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Our views on the *Reporting Entity* project

As part of a joint project to improve their conceptual frameworks for financial reporting, the IASB and the US FASB have published an Exposure Draft (ED) on the *Reporting Entity* project. Learn about our views on the proposed description of reporting entity and the ability to apply the description in the preparation of consolidated financial statements, combined financial statements and parent-only financial statements.

Fair value option for financial liabilities – does the proposed change reduce or retain complexity?

The IASB issued an ED on the classification and measurement of financial liabilities. With two exceptions, the proposals largely retain the existing requirements in IAS 39 *Financial Instruments: Recognition and Measurement* for financial liabilities. Read about our concerns over the proposals in the ED and, on a broader context, the next steps on the joint IASB and FASB project on financial instruments.

Proposal for accounting for insurance contracts

The IASB has issued their ED on IFRS 4 *Insurance Contracts*. If adopted, the ED will replace the current standard with the intention of creating a single consistent recognition and measurement standard for insurance contracts internationally.

IFRS monthly update

Find out what's new this month from the IASB. We also highlight the projects currently being discussed by the IASB.

Resources

Look here for an up-to-date list of recent publications including *Good Petroleum (International) Limited* 31 December 2010 – an illustrative set of consolidated financial statements for a fictitious group of oil and gas companies. See also our special edition of the *Insurance Accounting Alert* which provides an overview of the recently released ED *Insurance Contracts* which, if adopted, would create a single consistent recognition and measurement standard for insurance contracts internationally. Register as well for our upcoming webcasts that will focus on the IASB's proposed model for insurance contracts.

We welcome your feedback on *IFRS outlook*. Please contact us at ifrs@ey.com. The next issue will be published in September 2010.

Ruth Picker
Global Leader of IFRS Services

Our views on the *Reporting Entity* project



At their most basic level, financial statements are supposed to provide financial information about a reporting entity. However, currently, there is no clear description within IFRS or US GAAP of what a reporting entity actually is, or how it should be identified. This has caused problems when preparing financial statements for a reporting entity whose make-up differs from a legal group structure.

To address the practical issues with the identification of the reporting entity, the International Accounting Standards Board (IASB) and US Financial Accounting Standards Board (FASB), collectively the Boards, published an exposure draft (ED) *Conceptual Framework for Financial Reporting: The Reporting Entity* in February 2010. The ED is part of a broader joint project to improve the current conceptual framework for financial reporting.

Refer to our *Supplement to IFRS outlook* issue 68: *Proposals to Describe the Reporting Entity* for a more in-depth look at the proposals in the ED.

We recently submitted our comment letter to the IASB on the proposals in the ED. This article highlights some of our views and opinions expressed in this comment letter.

Overall, we support the addition of a project on the identification of a reporting entity to the Boards' agenda. However, we have concerns with the description of the reporting entity used in the ED, and the ability to apply the description in practice, as described in more detail below.

The ED describes a reporting entity as a 'circumscribed area of economic activities whose financial statements have the potential to be useful to existing and potential equity investors, lenders and other creditors who cannot directly obtain the information they need in making decisions about providing resources to the entity and in assessing whether management and the governing board of that entity have made efficient and effective use of the resources provided.'

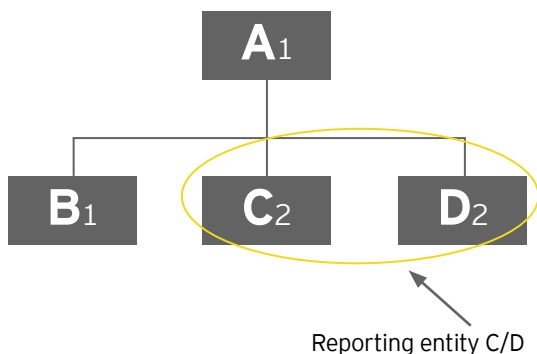
“Currently, there is no clear description within IFRS or US GAAP of what a reporting entity actually is, or how it should be identified.”

Reporting entity vs legal entity

Generally, the identification of a reporting entity is only difficult when it differs from a legal entity, such as often occurs in a proposed transaction (see Example 1). The ED states, “The existence of a legal entity is neither necessary nor sufficient to identify a reporting entity.” In that regard, the ED is helpful, because it clarifies that a reporting entity is not constrained by a legal entity.

Example 1: Reporting entity vs legal entity

Parent A has three subsidiaries: B, C and D. A and B are medical supply businesses. C and D are concrete businesses. Management is proposing to spin-off the concrete business and wishes to prepare combined financial statements for C and D. Using the proposals in the ED, it is likely that combined financial statements could be prepared for the reporting entity C/D, even though they are not legally a combined entity.



Circumscribed reporting entity vs consolidation

The ED states, “If an entity that controls one or more entities prepares financial reports, it should present consolidated financial statements.” However, the ED also describes the concepts of preparing financial statements for a ‘portion of an entity’, or for a ‘combined entity’. This could result in the identification of multiple reporting entities within a group structure, depending on the various permutations, combinations and purposes for which the financial statements are being prepared.

The idea that a reporting entity depends on a ‘circumscribed area of economic activities’ is useful in some circumstances (such as in a proposed transaction, as shown in Example 1). However, we are concerned that users who cannot directly obtain information may not be able to define the boundaries of the entity in which they are interested. In this case, someone must do it for them, thereby creating unwarranted flexibility. Therefore, we believe that the proposals should explicitly state that the ‘primary’ reporting entity is the parent, and all entities that the parent controls, when financial statements for that parent are required. However, this explicit statement should not preclude the provision of other types of financial statements (such as parent-only or combined financial statements) in other circumstances. Without making this change, we believe there is a significant inconsistency within the ED as to which concept takes precedence:

- ▶ The requirement to consolidate all entities controlled by a parent

Or

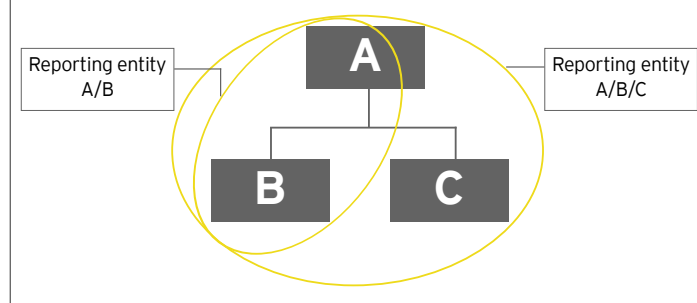
- ▶ The determination of the reporting entity based on the circumscribed area of economic activities

Our views on the *Reporting Entity* project *continued*

The potential problems that could result if this issue is not clarified are illustrated in Example 2.

Example 2: Circumscribed reporting entity vs consolidation

Parent A's shares are listed on a securities exchange. The securities regulator requires financial statements for parent A, but does not circumscribe the reporting entity of parent A for which financial statements are required. Without making it explicit in the conceptual framework that the primary reporting entity includes the parent and all of its controlled subsidiaries, management could identify the reporting entity as the 'portion' containing A and B, but not C (reporting entity A/B in the diagram below). We believe that this would not be an appropriate circumscribed reporting entity for parent A in this case. Rather, we believe that the primary financial statements that should always be prepared are those of the group led by parent A, including any subsidiaries (B and C, reporting entity A/B/C in the diagram below).



Boundary between the reporting entity and its shareholders

The ED does not adequately describe the boundary between the shareholders of the reporting entity and the reporting entity itself. This boundary is important as it forms part of the basis for developing reporting standards. For example, consider the classification of financial instruments in the form of a preference share that includes a contractual obligation to deliver cash when such payment is at the ultimate discretion of the issuer's shareholders. Whether such an instrument should be classified as debt or equity is dependent upon the inclusion or exclusion of the shareholders within the reporting entity. We believe that this is an important issue that needs to be addressed in the IASB proposals.

Additional guidance needed

We are concerned about the lack of detailed guidance under IFRS at the standards level as to how to apply the reporting entity concept. For example, the ED proposes that "a single legal entity may not qualify as a reporting entity if, for example, its economic activities are commingled with the economic activities of another entity and there is no basis for objectively distinguishing their activities."

We believe that more guidance is needed, particularly as to the meaning of 'economic activities', 'objectively distinguished', and 'commingled'. Such guidance should be available and effective when this chapter of the conceptual framework becomes effective, so that these concepts will be applied and interpreted consistently in practice and diversity in practice will not emerge. Without this, it will be difficult to make this portion of the conceptual framework operational.

Combined financial statements

The ED identifies and describes 'combined financial statements', which is helpful, because this concept does not currently exist in IFRS (although there is a reference to combined financial statements in *IFRS for Small and Medium-sized Entities* and guidance exists under US GAAP). However, the ED does not state which principles are applied in the preparation of combined financial statements. Such guidance should be available and effective for IFRS reporters when this chapter of the conceptual framework becomes effective. Again, without this, diversity that already exists in practice is likely to continue and may increase. If that is not practicable, the IASB should add a project to its agenda to develop standards-level guidance as quickly as possible to prevent further and continuing divergence in practice (both within IFRS and between US GAAP and IFRS).

Reporting entity ED: helpful, but incomplete

While the description of reporting entity is an adequate start, and the references to financial statements of a 'portion of an entity' or a 'combined entity' are helpful, we believe that the Boards have some significant issues to address at the standards-level before they finalise this chapter of the conceptual framework.

The Boards will deliberate comments received on the ED during Q3 2010 and plan to issue a final chapter of the conceptual framework for the reporting entity during Q4 2010. Other phases of the project on the framework are also in progress.

Fair value option for financial liabilities – does the proposed change reduce or retain complexity?

As part of its ongoing project to replace IAS 39 *Financial instruments: Recognition and Measurement*, the IASB (or the Board) recently issued an Exposure Draft¹ (ED) on the classification and measurement of financial liabilities. This largely proposes to retain the existing requirements in IAS 39 with two exceptions – first, the changes in own credit risk will not affect profit or loss when the fair value option is used; and second, liabilities arising from derivatives on unquoted equity instruments will no longer be measured at cost.

We recently submitted our comment letter to the IASB on this ED and, as discussed in greater detail below, we broadly agree with the thrust of the proposals. However, we have reservations about retaining the complexity of the existing rules for the separation of embedded derivatives and we believe that there are circumstances in which the effect of changes in own credit should be allowed to be recognised in profit or loss.

Refer to our *Supplement to IFRS outlook issue 72: Classification and measurement of financial liabilities – new IASB proposals* for a summary of the ED and the impact it is likely to have on businesses.

Overall, our comment letter expresses full support for the IASB's project to comprehensively replace IAS 39, as it presents a valuable opportunity to eliminate some of the complexities in the standard. We also support the mixed measurement model in IFRS 9 *Financial instruments* (the new standard), as already issued by the IASB. We, as well as many other respondents, agreed with the general thrust of the ED's proposals that: (i) the changes in a financial liability's credit risk should not normally affect profit or loss unless the liability is held for trading; and (ii) retaining some form of bifurcation requirement for financial liabilities with embedded derivatives was the most suitable approach.

However, we have three main concerns on the specific proposals of this ED:

Complexity of IAS 39 rules – need for a principles-based approach

The rules and the guidance in IAS 39 for the separation of embedded derivatives are complex and difficult to apply, and we believe that retaining these rules would not be consistent with the Board's objective to reduce complexity in accounting for financial instruments. Instead, we believe that the criteria for separating embedded derivatives from financial liabilities would have been better established by using a principles-based approach. This could be done, for example, by applying a test based on the contractual cash flow characteristics test for financial assets within IFRS 9 as issued to date. We have, therefore, encouraged the Board to explore further whether bifurcation along these lines may be workable.

We disagree with the Board's reasoning in the ED's Basis for Conclusions that "the bifurcation methodology in IAS 39 is generally working well and practice has developed since that Standard was issued". We also note that this conclusion is inconsistent with IFRS 9 – where, in the case of financial assets, the Board preferred not to use the IAS 39 guidance for the separation of embedded derivatives because "the 'closely related' assessment in IAS 39 is based on a list of examples that are inconsistent and unclear".

Existing IFRS reporters face several practical issues in the application of the rules for separation of embedded derivatives. These include:

- ▶ Inconsistent treatment of loan extension and prepayment options
- ▶ Complexity of the 'double-double' test in AG 33(a)
- ▶ Lack of clarity whether a day-one profit can be recognised on a compound instrument from which an embedded derivative is separated
- ▶ Lack of clarity with regard to the effect of the distinction between financial and non-financial variables specific to a party to the contract (in determining whether a component of a transaction meets the definition of a derivative)

¹ IASB Exposure Draft ED/2010/4 *Fair Value Option for Financial Liabilities*.

Fair value option for financial liabilities – does the proposed change reduce or retain complexity? *continued*

We are concerned that, with the Board's current proposal, the new standard will retain those issues.

An additional concern is in respect of first-time adopters of IFRS – whilst acknowledging that there is always a learning curve upon first-time adoption, we believe such constituents would be better served by a principles-based approach rather than the complex rules-based approach for the separation of embedded derivatives in IAS 39.

Changes in own credit risk – OCI vs profit or loss

We do not fully agree with the ED's main approach which requires own credit risk changes (on FVO financial liabilities) to be recorded in other comprehensive income (OCI) in all circumstances. This is because there are circumstances where, in respect of liabilities that are designated at fair value through profit or loss, changes in an entity's own credit risk would be best recognised in profit or loss – for example, when the liabilities are in effect non-recourse, and their credit risk specifically reflects the risk of the entity's assets rather than wider enterprise risk.

The ED's alternative approach states that changes in the liability's credit risk should not affect profit or loss unless such treatment would create a mismatch in profit or loss. Based on the argument above, we have some support for the alternative approach, although we prefer that own credit risk changes are allowed (rather than required) to be presented in profit or loss in certain circumstances.

Prohibition on recycling realised gains and losses to profit or loss

Like many other respondents, we disagreed with the Board's proposal not to permit recycling of realised gains and losses from OCI to profit or loss upon derecognition, particularly because this is inconsistent with the treatment of financial liabilities recorded at amortised cost. We do not believe there is a general principle on recycling of amounts recorded in OCI that can be applied to all circumstances. For example, the recycling of gains and losses from OCI to profit or loss remains relevant for cash flow hedge accounting. In this regard, we have urged the Board to evaluate (as part of its project on financial statement presentation) those components of OCI that shall or shall not be recycled from OCI to profit or loss.

Concluding remarks

With respect to the current environment of standard setting activity, the importance of IFRS and US GAAP convergence is a point that cannot be over-emphasised. But we are deeply concerned that, despite being described as an active joint project, the IASB and the FASB have reached significantly different conclusions on the accounting for financial instruments. The IASB has requested its constituents to provide feedback to the FASB on its recent ED on accounting for financial instruments, the comment period for which ends on 30 September 2010. We see this as an important step because the IASB has stated that it will consider such feedback in determining how to reconcile any differences between IFRS requirements and US GAAP. To that extent, it will be interesting to follow the Boards' re-deliberations on this project as they unfold during the latter half of this year.

The comment period for the ED ended on 16 July 2010. The IASB expects to publish the relevant chapters of the new standard before the end of 2010.

Proposal for accounting for insurance contracts

The International Accounting Standards Board (IASB or the Board) is developing a new International Financial Reporting Standard (IFRS) on accounting for insurance contracts. The IASB's insurance contracts project comprises two phases. Phase I culminated in 2004 with the publication of IFRS 4 *Insurance Contracts*, which permitted many existing international insurance contract accounting practices to be retained. On 30 July 2010, the Board issued an Exposure Draft (ED) *Insurance Contracts* on phase II, which is intended to result in a single consistent recognition and measurement standard for insurance contracts internationally. If adopted, the ED will replace IFRS 4.

The release of the ED is a result of a joint project with the US Financial Accounting Standard Board (FASB). The FASB plans to issue a Discussion Paper (DP) by the end of the third quarter of 2010. That DP will compare the IASB's proposed model, the FASB's tentative decisions reached to date and current US GAAP. It will also include preliminary views on possible improvements to current guidance.

The IASB's insurance contracts project seeks to address concerns identified by the Board on the inconsistent accounting treatment of different types of insurance contracts and across jurisdictions, and the assertion that insurer's financial statements were unduly complex and difficult to understand. The IASB is proposing that an insurer should measure insurance liabilities using a model based on the 'present value of the fulfilment cash flows' plus a residual margin when required. The Board's proposals are far-reaching and may have significant impacts on insurers in areas, such as estimating all future cash flows arising from the fulfilment of an insurance contract on a probability-weighted basis, and accounting for acquisition costs incurred by insurers to secure contracts with policyholders.

Scope

The scope of the ED includes:

- ▶ Contracts that meet the definition of insurance that an insurer issues
- ▶ Reinsurance contracts that an insurer holds
- ▶ Financial instruments containing discretionary participating features (participating investment contracts) that an insurer issues and that share in the performance of the same pool of assets as participating insurance contracts

The exceptions to applying IFRS 4 are carried forward into the ED, with some modifications. The ED proposes to require financial guarantee contracts to be brought within the scope of the insurance contracts standard. Also, the ED proposes to exclude fixed-fee service contracts from the scope of the insurance contracts standard. Although the IASB acknowledged that these contracts meet the definition of an insurance contract, the IASB decided to exclude them from the proposed standard on the basis that the existing practice of accounting for fixed-fee service contracts as revenue contracts provides relevant information for the users of financial statements.

Recognition

The ED requires an entity to recognise an insurance obligation when it becomes a party to the contract which is defined by the ED as the earlier of when the insurer is:

- ▶ Bound by the contract

and

- ▶ First exposed to risk

An insurer is on risk when it can no longer withdraw from its obligation to provide insurance coverage for insured events and is no longer free to re-underwrite the contract. Accordingly, an insurer could be a party to the contract prior to the start of the coverage period.

Proposal for accounting for insurance contracts *continued*

Measurement

The ED indicates that insurance contracts are measured using the present value of the fulfilment cash flows. However, for certain contracts, a simplified model can be used for the pre-claim period. Furthermore, any insurance contract denominated in a foreign currency should be considered as a monetary item when applying IAS 21 *The Effects of Changes in Foreign Exchange Rates*.

The present value of the fulfilment cash flows is made up of the following components:

- ▶ Unbiased, probability-weighted average of future cash flows expected to arise as insurer fulfils the obligation
- ▶ Incorporation of time value of money (discount rate)
- ▶ A risk adjustment

Disclosures

The ED proposes a high-level principle for its disclosure requirements, supplemented with some specific disclosures to meet the principle. Some of the specific disclosures required by the ED are as follows:

- ▶ Reconciliation from the opening and the closing aggregate contract balances
- ▶ The methods and inputs used to develop the measurements
- ▶ Sensitivity information quantifying the impact of significant assumptions used by management in determining revenue

Transition

The ED requires an insurer to measure each portfolio of insurance contracts at the present value of the fulfilment cash flows, starting at the beginning of the earliest period presented. If there is a difference between the new measurement amount and the amount under the insurer's previous accounting policies, that difference should be recognised in retained earnings.

The insurer should derecognise any existing balances of deferred acquisition costs and any intangible assets arising from insurance contracts assumed in previously recognised business combinations.

Effective date

The ED does not include a proposed effective date. Instead, the effective date will be considered when the Board meets to discuss the effective dates for all of the major joint projects currently under way and expected to be completed in 2011.

Comments on the Exposure Draft are due by 30 November 2010.

For more information on the key components of the ED and the areas where the IASB and FASB have reached different decisions relating to the insurance contracts project, please refer to our publication *Insurance Accounting Alert Special Edition: Proposal for Accounting for Insurance Contracts* available at www.ey.com/ifrs.

In addition, we will publish a more comprehensive analysis of the ED in the near future. Webcasts on the topic will also be held on 11 August 2010 and 1 September 2010. Please refer to the Resources section of this publication for full details of all of the activities that are planned around the ED.

IFRS monthly update

What's new this month?

The following shows a new exposure draft recently issued by the IASB.

Projects	Publication	Status
Insurance contracts	<p><i>Exposure Draft (ED) – Insurance Contracts</i></p> <p>This ED proposes a single IFRS that all insurers, in all jurisdictions, could apply to all contract types on a consistent basis.</p> <p>The proposed standard would replace IFRS 4 <i>Insurance Contracts</i>.</p> <p>View the ED at www.iasb.org</p> <p>The Ernst & Young publication <i>Insurance Accounting Alert – special edition: Proposal for accounting for insurance contracts</i> contains details of the proposals and can be downloaded at www.ey.com/ifrs</p>	Open for comment until 30 November 2010

Current discussions

The IASB and the FASB held meetings from 19 to 23 July 2010.

Tentative decisions were made regarding a number of projects, including consolidation, leases, income taxes, financial instruments with characteristics of equity, hedge accounting, derecognition and rate-regulated activities. Further details can be found in the IASB Update, which contains a summary of the tentative decisions reached by the Board at their meetings. Further details can be found in the IASB Update, which contains a summary, at www.iasb.org/updates/IASB+updates.

IFRS Interpretations Committee

The IFRS Interpretations Committee (the Interpretations Committee), formerly known as IFRIC, met in London on 8 and 9 July 2010. The committee discussed active projects on accounting for production phase stripping costs in the mining industry, IFRS 2 *Share-based Payment* – vesting and non-vesting conditions and IAS 27 *Consolidated and Separate Financial Statements* – put options written over non-controlling interests. The Interpretations Committee also reviewed a number of potential agenda items.

Details of the decisions made at this meeting can be found in the IFRIC Update at www.ifrs.org/Updates/IFRIC+Updates/IFRIC+Updates.htm.

IASB work plan

The IASB work plan outlines all of the projects the Board is currently working on, and includes projected publication dates. Further details of all the ongoing projects can also be accessed at www.iasb.org/current+projects.

Resources

Supplement to *IFRS outlook*

Issue 78: IASB staff draft of new presentation model for financial statements

The IASB and the US FASB have posted to their respective websites, a draft ED proposing a new financial statement presentation standard. The draft ED reflects the Boards' tentative decisions to date regarding their efforts in developing a new financial statement presentation standard. The Boards have decided to engage in additional public outreach activities before finalising and issuing a final ED of the proposed standard (expected in early 2011). The Boards' proposals are largely the same, although there are some minor differences around segment disclosures. This issue of *Supplement to IFRS outlook* summarises the proposals which, if adopted as proposed in the draft ED, will fundamentally redefine the way that companies present their performance, financial position and cash flows and will likely require significant changes to entities' processes and information systems.

Insurance accounting alert July 2010 Special Edition: Proposal for accounting for insurance contracts

The IASB is developing a new IFRS on accounting for insurance contracts. The IASB's insurance contracts project has been split into two phases. Phase 1 culminated in 2004 with the publication of IFRS 4 *Insurance Contracts*. On 30 July 2010, the IASB issued its ED on phase II, which is intended to result in a single consistent recognition and measurement standard for insurance contracts internationally. If adopted, the exposure draft will replace IFRS 4. The IASB is proposing that an insurer measure insurance liabilities using a model based on the "present value of the fulfilment cash flows" plus a residual margin when required. The release of the ED is a result of a joint project with the US FASB. The FASB intends to release its document on insurance contracts later this year. This publication provides a high-level summary of the key components of the ED.

Look for our comprehensive analysis of the ED later this month.

Good Petroleum (International) Limited 31 December 2010

This publication contains an illustrative set of consolidated financial statements of Good Petroleum (International) Limited, a fictitious group of oil and gas companies for the year ended 31 December 2010, prepared in accordance with IFRS. Good Petroleum (International) Limited's activities include oil exploration and field development and production and refining petroleum products. This publication focuses on IFRS disclosures specific to the oil and gas industry. These illustrative financial statements have been prepared in accordance with IFRS in issue as at 31 May 2010.

Impairment accounting – the basics of IAS 36 *Impairment of Assets*

This introductory publication provides an overview of the key requirements of IAS 36 *Impairment of Assets*, highlighting areas where it differs from US GAAP and some of the practical considerations for first-time adopters of IFRS.

Archived IFRS webcast series

Revenue recognition under IFRS and US GAAP: proposed single model

In June 2010, the IASB and the US FASB released a proposal to improve the accounting for revenue under both IFRS and US GAAP. The proposal is designed to provide a single revenue model for most transactions under both accounting frameworks. A panel of accounting specialists discussed how this proposal will affect all entities, with potentially significant changes for some IFRS reporters. Those likely to be most affected include: entities that recognise revenue using the percentage of completion method, e.g., the construction industry, entities with multiple-element arrangements and entities that give warranties on their products. To listen to the archived webcast, go to ey.com/ifrs.



Coming soon

Good Insurance (International) Limited 31 December 2010

The 2010 edition of Good Insurance (International) Limited contains an illustrative set of consolidated financial statements of a listed, limited liability insurance company with subsidiaries, for the year ended 31 December 2010. The Group issues life and non-life insurance products (which comprise both general insurance and healthcare products) as well as some investment products. The Group also performs investment management services to policyholders of investment products that do not contain an insurance component. These illustrative financial statements are based on IFRS in issue at 31 May 2010. This publication focuses on IFRS disclosures specific to the insurance industry.

IFRS webcast series

The IFRS insurance contracts exposure draft – a summary of the changes

11 August 2010, 15:00 London; 16:00 Paris; 10:00 New York

Please go to ey.com/ifrs to register for the webcast that best fits your schedule.

Following the release of the IASB's ED for insurance contracts, our 30-minute webcast will feature a high level summary of the ED's key implications as well as reactions from a panel of Ernst & Young subject-matter professionals. We are keeping this webcast short for your convenience. Mobile phone and blackberry users will be able to join in so register now to hear this breaking news. Please see the special edition of our *Insurance Accounting Alert* on ey.com/ifrs and look out for more on the ED in the near future, including our more in-depth webcast taking place on 1 September 2010.

The IFRS insurance contracts exposure draft – a new IFRS accounting model for insurers

1 September 2010

Rescheduled from 15 July. Please go to ey.com/ifrs to register for this webcast.

Following the release of the IASB's planned ED for insurance contracts, insurance professionals will need to understand the impact of the new ED and the upcoming proposals under IFRS 4 *Insurance Contracts*. The proposals for accounting for insurance contracts are likely to have a significant effect on all insurance companies. In addition to considering the likely implications for users and preparers of insurance entity financial statements, our panel of Ernst & Young LLP professionals will address how this ED interacts with other IASB and FASB projects, and will compare the IASB and FASB proposals. Our panel will also discuss the major building blocks of the model. These include: identifying the contract with a customer and the separate performance obligations in the contract; recognising revenue when the entity satisfies the performance obligations; determining the transaction price; and allocating the transaction price to the performance obligations. This webcast is relevant to everyone connected with the financial reporting of insurance entities, in particular, senior management, the finance and actuarial community, auditors and audit committee members. It will also assist users of insurance entity financial statements and help CFOs and controllers to identify and address the proposed changes that the new model will bring.

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The move to International Financial Reporting Standards (IFRS) is the single most important initiative in the financial reporting world, the impact of which stretches far beyond accounting to affect every key decision you make, not just how you report it. We have developed the global resources – people and knowledge – to support our client teams. And we work to give you the benefit of our broad sector experience, our deep subject matter knowledge and the latest insights from our work worldwide. It's how Ernst & Young makes a difference.

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