDs are scheduled for release in the first quarter of 2004, to be followed by a 90-day comment period. |
| **Consolidation and special purpose entities (SPEs)** | The objective of this project is to reconfirm the basis on which an entity should be consolidated, including SPEs. | The project is in its early stages. The Board plans to complete an ED by the end of 2004. |
| **Convergence project** | This is a joint project with the US FASB whose objective is to reduce the differences between IFRS and US GAAP. This project plans changes to a number of existing standards including income taxes, pensions and discontinuing operations. One of the most significant expected changes is in the area of pension accounting, which would eliminate the deferral of actuarial gains and losses by eliminating the current option of using a "corridor". | *Disposals of Non-current Assets and Presentation of Discontinued Operations* (ED 4) was the first ED issued under this project. Other EDs are scheduled for release throughout 2004. Any changes to pension accounting requirements would be effective after 2005. |

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| Project description | Overview | Timing/Status |
|---|---|---|
| **Convergence project: proposed amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*** | This is a short-term convergence project to modify the requirements for recognition of restructuring provisions to mirror the US requirements (SFAS 146 *Accounting for Costs Associated with Exit or Disposal Activities*). Generally, the proposals would require recognition of restructuring provisions at a later date than current practice under IFRS. | An ED is planned for the first quarter of 2004. |
| **Exploration and evaluation activities** | The objective of this project is to develop a standard for extractive industries, with common standards for both the mining and petroleum industries and guidance to address industry-specific issues as appropriate. Currently, there is an active limited scope project that is expected to propose amendments to IAS 16 *Property, Plant and Equipment* in order to permit first-time adopters of IFRS to continue using current national GAAP accounting policies for exploration, evaluation and development activities, including some relief on how IAS 36 *Impairment of Assets* would be applied to these costs. | An issues paper was published in November 2000 by the International Accounting Standards Committee (IASC). The IASB has moved this project off its main agenda to a research agenda. The Australian standard setter (AASB) is working on very limited proposals for an ED addressing exploration costs. The ED is expected to be released at the end of 2003. |
| **Financial instruments: amendments to IAS 32 and 39** | The IASB proposed amendments to IAS 32 *Financial Instruments: Disclosure and Presentation* and IAS 39 *Financial Instruments: Recognition and Measurement* included a new test (continuing involvement) for derecognition, additional guidance on derivatives on an entity's own shares, and numerous other changes. These proposals have been controversial and criticised by some for not making it easier to qualify for hedge accounting. In response, the IASB invited the public to discuss its proposed amendments at round-table sessions held in March 2003. A detailed overview of these discussions can be found in IASB*riefing* Issue 10, March 2003. A significant change has been the deletion of the new test for derecognition, with the IASB returning to the original approach together with additional guidance. Recently the Board proposed new changes to permit a limited use of macro-hedging for interest rate risk. An overview of the macro-hedging proposals is included in an attachment to this issue of IASB*riefing*. | An ED addressing macro-hedging was published in September 2003 with a 60-day comment period. The IASB is aiming to publish the amended IAS 32 and IAS 39 (exclusive of the new macro-hedging proposals) in December 2003. The revised IAS 39, including all amendments arising from the ED published in June 2002 and the macro-hedging ED, will be published by the end of March 2004. |
| **Financial risk and other amendments to financial instruments disclosures** | This project covers all entities that have financial instruments. Its objective is to eliminate redundancies with other standards, and to revise and enhance existing disclosure requirements to mirror current IFRS and business practices regarding financial risk management. It also will replace IAS 30 *Disclosures in the Financial Statements of Banks and Similar Financial Institutions*. The proposed changes would be effective for annual periods beginning on or after 1 January 2007. Earlier adoption would be permitted. | An ED is scheduled for mid-2004 and a final standard in 2005. |
| **Improvements to existing IFRS** | The IASB proposed amendments to revise 12 IASC standards to improve the quality and consistency of financial reporting by drawing upon best practices and removing available options within IFRS. | EDs were published in May 2002. The comment period closed in September 2002 and revised IFRS are expected to be published in the fourth quarter of 2003. |

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| Project description | Overview | Timing/Status |
|---|---|---|
| **Insurance contracts phase I** | Phase I is designed as an interim step to facilitate adoption of IFRS for insurance activities in 2005. The project establishes a definition of an insurance contract and addresses various recognition, measurement and disclosure issues. A detailed overview of the project can be found in Attachment Two of the IASB*riefing* Issue 10, March 2003. | ED 5 was published on 31 July 2003, with the comment period closing on 31 October 2003. A final IFRS is scheduled for the first quarter of 2004. |
| **Insurance contracts phase II** | This project seeks to develop a standard based on the 1999 Issues Paper *Insurance*. Any resulting standard would replace Insurance contracts phase I. The project contemplates an asset and liability model that requires identification and measurement of individual assets and liabilities arising from insurance contracts at fair value. | The project is in its early stages. No date has been set for completion of an ED. |
| **Reporting performance** | The project seeks to develop a single statement of comprehensive income. The focus is on separating initial recognition from remeasurement rather than seeking to define 'core earnings' or net income. In addition to replacing the traditional income statement, changes to the statement of equity, the cash flow statement and possibly the balance sheet also are expected. | An ED was scheduled for release in the fourth quarter of 2003. However, the timing currently is under review by the Board. The IASB and FASB agreed in October 2003 to try and align their separate but similar projects. |
| **Revenue recognition: concepts of revenue, liabilities and equity** | This is a joint project with the US FASB to develop a comprehensive set of principles for revenue recognition to eliminate inconsistencies in practice. | The project is in its early stages with an ED scheduled for sometime after the first quarter of 2004. |
| **Share-based payments** | The proposals would require fair value accounting for all share-based payments, including employee stock options. | ED 2 was issued in November 2002. The comment period closed in March 2003, and a final standard is scheduled to be issued in the first quarter of 2004. |
| **Small and medium-sized entities** | The Board is working on developing accounting standards appropriate for small and medium-sized entities (SME). The proposals are expected to be based on the basic principles of IFRS, but with modifications to simplify reporting whilst meeting the needs of users of SMEs' financial statements. Disclosure and presentation requirements are likely to be modified; however the Board has indicated that recognition and measurement principles are unlikely to change unless they can be justified by users' needs and cost/benefit analysis. | The Board is estimating that an ED may be ready for the second half of 2004 to issue a final standard in 2005. |

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**Mark your calendars ...**

| 4th Quarter 2003 | 1st Quarter 2004 | 2nd Quarter 2004 and beyond |
|---|---|---|
| ■ Exploration and evaluation activities – **ED**<br>■ Financial instruments: amendments to IAS 32 and IAS 39 (without macro-hedging) – **final standard**<br>■ Improvements to existing IFRS – **final standards** | ■ Business combinations phase I – **final standard**<br>■ Business combinations phase II – **ED**<br>■ Convergence: amendments to IAS 37 – **ED**<br>■ *Disposals of Non-current Assets and Presentation of Discontinued Operations* – **final standard**<br>■ Financial instruments: amendments to IAS 39 (including macro-hedging) – **final standard**<br>■ Insurance contracts phase I – **final standard**<br>■ Share-based payments – **final standard** | ■ Consolidation and special purpose entities (SPEs) – **ED**<br>■ Convergence project – **EDs**<br>■ Financial risk and other amendments to financial instruments disclosures – **ED**<br>■ Insurance contracts phase II – **ED**<br>■ Revenue recognition: concepts of revenue, liabilities and equity – **ED**<br>■ Small and medium-sized entities – **ED** |

The timing of the reporting performance project is currently under review by the Board.

Note that all standards required to be applied to financial periods ***beginning on or after 1 January 2005*** will be issued by the IASB before **31 March 2004**.

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