

# IFRS Overview and Convergence Implementation



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# Revisions expected in 2009

# Revisions expected in 2009

- The IASB publicly announced that there would be no new standards required before 2009.
- While this has provided a temporary relief to companies and investors, it has the consequential effect that there will be a host of new standards and interpretations that will take effect in that year.

# Revisions expected in 2009

- Both the IASB and the IAASB timetables look immovable, so the message for companies and the auditing profession seems to be:
  - plan early,
  - complete retraining on time and in a comprehensive manner ,
  - ensure that all stakeholders have a good understanding of the changes that are taking place.

# Revisions expected in 2009

- The perhaps unfortunate coincidence is that 2009 is also the key year for the International Auditing and Assurance Standards Board's (IAASB) Clarity project.
- It will represent the changeover point between new and old auditing standards under which every auditing standard has been rewritten .

# Revisions expected in 2009

- Experience shows that this can be done.
- It requires careful planning and great execution.

# Revisions expected in 2009

- Insurance contracts – new standard DP was released on 3 May 2007.
- ED in the late 2008.
- Insurance companies.
- High.



# Revisions expected in 2009

- Extensive changes to measurement of insurance liabilities and income recognition.
- High.

# Revisions expected in 2009

- Fair value measurement – FAS 157 approach amending fair value guidance in many standards.
- Roundtable is expected in Q3 2007.

# Revisions expected in 2009

- All industries, greater impact likely financial services and businesses with recent acquisitions.
- Extensive review of all fair value measurements across all balance sheet items.
- High.

# Revisions expected in 2009

- Income tax – model extended to include differences on initial recognition amendments to IAS 12.
- ED is expected in Q4 2007 and IFRS in the late 2008.

# Revisions expected in 2009

- All industries, but more significant in industries with substantial tangible assets and entities with major tax uncertainties.
- Restatement of all deferred tax numbers and detailed exercise to capture tax base of some assets and liabilities.
- High.

# Revisions expected in 2009

- Provisions (non-financial liabilities) amendment to IAS 37  
IFRS expected 2008 but some uncertainty.
- All entities, particularly those with environmental obligations or litigation exposures.

# Revisions expected in 2009

- Extensive reworking of measurement to balance sheet date amounts.
- High.

# Revisions expected in 2009

- Segment reporting (IFRS 8).
- IFRS was issued in November 2006.
- All industries.



# Revisions expected in 2009

- Management approach for disclosure of operating segment.
- High.

# Revisions expected in 2009

- Business combinations – full goodwill amendment to IFRS 3.
- IFRS is expected in Q3 2007.

# Revisions expected in 2009

- All industries, but greater impact on businesses with history of making acquisitions.
- Revise accounting for new business combinations. Potential additional impairment issues.
- High for acquisitive companies.

# Revisions expected in 2009

- Service concessions (IFRIC 12 quasi standard).
- IFRIC 12 was released in November 2006.
- Toll road and similar concession operators.

# Revisions expected in 2009

- Fundamental revision to balance sheet and income statement models – effective from 2008 with retrospective application.
- High for infrastructure service companies.

# Revisions expected in 2009

- Presentation of income statement amendment to IAS 1.
- DP for phase 2 is expected in Q4 2007 and ED in the late 2008. IFRS for phase 1 2007.

# Revisions expected in 2009

- All entities Re-presentation of income statement with statement of other recognised gains and losses.
- Moderate.

# Revisions expected in 2009

- Joint ventures – prohibit proportional consolidation.
- New standard replacing IAS 31 ED is expected in Q2 2007 and IFRS in the first half of 2008.



# Revisions expected in 2009

- Principally extractive and similar industries.
- New analysis of direct vs. indirect interests model – more work needed in relation to OFR/MDA and market communication.
- Moderate.

# Revisions expected in 2009

- Borrowing costs – require capitalisation borrowing cost under IAS 23.
- IFRS was issued in March 2007.
- Companies with large self constructed tangible and intangible assets.
- New systems for self-constructed assets.
- Moderate.

# Revisions expected in 2009

- Revisions to IAS 21 re net investment hedging (IFRIC).
- About to be issued.
- Entities with substantial nondomestic operations.

# Revisions expected in 2009

- Could impact on net investment.
- Hedging strategies requiring relocation of borrowing in different currency from their functional currency.
- Moderate.

# Revisions expected in 2009

- Small and medium-sized entities.
- ED was released and comment is invited by 1 Oct 2007.
- IFRS in the first half of 2008.
- Simplified standards, but for unlisted companies/SMEs.
- Low.

# Revisions expected in 2009

- Earnings per share re convertibles amendment to IAS 33.
- ED is expected in Q3 2007 and
- IFRS in late 2008.

# Revisions expected in 2009

- Entities with contingently convertible share capital.
- Restatement of EPS numbers.
- Low.

# Revisions expected in 2009

- Related party disclosures amendment to IAS 24.
- IFRS is expected in the first half of 2008.



# Revisions expected in 2009

- Certain government entities – relief for disclosures of transactions.
- Lower data collection costs for some emerging markets with highly managed economies.
- Low.

# Revisions expected in 2009

- Puttable financial instruments amendment to IAS 39.
- IFRS is expected in Q3 2007.
- Entities with certain sorts of redeemable share capital.
- Restatement of certain liabilities as equity.
- Low.

# Results since implementation

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- Fair valuation continues to be an issue.
- Valuation of quoted securities in an illiquid market.
- Valuation of unquoted investments.
- Valuation for IFRS 3.
- Impairment testing and disclosure.

# Results since implementation

- IAS 21 and functional currency.
- IAS 40 and fair value of investment properties.
- IFRS 2 share based payments and fair value.
- IAS 16 and residual values.
- IAS 37 and dismantlement liabilities.

# Conclusion

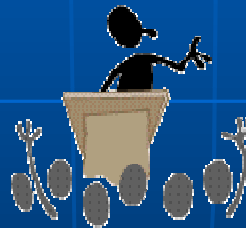
- The second wave is close



- Plan



- Train your staff



- Engage your IT department



- Do it now

