



# Monthly International News

---

Issue 10/ 2009

October 2009

---

## In This Issue

- **A U.S. Companies Want IFRS Roadmap Approved - Now: Deloitte Survey**
- **IASB Amends the Accounting for Rights Issues**
- **US Eyes Free Trade Pact with SE Asia Countries**
- **A IFAC Invites Professional Accountants to Help Select Winner of 2009 Articles of Merit Award**
- **IASB Not Waiting for FASB**
- **IAASB Issues Consultation Paper to Enhance Reporting on Greenhouse Gases**
- **IASB and FASB to Meet Monthly on Standards Overhaul**
- **IMF Says Asia Must Adapt to 'New World' Despite Fast Recovery**

## **U.S. Companies Want IFRS Roadmap Approved - Now: Deloitte Survey**

A new Deloitte survey indicated that 70 percent of CFOs and other finance professionals would support the Securities and Exchange Commission's (SEC) approval of its proposed roadmap for adopting International Financial Reporting Standards (IFRS). Almost 20 percent of more than 150 finance professionals Deloitte surveyed indicated that they want the roadmap approved "as is." Another 51 percent said they think the SEC should approve the proposed roadmap, but consider pushing back the mandatory deadline a year.

These survey responses come on the heels of recent public statements by the SEC's new chief accountant and by leaders at the just-concluded Group of Twenty (G-20) Meeting on the importance of having a single set of global accounting standards.

"Clearly, these announcements have energized discussion on the future of IFRS in the U.S.," said D.J. Gannon, partner, Deloitte & Touche LLP and national leader of Deloitte's IFRS Center of Excellence. "The movement towards a single set of global accounting standards is on the mind of

U.S. company executives, who must increasingly evaluate and assess their organization's preparedness for IFRS adoption."

The survey also indicated that a significant number of companies (45 percent) put their IFRS assessment plans on hold due to the ongoing delays with the IFRS roadmap. Twenty percent of respondents also indicated that the economy also factored into companies' inactivity, with 20 percent responding that their IFRS efforts were on hold due to economic challenges or a lack of internal support and resources. However, 26 percent noted they did not delay plans and, in fact, were on track with IFRS planning efforts.

Convergence has been a main driver in IFRS activity and increased pressure is expected, in general, with the latest call from the G-20 for international accounting bodies to redouble their efforts to achieve a single set of global accounting standards by June 2011.

Despite regulatory uncertainty regarding IFRS in the U.S., many companies remain focused on key IFRS trends and their own IFRS planning activities. Deloitte found many companies are taking a broader approach to assessing the impact of IFRS, and are looking at not just technical accounting differences, but also tax, technology/systems and organizational implications. The survey results suggest that finance executives are being more thorough in their evaluation of how IFRS will affect the broader organization as well.

Respondents indicated that their assessments included the following:

- accounting (78 percent)
- tax (66 percent)
- technology/systems (63 percent)
- statutory (46 percent)
- organizational (52 percent)

"While convergence has brought U.S. and global reporting standards closer, these efforts alone will not get us to a single set of global accounting standards," notes Gannon. "Some believe that the financial crisis may have highlighted that we need a single global standard in order to avoid accounting arbitrage, and create a level playing field for companies globally. That will only come with regulatory action mandating the use of IFRS."

### **About the Survey**

Deloitte surveyed more than 150 CFOs and finance professionals from various industries and sizes in September 2009 to gather data and information on the latest IFRS trends, views, and assessment activities.

A summary of the survey results is available at <http://www.deloitte.com/us/ifrs/2009results>. The information obtained during the survey was taken "as is" and was not validated or confirmed by Deloitte.

<http://www.kwch.com/Global/story.asp?S=11266011>

---

### **IASB Amends the Accounting for Rights Issues**

The International Accounting Standards Board (IASB) issued today an amendment to IAS 32 Financial Instruments: Presentation.

The amendment addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously such rights issues were accounted for as derivative liabilities. However, the amendment issued today

requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated.

The global financial crisis has led to an increase in the number of such rights issues as entities seek to raise additional capital. The IASB has moved swiftly to address this issue.

Entities are required to apply the amendment for annual periods beginning on or after 1 February 2010, but earlier application is permitted.

<http://www.iasb.org/News/Press+Releases/IASB+amends+the+accounting+for+rights+issues.htm>

---

## **US Eyes Free Trade Pact with SE Asia Countries**

The United States is beginning to lay the initial groundwork for talks to forge a free trade agreement with Southeast Asia, ahead of President Barack Obama's maiden trip to the region. A senior US senator will propose a resolution on Tuesday encouraging Obama administration officials to initiate the negotiations, warning about competition from China and other powers who have already sealed pacts with the Association of Southeast Asian Nations (ASEAN). "The United States should proceed to develop a comprehensive strategy toward engaging ASEAN in serious FTA discussions," said Senator Dick Lugar, the Republican party leader in the powerful Senate foreign relations committee. Lugar admitted that the free trade endeavor would be "complex and have possible challenges to negotiation given the varying levels of economic development and open markets among ASEAN countries." But he pointed out that "China, India, Australia, New Zealand and South Korea have already finalized FTAs with ASEAN and are sharpening a competitive edge over the US in Southeast Asia."

### **Reach**

Ongoing trade sanctions with military-ruled Myanmar, one of 10 ASEAN member states, should not deter US efforts to reach an FTA with the rest of the grouping, which also include Brunei, Cambodia, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand and Vietnam, Lugar said. Lugar's resolution prodding the office of the United States Trade Representative (USTR) to pursue the free trade agreement is expected to attract support from Democratic party senators, congressional sources said. Obama will hold his first-ever official summit between a US president and leaders of the 10 ASEAN member states when he is in Singapore for the Asia Pacific Economic Cooperation (APEC) forum in mid-November. The United States has recently reversed policy on contacts with Myanmar, holding the highest-level talks with junta officials in nearly a decade, but has warned it will not lift sanctions until democracy is introduced.

"Obama's possible meeting with ASEAN leaders while in Singapore will reflect the significance of the US-ASEAN relationship," Lugar said. According to the resolution, a copy of which was made available to AFP, two-way US-ASEAN annual trade was a whopping \$180 billion.

In 2006, Lugar introduced and won approval of legislation establishing the position of US ambassador to ASEAN and Obama's predecessor George Bush appointed the envoy in 2008. The United States at present has a Trade and Investment Framework Agreement (TIFA) with ASEAN, a precursor to a full free-trade pact. Southeast Asia, with a population of 560 million, is America's fifth-largest trading partner behind only Canada, Mexico, China and the European Union. American exports to the region have grown steadily to \$68.4 billion in 2008, about the same as US exports to China and three-times larger than American exports to India, according to figures from the US-ASEAN Business Council. In economic terms, China's trade with the region saw a 20-fold increase between 2003 and 2008 to \$179 billion, while the US saw just a three-fold rise, according to ASEAN figures. But the US maintained a slightly larger share of total ASEAN commerce than China. The United States at present has a free trade agreement with Singapore and has been holding talks with Malaysia for a similar pact.

## **IFAC Invites Professional Accountants to Help Select Winner of 2009 Articles of Merit Award**

The Professional Accountants in Business (PAIB) Committee of the International Federation of Accountants (IFAC) invites accountancy professionals in all areas of business and government to participate in selecting the winner of its 2009 Articles of Merit Award Program. The program seeks to identify and promote outstanding articles on financial and management accounting topics that have appeared in publications of IFAC's 157 member bodies and associates.

The PAIB Committee serves IFAC member bodies and the more than one million professional accountants worldwide who work in commerce, industry, the public sector, education, and the not-for-profit sector. The committee facilitates the global development and sharing of knowledge, develops good practice guidance, and promotes the roles and domain of professional accountants in business.

"Our Articles of Merit Program is an excellent way for IFAC members-whose professionals are in a prime position to reflect on issues of relevance to professional accountants in today's environment-to share their experiences with colleagues around the world," states Roger Tabor, Chair, PAIB Committee.

Readers are invited to rate 35 articles competing for this year's award. They cover a broad range of issues affecting PAIBs and business in general, including governance and risk management, managing through the financial crisis, accounting for sustainability, raising finance, managing cash flow, and financial reporting, among others. This input will be used to support the PAIB Committee judging panel in selecting the winning article and runners-up. To view and rate the articles, please see [web.ifac.org/PAIB/articles-of-merit-2009](http://web.ifac.org/PAIB/articles-of-merit-2009) before November 15, 2009.

<http://www.ifac.org/MediaCenter/?q=node/view/674>

---

## **IASB Not Waiting for FASB**

International Accounting Standards Board chairman Sir David Tweedie said he won't wait for the board's U.S. counterpart to finalize its own revisions to fair value accounting for financial instruments.

Speaking at a meeting of the European Finance Ministers in Luxembourg, Tweedie promised that he would deliver on his promise to revise the IAS 39 standards on financial instruments by November. After extensive consultation with various stakeholders, the IASB will give companies more flexibility to use historical cost in valuing financial instruments rather than requiring them to use fair value measurement.

That approach would put it at odds with the U.S. Financial Accounting Standards Board, which has been moving toward expanding fair value accounting to encompass loans as well as financial instruments and assets such as mortgage-backed securities. Despite the differences, Tweedie said he believed that the IASB and FASB would still be able to resolve their differences and achieve the Group of 20 leaders' mandate that they agree on a single set of high-quality accounting standards by June 2011.

The two boards will meet next week to continue their convergence efforts. "Next week, we will meet the FASB to seek to agree [on] an approach leading to a common international standard on financial instruments," said Tweedie. "While it may have been preferable to have had common

timelines with the FASB on financial instruments, the IASB believed that the commitment made to this Council and the conclusion of the G-20 overrode this timing consideration.”

Tweedie noted that the IASB had heard from banks in Europe that they did not want to adopt the U.S. approach on accounting for impaired assets. “I want to emphasize that the alternative of adopting a portion of the FASB approach to impairment, promulgated in April, would not bring about a level playing field,” he said. “Furthermore, on many issues, EU financial institutions would not want us to adopt the U.S. approach on impairment. As I said in June, given the urgency of the fundamental issues surrounding IAS 39, none of us can afford the potential protracted back-and-forth resulting from piecemeal changes in international and U.S. standards that would undermine the comprehensive and desperately needed reform that is under way.”

Despite the differences, he pledged to work with FASB chairman Bob Herz on bridging the gap between the two boards’ approaches. “In our discussions with the FASB aiming to reach a common global approach, we will emphasize our position in favor of a mixed-measurement model over one that requires full fair value measurement on the balance sheet,” said Tweedie. “We will seek to reach common agreement on a forward-looking model for loan-loss provisioning and a simplified hedging methodology. I remain optimistic that we can overcome our current differences. I know that my counterpart at the FASB, Bob Herz, is equally committed to reconciling any differences. To this end, we have enhanced our cooperation over recent months and have stepped up the joint meetings of our boards and staff. We at the IASB recognize the importance of our work on financial instruments, not only in Europe, but globally.”

<http://www.webcpa.com/news/IASB-Not-Waiting-FASB-52087-1.html>

---

## **IAASB Issues Consultation Paper to Enhance Reporting on Greenhouse Gases**

As the world turns its attention to the Copenhagen talks later this year for a successor to the Kyoto Protocol on reining in carbon emissions and other greenhouse gases (GHG), the International Auditing and Assurance Standards Board (IAASB) is making significant progress to develop a new assurance standard on GHG statements. Today, the IAASB released a Consultation Paper seeking views on key issues in developing that standard.

"Having reliable information is key to global efforts to reduce emissions and stabilize the level of carbon in the atmosphere," emphasizes Arnold Schilder, IAASB Chairman. "We are actively seeking to enhance the credibility of GHG information because of the importance to the public interest of decisions being made on the basis of that information. Our consultation will help inform the development of a robust standard in support of this goal."

"A growing number of countries are developing, or have developed, carbon emissions trading schemes under which public reporting of information about emissions inventories, and assurance thereon, has economic, political, and social significance," explains James Gunn, IAASB Technical Director, adding, "The IAASB's project seeks to enhance the consistency and quality of performance by practitioners on assurance engagements to report on this information, whether produced for regulators, legislators, investors, or other interested parties."

Entitled *Assurance on a Greenhouse Gas Statement*, the Consultation Paper asks a series of questions addressing such matters as: the form of assurance report that users would find most useful; the nature and extent of requirements; how a standard should best integrate with regulatory requirements; and technical aspects of applying the assurance process to GHG emissions. The IAASB intends to use the feedback from the consultation to develop an exposure draft of a proposed new assurance standard on GHG statements for release in 2010.

All stakeholders are encouraged to respond to the Consultation Paper, either in its entirety or to select questions that are of special interest to them.

## How to Comment

Comments on the Consultation Paper are requested by **February 19, 2010**. The Consultation Paper may be viewed by going to [www.ifac.org/Guidance/EXD-Outstanding.php](http://www.ifac.org/Guidance/EXD-Outstanding.php). Respondents are asked to send their comments **electronically** through the IFAC website, using the "[Submit a Comment](#)" link on the Exposure Drafts and Consultation Papers page. Please note that first-time users must register to use this new feature. Although IFAC prefers that comments be submitted using the online submission system, e-mail may continue to be sent to [edcomments@ifac.org](mailto:edcomments@ifac.org). They can also be faxed to the attention of the IAASB Technical Director at +1 (212) 856-9420 or mailed to IFAC, 545 Fifth Avenue, 14th Floor, New York, NY 10017, USA. All comments will be considered a matter of public record and will ultimately be posted on IFAC's website.

<http://www.ifac.org/MediaCenter/?q=node/view/676>

---

## IASB and FASB to Meet Monthly on Standards Overhaul

The International Accounting Standards Board and its U.S. counterpart, the Financial Accounting Standards Board, plan to meet on a monthly basis in order to achieve the goal of converging accounting standards by June 2011.

The chairmen of the two standards-setting boards told attendees at a joint conference of the American Institute of CPAs and the International Accounting Standards Committee Foundation in New York that they will be redoubling their efforts to reconcile the two sets of accounting standards, in some cases by rewriting them entirely over the next year-and-a-half.

IASB Chairman Sir David Tweedie and FASB Chairman Robert Herz held a three-day meeting at FASB headquarters in Norwalk, Conn., earlier this week to try to resolve thorny differences in areas such as fair value measurement, revenue recognition, asset impairment and financial statement presentation.

They reported that they made significant progress and set a series of milestones for when they expect to issue draft standards. In some cases, the IASB will hold off on making public its draft of certain standards until FASB issues its own proposals, in order to avoid confusion among accountants about which set of standards to follow. The boards intend to hold more joint face-to-face meetings, in some cases by video conference, in order to make faster progress.

"We're going to work on these issues together every month," said Tweedie. "That's why we think we'll make our June 2011 target date."

The target date was set at the G-20 summit last month in Pittsburgh, in which world leaders encouraged the development of a single set of global accounting standards.

The Securities and Exchange Commission has not yet approved the proposed roadmap to adoption of International Financial Reporting Standards, but SEC Deputy Chief Accountant Julie Erhardt confirmed that the SEC commissioners are considering the roadmap this fall.

However, she would not say whether the roadmap would be approved by the end of this year, or whether the G-20 recommendations would play a significant role.

In the meantime, FASB is working on its convergence efforts with the IASB, and Herz said the board would soon publish an updated version of its memorandum of understanding with the IASB, which dates back to their so-called Norwalk Agreement in 2002. He said the two boards would also work on a joint standard for carbon emissions trading schemes.

Some of the major sticking points are standards for loans and financial securities. The two boards are going to be careful to keep even their draft standards in sync and may hold back some of them to avoid confusion. "If we have different words, people will start interpreting them differently," said Tweedie. In some cases, companies will be able to adopt the draft IFRS proposals early, but they will have to be forewarned that the standards could change in the future, he cautioned.

However, FASB is continuing to receive requests for guidance on GAAP from the Big Four and other accounting firms at the same time it is working on convergence of GAAP and IFRS. "We're devoting most of our attention to convergence, but we're riding two horses," Herz said.

FASB recently made available its FASB Codification of U.S. GAAP standards, which is available in several versions, both for free and with extra software tools and "nifty bells and whistles" for a subscription price of \$850 per year. Herz said the Codification adds clarification. "Our literature is no longer nuts," he said. "The content may be nuts."

Former Federal Reserve Chairman Paul Volcker also addressed the conference, and said it was time to move to international standards. He noted that the U.S. has to recognize the increasing globalization of the economy, and after financial debacles such as Enron, WorldCom, and Global Crossing, the U.S. can no longer claim to have the best set of accounting standards.

"None of this is going to work without high levels of competence in the accounting profession," he said.

However, Volcker noted that the IASB and FASB would need to be responsive to the real-world concerns of businesses, and not consider their independence to be an excuse to "step into a cocoon." However, he also said the boards should be strong enough to resist outside political pressure, and expressed the hope that the IASB's governance would provide that strength.

Tweedie similarly expressed the hope that a recently established monitoring board would help insulate the IASB from some of the continuing pressure it has been facing in Europe from the European Commission and the leaders of several countries who have been debating and questioning the board's standards.

<http://www.webcpa.com/news/IASB-FASB-Meet-Monthly-Standards-Overhaul-52257-1.html>

---

### **IMF Says Asia Must Adapt to 'New World' Despite Fast Recovery**

Asia is leading the way out of the global economic slump but must adapt to a "new world" of softer demand in major Western export markets, the International Monetary Fund said on Thursday.

In its latest economic outlook for Asia and the Pacific, the IMF forecast an "impressive recovery" with regional growth speeding up to 5.75 per cent in 2010 from a projected 2.75 per cent this year.

The IMF said that while output in most of Asia was initially hit even harder than in countries at the centre of the crisis, "now Asia is leading as the world pulls out of recession".

"Just as the US downturn triggered an outsized fall in Asia's GDP because international trade and finance froze, now their normalisation is generating an outsized Asian upturn," its report said.

"For this reason, the rebound in economic activity has been fastest in the export-dependent Asian economies that were hit most severely at the end of 2008."

The IMF also credited the region's "rapid, forceful, and comprehensive policy response". It said this was made possible by sounder government finances, more credible monetary policies and stronger corporate and bank balance sheets than in the past.

"These conditions gave Asia the space to cut interest rates sharply and adopt large fiscal stimulus packages," it said. "As a result, overall domestic demand has held up remarkably well, despite weak private demand."

The IMF reaffirmed its forecast for Chinese GDP growth of 8.5 per cent this year and 9 per cent next. It said Japan's struggling economy would contract by 5.5 per cent this year, before rebounding modestly in 2010 by 1.75 per cent.

IMF Asia-Pacific director Anoop Singh also stressed the danger of a premature withdrawal of stimulus measures.

"The recent recovery is not permanent," he told a briefing. "Therefore we need to maintain fiscal and monetary stimulus until we are fairly sure that recovery is firmly in place."

[http://www.channelnewsasia.com/stories/afp\\_asiapacific\\_business/view/1014508/1/.html](http://www.channelnewsasia.com/stories/afp_asiapacific_business/view/1014508/1/.html)

**DISCLAIMER: All compiled news items are correct at the time of release. This document is for information only. AFA does not take any responsibility arising from the use of information contained in this document.**