

Beyond the GAAP

No 31 - February 2010

Editorial

Taking advantage of the relative calm coming from the IASB, this month we offer a progress report on the Leases project ahead of the publication of an exposure draft on this subject. We also present the second part of our analysis of the IASB project on the impairment of financial assets.

This edition also gives us an opportunity to give our warmest wishes for success to Françoise Flores, a regular member of our editorial team, on her appointment to the chair of the TEG at EFRAG.

Enjoy your reading!

Michel Barbet-Massin

Jean-Louis Lebrun

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News

Mazars partner Françoise Flores to head the TEG at EFRAG

Mazars partner Françoise Flores has been appointed chair of the Technical Expert Group (TEG) at the European Financial Reporting Advisory Group (EFRAG). She will take up her position at the beginning of April 2010 for a three year period, succeeding Stig Enevoldsen.

EFRAG is a body established in 2001 which supports and advises the European Commission in the application of IFRSs in Europe and which leads the accounting debate in Europe with the cooperation of national standard-setters. EFRAG also coordinates the European response to calls for comment issued by the IASB or the IFRIC.

EFRAG principally operates via the TEG, the technical committee which brings together 12 European experts from different professional and geographical backgrounds. On 1 April 2010, the composition of the TEG will change significantly with the appointment of five new members, including Nicolas de Paillerets (France Telecom).

IFRS News

➤ Consolidation exemption for investment entities

The planned convergence with the FASB has overcome the IASB's often-repeated determination to refuse any consolidation exemptions to investment companies.

Investment companies meeting certain conditions – broadly inspired by the existing US standards – will be able to measure at fair value shares in entities over which they have exclusive control.

➤ The scope of the future standard on revenue recognition has been defined

Originally, the revenue recognition project was to apply to all activities of whatsoever kind. However, the discussion paper, without adopting any position, revealed some possible exceptions.

This time, the IASB has defined the scope of application of the future standard. It will exclude those insurance contracts, financial instruments, leases and guarantees which currently fall within the scope of IFRS 4 (Insurance) and IAS 39 (Financial instruments).

➤ Disclosures on investments excluded from IAS 39

Existing standards and the current exposure drafts which address the issue of investments in controlled entities (subsidiaries), in joint controlled entities (joint ventures) and entities under significant influence (associates) require the same type of disclosures in the notes.

To make this information clearer and more rational, the IASB has decided to bring together all the disclosures to be provided in the notes on these investments into a separate standard, which will also cover disclosures on operations under joint control (ED 9).

➤ Derecognition of "repos"

The principle set out by the IASB for the derecognition of financial instruments would lead, if it were applied without exception, to the treatment of a loan guaranteed by the sale of assets with the obligation to repurchase ("repos"), not as a debt guaranteed by assets, but as a sale of assets accompanied by a forward purchase.

In February 2010, the IASB has decided to allow an exception to the derecognition principle for "repos".

➤ Publication of draft standard on provisions

On 19 February 2010, the IASB published a 'working draft' IFRS which will replace IAS 37, *Provisions*, during the 3rd quarter of 2010.

This draft incorporates all the proposals of the exposure draft entitled *Measurement of liabilities* in IAS 37 published on 5 January 2010. There are no new developments to report since the publication of the special study in the January 2010 edition of *Beyond the GAAP*.

This document, which aims to give readers a general idea of the future standard, can be accessed at:

<http://www.iasb.org/NR/rdonlyres/3C00FC6B-F8E3-4826-82B4-3580989B31EA/0/IFRSLiabilitiesWorkingDraftFeb10.pdf>

➤ IFRS adoption in the US... in 2015 at the earliest!

During its meeting of 24 February, the SEC returned to the question of convergence with IFRSs.

The SEC repeated that it still believes that a single, high quality, global corpus of accounting standards would be of benefit to US investors.

It acknowledges, inter alia, that IFRSs are the best placed to fill the role of global standards, and continues to encourage the convergence of US GAAP and IFRSs.

Accordingly, the SEC has asked its staff to draft and carry out a work plan which, in combination with the completion of existing FASB and IASB convergence projects, should enable it to take a decision in 2011 on the adoption of IFRSs by US listed companies.

At the very earliest, these companies should be obliged to apply IFRSs in presenting their accounts from the financial year 2015.

The SEC's statement supporting convergence towards global accounting standards can be accessed at:
<http://www.sec.gov/rules/other/2010/33-9109.pdf>

➤ Publication of the new IASCF constitution

On 15 February 2010 the IASCF published an amended version of its constitution. This announcement brings to a close the revision of the IASCF constitution which began in 2008, not least in order to reflect the spread of IFRSs to more than 100 countries.

The issues of the organisation's transparency and public responsibility were the key to the objectives of the project, which was carried out in two stages.

The first phase of the revision of the IASCF's constitution introduced a Monitoring Board consisting of representatives of the European Commission, the SEC, the Japanese regulator (FSA) and the International Organization of Securities Commissions (OICV-IOSCO).

The role of the Monitoring Board is to ensure that members of the IASCF act in accordance with the constitution, and to approve the appointment (or re-appointment) of its Trustees.

The constitution was also amended in order to revise the geographical distribution of the 15 members of the IASB.

The main changes in the second stage of the review, which take effect as of 1 March 2010, are as follows:

- introduction of three-yearly public consultations on the programme of work;
- a commitment to a 'principle-based' approach to accounting standards;
- the introduction of an emergency procedure for drafting standards under exceptional circumstances, and only after approval by at least 75% of the Trustees.

The IASC Foundation has also decided to change its name to the IFRS Foundation. Likewise, the IFRIC and the SAC respectively will in future be known as the IFRS Interpretation Committee and the IFRS Advisory Council. However, the IASB will retain its existing name.

Finally, the Trustees announced their intention to carry out the following projects in the near future:

- a review of the strategic of the *IFRS Foundation* (formerly IASCF);
- an assessment of the reforms to the IFRS Advisory Council (formerly SAC);
- a review of Trustee oversight effectiveness.

The revised constitution is accessible using the following Internet link:

<http://www.iasb.org/NR/rdonlyres/B611DD9A-F4FB-4A0D-AEC9-0036F6895BEF/0/Constitution2010.pdf>

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Leases: where are we now?

In March 2009, as part of a joint project, the IASB and the FASB published a Discussion Paper (DP) entitled *Leases: Preliminary Views*. This DP mainly addressed the accounting for leases in the lessee's financial statements, the two Boards having deferred consideration of lessor accounting (for more details of the DP, see Beyond the GAAP No 21 - March 2009).

During the comment period, the DP attracted much attention, the two Boards receiving no fewer than 302 comment letters which can be consulted on the IASB website at the following address:

<http://www.iasb.org/Current+Projects/IASB+Projects/Leases/Discussion+Paper+and+Comment+Letters/Comment+Letters/Comment+Letters.htm>

Since the publication of the DP, the IASB and the FASB have been working on the issue of lessor accounting, and have fine-tuned their approach to lessee accounting. An exposure draft on these two aspects is expected to be published in the second quarter of 2010 and the final standard is anticipated in the first half of 2011. This standard should not be of mandatory application before 2013.

Given the importance of this project, Beyond the GAAP has decided to provide an update on the progress of the tentative decisions taken by the IASB, alone or in concert with the FASB, in the run-up to the publication of the exposure draft.

➤ In brief, what did the comment letters say?

The analysis of the comment letters received in response to the DP was presented by the staff during the IASB meeting of September 2009. This analysis shows that the respondents are generally in favour of to the project in certain of its structuring aspects, such as:

- the recognition of all leases identically,
- options to extend the lease included in the measurement of the assets and liabilities of the initial contract,
- subsequent measurement of the asset and the liability at amortised cost and changes in the liability recognised as an adjustment to the carrying amount of the asset.

However, some points were strongly rejected:

- the periodic reassessment of the lessee's incremental borrowing rate,
- the option to measure the liability at fair value,
- the recognition of contingent rentals,
- the measurement of contingent rentals using a probability-weighted approach.

Finally the responses highlighted the need to treat lessee accounting and lessor accounting in parallel.

➤ Scope of the exposure draft

Definition of a lease

At this stage in discussions, the two Boards have defined a lease as 'a contract in which the right to use a specified asset is conveyed, for a period of time, in exchange for consideration'.

Exclusions

The two Boards have decided to exclude the following from the scope of the future standard:

- intangible assets,
- natural resources (mining, gas and oil production),
- biological assets.

The two Boards have also determined that contracts that represent purchase or sale are not leases and have decided to exclude them from the future standard. However, the future standard will specify that a contract is a contract for purchase or sale if the lessor transfers control of the underlying asset to the lessee (i.e. the residual interest in the asset). That this would be the case in the following situations:

- contracts in which the title of the underlying asset transfers to the lessee automatically,
- contracts that include a bargain purchase option, if it is reasonably certain that the option will be exercised,
- contracts in which the return that the lessor receives is fixed,
- contracts in which it is reasonably certain that the contract will cover the expected useful life of the asset, and in which any risks or benefits associated with the underlying asset retained by the lessor at the end of the contract are not expected to be more than trivial.

The two boards have also decided that very long leases of land would not be considered purchases or sales. However, the boards have instructed the staff to develop possible criteria for excluding very long leases of land from the scope of the proposed new leases requirements.

➤ The Board's proposals for the recognition of leases in the lessee's financial statements

The proposals presented in the DP based lessee accounting on the 'right-of-use' principle, the lessee recognising the right to use the leased item against the obligation to rentals. The two *Boards* have decided to retain this model for all leases in the lessee's financial statements.

Measurement of the liability

The initial measurement of the liability would be equal to the value of the lease payments, discounted using the lessee's incremental borrowing rate. The interest rate implicit in the lease may be a good indication of the rate that the entity would obtain on the market for an equivalent loan.

The liability would be subsequently measured at amortised cost. The discount rate would remain unchanged throughout the lease contract. In the event of changes in the expected lease term, the lessee's discount rate would not be revised. The fair value measurement option would not be authorised.

Measurement of the right-of-use asset

The right of use of the leased asset would be measured at cost. The cost would be equal to the initial value of the liability. Initial direct costs attributable to the negotiation and conclusion of a lease would be added to the cost of the asset.

During the course of the lease, the right of use would be amortised and the amortisation would be presented in the statement of comprehensive income (and not as rent expense). As rights of use are considered as intangible assets, IAS 38 should be consulted in order to determine whether the fair value option can be applied. In view of the conditions listed in that standard, the fair value option will almost never apply. Additionally, IAS 36 should be consulted to identify whether the right-of-use asset should be impaired.

Accounting treatment of extension and termination options

The lease term would be the longest lease term that is more likely than not to occur, based on an analysis of contractual conditions, all relevant economic factors and the intentions of the management.

Taking account of the management intentions, which was explicitly excluded in the DP, has been approved with difficulty by some members of the IASB. No doubt when the exposure draft is drawn up that there will be an attempt to set out the context of these intentions (for example when the intention not to extend the lease appears contrary to the economic interests of the entity).

The lease term would have to be revised if conditions changed. However, in order to avoid the systematic review of all leases at each reporting period, the exposure draft will suggest that such a review should only be conducted if the changes that have occurred are likely to amend the previous assessment. The change in the liability as a result of a change in the lease term would be recognised as an adjustment to the carrying amount of the asset.

➤ The Board's proposals for the recognition of leases in the lessor's financial statements

The transposition of model proposed by the two Boards from the point of view of the lessee – the lessee acquires the right of use of the leased asset for the whole lease term – should logically have led to a model of total disposal of the right-of-use asset from the point of view of the lessor. No such thing! A majority of members of the two Boards have decided instead to adopt a 'performance obligation' approach.

In this model, the lessor retains the leased asset in its statement of financial position, recognises an asset for its right to receive rental payments from the lessee and recognises a liability for its performance obligations under the lease. The liability represents the lessor's obligation to transfer the right of use to the lessee, throughout the lease term. The reduction over time of this performance obligation would generate the lessor's revenue.

Measurement of the receivable

The initial value of the receivable would equal the present value of the expected payments. The discount rate would be the interest rate implicit in the lease. Initial direct costs incurred would be taken into account.

During the lease term, the receivable would be measured at amortised cost in accordance with the effective interest rate method. In the event that the lease term is reassessed, the interest rate implicit in the lease would not be revised.

Measurement of the performance obligation

The lessor's performance obligation would be initially measured at the transaction price, that is, the value of the receivable to be recovered.

During the course of the lease, the performance obligation would decline, reflecting decreases in the lessor's obligation to permit the lessee to use the leased asset over the lease term. The performance obligation would decrease using a straight-line method, with revenue being recognised in the same way. However, should the lease permit the lessee to use the leased item at an irregular rate over time, the measurement of the performance obligation should reflect this particular rate.

Accounting for options to renew or terminate the lease

The IASB applies similar provisions to the lessor as to the lessee: the lease term is thus assessed on the basis of the longest term that is more likely than not to occur. The assessment of the lease term would be based on an analysis of the contractual conditions, any relevant economic factors and the behaviour of the customer type in question. The lease term would have to be revised if the conditions changed. Changes in the lease receivable resulting from a reassessment of the lease term should be recorded as an adjustment to the performance obligation.

➤ Contingent rentals

General principles

The lessor's receivable and the lessee's liability should reflect contingent rentals.

Contingent rentals would be initially measured using a probability-weighted approach, without necessarily taking into account all possible outcomes. This raises the principle of remeasurement at each reporting date. However, remeasurement would only be necessary when changes that had occurred during the period were likely to change the receivable or the liability to a significant extent.

Changes in estimates

For lessees, changes in amounts payable under contingent rental arrangements arising from current or prior periods would be recognised in profit or loss. All other changes would be recognised as an adjustment to the lessee's right-of-use asset. Changes in amounts payable under residual value guarantees would be recognised in the same way as contingent rental arrangements.

For lessors, changes in amounts receivable under contingent rental arrangements should be treated as adjustments to the original transaction price and should be allocated to the lessor's performance obligation. If a change is allocated to a satisfied performance obligation, the change would be recognised as revenue. If a change is allocated to an unsatisfied performance obligation, the carrying amount of the lessor's performance obligation would be adjusted.

➤ Sale and leaseback

All sale and leaseback transactions that lead the seller/lessee to transfer control of the asset to the purchaser/ lessor would be treated as a sale followed by the conclusion of a lease. This sale would thus give rise to the recognition of a gain or loss on disposal, adjusted as appropriate if the sale proceeds or the terms of the leaseback are not at market value.

➤ The Board's proposal for specific lease types

What about short-term leases?

Short-term lease should enjoy a simplified accounting treatment. The two Boards have defined short-term leases as leases with a maximum possible lease term of less than 12 months.

In the lessee's statement of financial position, a short-term lease would lead to the recognition of a liability for the gross amounts payable, and a corresponding right-of-use asset. The asset and liability would be amortised using a straight-line method. The rentals would be recognised in profit or loss, without any necessity to distinguish between amortisation and financial costs. This simplified treatment would apply even if the entity makes regular use of leases for equipment of the same type (photocopiers, construction equipments, cars etc.).

A simplified treatment would also be available to the lessor as an option.

How should a lessor account for leases of investment properties?

Under IAS 40, a lessor may choose to measure its investment properties either at cost or at fair value.

The two Boards have decided that, if a lessor of investment properties measures its investment properties at cost, the new standard on leases would apply. However, if a lessor of investment properties measures its investment properties at fair value, the new standard on leases would not apply. In this event, no receivable and no performance obligation would be recognised, and the rental expense would be recognised in profit and loss, using a straight-line method over the lease term.

➤ Proposed transition provisions

At the date of first application of the future standard, the two Boards have decided that the lessee should apply the new standard to all existing leases (with an exception for finance leases, under certain conditions). At this date, the liability would be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate. The right-of-use asset would be measured on the same basis, subject to any adjustments required to reflect impairment.

The transitional provisions for lessor accounting have yet to be discussed.

➤ Next steps

The two Boards will continue discussing lease accounting issues over the coming months, with the objective of publishing an exposure draft by the end of June 2010, dealing with both lessee and lessor accounting. In particular, the two Boards will discuss:

- sale and leaseback, presentation and disclosures in the financial statements of the lessee,
- impairment of assets (the leased asset and the receivable), derecognition of the receivable and subsequent measurement of the performance obligation in the financial statements of the lessor.

Exposure Draft on *Financial Instruments: Amortised Cost and Impairment*: the main discussion points

The January 2010 edition of Beyond the GAAP outlined the principles behind the exposure draft entitled "Financial Instruments: Amortised cost and Impairment". This month, Beyond the GAAP returns to the subject and takes a look at the main points causing controversy.

➤ "Point in time (PIT)" vs. "Through the cycle" (TTC)

An approach based on expected losses necessarily involves having a method of estimating losses. An entity can do this in one of two ways:

- the first consists of assessing the current stage in the economic cycle in order to estimate the corresponding rate of expected losses. This approach, based on an understanding of the economic environment at a given time, is known as 'point in time', PIT ;
- the second consists of applying an average rate observed over the whole of an economic cycle as the rate of provision. This approach is called 'through the cycle', TTC.

To illustrate these two concepts, let us take the following scenario: a series of consumer credits are granted for a 3-year period. The statistical average of losses on this type of loan portfolio over the last 15 years stands at around 5%. In times of economic prosperity, the level of losses falls to 2% while in times of economic crisis it rises to 10%.

Under the 'point in time' approach the loss rate applied is:

- 2%, if the business cycle is considered good;
- close to 10%, if the business cycle is considered poor.

Under the 'through the cycle' approach, the loss rate applied is 5%.

Merits and limitations of the 'point in time' approach

The main benefit of this approach is the fact that it consists of applying the most precise expected loss rate possible for a given generation of loans.

However, it also has a number of limitations:

- firstly, it relies on an entity's ability to anticipate changes in the economic environment. For example, one may well wonder how many entities would have been able to predict that a 3-year loan made in 2006 would run into a period of deep economic crisis;
- secondly, it is also criticised for its pro-cyclical nature. Assuming that entities succeed in identifying correctly the state of the business cycle, they would then make more provision (and thus clear less profit, or charge more for their risk) when the business cycle is poor. This could play a part in accelerating the crisis.

Merits and limitations of the 'through the cycle' approach

The merits of this approach closely mirror the limitations of the 'point in time' approach. This approach:

- does not require any judgment of the business cycle. It is unnecessary to identify whether the business cycle has reached a high or low phase, as long as the rate applied is an average rate over the length of the cycle;
- has the advantage of being, *a priori*, contracyclical insofar as it leads entities to make the same rate of provision regardless of the state of the business cycle.

However, this approach also raises some criticisms:

- firstly, it assumes that it is possible to measure the length of the business cycle, and that the future cycle will behave in the same way as past cycles;
- secondly, though it is appropriate for long-term loans, it is more difficult to adapt the method to short-term loans which by definition will not continue throughout an entire business cycle. In this instance, the analysis has to take account of the fact that the entity will maintain its short-term loan activities over a long period of time, and that there is a kind of solidarity between loan generations. Critics of this approach thus consider that it leads to the creation of provision for future financial assets which are not yet present on the entity's balance sheet.

Through a number of examples and the Basis for Conclusions to the exposure draft, the IASB indicates that 'point-in-time' estimates should be used rather than the 'through-the-cycle' model. There can be no doubt that this choice will be analysed by the stakeholders, who will defend their preferences in their comment letters.

➤ 'Closed' portfolio vs. 'Open' portfolio

These terms conceal a simple but structural aspect of provision:

- a 'closed' portfolio approach consists of creating a portfolio for each generation of homogeneous loans issued by an entity. The provision created for this portfolio is extinguished at the end of the life of the portfolio (that is, when all the loans composing it reach maturity or default);
- an 'open' portfolio approach instead consists of continuously renewing the portfolio with newly granted loans. Thus the portfolio is only closed if the entity decides to cease the activity in question. In this system, provision is made on the basis of constantly replaced loans.

Here again, the two approaches both have their advantages and disadvantages, the chief of which we will explore below.

A 'closed' portfolio approach has the advantage of making it very straightforward to monitor the use of the provision. At the end of life of a portfolio, an entity is in a position to know whether it has made too much or too little provision in the light of the incurred losses. This approach thus makes it very much easier to verify impairment assumptions (back-testing). However, in some cases, it involves creating and monitoring very large numbers of portfolios.

Let us take a simplified example: at the end of its first year of operations, an entity generating three types of loan each month (consumer credit, mortgages and loans to public authorities) would have to manage 36 closed portfolios and as many associated provisions. If all the loans have term of over three years, the entity will have more than a hundred portfolios to manage by the end of three years. The complexity of such an approach for an international entity active in several branches can readily be imagined.

An 'open' portfolio approach automatically reduces the number of portfolios to be managed. There is no need to create a portfolio for each generation of loans, because each new loan is added to the open portfolio to which it is attached. However, this simplicity of management greatly complicates the work of monitoring provision and of verifying the quality of the assumptions (back-testing). Because the portfolio is never extinguished, the associated provision is constantly adjusted. That can make it difficult to monitor over time.

Finally, a link can be established between how expected losses are determined and the portfolio type used. A 'through the cycle' approach, resting on solidarity between generations of homogeneous loans, is much more readily applied to the open portfolios in which these generations are grouped, than to closed portfolios comprising only assets of the same generation. Conversely, it is more natural to apply the 'point-in-time' approach to closed portfolios than to open portfolios.

Here again, the two approaches are contrasting, and commentators will doubtless express their preferences. It is probable that points of view will vary depending on the priority objectives of individual commentators. In any event, this choice is structural in the management of credit risk provision, so it is important to make the link with the management model developed by preparers of accounts.

➤ What is the interaction between expected losses and incurred losses?

To illustrate this point, let us return to the example from the special study in the January 2010 edition of Beyond the GAAP.

The example takes a loan with a nominal value of 100, redeemable at par after five years and with a contract rate of 5%. To keep things simple, it was assumed that the loan has been issued without fees and that early redemption was not expected.

Moreover, the management expected a loss of 2 on the interest to be received in year 3. The calculation below shows the effective interest rate including expected losses will be 4.6%.

Effective interest rate calculated			4,60%
Year	Expected cash flows including credit losses	Present value discounted at effective interest rate	
1	5,00	4,78	
2	5,00	4,57	
3	3,00	2,62	
4	5,00	4,18	
5	105,00	83,85	
			100,00

If the management's cash flow forecasts are accurate, the approach proposed by the exposure draft would entail recognition of the following impacts:

Year	Amortised cost at beginning of period	Impact on profit or loss	Cash flows	Amortised cost at end of period
1	100,00	4,60	5	99,60
2	99,60	4,58	5	99,18
3	99,18	4,56	3	100,75
4	100,75	4,64	5	100,38
5	100,38	4,62	105	-

It can be seen here that recognition of the incurred loss in year 3 is staggered over the 5-year period. The recognition of this loss in profit or loss is thus partly deferred.

Some have suggested that the expected losses approach should be supplemented with a requirement that the amount of provision should always be higher than or equal to the incurred losses. This would have the effect of removing any deferred recognition of the incurred losses.

Simple in principle, this alternative may prove complex in practice. It is not readily compatible with the effective interest rate mechanism. Introducing minimum provision equal to incurred losses would automatically lead to a revision in the initial effective interest rate of the instrument. This change of effective interest rate is in contradiction with the provisions proposed by the exposure draft and would thus involve a change in the method of calculating amortised cost.

➤ How should changes in estimates be recognised?

The IASB exposure draft states that changes in estimates should be recognised using the 'catch up' method. This method leads to the immediate recognition in profit or loss of the difference between the originally estimated cash flows discounted at the initial effective interest rate and the revised cash flows discounted at the same effective interest rate¹. This method of recognising revised estimates is directly linked to the retention of the initial effective interest rate of the instrument.

However, some believe that the impact of revised estimates should be spread over the lifetime of the financial asset. The main argument for staggering the impact is the symmetry in the recognition of income and expenses. Recognition of the margin invoiced by the lender to cover the credit risk is staggered, so it may therefore seem consistent to recognise the impact of expected losses due to credit risk in an analogous manner. However, it should be noted that this approach involves amending the effective interest rate whenever the estimate is revised.

Finally, it should be noted that the treatment of changed estimates is more sensitive in the point-in-time approach than in a 'through the cycle' approach. In this second approach, revisions are probably less frequent than in the first.

¹ See *Beyond the GAAP No30 - January 2010* for an example.

➤ The approach and effective interest rates

As we have already described, the exposure draft bases its approach on an effective interest rate which includes expected credit losses. This exposure draft applies this effective interest rate in the same way as the current IAS 39.

We have seen that some of the proposed alternatives are incompatible with the effective interest rate mechanism as put forward in the exposure draft. It is probable that the possibility of disconnecting the provision mechanism from the effective interest rate will be a topic frequently address in the debates.

➤ What's next?

The final date for submissions in response to the exposure draft is 30 June 2010. The next four months will provide an opportunity for stakeholders to consider in detail the alternative approaches to the IASB's proposal and their operational feasibility.

It will be also interesting to see the result of the work of the Expert Advisory Panel² and the proposals of the US regulator which is preparing its own exposure draft.

Finally, for the readers who would like to know more, EFRAG and the FEE have jointly published a guide to the IASB's proposal in English, available at the following address: <http://www.efrag.org/news/detail.asp?id=485>

² The Expert Advisory Panel is an expert group set up by the IASB to examine the practical issues raised by the approach proposed in the Exposure Draft.

Events/publications

Seminars on "Current developments in IFRS"

Mazars' Technical Department will host a number of seminars throughout 2010 dedicated to current developments in IFRS. These seminars, organised by Francis Lefèbvre Formation, will be held on 26 March, 25 June, 24 September and 10 December 2010.

To register, please contact Francis Lefèbvre Formation – www.flf.fr, +33 (0)1 44 01 39 99.

Frequently asked questions

IAS/IFRS

- Impact of the IFRIC 18 interpretation on connection transactions;
- Contributions to a joint venture: inconsistency between the revised IAS 27 and SIC 13;
- Business combinations under common control;
- Puts on non-controlling interests: impact of discount reversal
- Recognition of deferred tax on the restructuring of hybrid securities;
- Accounting treatment of a concession by the grantor
- Accounting treatment of a dilution due to an acquisition by a subsidiary paid in securities.

Upcoming meetings of the IASB, IFRIC and EFRAG

IASB

15 - 19 March 2010
19 - 23 April 2010
17 - 21 May 2010

IFRIC

4 -5 March 2010
6 -7 May 2010
8 -9 July 2010

EFRAG

24 - 26 March 2010
5 - 6 May 2010
9 - 11 June 2010

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