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Consolidation draft nearly finished

The November meeting of the IASB was 'business as usual' as it moved forward with projects for its 2011 deadline. The Board re-debated several issues relating to its consolidations overdraft. It reviewed responses to its discussion paper on pensions and got closer to the final standard for private entities. It took on to the agenda a project to create a new financial instruments' standard and ratified an Interpretation.

The staff are aiming to complete the exposure draft of the new standard on consolidations before the year-end. They brought back a few of what Alan Teixeira, director of technical activities, jokingly described as minor issues.

The Board had decided that the existence of options over shares should be ignored when assessing control. However, one Board member had come to the conclusion that this was inconsistent with assuming that a shareholder with a majority of votes who did not intervene was still controlling the entity.

The Board were persuaded that this was indeed inconsistent. They voted in the end that options should not be ignored, but control was a question of seeing 'who is actually running the show'.

They also reviewed the issue of assessing control in a structured entity that was on autopilot. In the light of respondents' views in the US that quantitative indicators were 'discredited', the staff wanted to remove a rebuttable presumption that the recipient of most benefits was in control. This was agreed, although with IASB member John Smith demonstrating scepticism as to how operational this was.

There was also some discussion about assessing control when an investment manager in a fund was also an investor in that fund. The original draft suggested that the two interests should be combined for control purposes. However staff thought that was not credible if the other investors could fire the investment manager.

John Smith thought that simply gave managers an easy way of avoiding consolidation. Fellow Board member Jim Leisenring took the view that the issue was 'dramatically overstated': governance laws in most countries imposed a strict fiduciary duty on fund managers.

An easier decision on the draft was that the part of the current consolidation standard (IAS 27) that deals with individual company statements should be left behind in IAS 27. Consolidations would become a new IFRS. The staff are hoping to issue the draft in December with an exposure period running to 20 March 2009.

Pensions

Staff presented an initial analysis of constituents' comments on the discussion paper on revising IAS 19 *Employee Benefits*. Overall the view seemed to be that respondents were prepared to see the demise of the corridor and deferral of actuarial gains and losses. However they were not keen that these should be presented in operations.

The proposal to extend and modify the definition of defined contribution promises had not been well received. Many thought it was premature to try to amend IAS 19 when a major review of pension accounting was planned.

Staff brought back a number of contentious issues to be finalised in the draft *IFRS for Private Entities*. The Board rejected simplified approaches to deferred taxation but accepted that actuarial gains and losses on pension schemes could be put in Other Comprehensive Income.

The Board was unable to decide on a new name for the standard. Each name used so far had been rejected by a significant number of constituents. A majority of Board members preferred *IFRS for SMEs*, if nothing better could be found. They decided that a call for comments and suggestions should be made on the IASB website.

Following the October crisis, the Board decided to take onto its agenda a project to issue a new financial instruments standard, subject to ratification by the Trustees. The new standard will build on the discussion paper *Reducing Complexity in Accounting for Financial Instruments*.

The intention is that this will be a joint project with the FASB but the US standard-setter will make its formal decision in a few weeks. The FASB's due process now leaves agenda decisions in the hands of the FASB chairman.

The Board ratified IFRIC 17 *Distributions of non-cash assets to Owners* but refused a request to defer application of IFRIC 15. After the September World Standard-setters meeting a Swedish employers' organisation and the Singapore standard setter asked for prospective application and a delay. The IASB considered that there was no case for this, given that the change did not involve collecting new information.

The Board agreed a slight change of wording to the re-exposure draft of the amendments to IAS 24 *Related Party Disclosures*. The amendment allows that the fact of being a state-owned entity does not of itself require collection of data on transactions with other state-owned entities for disclosure. It is being re-exposed because the proposed wording is significantly different from the earlier proposal.

FASB staff discussed work on the measurement part of the conceptual framework. They are trying to build an analytical approach that would inform standard-setting decisions. They suggested that assets should be classified as value relevant (can be sold independently) or flow relevant (are intended to be used with other assets in a business unit).