



International Accounting Standards Board®

Press Release

FOR IMMEDIATE RELEASE

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IASB to review standards on employee benefits, leases and related parties

The International Accounting Standards Board (IASB) announced today that it has added three new projects to its agenda. The first two will be comprehensive reviews of the standards on leases and employee benefits. The third project is to amend the standard on related party disclosures.

Leasing

Leasing is a major international industry and an important source of finance for a wide range of entities. The current accounting requirements, set out in IAS 17 *Leases*, were developed some 25 years ago and have been criticised for allowing similar transactions to be accounted for in very different ways. At the same time, while the world leasing volume amounted to US\$579 billion in 2004,* leasing transactions remain largely off balance sheets, raising questions about the usefulness of the financial statements. The project will reconsider all aspects of lease accounting and is expected to lead to a fundamental revision of the way that lease contracts are treated in the financial statements both of lessees and of lessors. This project will be conducted jointly with the US Financial Accounting Standards Board (FASB) and is expected to result in the publication of a joint discussion paper in 2008.

Employee benefits, including pensions

The accounting for employee benefits and, in particular, defined benefit pension plans has received much media attention. The heightened public interest underlines the need for high quality and well-understood financial reporting of pension plans and other employee benefits. The project, to be conducted in two phases, will be a comprehensive reconsideration of the accounting required by IAS 19 *Employee Benefits*. The first phase will consider revisions that would achieve significant improvements in the short term, with a view to an interim

* Source: World Leasing Yearbook 2006

standard in 2010. Other aspects of accounting for employee benefits will be considered in the second phase. The FASB is also undertaking a two-phase post-retirement benefits project. Although the timing and scope of the first phases may differ, the two boards are committed to arriving at a common approach at the end of the second phase.

Related parties

The disclosures required by IAS 24 *Related Party Disclosures* are intended to ensure that users of financial statements receive information about the existence of related party relationships and the effects of those relationships on an entity's profit or loss and financial position. In the course of its work with the Chinese Ministry of Finance (MOF) towards the convergence of Chinese accounting standards and IFRSs, the IASB has become aware of the difficulties that state-controlled entities face when applying IAS 24. At the same time, the IASB has been working with the Accounting Standards Board of Japan (ASBJ) with the aim of achieving convergence of Japanese standards and IFRSs. The work with the ASBJ highlighted concerns about aspects of the definition of a related party in IAS 24. Similar issues have also been raised by other jurisdictions and contacts around the world. The IASB has, therefore, decided to review IAS 24 in the light of the issues raised by the ASBJ and the Chinese MOF, and by interested parties in other jurisdictions.

Commenting on these agenda decisions, Sir David Tweedie, Chairman of the IASB, said:

In line with the proposed work plan described in the FASB-IASB Memorandum of Understanding of February 2006, the IASB has added two major projects on leasing and employee benefits to its agenda. Our discussions with a broad range of interested parties indicate that these are two areas where accounting could benefit from a re-examination of the current standards in order to provide additional transparency for investors. Adding these projects to our agenda is the first step in meeting the goals set out in the Memorandum.

At the same time, the IASB's work with regulators and other standard-setters has highlighted the need to reconsider our standard on related party disclosures, and this short-term project will examine options for doing so.

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Notes to Editors

About the IASB

The International Accounting Standards Board (IASB), based in London, began operations in 2001. Contributions collected by its Trustees, the IASC Foundation, from the major accounting firms, private financial institutions and industrial companies throughout the world, central and development banks, and other international and professional organisations fund the operations of the IASB.

The 14 Board members (12 of whom are full-time) are drawn from nine countries and have wide international experience and a variety of functional backgrounds. The IASB is committed to developing, in the public interest, a single set of high quality, global accounting standards that require transparent and comparable information in general purpose financial statements. In pursuit of this objective, the IASB co-operates with national accounting standard-setters to achieve convergence in accounting standards around the world.

About the agenda decisions

Details of the agenda decisions are available on the IASB's Website. Please follow the links below for more information:

- Leasing
- Employee Benefits
- Related Party Disclosures