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## International Financial Reporting Standards



# CRIRSCO and evolving international accounting standards: IFRSs

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The views expressed in this presentation are those of the presenter, not necessarily those of the IASB or IFRS Foundation.

- What is the IASB?
- Overview of the extractive activities research project
- Project team's view on reserve definitions for an IFRS
- Uses of reserves definitions in financial reporting
- Common issues from responses to extractive activities discussion paper
- Status and agenda consultation

- **Our objective**

- To develop a single set of high quality, understandable, enforceable and globally accepted financial reporting standards based upon clearly articulated principles

- **How do we do this?**

- An independent standard-setting board, overseen by a geographically and professionally diverse body of trustees, publicly accountable to a Monitoring Board of public capital market authorities
- A thorough, open, participatory and transparent due process
- Engagement with investors, regulators, business leaders and the global accountancy profession at every stage of the process

# Status of IFRS use around the world

- Since 2001, almost 120 countries have required or permitted the use of IFRSs, including
  - All member states of the European Union
  - Australia
  - Brazil
  - South Africa
- Remaining major economies have time lines to converge with or adopt IFRSs in the near future
- Next wave of new joiners in 2011/2012: Argentina, Canada, India, Mexico, South Korea

# Reasons for undertaking the extractive activities research project

- Existing IFRSs do not provide specific guidance for accounting for exploration, evaluation, development and production of minerals or oil & gas
- Some question the relevance of existing accounting and disclosure practices

**Accounting and disclosure practices often vary by industry, by jurisdiction, and by company size**

- Users need more information about nature and extent of risks relating to extractive activities

# Key research questions

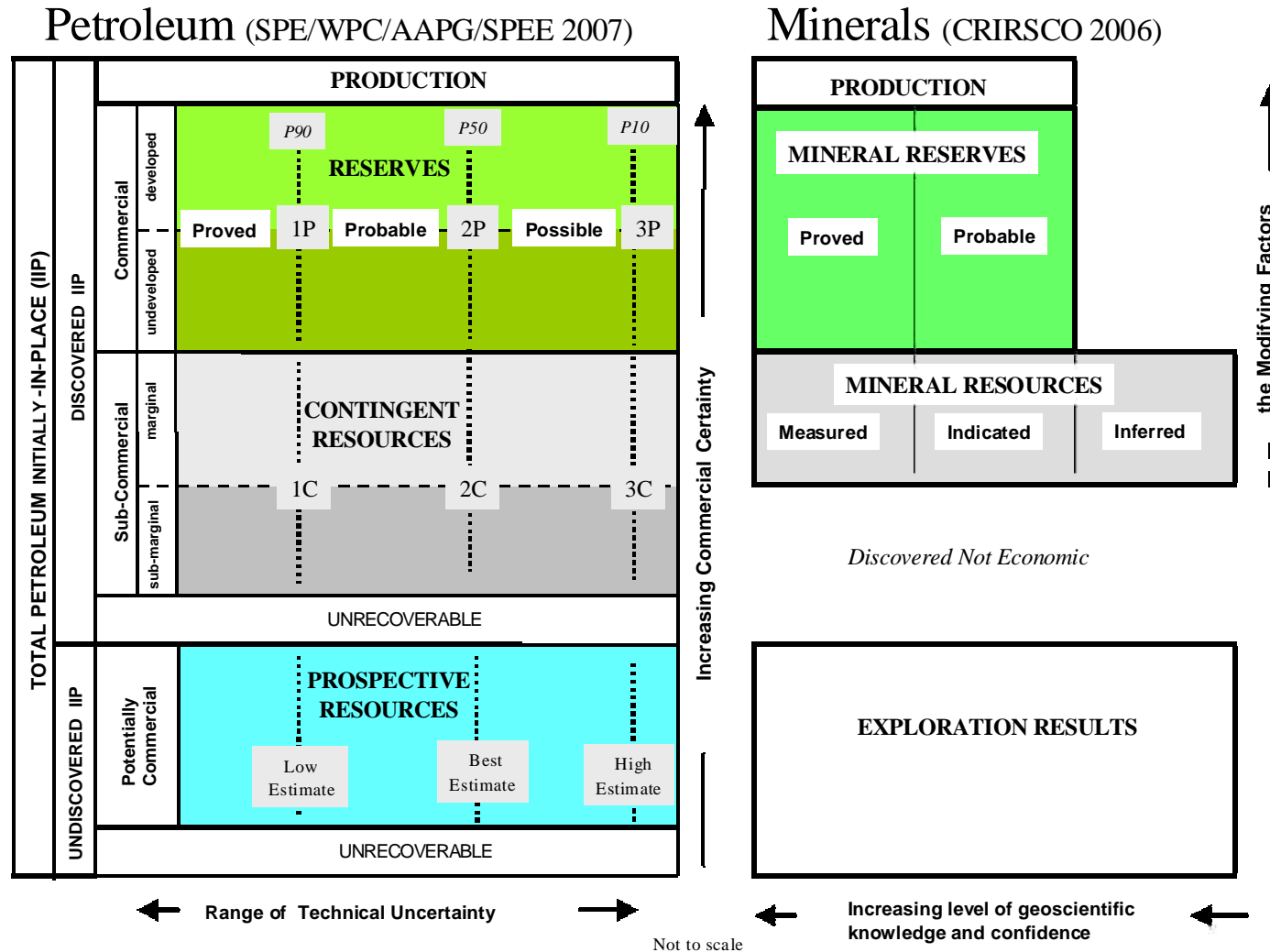
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- How should mineral and oil & gas reserves and resources be **defined**?
- When should an asset relating to mineral and oil & gas reserves and resources be **recognised** on the balance sheet?
- How should this asset be **measured**?
- What information about mineral and oil & gas reserves and resources should be **disclosed** in the financial report?

# Definitions: project team's view

- No single agreed definition of reserves or resources for the extractive industries
- Project team recommends for use in an IFRS
  - Petroleum Resource Management System (PRMS) – for oil & gas
  - The CRIRSCO Template – for mining
- Why?
  - Wide acceptance
  - Broad and comprehensive scope
  - Broad equivalence between key concepts
    - therefore capable of providing a platform for comparable accounting and disclosure requirements across both industries

# Comparable definition systems



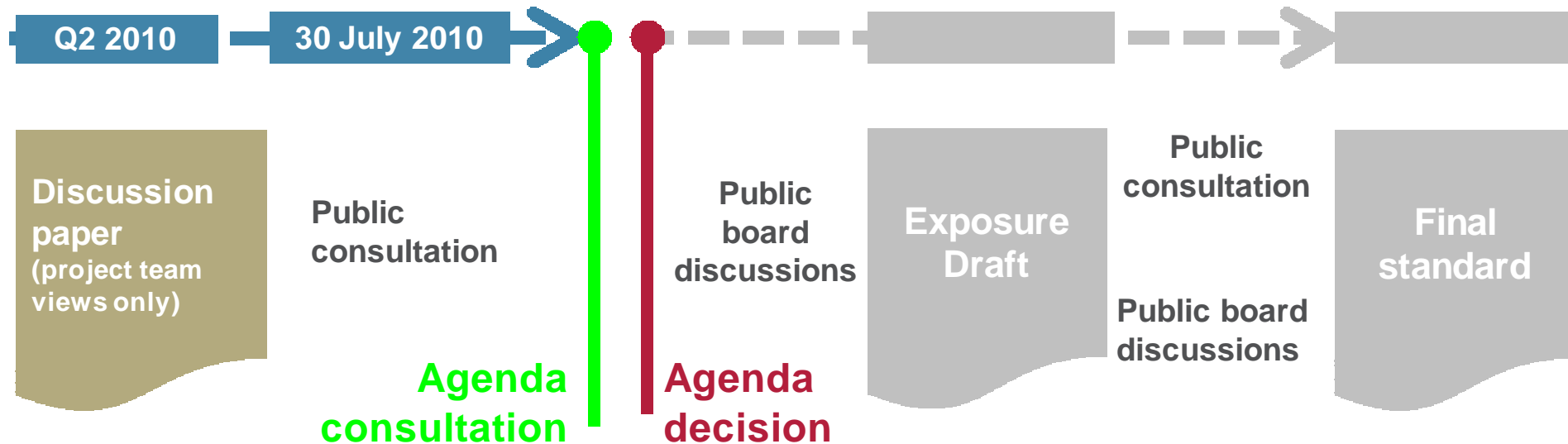
- **For disclosures in the financial statements**
  - information on the value of an entity's minerals or oil and gas properties
    - proved and probable reserve quantities
    - reserves valuation (eg standardised measure)
    - main assumptions used
  - information on the entity's performance
    - changes in reserve quantities and reserve values
  - information on nature and extent of risks and uncertainties
    - disaggregated reserve quantities (eg by commodity, geography, Production Sharing Contracts)

- **For accounting purposes**
  - Asset recognition and measurement
    - whether exploration has discovered reserves that meet the criteria for recognition as an asset
    - if measuring asset at historical cost... impairment testing and business combination accounting
    - if measuring asset at fair value or similar... asset valuations
  - Depreciation
  - Asset rehabilitation liabilities

- Which definitions?
- How to incorporate reserves definitions into an IFRS
- Due process and corporate governance considerations
- Duplication of (and possible inconsistencies with) existing reserve definition and disclosure requirements
- Cost/benefit considerations for reserve valuations
- Audit of reserve disclosures (quantities or valuations)

# Status of extractive activities project

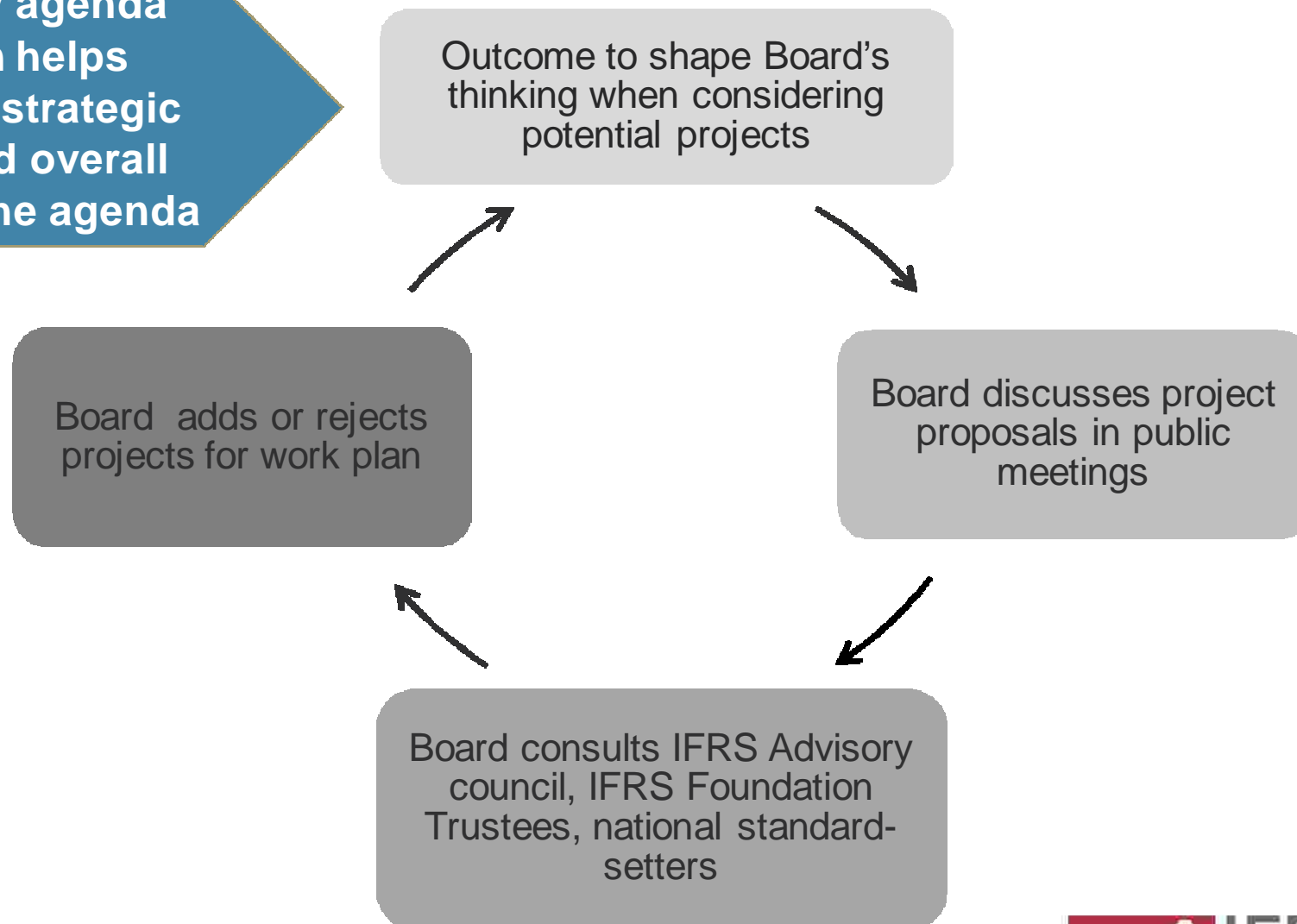
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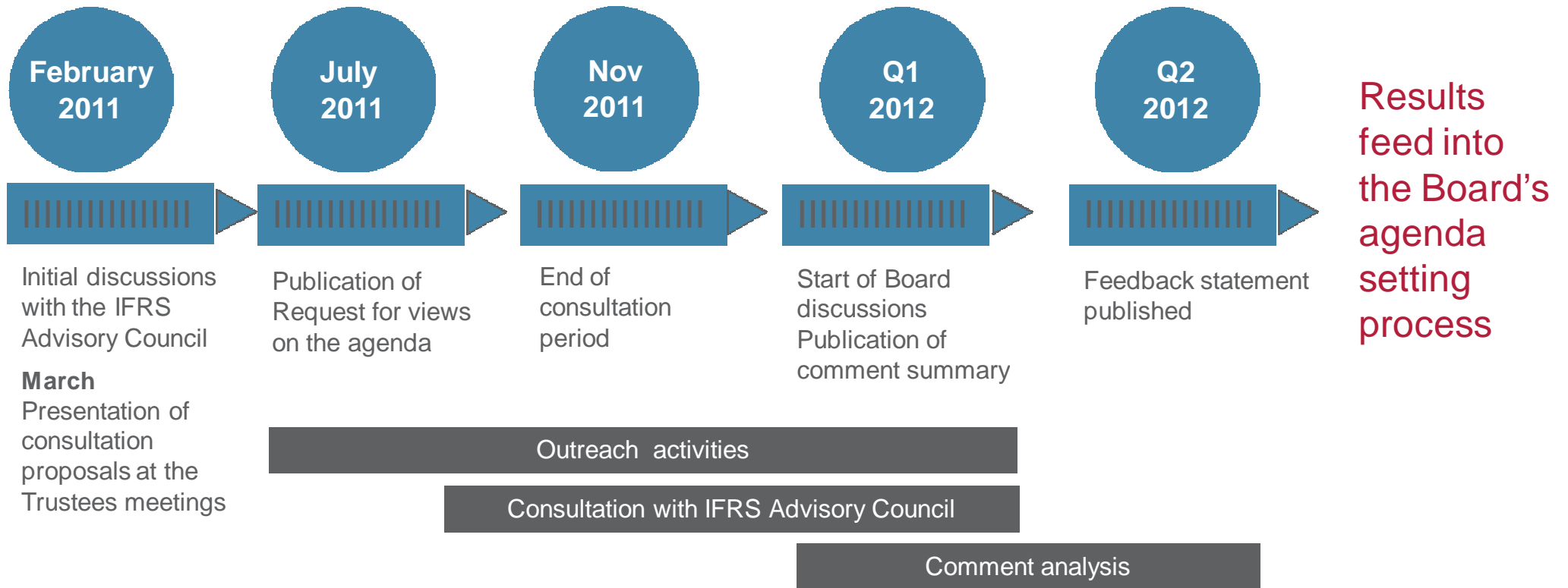
**Additional input from:**  
Advisory council, working group, analysts, preparers, technical experts, local standard setters, regulators and political groups.

# IASB agenda consultation cycle

Three-yearly agenda consultation helps shaping the strategic direction and overall balance of the agenda

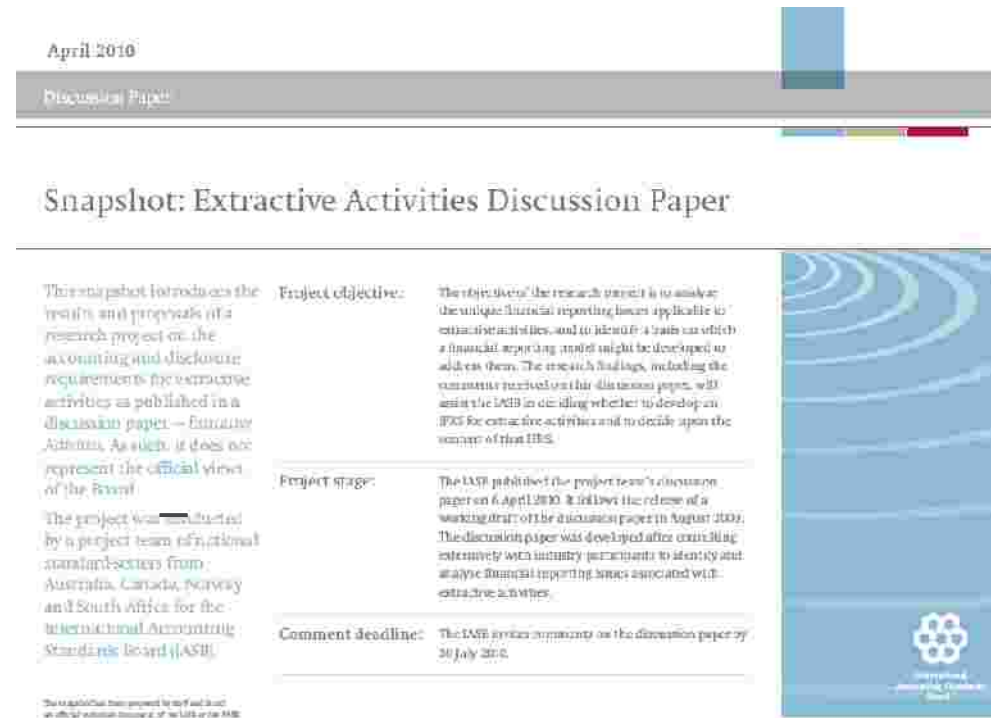


# IASB agenda consultation timeline



# To learn more about the Discussion Paper

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- Comments closed on 30 July 2010
  - Discussion paper and snapshot available from:  
<http://www.iasb.org/Current+Projects/IASB+Projects/Extractive+Activities/Summary.htm>

# Questions or comments?

Expressions of individual views by members of the IASB and its staff are encouraged. The views expressed in this presentation are those of the presenter. Official positions of the IASB on accounting matters are determined only after extensive due process and deliberation.

