



**ASSOCIATION ACTUARIELLE INTERNATIONALE
INTERNATIONAL ACTUARIAL ASSOCIATION**

September 25, 2008

Ms. Tamara Oyre
Assistant Corporate Secretary
IASB Foundation
30 Cannon Street
London EC4M 6XH
United Kingdom
(Email: constitutionreview@iasb.org)

Dear Madam

Re: IAA comments on the Discussion Document *Review of the Constitution: Public Accountability and the Composition of the IASB Proposals for Change*

In response to the request for comments on the Discussion Document *Review of the Constitution: Public Accountability and the Composition of the IASB Proposals for Change* (the DD), I am pleased to transmit on behalf of the International Actuarial Association (IAA) our comments and recommendations.

These comments have been prepared by the Committee on Insurance Accounting of the IAA. If, upon reading these comments, you identify any points that you wish to pursue, please do not hesitate to contact the chairperson of that Committee, Sam Gutterman, or any of the other members of the Committee. The IAA will be pleased to develop these ideas further with you.

Yours sincerely

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Agreements Equally Proportionately Unperformed

- 76 Agreements equally proportionately unperformed are agreements in which neither party has fulfilled any promises, and agreements in which both parties have performed to an equal extent some of their promises while other promises have yet to be honoured. Examples of such agreements include purchase orders for materials or equipment, leases, forward exchange contracts, commodity futures contracts and certain types of employment agreements.
- 77 Some agreements equally proportionately unperformed would give rise to assets and liabilities. That is, some entities would obtain control over future economic benefits, and incur a present obligation to sacrifice economic benefits in the future, as a result of entering into agreements which are equally proportionately unperformed. In some of those instances, it could be argued that those items would satisfy the definitions of assets and liabilities and the criteria for their recognition in the statement of financial position. In respect of some agreements which are equally proportionately unperformed, such as certain forms of lease, it is generally accepted that the definitions of assets and liabilities and the criteria for their recognition would normally be satisfied. However, for many other agreements, significant uncertainty may exist as to whether the definitions and recognition criteria would be satisfied. In addition, substantial difficulties may arise in determining a reliable and appropriate measure for assets and liabilities which may arise from these agreements. These difficulties are reflected in the fact that recognition of all assets and liabilities which arise from these agreements and satisfy the criteria for recognition would represent a fundamental change to existing reporting practices in Australia and in overseas jurisdictions.

Equity

Definition

- 78 **"Equity" is the residual interest in the assets of the entity after deduction of its liabilities.**

Nature of Equity

- 79 A statement of financial position for an entity comprises amounts assigned to the assets of the entity, amounts assigned to its liabilities, and a net amount, being the difference between the amounts assigned