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IFRSs in  
your pocket  
2011





# Foreword

Welcome to the 2011 edition of IFRS in Your Pocket, which provides an update of developments up to the first quarter of 2011. We address all of the same material which has made this publication an annual world-wide favourite: background information on the structure and workings of the IASB; analysis of the use of IFRSs around the world; summaries of all current Standards and Interpretations; and up-to-date details of IASB and IFRIC agenda projects. It is the ideal guide for entities contemplating a move to IFRSs, as well as an update and refresher for everyone around the world already reporting under the IFRS framework.

This last year has been a momentous one. We have seen the appointment of a Chairman and a Deputy-Chairman to take over as David Tweedie steps down after his decade as Chairman at the IASB. We have a new Chairman at the US standard-setter, FASB. There has been an unprecedented level of standard setting with a tranche of standards issued covering fair value measurements, joint arrangements and consolidated financial statements bringing much-needed reform and stability and showing that it is possible for the process of convergence to bear fruit. The Boards have been holding weekly meetings on their major convergence projects covering lease accounting, revenue recognition, financial instruments and insurance. We hope that they will reach a successful conclusion soon.

The end of the “Tweedie Decade” which saw IFRS go from a standing start to being the first choice for Europe and then for much of the rest of the world is a time when stock can be taken. Much of the really difficult work from the early days has been done. Many difficult issues still remain. But the system of outreach, disclosure, transparency and due process surrounding the IASB work programme is much improved and very much more robust now. The emphasis of this new era of international standard-setting is more likely to be one of steady progress. And more attention is likely to be paid during the standard-setting process to the likely consequences, outcomes and benefits.

And, of course, you can keep up to date, hour-by-hour, day-by-day, with the latest developments in the arena of international financial reporting, through our IAS Plus website [www.iasplus.com](http://www.iasplus.com). We believe you will find it to be the most comprehensive source of news, and comment, about international financial reporting available.

Joel Osnoss  
Global Managing Director –  
IFRS Clients and Markets

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# Our IAS Plus Website



Deloitte's [www.iasplus.com](http://www.iasplus.com) website provides, without charge, comprehensive information about international financial reporting in general and International Accounting Standards Board (IASB) activities in particular. Unique features include:

- daily news about financial reporting globally;
- summaries of all Standards, Interpretations and proposals;
- IASB Project Insights' overviews of the key projects of the IASB;
- many International Financial Reporting Standard (IFRS)-related publications available for download;
- model IFRS financial statements and checklists;
- an electronic library of several hundred IFRS resources;
- commentary from Robert Bruce;
- all Deloitte comment letters to the IASB;
- links to nearly 200 global IFRS-related websites;
- e-learning modules for each International Accounting Standards (IAS) and IFRS;
- a complete history of adoption of IFRSs around the world;
- updates on developments in national accounting standards; and
- comparisons between IFRSs and local generally accepted accounting principles (GAAPs).

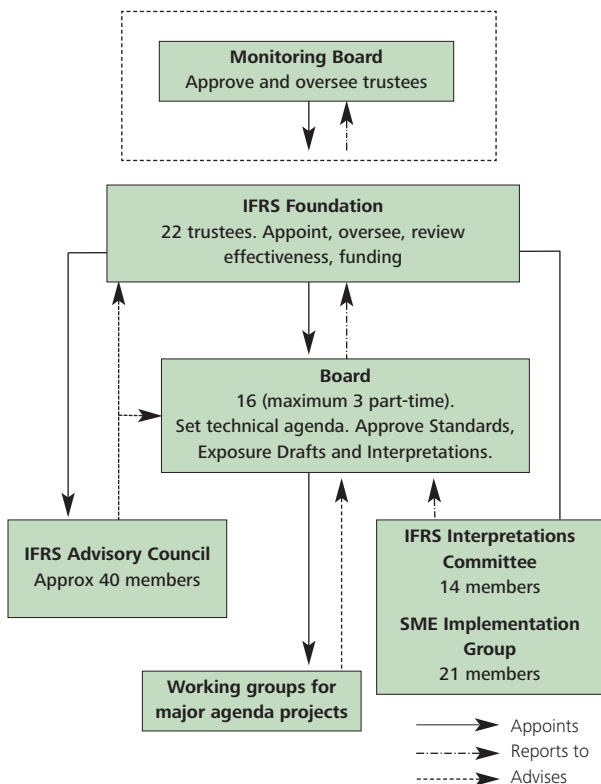
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# Abbreviations

<b>CESR</b>	Committee of European Securities Regulators
<b>DP</b>	Discussion paper
<b>EC</b>	European Commission
<b>ED</b>	Exposure draft
<b>EEA</b>	European Economic Area (EU 27 + 3 countries)
<b>EFRAG</b>	European Financial Reporting Advisory Group
<b>EU</b>	European Union (27 countries)
<b>FASB</b>	Financial Accounting Standards Board (US)
<b>FEE</b>	Federation of European Accountants
<b>GAAP</b>	Generally Accepted Accounting Principle(s)
<b>IAS(s)</b>	International Accounting Standard(s)
<b>IASB</b>	International Accounting Standards Board
<b>IASC</b>	International Accounting Standards Committee (predecessor to the IASB)
<b>IASCF</b>	IFRS Foundation (previously “IASC Foundation” – see below) – parent body of the IASB
<b>IFRIC</b>	IFRS Interpretations Committee (previously “International Financial Reporting Interpretations Committee of the IASB, and Interpretations issued by that committee” – see below)
<b>IFRS(s)</b>	International Financial Reporting Standard(s)
<b>IFRSF</b>	IFRS Foundation
<b>IOSCO</b>	International Organization of Securities Commissions
<b>NCI</b>	Non-controlling interest(s) (previously “minority” interests)
<b>SAC</b>	IFRS Advisory Council (previously “Standards Advisory Council” – see below) – advisory to the IASB
<b>SEC</b>	Securities and Exchange Commission (US)
<b>SIC</b>	Standing Interpretations Committee of the IASC, and Interpretations issued by that committee
<b>SME(s)</b>	Small and medium-sized entity(ies)

# IASB structure



## 2008-2010 Constitution Review

The IFRS Foundation finalised the second phase of the 2008 – 2010 Constitution Review in January 2010. The review began in January 2008 with a view to enhance the organisation’s governance and was split into two parts.

Part One focussed on the governance and public accountability of the IFRS Foundation (resulting in particular, in the creation of the Monitoring Board) and on the size and composition of the IASB (the expansion of the IASB from 14 to 16 members (with up to three part-time) and a specified geographical mix for the IASB). These amendments were effective on 1 February 2009.

The second part of the review focussed on enhancing public accountability, stakeholder engagement and operational effectiveness. The main changes to the constitution involved the streamlining of names in the organisation and the creation of vice-chairs for both the trustees and IASB. Changes to the constitution resulting from Part Two of the review came into effect on 1 March 2010.

## Monitoring Board

The primary purpose of the Monitoring Board is to serve as a mechanism for formal interaction between capital markets authorities and the IFRS Foundation (formerly the IASCF) – the objective being to facilitate capital market authorities that allow or require the use of IFRSs in their jurisdictions to discharge their mandates relating to investor protection, market integrity and capital formation more effectively.

The responsibilities of the Monitoring Board include:

- participating in the process for appointing trustees and approving the appointment of trustees according to the guidelines set out in the IFRS Foundation (IFRSF) constitution;
- reviewing and providing advice to the trustees on their fulfilment of the responsibilities set out in the IFRSF constitution. The trustees will make an annual written report to the Monitoring Board; and
- referring matters of broad public interest related to financial reporting to the IASB through the IFRS Foundation.

As at 1 March 2011, the Monitoring Board comprised the relevant Member of the European Commission, and the chairs of the Financial Services Agency of Japan, the US Securities and Exchange Commission (SEC), the Emerging Markets Committee of the International Organisation of Securities Commissions (IOSCO) and the Technical Committee of IOSCO. The Basel Committee on Banking Supervision is a non-voting observer.

## IFRS Foundation (formerly IASC Foundation)

**Composition:** 22 individual trustees, one appointed as Chair and up to two as Vice-Chairs. Trustees are appointed for a three-year term, renewable once. Regardless of prior service, a trustee may be appointed to serve as Chair or Vice-Chair for a term of three years, renewable once, provided total years' service as a trustee does not exceed nine years.

**Geographical balance:** six trustees from the Asia/Oceania region; six from Europe; six from North America; one from Africa; one from South America and two from any area (subject to maintaining overall geographical balance).



**Backgrounds of trustees:** the IFRSF Constitution requires an appropriate balance of professional backgrounds, including auditors, preparers, users, academics, and other officials serving the public interest. Two will normally be senior partners of prominent international accounting firms.

## **International Accounting Standards Board**

**Composition:** 15 Board Members (rising to 16 no later than 1 July 2012), of whom one is appointed as chair and up to two as vice-chairs. Up to three members may be 'part-time' members. After 2 July 2009, IASB members are appointed for an initial term of five years, renewable for a further three years. The chair and vice-chairs may serve second terms of five years, subject to an overall maximum term of ten years.

**Geographical balance:** to ensure a broad international diversity, by July 2012 there will normally be four members from the Asia/Oceania region; four from Europe; four from North America; one each from Africa and South America; and two appointed from any area, subject to maintaining overall geographical balance.

**Backgrounds of Board members:** the main qualification for membership is professional competence and practical experience. The group is required to represent the best available combination of technical expertise and diversity of international business and market experience.

# Members of the IASB

**Sir David Tweedie, Chairman** became the first IASB Chairman on 1 January 2001, having served from 1990-2000 as the first full-time Chairman of the UK Accounting Standards Board. Before that, he was national technical partner for KPMG LLP and was a professor of accounting at Edinburgh University. Term expires 30 June 2011.

**Stephen Cooper** was Managing Director and head of valuation and accounting research at UBS Investment Bank prior to his appointment in 2007. He has also been a member of the Corporate Reporting User Forum, and of the IASB's Analysts' Representative Group and Financial Statement Presentation working group. Term expires 30 June 2012.

**Philippe Danjou** has previously served as director of the accounting division of the Autorité des Marchés Financiers (AMF), the French securities regulator. He was also Executive Director of the French Ordre des Experts Comptables (OEC) from 1982 to 1986, and has acted in various advisory roles for European and international accounting and auditing groups. His first term expires 30 June 2011 and he has been reappointed to serve a second five-year term.

**Jan Engström** held senior financial and operating positions with the Volvo Group, including serving on the management board as Chief Financial Officer and as Chief Executive Officer of Volvo Bus Corporation. Term expires 30 June 2014.

**Patrick Finnegan** was a Director of the Financial Reporting Policy Group, CFA Institute for Financial Market Integrity. In that capacity he led a team responsible for providing user input into the standard-setting activities of the IASB, Financial Accounting Standards Board (US) (FASB) and key regulatory bodies. Before joining the CFA Institute in 2008, Mr. Finnegan worked at Moody's Investors Service, where he served as a managing director in Moody's Corporate Finance Group and a senior analyst in Moody's Financial Institutions Group. Term expires 30 June 2014.

**Amaro Luiz de Oliveira Gomes** was Head of the Financial System Regulation Department of the Central Bank of Brazil prior to his appointment to the IASB. In that capacity, he played a leading role in the adoption of IFRSs in Brazil. Mr. Gomes also served on the Accounting Task Force of the Basel Committee on Banking Supervision. Before joining the Central Bank, Mr. Gomes was an auditor with one of the international audit firms. He is co-author of a book *Accounting for Financial Institutions*. Term expires 30 June 2014.

**Prabhakar Kalavacherla** was previously a partner at KPMG LLP, serving as reviewing partner for both IFRS financial statements and filings with the US Securities and Exchange Commission. He has worked extensively in India and in Europe and has specialised in technology and biotechnology. Mr. Kalavacherla is a member of both the Institute of Chartered Accountants of India and the American Institute of Certified Public Accountants. Term expires 30 June 2013.

**Patricia McConnell** is a former Senior Managing Director in Equity Research and Accounting and Tax Policy Analyst for Bear Stearns & Co. In a 32-year career in Bear Stearns' Equity Research group, Ms. McConnell established herself as one of the leading analysts in the United States on issues related to accounting. Throughout her career, she has been an active participant in accounting standard-setting activities as a member of the IASB's Standards Advisory Council, the International Accounting Standards Committee (the IASB's predecessor body), the CFA Institute's Corporate Disclosure Policy Council, and the New York Society of Security Analysts. Term expires 30 June 2014.

**Warren McGregor** developed an intimate knowledge of standard-setting issues with his work over 20 years at the Australian Accounting Research Foundation, where he became the Chief Executive Officer. Term expires 30 June 2011.

**John T. Smith** was previously a partner at Deloitte & Touche LLP (USA). He was a member of the FASB's Emerging Issues Task Force, Derivatives Implementation Group, and Financial Instruments Task Force. He served on the IASC Task Force on Financial Instruments and chaired the IASC's IAS 39 Implementation Guidance Committee. He has also been a member of the IASC, Standing Interpretations Committee of the IASC (SIC) and International Financial Reporting Interpretations Committee (IFRIC). Term expires 30 June 2012.

**Tatsumi Yamada** was a partner at the Japanese member firm of PricewaterhouseCoopers. He has extensive experience of international standard setting as a Japanese member of the former IASC Board between 1996 and 2000 and the Joint Working Group on Financial Instruments. Term expires 30 June 2011.

**Zhang Wei-Guo** was Chief Accountant of the China Securities Regulatory Commission (CSRC) between 1997 and 2007. Before joining the CSRC, Dr Zhang was a professor at Shanghai University of Finance and Economics (SUF) where he also received his PhD in economics. Term expires 30 June 2012.

**Elke König** has served as a senior financial executive in the insurance industry. From 2002 to 2009 she served as CFO of Hannover Re Group (Germany), a leading international reinsurance group. Previously she spent 12 years as a member of the senior management of Munich Re, with specific responsibility for the group's accounting and controlling activities. She is currently serving in non-executive capacities as chairperson of Hannover Finanz GmbH and as a member of the supervisory board of Deutsche Hypothekenbank Aktiengesellschaft. Dr König has been a member of the CFO Forum of European insurers, where she has been actively engaged in the IASB's project on insurance contracts. Term expires 30 June 2015.

**Paul Pacter** has served as Director of Small and Medium-sized Entities (SMEs) for the IASB for the past six years and continues to chair the new SME Implementation Group as an IASB member. Mr Pacter has significant experience as a standard-setter: as well as working on numerous other projects on behalf of the IASB in addition to the IFRS for SMEs, Mr Pacter previously served as Deputy Director of Research at the FASB and as Executive Director of its parent foundation and was Vice Chairman of the Advisory Council to the US Government Accounting Standards Board (GASB). From 2000 to 2010, in addition to this IASB responsibilities, Mr Pacter was a part-time Director in Deloitte's Global IFRS leadership team and a specialist in Chinese accounting standards, developing and managing the popular IAS Plus financial reporting website. Term expires 30 June 2012.

**Darrell Scott** was CFO of the FirstRand Banking Group, one of the largest financial institutions in South Africa. He had responsibility for both statutory and regulatory financial reporting under the Basel II Accords. He served on various Governance, Risk, Operations and Strategic committees of the Group. Mr Scott was also a member of IFRIC, a position from which he resigned to become an IASB member in October 2010, and was formerly a member of IASB's Standards Advisory Council. Term expires 31 October 2015.

The following appointments have been announced:

**Hans Hoogervorst** will succeed Sir David Tweedie on his retirement as chairman of the IASB at the end of June 2011. He will step down from all his present positions in order to join the IASB. Mr Hoogervorst was chairman of the executive board, the Netherlands Authority for the Financial Markets (AFM), chairman of the IOSCO technical committee, co-chair of the Financial Crisis Advisory Group to the International Accounting Standards Board and chair of the IFRS Foundation Monitoring Board. Term begins July 2011 and expires June 2016.

**Ian Mackintosh** will be vice-chairman of the IASB from the beginning of July 2011. Mr Mackintosh is currently chair of the UK Accounting Standards Board. He will step down from this position in order to join the IASB. Originally from New Zealand, he has spent much of his career in Australia, first with Coopers & Lybrand and later as a consultant in his own practice. In November 2000, he was appointed Chief Accountant of the Australian Securities and Investment Commission and following that was Manager, Financial Management, South Asia at the World Bank. Term begins July 2011 and expires June 2016.

**Takatsugu (Tak) Ochi** will be a member of the IASB from the beginning of July 2011. Mr Ochi is currently Assistant General Manager, Financial Resources Management Group of Sumitomo Corporation. He is also a member of the IFRS Interpretations Committee, Secretary-General of the Nippon Keidanren (Japan Business Federation) Taskforce for early adoption of IFRS and an adviser to the Accounting Standards Board of Japan (ASBJ). Term begins July 2011 and expires June 2016.

# IASB due process

The IASB follows a rigorous open due process. All meetings of the IASB and of the IFRS Interpretations Committee and its formal working groups are held in public and are usually webcast. Formal due process for projects normally, but not necessarily, involves the following steps (steps required by the IFRS Foundation's Constitution are indicated by an asterisk\*):

- staff are asked to identify and review the issues associated with a potential agenda topic and to consider the application of the Framework to the issues;
- national accounting requirements and practices are studied and views about the issues are exchanged with national standard-setters;
- the IFRS Foundation Trustees and the IFRS Advisory Council are consulted about the topics and priorities in the IASB's agenda\*;
- an advisory group is formed (generally called a 'working group') to advise the IASB and its staff on the project;
- a discussion document is published for public comment (usually called a discussion paper, which will often include the Board's preliminary views on some of the issues in the project);
- an exposure draft (ED) approved by at least nine votes (ten votes once there are 16 members) of the IASB is published for public comment, including therein any dissenting opinions held by IASB members (in exposure drafts, dissenting opinions are referred to as 'alternative views')\*;
- a basis for conclusions is published within the exposure draft;
- all comments received within the comment period on discussion documents and exposure drafts are considered and discussed in open meetings\*;
- the desirability of holding a public hearing and of conducting field-tests is considered and, where appropriate, these steps are undertaken;
- a Standard is approved by at least nine votes (ten votes once there are 16 members) of the IASB and any dissenting opinions are included in the published Standard\*; and
- a basis for conclusions is included within the final Standard explaining, among other things, the steps in the IASB's due process and how the IASB has dealt with public comments received on the ED.

# IASB contact information

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# Obtaining IASB pronouncements and publications

IASB pronouncements and publications can be purchased in printed and electronic formats on the IASB's website ([www.ifrs.org](http://www.ifrs.org)). The IASB's Standards (including mandatory application guidance, but not implementation guidance or bases for conclusions) is available on its website for free download.

The complete IFRS for SMEs, including implementation guidance and basis for conclusions, is available without charge. Discussion papers and exposure drafts may be downloaded from the IASB's website without charge while the comment period is open.

# IASB chronology

**1973** Agreement to establish IASC is signed by representatives of the professional accountancy bodies in Australia, Canada, France, Germany, Japan, Mexico, Netherlands, United Kingdom/Ireland and United States.

Steering committees IASC's first three projects are appointed.

**1975** First final IASs published: IAS 1 (1975) *Disclosure of Accounting Policies*, and IAS 2 (1975) *Valuation and Presentation of Inventories in the Context of the Historical Cost System*.

**1982** IASC Board is expanded to up to 17 members, including 13 country members appointed by the Council of the International Federation of Accountants (IFAC) and up to 4 representatives of organisations with an interest in financial reporting. IFAC recognises and will look to IASC as the global accounting standard-setter.

**1989** The Federation of European Accountants (FEE) supports international harmonisation and greater European involvement in IASC. IFAC adopts a public-sector guideline to require government business enterprises to follow IASs.

**1994** IASC Advisory Council is established, with responsibilities for oversight and finances.

**1995** European Commission (EC) supports the agreement between IASC and IOSCO to complete core standards and concludes that IASs should be followed by European Union multinationals.

**1996** US SEC announces its support of IASC's objective to develop, as expeditiously as possible, accounting standards that could be used in preparing financial statements for the purpose of cross-border offerings.

**1997** SIC is formed. 12 voting members. Mission to develop interpretations of IASs for final approval by IASC.

Strategy Working Party is formed to make recommendations regarding the future structure and operation of IASC.

**1998** IFAC/IASC membership expands to 140 accountancy bodies in 101 countries.

IASC completes the core Standards with approval of IAS 39.



- 1999** G7 Finance Ministers and International Monetary Fund urge support for IASs to “strengthen the international financial architecture”.
- IASC Board unanimously approves restructuring into 14-member board (12 full-time) under an independent board of trustees.
- 2000** IOSCO recommends that its members allow multinational issuers to use IASC standards in cross-border offerings and listings.
- Ad hoc nominating committee is formed, chaired by US SEC Chairman Arthur Levitt, to nominate the trustees who will oversee the new IASB structure.
- IASC member bodies approve IASC’s restructuring and a new IASC Constitution.
- Nominating committee announces initial trustees.
- Trustees name Sir David Tweedie (chairman of the UK Accounting Standards Board) as the first Chairman of the restructured IASB.
- 2001** Members and new name of IASB are announced. IASC Foundation is formed. On 1 April 2001, the new IASB assumes its standard-setting responsibilities from the IASC. Existing IASs and SICs adopted by IASB.
- IASB moves into its new offices at 30 Cannon Street, London.
- IASB meets with chairs of its eight liaison national accounting standard-setting bodies to begin coordinating agendas and setting out convergence goals.
- 2002** SIC is renamed as the IFRIC with a mandate not only to interpret existing IASs and IFRSs but also to provide timely guidance on matters not addressed in an IAS or IFRS.
- Europe requires IFRSs for listed companies starting 2005.
- IASB and FASB issue joint agreement on convergence.
- 2003** First final IFRS and first IFRIC draft Interpretation are published.
- Improvements project is completed – major revisions to 14 IASs.
- 2004** Extensive discussions about IAS 39 in Europe, leading to EC endorsement with two sections of IAS 39 ‘carved out’.
- Webcasting of IASB meetings begins.
- IFRSs 2 through 6 are published.
- IFRICs 1 through 5 are published.

- 2005** IASB Board member becomes IFRIC chairman.
- Constitutional changes.
- US SEC publishes 'roadmap' to eliminating IFRS-US GAAP reconciliation.
- EC eliminates fair value option IAS 39 'carve-out'
- Meetings of Working Groups opened to public.
- IFRS 7 is published.
- IFRICs 6 and 7 are published (and IFRIC 3 withdrawn).
- 2006** IASB/FASB update agreement on convergence.
- IASB issues statement on working relationships with other standard setters.
- IASB announces that no new major Standards will be effective before 2009.
- IFRS 8 is published.
- IFRICs 8 through 12 are published.
- 2007** IFRIC is expanded from 12 to 14 members.
- US SEC drops requirement for reconciliation to US GAAP for foreign IFRS registrants and invites comments on use of IFRSs by US domestic registrants.
- Revisions to IAS 1 and IAS 23 are published.
- IFRICs 13 and 14 are published.
- Board proposes separate IFRS for small and medium-sized entities (SMEs).
- 2008** IOSCO issues statement urging entities to clearly state whether they comply in full with IFRSs as adopted by the IASB.
- IASB and FASB accelerate joint projects for completion in mid-2011, in anticipation of adoption of IFRSs by additional jurisdictions, including the US, by around 2014.
- American Institute of Certified Public Accountants designates IASB as a recognised standard setter under its ethics rules.
- SEC proposes 'roadmap' for use of IFRSs by US domestic registrants.

**2008 (cont'd)** Amendments to IFRS 1, IFRS 2, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 32 and IAS 39 are issued.

First Annual Improvements Standard is issued.

IFRICs 16 and 17 are published.

IASB's response to global financial crisis includes new fair value measurement guidance, fast-track amendments to IAS 39; acceleration of projects on fair value measurement and consolidation; enhanced financial instrument disclosures; and appointment of two expert advisory groups.

**2009** IASB is expanded to 16 members (including maximum 3 part-time) and geographic mix established. One vacancy not filled.

IASCF forms a Monitoring Board of public authorities.

Amendments to IFRS 1, IFRS 2, IAS 24, 32 and IFRIC 14 are issued.

IFRS 9 (classification and measurement of financial assets) is issued as the first phase in the Board's replacement of IAS 39.

Second Annual Improvements Standard is issued.

IFRICs 18 and 19 are issued.

Response to global financial crisis continues, including projects on replacement of IAS 39, including measurement of loan impairments.

**2010** Amendments to IFRS 1, IFRS 7 and IAS 12 are issued.

Requirements for financial liabilities are added to IFRS 9 (classification and measurement) as part of the first phase in the replacement of IAS 39.

Revised Conceptual Framework for Financial Reporting is issued, reflecting the completion of Phase A (Objectives and Qualitative characteristics).

Third Annual Improvements Standard is issued.

IFRS Practice Statement Management Commentary is issued.

Trustees complete part 2 of 2008-2010 Constitution Review, including name changes as follows: IFRS Foundation (formerly the IASC Foundation); IFRS Interpretations Committee (formerly the IFRIC) and IFRS Advisory Council (formerly the Standards Advisory Council (SAC)).

**2010 (cont'd)** IASB and FASB changed the timetables of a number of the Boards' joint projects, prioritising the major projects and limiting the number of significant exposure drafts.

IASB publishes two types of annual Bound Volumes of IFRSs – one with only currently effective Standards and the other with all issued Standards.

**2011 (as at 31 May 2011)** The IASB and FASB extended their timeline for completion of their major joint projects, with a timeline for completion of these projects now during the second half of 2011.

The IASB published the Red Book of International Financial Reporting Standards 2011, including effective IFRSs, IASs, IFRIC and SIC Interpretations issued as at 1 January 2011 and accompanying examples, implementation guides and bases for conclusions.

IFRSs 10 through 13 are issued.

Amendments to IAS 27 and 28 are issued.

A series of exposure drafts are published, including:

- Supplement to the exposure draft on the impairment of financial assets, as set out by the IASB;
- Offsetting financial assets and financial liabilities, as set out by the IASB;
- Implementation of IFRS for SMEs and the definition of public accountability, as set out by the SME Implementation Group;
- IFRS Foundation's mission, governance, standard-setting process and financing, as set out by the Trustees;
- Composition and respective responsibilities and roles of the Monitoring Board, Trustees and IASB, as set out by the Monitoring Board; and
- IFRS Taxonomy 2011, as set out by the IFRSF.

# Use of IFRSs around the world

Use of IFRSs for domestic reporting by listed companies in their consolidated financial statements as of May 2011. We keep this table up to date, and also have information about the use of IFRSs by unlisted companies, at [www.iasplus.com/country/useias.htm](http://www.iasplus.com/country/useias.htm)

Location	IFRSs not permitted	IFRSs permitted	Required for some domestic listed companies	Required for all domestic listed companies
Abu Dhabi (UAE)				X
Albania		No stock exchange in Albania		
Algeria		No stock exchange in Algeria		
American Samoa		No stock exchange in American Samoa		
Anguilla				X
Antigua and Barbuda				X
Argentina		X(d)		From 2012
Armenia				X
Aruba		X		
Austria				X (a)
Australia				X (c)
Azerbaijan			X	
Bahamas				X
Bahrain				X
Bangladesh	X			
Barbados				X
Belgium				X (a)
Belarus			Banks	
Belize		No stock exchange in Belize		
Benin	X			

Location	IFRSs not permitted	IFRSs permitted	Required for some domestic listed companies	Required for all domestic listed companies
Bermuda		X		
Bhutan	X			
Bolivia		X		
Bosnia and Herzegovina				All large and medium-sized
Botswana				X
Brazil				From 2010, including all banks
Brunei Darussalam			No stock exchange in Brunei	
Bulgaria				X (a)
Burkina Faso	X			
Burundi			No stock exchange in Burundi	
Cambodia			No stock exchange in Cambodia	
Canada				From 2011
Cayman Is.		X		
Chile				X
China			(k)	
Cote D'Ivoire	X			
Colombia	X			
Costa Rica				X
Croatia				X
Cuba	X			
Cyprus				X (a)
Czech Republic				X (a)
Denmark				X (a)
Dominica		X		

Location	IFRSs not permitted	IFRSs permitted	Required for some domestic listed companies	Required for all domestic listed companies
Dominican Republic		X		From 2012 (l)
Dubai (UAE)				X
Ecuador		X		Phase-in 2010-2012
Egypt				X
El Salvador		X		
Eritrea		No stock exchange in Eritrea		
Estonia				X (a)
Fiji				X
Finland				X (a)
France				X (a)
Gambia		No stock exchange in Gambia		
Germany				X (a)
Georgia				X
Ghana				X
Gibraltar		X		
Greece				X (a)
Greenland		No stock exchange in Greenland		
Grenada				X
Guam		No stock exchange in Guam		
Guatemala				X
Guyana				X
Haiti		X		
Honduras				X
Hong Kong				X (c)
Hungary				X (a)

Location	IFRSs not permitted	IFRSs permitted	Required for some domestic listed companies	Required for all domestic listed companies
Iceland				X (a)
India	X(i)			
Indonesia	X			
Iran	X			
Iraq				X
Ireland				X (a)
Israel			All except banks	
Italy				X (a)
Jamaica				X
Japan		X		
Jordan				X
Kazakhstan				X
Kenya				X
Korea (South)				X
Kuwait				X
Kyrgyzstan				X
Laos		X		
Latvia				X (a)
Lebanon				X
Liechtenstein				X (a)
Lesotho		X		
Lithuania				X (a)
Luxembourg				X (a)
Libya				X
Macau		No stock exchange in Macau		
Macedonia				X



Location	IFRSs not permitted	IFRSs permitted	Required for some domestic listed companies	Required for all domestic listed companies
Madagascar		No stock exchange in Madagascar		
Malawi				X
Malaysia	X(d)			
Maldives		X		
Mali	X			
Malta				X (a)
Mauritania		No stock exchange in Mauritania		
Mauritius				X
Mexico		X(d)		From 2012
Moldova	X			
Mongolia				X
Montenegro				X
Morocco		Non-banks	Banks	
Mozambique		X		
Myanmar		X		
Namibia				X
Netherlands				X (a)
NL Antilles		X		
Nepal				X
New Caledonia		No stock exchange in New Caledonia		
New Zealand				X (c)
Nicaragua				X
Niger	X			
Nigeria				From 2012
Norway				X (a)
Oman				X

Location	IFRSs not permitted	IFRSs permitted	Required for some domestic listed companies	Required for all domestic listed companies
Pakistan	X			
Panama				X
Papua New Guinea				X
Paraguay		X		
Peru				X
Philippines	X (e)			
Poland				X (a)
Portugal				X (a)
Qatar				X
Reunion		No stock exchange in Reunion		
Romania				X (a)
Russia	X			
Samoa		No stock exchange in Samoa		
Saudi Arabia			X(j)	
Senegal	X			
Serbia				X
Sierra Leone				X
Singapore	X (d)(e)			
Slovenia				X (a)
Slovak Republic				X (a)
South Africa				X
Spain				X (a)
Sri Lanka		X		
St Kitts & Nevis				X
Suriname		X		

Location	IFRSs not permitted	IFRSs permitted	Required for some domestic listed companies	Required for all domestic listed companies
Swaziland		X		
Sweden				X (a)
Switzerland		X		
Syria	X			
Taiwan	X(h)			
Tajikistan				X
Tanzania				X
Thailand	X			
Togo	X			
Trinidad and Tobago				X
Tunisia	X			
Turkey		X (f)		
Turkmenistan	X			
Uganda		X		
Ukraine	X			
United Kingdom				X (a)
United States	X (g)			
Uruguay	X(b)			
Uzbekistan	X			
Vanuatu		No stock exchange in Vanuatu		
Venezuela	X(b)			
Vietnam	X			
Virgin Islands (British)		X		
Virgin Islands (US)		No stock exchange in Virgin Islands (US)		

Location	IFRSs not permitted	IFRSs permitted	Required for some domestic listed companies	Required for all domestic listed companies
West Bank/Gaza				X
Yemen		No stock exchange in Yemen		
Zambia				X
Zimbabwe		X		

- (a) Audit report and basis of presentation note to the financial statements refer to IFRSs as adopted by the European Union (EU).
- (b) By law, all companies must follow IFRSs approved by the local government, and approval is not up to date with the Standards and Interpretations issued by the IASB.
- (c) Local standards identical to IFRSs, but some effective dates and transitional provisions differ.
- (d) All domestic listed companies must use IFRSs starting 2012.
- (e) Most IFRSs adopted, but various significant modifications were made.
- (f) Turkish companies may follow the English version of IFRSs, or Turkish translation. If the latter, because of the translation delay, audit report and basis of presentation refer to 'IFRSs as adopted for use in Turkey'.
- (g) SEC permits foreign private issuers to file financial statements prepared using IFRSs as issued by the IASB without having to include a reconciliation of the IFRS figures to US GAAP.
- (h) Plan announced for full adoption of IFRSs starting 2013, including financial institutions supervised by the Financial Supervisory Commission of Taiwan except for credit cooperatives, credit card companies and insurance intermediaries who will be required to adopt Taiwan-IFRS starting 2015.
- (i) Phasing in of IFRSs for listed companies 2011 to 2014.
- (j) All listed banks and insurance companies must use IFRSs.

- (k) The new Chinese Accounting Standards for Business Enterprises (CAS) were published by the Ministry of Finance (MoF) in 2006 and became effective on 1 January 2007. These standards are substantially converged with IFRSs, except for certain modifications (e.g., disallow the reversal of impairment loss on long term assets) which reflect China's unique circumstances and environment. In April 2010, the MoF released the roadmap for continuing convergence of CAS with IFRSs. China has made a commitment to convergence with IFRSs. Standard convergence is an ongoing process and the MoF is continuing to spend significant effort on the ongoing convergence between CASs and IFRSs. The CASs are now mandatory for entities including PRC-listed companies, financial institutions (including entities engaging in securities business permitted by China Securities Regulatory Commission), certain state-owned enterprises, private companies in certain provinces. In the roadmap, the MoF has indicated its intention to have all large and medium-sized enterprises (regardless whether they are listed companies or private companies) adopt the new CAS by 2012. In December 2007, the HKICPA recognized CAS equivalence to HKFRS, which are identical to IFRSs, including all recognition and measurement options, but have in some cases different effective dates and transition requirements. From then the CASC and HKICPA together with IASB created an ongoing mechanism to reinforce continuously such equivalence. In December 2010, the Hong Kong Stock Exchange decided to allow mainland-incorporated companies listed in Hong Kong to have an option to present financial statements using CASs and audited by an approved mainland audit firm. A number of such companies have chosen to present financial statements using CASs for annual reporting. The EU Commission permits Chinese issuers to use CAS when they enter the EU market without adjusting financial statement in accordance with IFRS endorsed by EU.
- (l) A February 2010 resolution of the Institute of CPAs of the Dominican Republic provides for a gradual implementation of IFRSs for listed companies, with some standards mandatory starting in 2010 while others are phased in up to 2014.

## Use of IFRSs in Europe

### European Accounting Regulation effective from 2005

**Listed companies** To implement a 'financial reporting strategy' adopted by the EC in June 2000, the EU in 2002 approved an Accounting Regulation requiring all EU companies listed on a regulated market (about 8,000 companies in total) to follow IFRSs in their consolidated financial statements starting in 2005. The IFRS requirement applies not only in the 27 EU countries but also in the three European Economic Area (EEA) countries. Most large companies in Switzerland (not an EU or EEA member) also use IFRSs.

For the purpose of filings by non-EU companies listed on an EU regulated market, in December 2008, the EC designated the GAAPs of the United States, Japan, China, Canada, South Korea and India to be equivalent to IFRSs as adopted by the EU. (The status of China, Canada, South Korea and India will be re-examined by 31 December 2011.) Companies from other countries must use either IFRSs as adopted by the EU or IFRSs as adopted by the IASB starting 2009.

**Unlisted companies and separate-company statements** EU Member States may also extend the IFRS requirement to non-listed companies and to separate (i.e. company-only) financial statements. Nearly all Member States permit some or all non-listed companies to use IFRSs in their consolidated financial statements, and the majority permit it in separate financial statements.

### Endorsement of IFRSs for use in Europe

Under the EU Accounting Regulation, IFRSs must be individually endorsed for use in Europe. The endorsement process involves the following steps:

- EU translates the IFRSs into all European languages;
- the private-sector European Financial Reporting Advisory Group (EFRAG) gives its endorsement advice to the EC;
- the EC's Standards Advice Review Group (SARG) gives its views to the EC on EFRAG's recommendations;
- the EC's Accounting Regulatory Committee makes an endorsement recommendation; and
- the EC submits the endorsement proposal to the European Parliament and to the 27-member Council of the EU. Both must not oppose (or in certain circumstances approve) endorsement within three months, otherwise the proposal is sent back to the EC for further consideration.

By the end of March 2011, the EC had voted to endorse all IFRSs and all Interpretations except the amendments to IFRS 1, 7 and IAS 12. Endorsement of IFRS 9 has been postponed.

## Enforcement of IFRSs in Europe

European securities markets are regulated by individual member states. However, EU-level Authorities are responsible for ensuring that rules applicable to the financial sector are implemented adequately to preserve financial stability and to ensure confidence in the European financial system as a whole and sufficient protection of consumers of financial services.

Effective 1 January 2011, the pre-existing EU groups of bank, insurance and securities regulators were replaced by EU-level Authorities: the European Banking Authority (EBA), the European Securities and Markets Authority (ESMA), and the European Insurance and Occupational Pensions Authority (EIOPA). The European Parliament and the Council have delegated powers to the Authorities such that the Authorities may draft regulatory technical standards within their areas of competence, which, following a set procedure, the European Commission may endorse for use throughout the EU. The European Commission must forward all proposed regulatory technical standards to the European Parliament and the Council and report at various points during the endorsement process. The Authorities are also able to over-ride national decisions that do not conform to EU regulations.

The European Systemic Risk Board (ESRB) monitors and assesses potential threats to financial stability that arise from macro-economic developments and from developments within the financial system as a whole.

EU-wide regulations include:

- standards adopted by the Committee of European Securities Regulators (CESR), a consortium of national regulators (the predecessor of ESMA). Standard No. 1 *Enforcement of Standards on Financial Information in Europe* sets out 21 high level principles that EU member states should adopt in enforcing IFRSs. Standard No. 2 *Coordination of Enforcement Activities* adopts guidelines for implementing Standard No. 1. These Standards remain in force;
- the *Directive on Statutory Audit of Annual Accounts and Consolidated Accounts* which was issued in September 2006. The new Directive replaced the 8th Directive and amended the 4th and 7th Directives. Among other things, the Directive adopted International Standards on Auditing throughout the EU and required Member States to form auditor oversight bodies; and
- amendments to EU directives that establish the collective responsibility of board members for a company's financial statements.

In January 2011, the European Commission adopted a first decision in recognising the equivalence of the audit oversight systems in 10 third countries. This decision allows for reinforced cooperation between member states and third countries which have been declared equivalent, so that they can mutually rely on each others' inspections of audit firms. The countries assessed as equivalent are Australia, Canada, China, Croatia, Japan, Singapore, South Africa, South Korea, Switzerland and the United States of America.

## Use of IFRSs in the United States

### SEC recognition of IFRSs

In November 2007, the SEC voted to allow foreign private issuers to submit financial statements prepared using IFRSs as issued by the IASB without having to include a reconciliation of the IFRS figures to US GAAP. This new rule applies to financial statements covering years ended after 15 November 2007.

In August 2007, the SEC published for public comment a 'Concept Release' to stimulate debate on whether to allow US domestic issuers to submit IFRS financial statements for the purpose of complying with the rules and regulations of the SEC.

In November 2008, the SEC published for public comment a proposed IFRS 'roadmap'. The roadmap outlines milestones that, if achieved, could lead to mandatory transition to IFRSs starting for fiscal years ending on or after 15 December 2014. The proposed roadmap would also allow certain entities to adopt IFRSs before that date. SEC adoption of the roadmap was expected in 2010.

In February 2010, the SEC published a Statement in Support of Convergence and Global Accounting Standards in which it directs its staff to develop and execute a "Work Plan" to position to enhance understanding of the Commission's purpose and public transparency in this area with a view to enabling the SEC, on completion of the Work Plan and the convergence projects of the FASB and IASB, to make a decision regarding incorporating IFRS into the financial reporting system for US issuers. The SEC expects to make that determination in late 2011.

In May 2011, the SEC staff issued a staff paper, *Exploring a Possible Method of Incorporation*. This staff paper presents a possible framework for the incorporation of IFRSs into the US financial reporting system, colloquially referred to as "condorsement," and requests feedback from interested stakeholders. The staff paper also considers a potential future role of the US Financial Accounting Standards Board. Comments on the framework described in the staff paper, and any other possible approaches of incorporation of IFRSs, are due by 31 July 2011.

### IFRS-US GAAP convergence

The Norwalk Agreement In October 2002 the FASB and the IASB formalised their commitment to the convergence of US GAAP and IFRSs by issuing a memorandum of understanding (commonly referred to as the 'Norwalk Agreement'). The two boards pledged to use their best efforts to:

- make their existing financial reporting standards fully compatible as soon as is practicable; and



- co-ordinate their future work programmes to ensure that, once achieved, compatibility is maintained.

'Compatible' does not mean word-for-word identical standards, but rather that there are no significant differences between the two sets of standards.

**Memorandum of Understanding 2006-2009** In February 2006, the FASB and the IASB released a Memorandum of Understanding (MOU) that identified short- and long-term convergence projects with steps and milestones toward achieving convergence. The MOU was updated in 2008. In November 2009 the two Boards reaffirmed their commitment to convergence and issued a further statement outlining steps for completing their convergence work outlined in the MoU by 2011.

**Modified Convergence Strategy** In June 2010, the IASB and FASB modified their convergence strategy in response to concerns about constituents' ability to provide comments on the large number of proposals that were expected to be published during 2010. The IASB issued a modified work plan that prioritises certain projects such as financial instruments, revenue recognition and leases and extends the timeline for others, specifically derecognition, financial instruments with characteristics of equity and the main project on financial statement presentation. The Boards have also agreed to limit the number of significant or complex Exposure Drafts issued in any one quarter to four.

In April 2011, the IASB and FASB extended their timeline for completion of their major MoU projects to ensure that the Boards have sufficient time to reach out to constituents and consider feedback on the tentative decisions. The timeline for completion of these projects is now during the second half of 2011.

These projects and their current projected timetable are shown in *Current IASB agenda projects* in this book.

## **Use of IFRSs in Canada**

Currently, domestic Canadian companies listed in the United States are allowed to use US GAAP for domestic reporting. Foreign issuers in Canada are permitted to use IFRSs. Except for companies subject to certain rate regulation and investment companies, Canadian entities that are publicly accountable are required to apply IFRSs for their fiscal years beginning on or after 1 January 2011. Non-for-profit entities and pension plans are excluded and will not be required to adopt IFRSs.

## **Use of IFRSs elsewhere in the Americas**

Nearly all countries in South America require or permit IFRSs (or are in the process of introducing such requirements) as the basis for preparing financial statements. Chile began phasing in IFRSs for listed companies in 2009. Listed companies and banks in Brazil were required to start using IFRSs in 2010. The Mexican Banking and Securities Commission has announced that all listed companies are required to use IFRSs starting in 2012. In Argentina, IFRSs are allowed for all companies (except banks and insurance companies) for fiscal years starting 2011. IFRSs will be required for all domestic listed companies starting 2012. IFRSs are already required in a number of other Latin American and Caribbean countries.

## **Use of IFRSs in Asia-Pacific**

Asia-Pacific jurisdictions are taking a variety of approaches toward convergence of national GAAP for domestically listed companies with IFRSs.

### **Requirement for IFRSs in place of national GAAP**

Mongolia requires IFRSs for all domestic listed companies.

### **All national standards are virtually word-for-word IFRSs**

Australia, Hong Kong, Korea (effective 2011, permitted in 2009), New Zealand, and Sri Lanka (effective 2011) are taking this approach. Effective dates and transitions may differ from IFRSs as issued by the IASB. Further, New Zealand has eliminated some accounting policy options and added some disclosures and guidance.

### **Nearly all national standards are word-for-word IFRSs**

The Philippines and Singapore have adopted most IFRSs word-for-word, but have made some significant modifications. Singapore has announced full convergence with IFRSs by 2012.

### **Some national standards are close to word-for-word IFRSs**

India, Malaysia, Pakistan and Thailand have adopted selected IFRSs quite closely, but significant differences exist in other national standards, and there are time lags in adopting new or amended IFRSs. India has announced a plan to adopt IFRSs in full as Indian Financial Reporting Standards phased in (depending on the size of the listed company) from 2011 to 2014. Malaysia will adopt IFRSs as Malaysian Financial Reporting Standards by 2012.

## **IFRSs are looked to in developing national GAAP**

This is done to varying degrees in Indonesia, Japan, Taiwan and Vietnam, but significant differences exist.

In February 2006, China adopted the Chinese Accounting Standards for Business Enterprises (ASBE), which are generally consistent with IFRSs with few exceptions.

In May 2009, the Financial Supervisory Commission (FSC) of Taiwan announced its roadmap for the full adoption of IFRSs in two phases stating from 2013. Early adoption is permitted for certain companies from 2012.

Japanese accounting standards setter has been working with the IASB to converge accounting standards for years under the "Tokyo Agreement" between two organisations. While convergence is in process, in December 2009, Japan began permitting listed companies that meet specified criteria to use IFRSs starting in 2010. Japan intends to consider, around 2012, whether to make IFRSs mandatory for all public companies starting around 2015 or 2016.

In Korea, IFRSs as translated in Korean (K-IFRS) are required for public companies from 2011.

## **Some domestic listed companies may use IFRSs**

Hong Kong (companies based in Hong Kong but incorporated elsewhere), Laos and Myanmar.

# Recent pronouncements

Effective for 31 December 2010 year ends

## Amendments and Revised Standards

IFRS 1	Revision to IFRS 1 on First-Time Adoption of IFRSs Additional Exemptions for First-Time Adopters
IFRS 2	Group Cash-Settled Share-based Payments
IFRS 3(2008)	Business Combinations
IAS 27(2008)	Consolidated and Separate Financial Statements
IAS 39	Eligible Hedged Items
Various	Improvements to IFRSs issued in May 2008 and April 2009 (see our previous edition)

## New Interpretations

IFRIC 17	Distributions of Non-Cash Assets to Owners
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## Available for early adoption for 31 December 2010 year ends

Note: Transitional provisions are complex, and there are interdependencies among Standards. See Standards and Interpretations for details.

Amendments to Standards		Effective for annual periods beginning on or after
IFRS 1	Limited exemption from comparative IFRS 7 disclosures	1 July 2010
	Exemption from the requirement to restate comparative information for IFRS 9	Concurrent with adoption of IFRS 9
	Severe hyperinflation and removal of fixed dates for first-time adopters	1 July 2011
IFRS 7	Disclosure – Transfers of Financial Assets	1 July 2011
IFRS 9	Financial instruments: classification and measurement	1 January 2013
	Additions to IFRS 9 for financial liability accounting	1 January 2013
IAS 12	Deferred tax: recovery of underlying assets	1 January 2012
IAS 24	Related party disclosures	1 January 2011
IAS 32	Classification of rights issues	1 February 2010

Improvements to IFRSs (May 2010)*		Effective for annual periods beginning on or after
IFRS 1	Accounting policy changes in the year of adoption	1 January 2011
	Revaluation basis as deemed cost	1 January 2011
	Use of deemed cost for operations subject to rate regulation	1 January 2011
IFRS 3	Transition requirements for contingent consideration from a business combination that occurred before the effective date of IFRS 3 (2008)	1 July 2010
	Measurement of non-controlling interests	1 July 2010
	Un-replaced and voluntarily replaced share-based payment awards	1 July 2010
IFRS 7	Clarification of disclosures	1 January 2011
IAS 1	Clarification of the content of the statement of changes in equity	1 January 2011
IAS 21, 28 and 31	Transition requirements for amendments arising as a result of IAS 27	1 July 2011
IAS 34	Significant events and transactions	1 January 2011
IFRIC 13	Fair value of award credits	1 January 2011

New Interpretations		Effective for annual periods beginning on or after
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

**Amendments to Interpretations****Effective for  
annual periods  
beginning on or  
after**

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IFRIC 14	Prepayment of a Minimum Funding Requirement	1 January 2011
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\*Amendments as a result of *Improvements to IFRSs* (May 2010) identified by the IASB as resulting in accounting changes for presentation, recognition or measurement purposes have been included above. Amendments related to terminology or editorial changes only, which the IASB expects to have no or minimal effect on accounting, have not been included in this list. Refer to individual Standards and Interpretations and [www.iasplus.com](http://www.iasplus.com) for more information.

# Summaries of current Standards and related Interpretations

On pages 38 to 114, the requirements of all International Financial Reporting Standards in issue at 31 March 2011 are summarised, as well as the *Preface to IFRSs* and the *Framework for the Preparation and Presentation of Financial Statements*.

These summaries are intended as general information and are not a substitute for reading the entire Standard or Interpretation.

The text has been updated for recent amendments to Standards and Interpretations, even where these are effective for 2011 and subsequent accounting periods. For information about previous version of Standards, please refer to previous editions of *IFRSs in your pocket*.

'Effective date' means the effective date of the last comprehensive revision of the Standard or Interpretation, not necessarily original issuance.

## Preface to International Financial Reporting Standards

### Adoption

Adopted by the IASB in May 2002.

### Summary

Covers, among other things:

- the objectives of the IASB;
- the scope of IFRSs;
- due process for developing Standards and Interpretations;
- equal status of 'black letter' and 'grey letter' paragraphs;
- policy on effective dates; and
- use of English as the official language.



## Conceptual Framework for Financial Reporting

### Adoption

Approved by the IASC Board in April 1989.

Adopted by the IASB in April 2001.

All of the requirements of the Framework are currently under reconsideration as part of the joint IASB/FASB Conceptual Framework project. In September 2010, as a result of its first phase of the project, the IASB issued Chapter 1 *The objective of general purpose financial reporting* and Chapter 3 *Qualitative characteristics of useful financial information*.

### Summary

- Defines the objective of general purpose financial reporting. The objective is to provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity.
- Identifies the qualitative characteristics that make financial information in financial reporting useful. To be useful, it must be relevant and faithfully represents what it purports to represent. The usefulness is enhanced if it is comparable, verifiable, timely and understandable.
- Defines the basic elements of financial statements and the concepts for recognising and measuring them in financial statements. Elements directly related to financial position are assets, liabilities and equity. Elements directly related to performance are income and expenses.
- Defines the concept of capital and capital maintenance.

## IFRS 1(2008) First-time Adoption of International Financial Reporting Standards

### Effective date

IFRS 1(2008) issued November 2008, replacing IFRS 1(2003). IFRS 1(2008) is effective first IFRS financial statements for a period beginning on or after 1 July 2009.

Amendments (July 2009) providing additional exemptions for first-time adopters are effective 1 January 2010, with earlier application permitted.

Amendments (January 2010) providing a limited exemption from comparative IFRS 7 disclosures are effective 1 July 2010, with earlier application permitted.

Amendments resulting from *Improvements to IFRSs* (May 2010) relating to accounting policy change in the year of adoption and additions to the deemed cost exemption are effective 1 January 2011, with earlier application permitted.

Amendments (December 2010) to replace references to a fixed date of '1 January 2004' with 'the date of transition to IFRSs', thus eliminating the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs and to provide guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation are effective 1 July 2011, with earlier application permitted.

### Objective

To prescribe the procedures when an entity adopts IFRSs for the first time as the basis for preparing its general purpose financial statements.

## Summary

Overview for an entity that adopts IFRSs for the first time (by an explicit and unreserved statement of compliance with IFRSs) in its annual financial statements for the year ended 31 December 2010.

- Select accounting policies based on IFRSs in force at 31 December 2010.
- Prepare at least 2010 and 2009 financial statements and restate retrospectively the opening statement of financial position by applying the IFRSs in force at 31 December 2010, except for those matters dealt with in specific exemptions in IFRS 1:
  - the opening statement of financial position is prepared at 1 January 2009 at the latest (but may be earlier if the entity elects to present more than one year of comparative information under IFRSs);
  - the opening statement of financial position is presented in the entity's first IFRS financial statements (therefore, three statements of financial position); and
  - if a 31 December 2010 adopter reports selected financial data (but not full financial statements) on an IFRS basis for periods prior to 2009, in addition to full financial statements for 2009 and 2010, that does not change the fact that its opening IFRS statement of financial position is as at 1 January 2009.

## Interpretations

None.

## Useful Deloitte publication

### First-time adoption: A guide to IFRS 1

In November 2009, Deloitte published a revised *Guide to IFRS 1* that is available for download at [www.iasplus.com/dtppubs/pubs.htm](http://www.iasplus.com/dtppubs/pubs.htm)

## IFRS 2 Share-based Payment

<b>Effective date</b>	<p>Annual periods beginning on or after 1 January 2005.</p> <p>Amendments (June 2009) providing additional guidance on the accounting for share-based payment transactions among group entities are effective 1 January 2010, with earlier application permitted.</p>
<b>Objective</b>	<p>To prescribe the accounting for transactions in which an entity receives or acquires goods or services either as consideration for its equity instruments or by incurring liabilities for amounts based on the price of the entity's shares or other equity instruments of the entity.</p>
<b>Summary</b>	<ul style="list-style-type: none"><li>• All share-based payment transactions are recognised in the financial statements, using a fair value measurement basis.</li><li>• An expense is recognised when the goods or services received are consumed.</li><li>• IFRS 2 also applies to share-based payment transactions in which the entity cannot specifically identify some or all of the goods or services received.</li><li>• IFRS 2 applies to both public and non-public entities. However, if the fair value of equity instruments of non-public entities cannot be measured reliably, intrinsic value measurements are used.</li><li>• In principle, transactions in which goods or services are received from non-employees as consideration for equity instruments of the entity are measured at the fair value of the goods or services received. Only if the fair value of the goods or services cannot be measured reliably is the fair value of the equity instruments granted used.</li><li>• For transactions with employees and others providing similar services, the entity measures the fair value of the equity instruments granted, because it is typically not possible to estimate reliably the fair value of employee services received.</li></ul>

- For transactions measured at the fair value of the equity instruments granted (such as transactions with employees), fair value is estimated at grant date.
- For transactions measured at the fair value of the goods or services received, fair value is estimated at the date of receipt of those goods or services.
- For goods or services measured by reference to the fair value of the equity instruments granted, in general, vesting conditions (other than market conditions) are not taken into account when estimating the fair value of the shares or options at the relevant measurement date (as specified above). Instead, vesting conditions are taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the amount recognised for goods or services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.
- Vesting conditions are either service conditions or performance conditions. Performance conditions require the completion of a specified period of service in addition to specified performance targets.
- The fair value of equity instruments granted is based on market prices, if available, and takes into account the terms and conditions on which those equity instruments were granted. In the absence of market prices, fair value is estimated using a valuation model to estimate what the price of those equity instruments would have been on the measurement date in an arm's length transaction between knowledgeable, willing parties. IFRS 2 does not specify which particular valuation model should be used.

## Interpretations

None.

### Effective date

IFRS 3(2008) issued January 2008, replacing IFRS 3(2004).

Effective for business combinations in periods beginning on or after 1 July 2009. Earlier application permitted – but not for periods beginning before 30 June 2007.

Amendments resulting from *Improvements to IFRSs* (May 2010) regarding:

- measurement of non-controlling interests;
- un-replaced and voluntarily replaced share-based payment awards; and
- transitional requirements for contingent consideration from a business combination that occurred before the effective date of IFRS 3 (2008);

are effective 1 July 2010, with earlier application permitted.

### Core principle

An acquirer of a business recognises the assets acquired and liabilities assumed at their acquisition-date fair values and discloses information that enables users to evaluate the nature and financial effects of the acquisition.

### Summary

- A business combination is a transaction or event in which an acquirer obtains control of one or more businesses. A business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return directly to investors or other owners, members or participants.
- IFRS 3 does not apply to the formation of a joint venture, combinations of entities or businesses under common control, nor to the acquisition of an asset or a group of assets that do not constitute a business.
- The acquisition method is used for all business combinations.

- Steps in applying the acquisition method.
  1. Identification of the 'acquirer' – the combining entity that obtains control of the acquiree.
  2. Determination of the 'acquisition date' – the date on which the acquirer obtains control of the acquiree.
  3. Recognition and measurement of the identifiable assets acquired, the liabilities assumed and any non-controlling interest (NCI) in the acquiree.
  4. Recognition and measurement of goodwill or a gain from a bargain purchase.
- Assets and liabilities are measured at their acquisition-date fair values (with a limited number of specified exceptions). An entity may elect to measure components of NCI in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in liquidation either at (a) fair value or (b) the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets (option available on a transaction-by-transaction basis). All other components of NCI shall be measured at their acquisition-date fair value, unless another measurement basis is required by IFRS.
- Goodwill is measured as the difference between:
  - the aggregate of (a) the acquisition-date fair value of the consideration transferred, (b) the amount of any NCI, and (c) in a business combination achieved in stages (see below), the acquisition-date fair value of the acquirer's previously-held equity interest in the acquiree; and
  - the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed (measured in accordance with IFRS 3).

- If the difference above is negative, the resulting gain is recognised as a bargain purchase in profit or loss.
- For business combinations achieved in stages, if the acquirer increases an existing equity interest so as to achieve control of the acquiree, the previously-held equity interest is remeasured at acquisition-date fair value and any resulting gain or loss is recognised in profit or loss.
- If the initial accounting for a business combination can be determined only provisionally by the end of the first reporting period, the combination is accounted for using provisional values. Adjustments to provisional values relating to facts and circumstances that existed at the acquisition date are permitted within one year. No adjustments after one year except to correct an error in accordance with IAS 8.
- Consideration for the acquisition includes the acquisition-date fair value of contingent consideration. Changes to contingent consideration classified as a liability resulting from events after the acquisition date are generally recognised in profit or loss.
- All acquisition-related costs (e.g. finder's fees, professional or consulting fees, costs of internal acquisition department) are recognised in profit or loss except for costs to issue debt or equity securities, which are recognised in accordance with IAS 39 and IAS 32 respectively.
- Expanded guidance on some specific aspects of business combinations, including:
  - business combinations achieved without the transfer of consideration;
  - reverse acquisitions;
  - identifying intangible assets acquired;
  - pre-existing relationships between the acquirer and the acquiree (e.g. reacquired rights); and
  - the reassessment of the acquiree's contractual arrangements at the acquisition date.



**Interpretations**

None.

**Useful Deloitte publication****Business combinations and changes in ownership interests: A guide to the revised IFRS 3 and IAS 27**

Published in July 2008. Publication supplementing the IASB's own guidance for applying these Standards and addressing practical implementation issues. Available for download at [www.iasplus.com/dttpubs/pubs.htm](http://www.iasplus.com/dttpubs/pubs.htm)

**IFRS 4 Insurance Contracts****Effective date**

Annual periods beginning on or after 1 January 2005.

**Objective**

To prescribe the financial reporting for insurance contracts until the IASB completes the second phase of its project on insurance contracts.

**Summary**

- Insurers are exempted from applying the IASB Framework and certain existing IFRSs.
- Catastrophe reserves and equalisation provisions are prohibited.
- Requires a test for the adequacy of recognised insurance liabilities and an impairment test for reinsurance assets.
- Insurance liabilities may not be offset against related reinsurance assets.
- Accounting policy changes are restricted.
- New disclosures are required.
- Financial guarantee contracts are in the scope of IAS 39, unless the issuer had previously (prior to initial adoption of IFRS 4) asserted explicitly that it regards such contracts as insurance contracts and has used accounting applicable to insurance contracts. In such circumstances, the issuer may elect to apply either IAS 39 or IFRS 4.

**Interpretations**

None.

## IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

<b>Effective date</b>	<p>Annual periods beginning on or after 1 January 2005.</p> <p>Amendments resulting from <i>Improvements to IFRSs</i> (April 2009) regarding disclosures required in respect of non-current assets (disposal groups) classified as held for sale or discontinued operations are effective 1 January 2010, with earlier application permitted.</p>
<b>Objective</b>	<p>To prescribe the accounting for non-current assets held for sale, and the presentation and disclosure of discontinued operations.</p>
<b>Summary</b>	<ul style="list-style-type: none"><li>• Introduces the classification 'held for sale' (available for immediate sale and disposal within 12 months is highly probable) and the concept of a disposal group (a group of assets to be disposed of in a single transaction, including any related liabilities also transferred).</li><li>• Non-current assets or disposal groups held for sale are measured at the lower of carrying amount and fair value less costs to sell.</li><li>• Such non-current assets held for sale (whether individually or as part of a disposal group) are not depreciated.</li><li>• A non-current asset classified as held for sale, and the assets and liabilities in a disposal group classified as held for sale, are presented separately in the statement of financial position.</li><li>• Assets and liabilities of a subsidiary should be classified as held for sale if the parent is committed to a plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest after the sale.</li></ul>

- A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale and (a) represents a separate major line of business or major geographical area of operations, (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or (c) is a subsidiary acquired exclusively with a view to resale.
- An entity presents as a single amount in the statement of comprehensive income the sum of the post tax profit or loss from discontinued operations for the period and the post tax gain or loss arising on the disposal of discontinued operations (or on the reclassification of the assets and liabilities of discontinued operations as held for sale). Therefore, the statement of comprehensive income is effectively divided into two sections – continuing operations and discontinued operations.
- The April 2009 amendments confirm that IFRS 5 requires disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. Consequently, disclosures in other IFRSs do not apply to such assets (or disposal groups) unless those IFRSs specifically require disclosures or the disclosures relate to the measurement of assets or liabilities within a disposal group that are outside the scope of the measurement requirements of IFRS 5.

## Interpretations

None.

## Useful Deloitte publication

### Assets held for sale and discontinued operations: A guide to IFRS 5

Published March 2008. Guidance on applying IFRS 5. Available for download at [www.iasplus.com/dtppubs/pubs.htm](http://www.iasplus.com/dtppubs/pubs.htm)

## IFRS 6 Exploration for and Evaluation of Mineral Resources

<b>Effective date</b>	Annual periods beginning on or after 1 January 2006.
<b>Objective</b>	To prescribe the financial reporting for the exploration for and evaluation of mineral resources until the IASB completes a comprehensive project in this area.
<b>Summary</b>	<ul style="list-style-type: none"><li>• Does not require or prohibit any specific accounting policies for the recognition and measurement of exploration and evaluation assets. An entity is permitted to continue to use its existing accounting policies provided that they comply with the requirements of paragraph 10 of IAS 8, i.e. that they result in information that is relevant to the economic decision-making needs of users and that is reliable.</li><li>• Grants a temporary exemption from applying paragraphs 11 and 12 of IAS 8 – which specify a hierarchy of sources of IFRS GAAP in the absence of a specific Standard.</li><li>• Requires an impairment test when there is an indication that the carrying amount of exploration and evaluation assets exceeds recoverable amount. Also, exploration and evaluation assets are tested for impairment before reclassification of those assets as development assets.</li><li>• Allows impairment to be assessed at a level higher than the 'cash-generating unit' under IAS 36, but measures impairment in accordance with IAS 36 once it is assessed.</li><li>• Requires disclosure of information that identifies and explains amounts arising from exploration and evaluation of mineral resources.</li></ul>
<b>Interpretations</b>	None.

<b>Effective date</b>	<p>Annual periods beginning on or after 1 January 2007.</p> <p>Amendments resulting from <i>Improvements to IFRSs</i> (May 2010) clarifying the existing disclosures requirements related to credit risk are effective on or after 1 January 2011, with earlier application permitted.</p> <p>Amendments introducing enhanced disclosure requirements to ensure that users are able to understand transactions involving the transfer of financial assets (for example, securitisation), including the possible effects of any risks that may remain with the entity were issued in October 2010 and are effective 1 July 2011, with earlier adoption permitted.</p>
<b>Objective</b>	<p>To prescribe disclosures that enable financial statement users to evaluate the significance of financial instruments to an entity, the nature and extent of their risks, and how the entity manages those risks.</p>
<b>Summary</b>	<ul style="list-style-type: none"><li>• Requires disclosure of information about the significance of financial instruments for an entity's financial position and performance. These include:<ul style="list-style-type: none"><li>– disclosures relating to the entity's financial position – including information about financial assets and financial liabilities by category; special disclosures when the fair value option is used; reclassifications; derecognitions; pledges of assets; embedded derivatives; and breaches of terms of agreements;</li><li>– disclosures relating to the entity's performance in the period – including information about recognised income, expenses, gains and losses; interest income and expense; fee income; and impairment losses; and</li></ul></li></ul>

- other disclosures – including information about accounting policies; hedge accounting; and the fair values of each class of financial asset and financial liability.
- Requires disclosure of information about the nature and extent of risks arising from financial instruments:
  - qualitative disclosures about exposures to each class of risk and how those risks are managed; and
  - quantitative disclosures about exposures to each class of risk, separately for credit risk, liquidity risk and market risk (including sensitivity analyses).

**Interpretations**

None.

**Useful Deloitte publication**

**iGAAP 2010: Financial instruments: IAS 32, IAS 39, IFRS 7 and IFRS 9 explained**

6th edition (June 2010). Guidance on how to apply these complex Standards, including illustrative examples and interpretations.

Information at

[www.iasplus.com/dttpubs/pubs.htm](http://www.iasplus.com/dttpubs/pubs.htm)

**IFRS 8 Operating Segments**

**Effective date**

Annual periods beginning on or after 1 January 2009.

Amendments resulting from *Improvements to IFRSs* (April 2009) clarifying disclosure requirements for segment assets are effective 1 January 2010.

**Core principle**

An entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

## Summary

- Applies to the consolidated financial statements of a group with a parent (and to the separate or individual financial statements of an entity):
  - whose debt or equity instruments are traded in a public market; or
  - that files, or is in the process of filing, its (consolidated) financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market.
- An operating segment is a component of an entity:
  - that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
  - whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
  - or which discrete financial information is available.

Start-up operations may be operating segments before earning revenues.

- Guidance is provided on which operating segments are reportable (generally 10% thresholds for revenue, absolute amount of its reported profit or loss, and assets).
- At least 75% of the entity's revenue must be included in reportable segments.
- Does not define segment revenue, segment expense, segment result, segment assets or segment liabilities, nor does it require segment information to be prepared in conformity with the accounting policies adopted for the entity's financial statements.

- Some entity-wide disclosures are required even when an entity has only one reportable segment. These include information about each product and service or groups of products and services, geographical areas and major customers (see below).
- Analyses of revenues and certain non-current assets by geographical area are required from all entities – with an expanded requirement to disclose revenues/non-current assets by individual foreign country (if material), irrespective of the entity’s organisation.
- There is also a requirement to disclose information about transactions with major external customers (10% or more of the entity’s revenue).

#### Interpretations

None.

### IFRS 9(2010) Financial Instruments (as of now only partially completed)

#### Effective date

Annual periods beginning on or after 1 January 2013, with earlier application permitted. Supersedes and modifies certain parts of IAS 39 from date of application.

#### Objective

The part of IFRS 9 completed to date sets out recognition and derecognition, classification and measurement requirements for financial assets and financial liabilities. Eventually, IFRS 9 will be a comprehensive standard on accounting for financial instruments.

#### Summary

- IFRS 9 carries forward the requirements in IAS 39 related to the recognition and derecognition of financial assets and financial liabilities (see IAS 39 Summary).
- Recognised financial assets (that are currently in the scope of IAS 39) will be measured at either amortised cost or fair value.



- A debt instrument that (1) is held within a business model whose objective is to collect the contractual cash flows and (2) has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding must be measured at amortised cost unless it is designated at fair value through profit and loss (see below).
- All other debt instruments must be measured at fair value through profit or loss (FVTPL).
- A fair value option is also available as an alternative to amortised cost measurement (provided that certain conditions are met) for debt instruments allowing such instruments to be designated as financial assets at FVTPL.
- All equity instruments (e.g. shares) are to be measured at fair value with the default recognition of gains and losses in profit or loss. Only if the equity instrument is not held for trading can an irrevocable election be made at initial recognition to measure it at fair value through other comprehensive income (FVTOCI) with only dividend income recognised in profit or loss, no impairment and no reclassification of gains and losses on disposal.
- Generally, recognised financial liabilities (that are currently in the scope of IAS 39) will be measured at amortised cost except for certain liabilities (for example, derivatives) that shall be measured at fair value and liabilities irrevocably designated as measured at FVTPL at initial recognition.
- For financial liabilities designated as at FVTPL, the amount of change in fair value attributable to changes in the credit risk shall be recognised in OCI with the remaining change being recognised in profit or loss, unless the treatment of the credit risk creates or enlarges an accounting mismatch in profit or loss.
- All derivatives, whether assets or liabilities, within the scope of the Standard are required to be measured at fair value.

- Derivatives embedded in a financial asset shall not be accounted for separately from the financial asset. Embedded derivatives not closely related to financial liabilities will be accounted for separately at fair value in the case of financial liabilities not designated at FVTPL (as in IAS 39).

## Interpretations

**IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments** (see IAS 39 Interpretations)

## Useful Deloitte publication

**iGAAP 2010: Financial instruments: IAS 32, IAS 39, IFRS 7 and IFRS 9 explained**

6th edition (June 2010). Guidance on how to apply these complex Standards, including illustrative examples and interpretations. Information at

[www.iasplus.com/dttpubs/pubs.htm](http://www.iasplus.com/dttpubs/pubs.htm)

## IAS 1(2007) Presentation of Financial Statements

### Effective date

Annual periods beginning on or after 1 January 2009.

Amendments resulting from *Improvements to IFRSs* (April 2009) regarding the current/non-current classification of convertible instruments are effective 1 January 2010, with earlier application permitted.

Amendments resulting from *Improvements to IFRSs* (May 2010) clarifying the presentation of the analysis of other comprehensive income by item may be either in the statement of changes in equity or the notes are effective 1 January 2011, with earlier application permitted.

### Objective

To set out the overall framework for presenting general purpose financial statements, including guidelines for their structure and the minimum content.

## Summary

- Fundamental principles established for the preparation of financial statements, including going concern assumption, consistency in presentation and classification, accrual basis of accounting, and materiality.
- Assets and liabilities, and income and expenses, are not offset unless offsetting is permitted or required by another IFRS.
- Comparative prior-period information is presented for amounts shown in the financial statements and notes.
- Financial statements are generally prepared annually. If the end of the reporting period changes, and financial statements are presented for a period other than one year, additional disclosures are required.
- A complete set of financial statements comprises:
  - a statement of financial position;
  - a statement of comprehensive income;
  - a statement of changes in equity;
  - a statement of cash flows;
  - notes; and
  - (only when an accounting policy has been applied retrospectively or items in the financial statements have been restated or reclassified) a statement of financial position as at the beginning of the earliest comparative period. (Therefore, in these limited circumstances, generally three statements of financial position.)
- Entities may use titles for the individual financial statements other than those used above.
- Specifies minimum line items to be presented in the statement of financial position, statement of comprehensive income and statement of changes in equity, and includes guidance for identifying additional line items. IAS 7 provides guidance on line items to be presented in the statement of cash flows.

- In the statement of financial position, current/non-current distinction is used for assets and liabilities unless presentation in order of liquidity provides reliable and more relevant information.
- The statement of comprehensive income includes all items of income and expense – (i.e. all ‘non-owner’ changes in equity) including (a) components of profit or loss and (b) other comprehensive income (i.e. items of income and expense that are not recognised in profit or loss as required or permitted by other IFRSs). These items may be presented either:
  - in a single statement of comprehensive income (in which there is a sub-total for profit or loss); or
  - in a separate income statement (displaying components of profit or loss) and a statement of comprehensive income (beginning with profit or loss and displaying components of other comprehensive income).
- Analysis of expenses recognised in profit or loss may be provided by nature or by function. If presented by function, specific disclosures by nature are required in the notes.
- The statement of changes in equity includes the following information:
  - total comprehensive income for the period;
  - the effects on each component of equity of retrospective application or retrospective restatement in accordance with IAS 8; and
  - for each component of equity, a reconciliation between the opening and closing balances, separately disclosing each change.
- Specifies minimum note disclosures which include information about:
  - accounting policies followed;

- the judgements that management has made in the process of applying the entity's accounting policies that have the most significant effect on the amounts recognised in the financial statements;
  - sources of estimation uncertainty; and
  - information about management of capital and compliance with capital requirements.
- Implementation guidance for IAS 1 includes illustrative financial statements other than the statement of cash flows (see IAS 7).

## Interpretations

### SIC 29 Service Concession Arrangements: Disclosure

Disclosure is required if an entity agrees to provide services that give the public access to major economic or social facilities.

## Useful Deloitte publications

### IFRS model financial statements IFRS presentation and disclosure checklist

Illustrating the layout of financial statements, and the presentation and disclosure requirements of IFRSs. Available for download at [www.iasplus.com/fs/fs.htm](http://www.iasplus.com/fs/fs.htm)

## IAS 2 Inventories

### Effective date

Annual periods beginning on or after 1 January 2005.

### Objective

To prescribe the accounting treatment for inventories, including cost determination and expense recognition.

### Summary

- Inventories are stated at the lower of cost and net realisable value (NRV).
- Costs include purchase cost, conversion cost (materials, labour and overheads), and other costs to bring inventory to its present location and condition, but not foreign exchange differences.

- For inventory items that are not interchangeable, specific costs are attributed to the specific individual items of inventory.
- For interchangeable items, cost is determined on either a First In First Out (FIFO) or weighted average basis. Last In First Out (LIFO) is not permitted.
- When inventories are sold, the carrying amount is recognised as an expense in the period in which the related revenue is recognised.
- Write-downs to NRV are recognised as an expense in the period of the write-down. Reversals arising from an increase in NRV are recognised as a reduction of the inventory expense in the period in which they occur.

### Interpretations

None.

## IAS 7 Statement of Cash Flows

### Effective date

Periods beginning on or after 1 January 1994. Title amended by IAS 1(2007), effective 1 January 2009.

Amendments resulting from *Improvements to IFRSs* (April 2009) regarding classification of expenditures on unrecognised assets are effective 1 January 2010, with earlier application permitted.

### Objective

To require the presentation of information about historical changes in an entity's cash and cash equivalents by means of a statement of cash flows that classifies cash flows during the period according to operating, investing and financing activities.

### Summary

- The statement of cash flows analyses changes in cash and cash equivalents during a period.
- Cash equivalents include investments that are short-term (less than three months from date of acquisition), readily convertible to a known amount of cash, and subject to an insignificant risk of changes in value. Generally exclude equity investments.

- Cash flows from operating, investing and financing activities are separately reported.
- Cash flows arising from operating activities are reported using either the direct (recommended) or the indirect method.
- Cash flows arising from taxes on income are classified as operating unless they can be specifically identified with financing or investing activities.
- The exchange rate used for translation of transactions denominated in a foreign currency and the cash flows of a foreign subsidiary is the rate in effect at the date of the cash flows.
- Aggregate cash flows relating to obtaining or losing control of subsidiaries or other businesses are presented separately and classified as investing activities, with specified additional disclosures.
- Investing and financing transactions that do not require the use of cash are excluded from the statement of cash flows, but separately disclosed.
- Only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities.
- Illustrative statements of cash flows are included in appendices to IAS 7.

**Interpretations**

None.

**IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors**

**Effective date**

Annual periods beginning on or after 1 January 2005.

**Objective**

To prescribe the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in estimates, and errors.

## Summary

- Hierarchy for selection of accounting policies:
  - IASB Standards and Interpretations, taking into account any relevant IASB implementation guidance;
  - in the absence of a directly applicable IFRS, look to the requirements in IFRSs dealing with similar and related issues; and the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the *Framework for the Preparation and Presentation of Financial Statements*; and
  - management may also consider the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards, other accounting literature, and accepted industry practices.
- Accounting policies are applied consistently to similar transactions.
- An accounting policy is changed only if required by an IFRS, or if the change results in reliable and more relevant information.
- If a change in accounting policy is required by an IFRS, the pronouncement's transitional requirements are followed. If none are specified, or if the change is voluntary, the new accounting policy is applied retrospectively by restating prior periods.
- If it is impracticable to determine period-specific effects for retrospective application, the new accounting policy is applied as of the beginning of the earliest period for which retrospective application is practicable and cumulative adjustments are made to balances at the beginning of that period. The new accounting policy is applied prospectively from the start of the earliest period practicable when the entity cannot determine the cumulative effect of applying the policy to all prior periods.
- Changes in accounting estimates (e.g. change in useful life of an asset) are accounted for in the current year, or future years, or both (no restatement).



- All material prior period errors are corrected by restating comparative prior period amounts and, if the error occurred before the earliest period presented, by restating the opening statement of financial position.

## Interpretations

None.

## IAS 10 Events after the Reporting Period

### Effective date

Annual periods beginning on or after 1 January 2005. Title amended by IAS 1(2007), effective 1 January 2009.

### Objective

To prescribe:

- when an entity should adjust its financial statements for events after the end of the reporting period; and
- disclosures about the date when the financial statements were authorised for issue, and about events after the end of the reporting period.

### Summary

- Events after the end of the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue.
- Adjusting events – the financial statements are adjusted to reflect those events that provide evidence of conditions that existed at the end of the reporting period (such as the resolution of a court case after the end of the reporting period).
- Non-adjusting events – the financial statements are not adjusted to reflect events that arose after the end of the reporting period (such as a decline in market prices after year end, which does not change the valuation of investments at the end of the reporting period). The nature and impact of such events are disclosed.

- Dividends proposed or declared on equity instruments after the end of the reporting period are not recognised as a liability at the end of the reporting period. Disclosure is required.
- Financial statements are not prepared on a going concern basis if events after the end of the reporting period indicate that the going concern assumption is not appropriate.
- An entity discloses the date its financial statements are authorised for issue.

### Interpretations

None.

## IAS 11 Construction Contracts

### Effective date

Periods beginning on or after 1 January 1995.

### Objective

To prescribe the accounting treatment for revenue and costs associated with construction contracts in the financial statements of the contractor.

### Summary

- Contract revenue comprises the amount agreed in the initial contract together with variations in contract work, claims, and incentive payments to the extent that it is probable that they will result in revenues and can be measured reliably.
- Contract costs comprise costs that relate directly to the specific contract, costs that are attributable to general contract activity and that can be allocated to the contract, together with other costs that are specifically chargeable to the customer under the terms of the contract.
- Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of contract activity (the percentage of completion method of accounting).
- If the outcome cannot be estimated reliably, no profit is recognised. Instead, contract revenue is recognised only to the extent that contract costs incurred are expected to be recovered, and contract costs are expensed as incurred.

- If it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately.

## Interpretations

Refer to IAS 18 for a summary of IFRIC 15 *Agreements for the Construction of Real Estate*.

## IAS 12 Income Taxes

### Effective date

Periods beginning on or after 1 January 1998.  
Certain revisions effective for periods beginning on or after 1 January 2001.

Amendment (December 2010) to provide a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 will, normally, be through sale is effective 1 January 2012, with earlier adoption permitted.

### Objective

To prescribe the accounting treatment for income taxes.

To establish the principles and provide guidance in accounting for the current and future tax consequences of:

- the future recovery (settlement) of carrying amounts of assets (liabilities) recognised in an entity's statement of financial position; and
- transactions and other events of the current period that are recognised in an entity's financial statements.

### Summary

- Current tax liabilities and assets are recognised for current and prior period taxes, measured at the rates that have been enacted and substantially enacted by the end of the reporting period.
- A temporary difference is a difference between the carrying amount of an asset or liability and its tax base.

- Deferred tax liabilities are recognised for the future tax consequences of all taxable temporary differences with three exceptions:
  - where the deferred tax liability arises from the initial recognition of goodwill;
  - the initial recognition of an asset/liability other than in a business combination which, at the time of the transaction, does not affect either the accounting or the taxable profit; and
  - differences arising from investments in subsidiaries, branches and associates and interests in joint ventures (e.g. due to undistributed profits) where the entity is able to control the timing of the reversal of the difference and it is probable that the reversal will not occur in the foreseeable future.
- A deferred tax asset is recognised for deductible temporary differences, unused tax losses, and unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised, with the following exceptions:
  - a deferred tax asset arising from the initial recognition of an asset/liability, other than in a business combination, which, at the time of the transaction, does not affect the accounting or the taxable profit; and
  - deferred tax assets arising from deductible temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint venture are recognised only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available to utilise the difference.
- Deferred tax liabilities (assets) are measured at the tax rates expected to apply when the liability is settled or the asset is realised, based on tax rates/laws that have been enacted or substantively enacted by the end of the reporting period.

- Deferred tax assets and liabilities are not discounted.
- Current and deferred tax are recognised as income or expense in profit or loss except to the extent that the tax arises from:
  - a transaction or event that is recognised outside profit or loss (whether in other comprehensive income or in equity); or
  - a business combination.
- Deferred taxes asset and liabilities are presented as non-current items in the statement of financial position.

## Interpretations

### **SIC 21 Income Taxes – Recovery of Revalued Non-Depreciable Assets**

The measurement of a deferred tax liability or asset arising from the revaluation of a non-depreciable asset is based on the tax consequences from the sale of the asset rather than through use. As a result of the amendment of IAS 12, SIC 21 would no longer apply to investment properties carried at fair value.

The amendment also incorporates into IAS 12 the remaining guidance previously contained in SIC 21, which is accordingly withdrawn.

### **SIC 25 Income Taxes – Changes in the Tax Status of an Entity or its Shareholders**

The current and deferred tax consequences of changes in tax status are included in profit or loss for the period unless those consequences relate to transactions or events that were recognised outside profit or loss.

## IAS 16 Property, Plant and Equipment

<b>Effective date</b>	Annual periods beginning on or after 1 January 2005.
<b>Objective</b>	To prescribe the principles for the initial recognition and subsequent accounting for property, plant and equipment.
<b>Summary</b>	<ul style="list-style-type: none"><li>• Items of property, plant, and equipment are recognised as assets when it is probable that the future economic benefits associated with the asset will flow to the entity, and the cost of the asset can be measured reliably.</li><li>• Initial recognition is at cost, which includes all costs necessary to get the asset ready for its intended use. If payment is deferred beyond normal credit terms, interest expense is recognised unless such interest can be capitalised in accordance with IAS 23.</li><li>• Subsequent to acquisition, IAS 16 allows a choice of accounting model:<ul style="list-style-type: none"><li>– cost model: the asset is carried at cost less accumulated depreciation and impairment; or</li><li>– revaluation model: the asset is carried at a revalued amount, which is fair value at revaluation date less subsequent accumulated depreciation and impairment.</li></ul></li><li>• Under the revaluation model, revaluations are carried out regularly. All items of a given class are revalued.<ul style="list-style-type: none"><li>– Revaluation increases are recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.</li><li>– Revaluation decreases are recognised in profit or loss. However, the decrease shall be debited directly to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that</li></ul></li></ul>

asset.

- When the revalued asset is disposed of, the revaluation surplus in equity remains in equity and is not reclassified to profit or loss.
- Components of an asset with differing patterns of benefits are depreciated separately.
- Depreciation is charged systematically over the asset's useful life. The depreciation method reflects the pattern of benefit consumption. The residual value is reviewed at least annually and is the amount the entity would receive currently if the asset were already of the age and condition expected at the end of its useful life. Useful life is also reviewed annually. If operation of an item of property, plant and equipment (e.g. an aircraft) requires regular major inspections, when each major inspection is performed, its cost is recognised in the carrying amount of the asset as a replacement, if the recognition criteria are satisfied.
- Impairment of property, plant and equipment is assessed under IAS 36.
- All exchanges of property, plant and equipment are measured at fair value, including exchanges of similar items, unless the exchange transaction lacks commercial substance or the fair value of neither the asset received nor the asset given up is reliably measurable.
- Entities that routinely sell items of property, plant and equipment that they have previously held for rental to others should transfer such assets to inventories at their carrying amount when they cease to be rented. The proceeds from the sale of such assets should be recognised as revenue in accordance with IAS 18.

## Interpretations

Refer to IAS 18 for a summary of IFRIC 18 *Transfers of Assets from Customers*.

### Effective date

Annual periods beginning on or after 1 January 2005.

Amendments resulting from *Improvements to IFRSs* (April 2009) deleted specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating using the general principles of IAS 17.

Amendments are effective 1 January 2010, with earlier application permitted.

### Objective

To prescribe, for lessees and lessors, the appropriate accounting policies and disclosures for finance and operating leases.

### Summary

- A lease including land lease is classified as a finance lease if it transfers substantially all risks and rewards incidental to ownership. Examples:
  - lease covers substantially all of the asset's life; and/or
  - present value of lease payments is substantially equal to the asset's fair value.
- All other leases are classified as operating leases.
- A lease of both land and buildings is split into land and building elements. However, separate measurement of the land and buildings elements is not required if the lessee's interest in both land and buildings is classified as an investment property under IAS 40 and the fair value model is adopted.
- Finance leases – Lessee's Accounting:
  - asset and liability are recognised at the lower of the present value of minimum lease payments and the fair value of the asset;
  - depreciation policy is as for owned assets; and



- finance lease payments are apportioned between interest expense and reduction in liability.
- Finance leases – Lessor’s Accounting:
  - receivable is recognised at an amount equal to the net investment in the lease;
  - finance income is recognised based on a pattern reflecting a constant periodic rate of return on the lessor’s net investment; and
  - manufacturer or dealer lessors recognise selling profit or loss consistent with the policy for outright sales.
- Operating leases – Lessee’s Accounting:
  - lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the pattern of benefit.
- Operating leases – Lessor’s Accounting:
  - assets held for operating leases are presented in the lessor’s statement of financial position according to the nature of the asset and are depreciated in accordance with the lessor’s depreciation policy for similar assets; and
  - lease income is recognised on a straight-line basis over the lease term, unless another systematic basis is more representative of the pattern of benefit.
- Lessors add initial direct costs to the carrying amount of the leased asset and spread them over the lease term (immediate expensing prohibited).
- Accounting for sale and leaseback transactions depends on whether these are essentially finance or operating leases.

## Interpretations

### SIC 15 Operating Leases – Incentives

Lease incentives (such as rent-free periods) are recognised by both the lessor and the lessee as a reduction of rental income and expense, respectively, over the lease term.

## **SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease**

If a series of transactions involves the legal form of a lease and can only be understood with reference to the series as a whole, then the series is accounted for as a single transaction.

## **IFRIC 4 Determining whether an Arrangement contains a Lease**

IFRIC 4 addresses arrangements that do not take the legal form of a lease but which convey rights to use assets in return for a payment or a series of payments. An arrangement that meets the following criteria is, or contains, a lease that is accounted for in accordance with IAS 17, both from the lessee and lessor perspectives:

- the fulfilment of the arrangement depends upon a specific asset (either explicitly or implicitly in the arrangement); and
- the arrangement conveys the right to control the use of the underlying asset. IFRIC 4 provides further guidance to identify when this situation exists.

<b>Effective date</b>	Periods beginning on or after 1 January 1995.
<b>Objective</b>	To prescribe the accounting treatment for revenue arising from sales of goods, rendering of services and from interest, royalties and dividends.
<b>Summary</b>	<ul style="list-style-type: none"><li>• Revenue is measured at the fair value of the consideration received/receivable.</li><li>• Revenue is generally recognised when it is probable that the economic benefits will flow to the entity, and when the amount of revenue can be measured reliably, and when the following conditions are met:<ul style="list-style-type: none"><li>– from sale of goods: when significant risks and rewards have been transferred to buyer, seller has lost effective control, and cost can be reliably measured.</li><li>– from rendering of services: percentage of completion method.</li><li>– for interest, royalties, and dividends:<ul style="list-style-type: none"><li>Interest – using the effective interest method as set out in IAS 39.</li><li>Royalties – on an accrual basis in accordance with the substance of the agreement.</li><li>Dividends – when shareholder’s right to receive payment is established.</li></ul></li></ul></li><li>• If a transaction has multiple components (such as sale of goods with an identifiable amount for subsequent servicing), the recognition criteria are applied to the separate components separately.</li></ul>
<b>Interpretations</b>	<p><b>SIC 31 Revenue – Barter Transactions Involving Advertising Services</b></p> <p>Revenue from barter transactions involving advertising services is recognised only if substantial revenue is also received from non-barter transactions.</p>

### **IFRIC 13 Customer Loyalty Programmes**

Award credits granted to customers as part of a sales transaction are accounted for as a separately identifiable component of the sales transaction(s), with the consideration received or receivable allocated between the award credits and the other components of the sale.

*Improvements to IFRSs* (May 2010) provide guidance on fair value award credits.

### **IFRIC 15 Agreements for the Construction of Real Estate**

The construction of real estate is a construction contract within the scope of IAS 11 only when the buyer is able to specify the major structural elements of the design before construction begins and/or major structural changes once construction is in progress. If this criterion is not satisfied, the revenue should be accounted for in accordance with IAS 18.

IFRIC 15 provides further guidance on determining whether the entity is providing goods or rendering services in accordance with IAS 18.

### **IFRIC 18 Transfers of Assets from Customers**

IFRIC 18 deals with circumstances where an entity receives from a customer an item of property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services.

IFRIC 18 provides guidance on when a recipient should recognise such assets in their financial statements. Where recognition is appropriate, the deemed cost of the asset is its fair value on the date of transfer.

IFRIC 18 also provides guidance on the pattern of revenue recognition arising on the transfer of the asset.

## IAS 19 Employee Benefits

<b>Effective date</b>	Periods beginning on or after 1 January 1999. Later revisions effective for various periods from 1 January 2001 to 1 January 2006.
<b>Objective</b>	To prescribe the accounting and disclosure for employee benefits, including short-term benefits (wages, annual leave, sick leave, annual profit-sharing, bonuses and non-monetary benefits); pensions; post-employment life insurance and medical benefits; other long-term employee benefits (long-service leave, disability, deferred compensation, and long-term profit-sharing and bonuses); and termination benefits.
<b>Summary</b>	<ul style="list-style-type: none"><li>• Underlying principle: the cost of providing employee benefits is recognised in the period in which the entity receives services from the employee, rather than when the benefits are paid or payable.</li><li>• Short-term employee benefits (payable within 12 months) are recognised as an expense in the period in which the employee renders the service. Unpaid benefit liability is measured at undiscounted amount.</li><li>• Profit-sharing and bonus payments are recognised only when the entity has a legal or constructive obligation to pay them and the costs can be reliably estimated.</li><li>• Post-employment benefit plans (such as pensions and health care) are categorised as either defined contribution plans or defined benefit plans.</li><li>• For defined contribution plans, expenses are recognised in the period in which the contribution is payable.</li></ul>

- For defined benefit plans, a liability is recognised in the statement of financial position equal to the net of:
  - the present value of the defined benefit obligation (the present value of expected future payments required to settle the obligation resulting from employee service in the current and prior periods);
  - deferred actuarial gains and losses and deferred past service cost; and
  - the fair value of any plan assets at the end of the reporting period.
- Actuarial gains and losses may be (a) recognised immediately in profit or loss, (b) deferred up to a maximum, with any excess amortised in profit or loss (the 'corridor approach'), or (c) recognised immediately in other comprehensive income.
- Plan assets include assets held by a long-term employee benefit fund and qualifying insurance policies.
- For group plans, the net cost is recognised in the separate financial statements of the entity that is legally the sponsoring employer unless a contractual agreement or stated policy for allocating the cost exists.
- Long-term employee benefits are recognised and measured in the same way as post-employment benefits under a defined benefit plan. However, unlike defined benefit plans, actuarial gains and losses and past service cost are always recognised immediately in profit or loss.
- Termination benefits are recognised when the entity is demonstrably committed to terminating one or more employees before the normal retirement date or to providing termination benefits as a result of an offer made to encourage voluntary redundancy.

## Interpretations

### IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IFRIC 14 addresses three issues:

- when refunds or reductions in future contributions should be regarded as ‘available’ in the context of paragraph 58 of IAS 19;
- how a minimum funding requirement might affect the availability of reductions in future contributions; and
- when a minimum funding requirement might give rise to a liability.

IFRIC 14 was amended in November 2009 to address the situations when an entity with minimum funding requirements makes a prepayment of contributions to cover those requirements. The amendments permit the benefit of such prepayment to be recognised as an asset. The amendment is effective on or after 1 January 2011, with earlier application permitted.

## IAS 20 Accounting for Government Grants and Disclosure of Government Assistance

### Effective date

Periods beginning on or after 1 January 1984.

### Objective

To prescribe the accounting for, and disclosure of, government grants and other forms of government assistance

### Summary

- Government grants are recognised only when there is reasonable assurance that the entity will comply with the conditions attached to the grants, and the grants will be received. Non-monetary grants are usually recognised at fair value, although recognition at nominal value is permitted.
- Grants are recognised in profit or loss over the periods necessary to match them with the related costs.

- Income-related grants are either presented separately as income or as a deduction in reporting the related expense.
- Asset-related grants are either presented as deferred income in the statement of financial position, or deducted in arriving at the carrying amount of the asset.
- Repayment of a government grant is accounted for as a change in accounting estimate with different treatment for income- and asset-related grants.
- The benefit of government loans with a below-market rate of interest is accounted for as a government grant – measured as the difference between the initial carrying amount of the loan determined in accordance with IAS 39 and the proceeds received.

## Interpretations

### SIC 10 Government Assistance – No Specific Relation to Operating Activities

Government assistance to entities that is aimed at encouragement or long-term support of business activities either in certain regions or industry sectors is treated as a government grant under IAS 20.

## IAS 21 The Effects of Changes in Foreign Exchange Rates

### Effective date

Annual periods beginning on or after 1 January 2005.

### Objective

To prescribe the accounting treatment for an entity's foreign currency transactions and foreign operations.

### Summary

- First, the entity's functional currency is determined (i.e. the currency of the primary economic environment in which the entity operates).



- Then all foreign currency items are translated into the functional currency:
  - transactions are recognised on the date that they occur using the transaction-date exchange rate for initial recognition and measurement;
  - at the end of subsequent reporting periods:
    - non-monetary items carried at historical cost continue to be measured using transaction-date exchange rates;
    - monetary items are retranslated using the closing rate; and
    - non-monetary items carried at fair value are measured at valuation-date exchange rates.
- Exchange differences arising on settlement of monetary items and on translation of monetary items at a rate different than when initially recognised are included in profit or loss, with one exception. Exchange differences arising on monetary items that form part of the reporting entity's net investment in a foreign operation are recognised in the consolidated financial statements that include the foreign operation in other comprehensive income. Such differences are reclassified from equity to profit or loss on disposal of the net investment.
- The results and financial position of an entity whose functional currency is not the currency of a hyperinflationary economy are translated into a different presentation currency using the following procedures:
  - assets (including goodwill arising on the acquisition of a foreign operation) and liabilities for each statement of financial position presented (including comparatives) are translated at the closing rate at the date of that statement of financial position;
  - income and expenses for each period presented (including comparatives) are translated at exchange rates at the dates of the transactions; and

- all resulting exchange differences are recognised as other comprehensive income and the cumulative amount is presented in a separate component of equity until disposal of the foreign operation.
- Special rules exist for translating into a presentation currency the results and financial position of an entity whose functional currency is hyperinflationary.

## Interpretations

### SIC 7 Introduction of the Euro

Explains how to apply IAS 21 when the Euro was first introduced, and when new EU members join the Eurozone.

Refer to IAS 39 for a summary of IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*.

## IAS 23(2007) Borrowing Costs

### Effective date

Annual periods beginning on or after 1 January 2009.

### Objective

To prescribe the accounting treatment for borrowing costs.

### Summary

- Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset, but only when it is probable that these costs will result in future economic benefits to the entity, and the costs can be measured reliably. All other borrowing costs that do not satisfy the conditions for capitalisation are expensed when incurred.
- A qualifying asset is one that necessarily takes a substantial period of time to make it ready for its intended use or sale. Examples include manufacturing plants, investment properties and some inventories.

- To the extent that an entity borrows funds specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred during the period less any investment income on the temporary investment of those borrowings.
- If funds are borrowed generally and used for the purpose of obtaining the qualifying asset, a capitalisation rate (weighted average of borrowing costs applicable to the general outstanding borrowings during the period) is applied to expenditure incurred during the period, to determine the amount of borrowing costs eligible for capitalisation. The amount of borrowing costs that the entity capitalises during a period cannot exceed the amount of borrowing costs incurred during the period.

#### Interpretations

None.

## IAS 24 Related Party Disclosures

#### Effective date

Annual periods beginning on or after 1 January 2011, with earlier application permitted. Supersedes previous version of IAS 24 from date of application.

The amendments to the previous version of the Standard:

- simplify the disclosure requirements for government-related entities; and
- clarify the definition of a related party.

#### Objective

To ensure that financial statements draw attention to the possibility that the financial position and results of operations may have been affected by the existence of related parties.

#### Summary

- Related parties are:
  - person or close member of that person that control, joint control, have significant influence over the reporting entity or is a member of key management personnel; or

- entities that are member of the same group (parent, subsidiaries, joint ventures, associates, and post-employment benefit plans).
- The Standard requires disclosure of:
  - relationships involving control, even when there have been no transactions;
  - related party transactions; and
  - key management personnel compensation (including an analysis by type of compensation).
- For related party transactions, disclosure is required of the nature of the relationship and of sufficient information to enable an understanding of the potential effect of the transactions.
- Examples of related party transactions disclosable under the Standard:
  - purchases or sales of goods;
  - purchases or sales of assets;
  - rendering or receiving of services;
  - leases;
  - transfers of research and development;
  - transfers under licence agreements;
  - transfers under finance arrangements (including loans and equity contributions);
  - provision of guarantees or collateral;
  - commitments, including executory contracts; and
  - settlement of liabilities on behalf of the entity or by the entity on behalf of another party.
- The revised standard provides a partial exemption for government-related entities. Requirements to disclose information that is costly to gather and of less value to users have been eliminated.

## Interpretations

None.

## IAS 26 Accounting and Reporting by Retirement Benefit Plans

<b>Effective date</b>	Periods beginning on or after 1 January 1998.
<b>Objective</b>	To specify the measurement and disclosure principles for the financial reports of retirement benefit plans.
<b>Summary</b>	<ul style="list-style-type: none"><li>• Sets out the reporting requirements for both defined contribution and defined benefit plans, including a statement of net assets available for benefits and disclosure of the actuarial present value of promised benefits (split between vested and non-vested).</li><li>• Specifies the need for actuarial valuation of the benefits for defined benefits and the use of fair values for plan investments.</li></ul>
<b>Interpretations</b>	None.

## IAS 27(2008) Consolidated and Separate Financial Statements

<b>Effective date</b>	<p>Annual periods beginning on or after 1 July 2009. Earlier application permitted – but only if IFRS 3(2008) is applied from the same date.</p> <p>Amendments resulting from <i>Improvements to IFRS</i> (May 2010) clarify the transition requirement for amendments arising as a result of IAS 27.</p>
<b>Objective</b>	<p>To prescribe:</p> <ul style="list-style-type: none"><li>• requirements for preparing and presenting consolidated financial statements for a group of entities under the control of a parent;</li><li>• how to account for changes in the level of ownership of interests in subsidiaries, including the loss of control of a subsidiary; and</li><li>• how to account for investments in subsidiaries, jointly controlled entities and associates in separate financial statements.</li></ul>

## Summary

- A subsidiary is an entity controlled by another entity, the parent. Control is the power to govern the operating and financial policies.
- Consolidated financial statements are financial statements of a group (parent and subsidiaries) presented as those of a single economic entity.
- When a parent-subsidiary relationship exists, consolidated financial statements are required.
- Consolidated financial statements include all subsidiaries. No exemption for 'temporary control' or 'different lines of business' or 'subsidiary that operates under severe long-term funds transfer restrictions'. However, if, on acquisition, a subsidiary meets the criteria to be classified as held for sale under IFRS 5, it is accounted for under that Standard.
- Intragroup balances, transactions, income and expenses are eliminated in full.
- All entities in the group use the same accounting policies.
- The end of the reporting period of a subsidiary cannot be more than three months different from the end of the reporting period of the group.
- Non-controlling interests (NCI- previously 'minority interests') are reported in equity in the statement of financial position separately from the equity of the owners of the parent. Total comprehensive income is allocated between NCI and the owners of the parent even if this results in the NCI having a deficit balance.
- Partial disposal of an investment in a subsidiary while control is retained is accounted for as an equity transaction with owners, and no gain or loss is recognised.
- Acquisition of a further ownership interest in a subsidiary after obtaining control is accounted for as an equity transaction and no gain, loss or adjustment to goodwill is recognised.

- Partial disposal of an investment in a subsidiary that results in loss of control triggers remeasurement of the residual holding to fair value. Any difference between fair value and carrying amount is a gain or loss on the disposal, recognised in profit or loss. Thereafter, IAS 28, IAS 31 or IAS 39 is applied, as appropriate, to the residual holding.
- In the parent's separate financial statements: investments in subsidiaries, associates and joint ventures (other than those that are classified as held for sale under IFRS 5) are accounted for either at cost or as investments under IFRS 9 or IAS 39.

## Interpretations

### SIC 12 Consolidation – Special Purpose Entities

An entity consolidates a special purpose entity (SPE) when, in substance, it controls the SPE. SIC 12 provides indicators of control.

## Useful Deloitte publication

### Business combinations and changes in ownership interests: A guide to the revised IFRS 3 and IAS 27

Publication supplementing the IASB's guidance for applying these Standards and addressing practical implementation issues. Available for download at [www.iasplus.com/dtppubs/pubs.htm](http://www.iasplus.com/dtppubs/pubs.htm)

## IAS 28 Investments in Associates

### Effective date

Annual periods beginning on or after 1 January 2005 (1 July 2009 for consequential amendments arising from IAS 27(2008)).

### Objective

To prescribe the investor's accounting for investments in associates over which it has significant influence.

### Summary

- Applies to all investments in which an investor has significant influence unless the investor is a venture capital firm, mutual fund or unit trust, and it elects to measure such investments at fair value through profit or loss under IAS 39.

- Interests in associates that are classified as held for sale in accordance with IFRS 5 are accounted for in accordance with that Standard.
- Otherwise, the equity method is used for all investments in associates over which the entity has significant influence.
- Rebuttable presumption of significant influence if investment held, directly and indirectly, is 20% or more of the voting power of the investee.
- Under the equity method, the investment is initially recorded at cost. It is subsequently adjusted by the investor's share of the investee's post acquisition change in net assets.
- Investor's statement of comprehensive income reflects its share of the investee's post-acquisition profit or loss.
- Associate's accounting policies shall be the same as those of the investor for like transactions and events in similar circumstances.
- The end of the reporting period of an associate cannot be more than three months different from the investor's end of the reporting period.
- Even if consolidated financial statements are not prepared (e.g. because the investor has no subsidiaries) equity accounting is used. However, the investor does not apply the equity method when presenting 'separate financial statements' as defined in IAS 27. Instead, the investor accounts for the investment either at cost or as an investment under IAS 39.
- Impairment is assessed in accordance with IAS 36. The impairment indicators in IAS 39 also apply. An investment in an associate is treated as a single asset for impairment purposes.
- On loss of significant influence, the investment is remeasured to its fair value at that date, with the gain or loss recognised in profit or loss. Thereafter, IAS 39 is applied to the remaining holding.

## Interpretations

None.



## IAS 29 Financial Reporting in Hyperinflationary Economies

<b>Effective date</b>	Periods beginning on or after 1 January 1990.
<b>Objective</b>	To provide specific guidance for entities reporting in the currency of a hyperinflationary economy, so that the financial information provided is meaningful.
<b>Summary</b>	<ul style="list-style-type: none"><li>• The financial statements of an entity whose functional currency is the currency of a hyperinflationary economy are stated in terms of the measuring unit current at the end of the reporting period.</li><li>• The gain or loss on the net monetary position is included in profit and loss.</li><li>• Comparative figures for prior period(s) are restated into the same current measuring unit.</li><li>• Generally an economy is hyperinflationary when the cumulative inflation rate over 3 years is approaching or exceeds 100%.</li><li>• When an economy ceases to be hyperinflationary, amounts expressed in the measuring unit current at the end of the previous reporting period become the basis for the carrying amounts in subsequent financial statements.</li></ul>

### **Interpretations**      **IFRIC 7 Applying the Restatement Approach under IAS 29**

When the economy of an entity's functional currency becomes hyperinflationary, the entity applies the requirements of IAS 29 as though the economy had always been hyperinflationary.

## IAS 31 Interests in Joint Ventures

<b>Effective date</b>	Annual periods beginning on or after 1 January 2005 (1 July 2009 for consequential amendments arising from IAS 27(2008)).
<b>Objective</b>	To prescribe the accounting treatment required for interests in joint ventures (JVs), regardless of the structure or legal form of the JV activities.
<b>Summary</b>	<ul style="list-style-type: none"><li>• Applies to all investments in which an investor has joint control except jointly controlled entities where the investor is a venture capital firm, mutual fund or unit trust, and it elects or is required to measure such investments at fair value through profit or loss under IAS 39 with certain disclosures.</li><li>• The key characteristic of a JV is a contractual arrangement to share control. JVs may be classified as jointly controlled operations, jointly controlled assets or jointly controlled entities. There are different recognition principles for each type of JV.</li><li>• Jointly controlled operations: venturer recognises the assets it controls, and expenses and liabilities it incurs, and its share of income earned, in both its separate and consolidated financial statements.</li><li>• Jointly controlled assets: venturer recognises its share of the joint assets, any liabilities that it has incurred directly, and its share of any liabilities incurred jointly with the other venturers, income from the sale or use of its share of the output of the joint venture, its share of expenses incurred by the joint venture, and expenses incurred directly in respect of its interest in the joint venture. These rules apply to both separate and consolidated financial statements.</li></ul>

- Jointly controlled entities: two accounting policy choices are permitted:
  - proportionate consolidation: under this method the venturer's statement of financial position includes its share of the assets that it controls jointly and its share of the liabilities for which it is jointly responsible. Its statement of comprehensive income includes its share of the income and expenses of the jointly controlled entity; and
  - the equity method, as described in IAS 28.
- Interests in jointly controlled entities that are classified as held for sale in accordance with IFRS 5 are accounted for in accordance with that Standard.
- Even if consolidated financial statements are not prepared (e.g. because the venturer has no subsidiaries), proportionate consolidation/equity accounting is used for jointly controlled entities. However, in the venturer's 'separate financial statements' as defined in IAS 27, interests in jointly controlled entities are accounted for either at cost or as investments under IAS 39.
- On loss of joint control, the investment is remeasured to its fair value at that date, with the gain or loss recognised in profit or loss. Thereafter, IAS 28 or IAS 39, as appropriate, is applied to the remaining holding.

## Interpretations

### SIC 13 Jointly Controlled Entities – Non-Monetary Contributions by *Venturers*

Recognition of proportionate share of gains or losses on contributions of non-monetary assets to a jointly controlled entity in exchange for an equity interest in that entity is generally appropriate.

<b>Effective date</b>	<p>Annual periods beginning on or after 1 January 2005. Disclosure provisions superseded on adoption of IFRS 7, effective 1 January 2007.</p> <p>Amendments (October 2009) dealing with classification of certain instruments (offered pro rata to all existing owners of the same class of non-derivative equity instruments) giving the right to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are effective 1 February 2010, with earlier application permitted.</p>
<b>Objective</b>	<p>To prescribe principles for classifying and presenting financial instruments as liabilities or equity, and for offsetting financial assets and liabilities.</p>
<b>Summary</b>	<ul style="list-style-type: none"><li>• Issuer's classification of an instrument either as a liability or an equity instrument:<ul style="list-style-type: none"><li>– based on substance, not form, of the instrument;</li><li>– classification is made at the time of issue and is not subsequently altered;</li><li>– an instrument is a financial liability if for instance the issuer may be obligated to deliver cash or another financial asset or the holder has a right to demand cash or another financial asset. An example is mandatorily redeemable preference shares;</li><li>– an equity instrument is an instrument that evidences a residual interest in the assets of the entity after deducting all of its liabilities; and</li><li>– interest, dividends, gains and losses relating to an instrument classified as a liability are reported as income or expense as appropriate.</li></ul></li></ul>

- Puttable instruments and instruments that impose on the entity an obligation to deliver a pro-rata share of net assets only on liquidation that (a) are subordinate to all other classes of instruments and (b) meet additional criteria, are classified as equity instruments even though they would otherwise meet the definition of a liability.
- At issue, an issuer classifies separately the debt and equity components of a single compound instrument such as convertible debt.
- A financial asset and a financial liability are offset and the net amount reported when, and only when, an entity has a legally enforceable right to set off the amounts, and intends either to settle on a net basis or simultaneously.
- Cost of treasury shares is deducted from equity, and resales of treasury shares are equity transactions.
- Costs of issuing or reacquiring equity instruments are accounted for as a deduction from equity, net of any related income tax benefit.

## Interpretations

### IFRIC 2 Members' Shares in Co-operative Entities and Similar Instruments

These are liabilities unless the co-op has the legal right not to redeem on demand.

## Useful Deloitte publication

### iGAAP 2010: Financial instruments: IAS 32, IAS 39, IFRS 7 and IFRS 9 explained

6th edition (June 2010). Guidance on how to apply these complex Standards, including illustrative examples and interpretations.

Information at

[www.iasplus.com/dttpubs/pubs.htm](http://www.iasplus.com/dttpubs/pubs.htm)

<b>Effective date</b>	Annual periods beginning on or after 1 January 2005.
<b>Objective</b>	To prescribe principles for determining and presenting earnings per share (EPS) amounts in order to improve performance comparisons between different entities in the same period and between different accounting periods for the same entity. Focus of IAS 33 is on the denominator of the EPS calculation.
<b>Summary</b>	<ul style="list-style-type: none"><li>• Applies to publicly-traded entities, entities in the process of issuing such shares, and any other entity voluntarily presenting EPS.</li><li>• An entity presents basic and diluted EPS:<ul style="list-style-type: none"><li>– for each class of ordinary share that has a different right to share in profit for the period;</li><li>– with equal prominence; and</li><li>– for all periods presented.</li></ul></li><li>• If an entity presents only a statement of comprehensive income, EPS is reported in that statement. If it presents both a statement of comprehensive income and a separate income statement, EPS is reported only in the separate income statement.</li><li>• EPS is reported for profit or loss attributable to equity holders of the parent entity, for profit or loss from continuing operations attributable to equity holders of the parent entity, and for any discontinued operations (this last item can be in the notes).</li><li>• In consolidated financial statements, EPS reflects earnings attributable to the parent's shareholders.</li><li>• Dilution is a reduction in EPS or an increase in loss per share on the assumption that convertible instruments are converted, that options or warrants are exercised, or that ordinary shares are issued when specified conditions are met.</li></ul>

- Basic EPS calculation:
  - earnings numerator: after deduction of all expenses including tax, and after deduction of non-controlling interests and preference dividends; and
  - denominator: weighted average number of shares outstanding during the period.
- Diluted EPS calculation:
  - earnings numerator: the profit for the period attributable to ordinary shares is increased by the after-tax amount of dividends and interest recognised in the period in respect of the dilutive potential ordinary shares (such as options, warrants, convertible securities and contingent insurance agreements), and adjusted for any other changes in income or expense that would result from the conversion of the dilutive potential ordinary shares;
  - denominator: adjusted for the number of shares that would be issued on the conversion of all of the dilutive potential ordinary shares into ordinary shares; and
  - anti-dilutive potential ordinary shares are excluded from the calculation.

### Interpretations

None.

## IAS 34 Interim Financial Reporting

### Effective date

Periods beginning on or after 1 January 1999.

Amendments resulting from *Improvements to IFRSs* (May 2010) clarifying the significant events and transactions to be disclosed in interim financial reports are effective 1 January 2011, with earlier application permitted.

### Objective

To prescribe the minimum content of an interim financial report and the recognition and measurement principles for an interim financial report.

## Summary

- IAS 34 applies only when an entity is required or elects to publish an interim financial report in accordance with IFRSs.
- Local regulators (not IAS 34) mandate:
  - which entities should publish interim financial reports;
  - how frequently; and
  - how soon after the end of an interim period.
- An interim financial report is a complete or condensed set of financial statements for a period shorter than an entity's full financial year.
- Minimum components of a condensed interim financial report are:
  - condensed statement of financial position;
  - condensed statement of comprehensive income presented either as a condensed single statement or a condensed separate income statement and a condensed statement of comprehensive income;
  - condensed statement of changes in equity;
  - condensed statement of cash flows; and
  - selected explanatory notes.
- Prescribes the comparative periods for which interim financial statements are required to be presented.
- Materiality is based on interim financial data, not forecasted annual amounts.
- The notes in an interim financial report provide an explanation of events and transactions significant to understanding the changes since the last annual financial statements.
- Same accounting policies as annual.
- Revenue and costs are recognised when they occur, not anticipated or deferred.
- Change in accounting policy – restate previously reported interim periods.



## Interpretations

### IFRIC 10 Interim Financial Reporting and Impairment

Where an entity has recognised an impairment loss in an interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost, that impairment is not reversed in subsequent interim financial statements nor in annual financial statements.

## Useful Deloitte publication

### Interim financial reporting: A guide to IAS 34

3rd edition (March 2009). Guidance on the requirements of the Standard, model interim financial report and compliance checklist. Available for download at

[www.iasplus.com/dttpubs/pubs.htm](http://www.iasplus.com/dttpubs/pubs.htm)

## IAS 36 Impairment of Assets

### Effective date

Applies to goodwill and intangible assets acquired in business combinations for which the agreement date is on or after 31 March 2004, and to all other assets prospectively for periods beginning on or after 31 March 2004.

Amendments resulting from *Improvements to IFRSs* (April 2009) clarify that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment as defined by IFRS 8, i.e. before the aggregation of segments with similar economic characteristics. Amendments are effective 1 January 2010, with earlier application permitted.

### Objective

To ensure that assets are carried at no more than their recoverable amount, and to prescribe how recoverable amount, impairment loss or its reversal is calculated.

## Summary

- IAS 36 applies to all assets except inventories (see IAS 2), assets arising from construction contracts (see IAS 11), deferred tax assets (see IAS 12), assets arising from employee benefits (see IAS 19), financial assets (see IAS 39 or IFRS 9), investment property measured at fair value (see IAS 40), biological assets related to agricultural activity measured at fair value less costs to sell (see IAS 41), deferred acquisition costs and intangible assets arising from insurance contracts (see IFRS 4) and non-current assets classified as held for sale (see IFRS 5).
- An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount.
- An impairment loss is recognised in profit or loss for assets carried at cost; and treated as a revaluation decrease for assets carried at revalued amount.
- Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.
- Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset, and from its disposal at the end of its useful life.
- Discount rate used to measure an asset's value in use is the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. The discount rate used does not reflect risks for which future cash flows have been adjusted and is the rate of return that investors would require if they were to choose an investment that would generate cash flows equivalent to those expected from the asset.
- At the end of each reporting period, assets are reviewed to look for any indication that an asset may be impaired. If impairment is indicated, the asset's recoverable amount is calculated.

- Goodwill and other intangibles with indefinite useful lives are tested for impairment at least annually, and recoverable amount calculated.
- If it is not possible to determine the recoverable amount for an individual asset, then the recoverable amount of the asset's cash-generating unit is determined. The impairment test for goodwill is performed at the lowest level within the entity at which goodwill is monitored for internal management purposes, provided that the unit or group of units to which goodwill is allocated is not larger than an operating segment under IFRS 8.
- Reversal of prior years' impairment losses is required in certain instances (prohibited for goodwill).

### Interpretations

Refer to IAS 34 for a summary of IFRIC 10 *Interim Financial Reporting and Impairment*.

## IAS 37 Provisions, Contingent Liabilities and Contingent Assets

### Effective date

Periods beginning on or after 1 July 1999.

### Objective

To ensure that appropriate recognition criteria and measurement bases are applied to provisions, contingent liabilities and contingent assets, and to ensure that sufficient information is disclosed in the notes to the financial statements to enable users to understand their nature, timing and amount.

### Summary

- A provision is recognised only when a past event has created a legal or constructive obligation, an outflow of resources is probable, and the amount of the obligation can be estimated reliably.
- The amount recognised as a provision is the best estimate of the settlement amount at the end of the reporting period.
- Provisions are reviewed at the end of each reporting period to adjust for changes in estimate.

- Provisions are utilised only for original purposes.
- Examples of provisions may include onerous contracts, restructuring provisions, warranties, refunds and site restoration.
- Planned future expenditure, even where authorised by the board of directors or equivalent governing body, is excluded from recognition, as are accruals for self-insured losses, general uncertainties, and other events that have not yet taken place.
- A contingent liability arises when:
  - there is a possible obligation to be confirmed by a future event that is outside the control of the entity; or
  - a present obligation may, but probably will not, require an outflow of resources; or
  - a sufficiently reliable estimate of the amount of a present obligation cannot be made (this is rare).
- Contingent liabilities require disclosure only (no recognition). If the possibility of outflow is remote, then no disclosure.
- A contingent asset arises when the inflow of economic benefits is probable, but not virtually certain, and occurrence depends on an event outside the control of the entity.
- Contingent assets require disclosure only. If the realisation of income is virtually certain, the related asset is not a contingent asset and recognition is appropriate.

## Interpretations

### IFRIC 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities

Provisions are adjusted for changes in the amount or timing of future costs and for changes in the market-based discount rate.

### **IFRIC 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Funds**

IFRIC 5 deals with the accounting, in the financial statements of the contributor, for interests in decommissioning, restoration and environmental rehabilitation funds established to fund some or all of the costs of decommissioning assets or to undertake environmental rehabilitation.

### **IFRIC 6 Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment (WE&EE)**

IFRIC 6 provides guidance on the accounting for liabilities for waste management costs. Specifically, it considers the appropriate trigger for recognition of an obligation to contribute to the costs of disposing of waste equipment based on the entity's share of the market in a measurement period. The Interpretation concludes that the event that triggers liability recognition is participation in the market during a measurement period.

## **IAS 38 Intangible Assets**

### **Effective date**

Applies to intangible assets acquired in business combinations for which the agreement date is on or after 31 March 2004, and to all other intangible assets prospectively for periods beginning on or after 31 March 2004.

Amendments resulting from *Improvements to IFRSs* (April 2009) regarding:

- accounting for intangible assets acquired in business combinations; and
- valuation techniques when measuring the fair value of intangible assets that are not traded in active markets,

are effective 1 July 2009, with earlier application permitted for the second amendment.

## Objective

To prescribe the accounting treatment for recognising, measuring and disclosing all intangible assets that are not dealt with specifically in another IFRS.

## Summary

- An intangible asset, whether purchased or self-created, is recognised if:
  - it is probable that the future economic benefits that are attributable to the asset will flow to the entity; and
  - the cost of the asset can be measured reliably.
- Additional recognition criteria for internally-generated intangible assets.
- All research costs are charged to expense when incurred.
- Development costs are capitalised only after technical and commercial feasibility of the resulting product or service have been established.
- Intangible assets, including in-process research and development, acquired in a business combination are recognised separately from goodwill if they arise as a result of contractual or legal rights, or they are separable from the business. In these circumstances the recognition criteria (probability of inflow of future economic benefits and reliable measurement – see above) are always considered to be satisfied.
- Internally-generated goodwill, brands, mastheads, publishing titles, customer lists, start-up costs unless they are included in the cost of an item of PP&E in accordance with IAS 16, training costs, advertising costs and relocation costs are never recognised as assets.
- If an intangible item does not meet both the definition and the recognition criteria for an intangible asset, expenditure on the item is recognised as an expense when it is incurred, except if the cost is incurred as part of a business combination, in which case it forms part of the amount recognised as goodwill at the acquisition date.

- An entity may recognise a prepayment asset for advertising or promotional expenditure. Recognition of an asset would be permitted up to the point at which the entity has the right to access the goods purchased or up to the point of receipt of services. Mail order catalogues specifically identified as a form of advertising and promotional activities.
- For the purpose of accounting subsequent to initial acquisition, intangible assets are classified as:
  - indefinite life: no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. (Note – ‘indefinite’ does not mean ‘infinite’); and
  - finite life: a limited period of benefit to the entity.
- Intangible assets may be accounted for using a cost model or a revaluation model (permitted only in limited circumstances – see below). Under the cost model, assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.
- If an intangible asset has a quoted market price in an active market (which is uncommon), an accounting policy choice of a revaluation model is permitted. Under the revaluation model, the asset is carried at a revalued amount, which is fair value at revaluation date less any subsequent depreciation and any subsequent impairment losses.
- The cost of an intangible asset with a finite useful life (residual value is normally zero) is amortised over that life. Impairment testing under IAS 36 is required whenever there is an indication that the carrying amount exceeds the recoverable amount of the intangible asset.

- Intangible assets with indefinite useful lives are not amortised but are tested for impairment on an annual basis. If recoverable amount is lower than the carrying amount, an impairment loss is recognised. The entity also considers whether the intangible continues to have an indefinite life.
- Under the revaluation model, revaluations are carried out regularly. All items of a given class are revalued (unless there is no active market for a particular asset). Revaluation increases are recognised in other comprehensive income and accumulated in equity. Revaluation decreases are charged first against the revaluation surplus in equity related to the specific asset, and any excess against profit or loss. When the revalued asset is disposed of, the revaluation surplus remains in equity and is not reclassified to profit or loss.
- Normally, subsequent expenditure on an intangible asset after its purchase or completion is recognised as an expense. Only rarely are the asset recognition criteria met.

## Interpretations

### SIC 32 Intangible Assets – Web Site Costs

Certain initial infrastructure development and graphic design costs incurred in web site development may be capitalised.

## IAS 39 Financial Instruments: Recognition and Measurement

### Effective date

Annual periods beginning on or after 1 January 2005, except the 2004 and 2005 revisions for the fair value option, cash flow hedge accounting of forecast intragroup transactions, and financial guarantee contracts are effective 1 January 2006.

Amendments resulted from *Improvements to IFRSs* (April 2009) regarding:

- treating loan prepayment penalties as closely related derivatives;



- scope exemption for business combination contracts;
- cash flow hedge accounting for the hedged forecast cash flow when it affects profit or loss; and
- hedging using internal contracts between segments no longer allowed.

The first three amendments are effective 1 January 2010, with earlier application permitted and the last amendment is effective from 1 January 2009, with earlier application permitted.

### Objective

To establish principles for recognising, derecognising and measuring financial assets and financial liabilities.

### Summary

- All financial assets and financial liabilities, including all derivatives and certain embedded derivatives, are recognised in the statement of financial position.
- Financial instruments are initially measured at fair value on date of acquisition or issue. This is generally the same as cost. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are recognised directly in profit or loss. In the case of financial assets and liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue are included in the cost.
- An entity has an option of recognising regular way purchases and sales of financial assets in the market place consistently either at trade date or settlement date. If settlement-date accounting is used, IAS 39 requires recognition of certain value changes between trade and settlement dates.
- For the purpose of measuring a financial asset subsequent to initial recognition, IAS 39 classifies financial assets into four categories:
  1. Loans and receivables.

2. Held-to-maturity (HTM) investments, such as debt securities and mandatorily redeemable preference shares that the entity intends and is able to hold to maturity. If an entity sells or reclassifies more than an insignificant amount of HTM investments before maturity (other than in exceptional circumstances), any remaining HTM investments are reclassified as available-for-sale (category 4 below) and any financial assets shall not be classified as held to maturity for the current and next two financial reporting periods.
  3. Financial assets measured at fair value through profit or loss, which includes those held for trading (short-term profit-taking) and any other financial asset that the entity designates (the 'fair value option'). Derivative assets are always in this category unless they are designated in an effective hedging relationship.
  4. Available-for-sale financial assets (AFS) – all financial assets that do not fall into one of the other three categories. This includes all investments in equity instruments that are not measured at fair value through profit or loss. Additionally, an entity may designate any loans and receivables as AFS.
- The use of the 'fair value option' (3 above) is restricted to those financial instruments designated on initial recognition that meet at least one of the following criteria:
    - where the fair value option eliminates an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on different bases;
    - those that are part of a group of financial assets, financial liabilities, or both that are managed, and their performance is evaluated by management on a fair value basis in accordance with a documented risk management or investment strategy; and

- those that contain one or more embedded derivatives, except if the embedded derivative does not modify significantly the associated cash flows or it is clear with little or no analysis that separation is prohibited.
- In certain circumstances, embedded derivatives must be separated from the host contract. If the fair value of the embedded derivative cannot be measured reliably, the entire hybrid contract must be designated as at fair value through profit or loss.
- Non-derivative financial assets can be reclassified out of fair value through profit or loss or AFS categories in certain circumstances except for non-derivative financial assets that have been designated at fair value through profit or loss.
- Subsequent to initial recognition:
  - all financial assets in categories 1 and 2 above are carried at amortised cost, subject to a test for impairment;
  - all financial assets in category 3 above are carried at fair value, with value changes recognised in profit or loss; and
  - all financial assets in category 4 above (AFS) are measured at fair value in the statement of financial position, with value changes recognised in other comprehensive income apart from impairment, interest recognised using the effective interest method and for monetary items, foreign exchange gains and losses. If the fair value of an AFS asset cannot be measured reliably, the asset is carried at cost subject to impairment.
- After acquisition, most financial liabilities are measured at amortised cost. The following types of financial liabilities are measured at fair value with value changes recognised in profit or loss:
  - derivative liabilities (unless designated as a hedging instrument in an effective hedge);
  - liabilities held for trading (e.g. short sales); and

- any liabilities that the entity designates, at issuance, to be measured at fair value through profit or loss (the ‘fair value option’ – see above).
- Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction. The IAS 39 fair value hierarchy is as follows:
  - the best evidence of fair value is quoted prices in an active market;
  - if not available an entity uses a valuation technique that makes maximum use of market inputs and includes recent arm’s length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, or option pricing models.
- IAS 39 establishes conditions for determining when a financial asset or liability should be removed from the statement of financial position (derecognised). Derecognition of a financial asset is not permitted to the extent to which the transferor has retained (1) substantially all risks and rewards of the transferred asset or part of the asset, or (2) control of an asset or part of an asset for which it has neither retained nor transferred substantially all risks and rewards.
- Hedge accounting (recognising the offsetting effects of both the hedging instrument and the hedged item in the same period’s profit or loss) is permitted in certain circumstances, provided that the hedging relationship is clearly designated and documented, measurable, and actually effective. IAS 39 provides for three types of hedges:
  - fair value hedge: if an entity hedges a change in fair value of a recognised asset or liability or firm commitment, the change in fair values of both the hedging instrument and the hedged item for the designated risk are recognised in profit or loss when they occur;

- cash flow hedge: if an entity hedges changes in the future cash flows relating to a recognised asset or liability or a highly probable forecast transaction that involves a party external to the entity, or a firm commitment in some cases then the change in fair value of the hedging instrument is recognised in other comprehensive income to the extent that the hedge is effective until such time as the hedged future cash flows occur; and
  - hedge of a net investment in a foreign entity: this is treated like a cash flow hedge.
- A hedge of foreign currency risk in a firm commitment may be accounted for as a fair value hedge or as a cash flow hedge.
  - The foreign currency risk of a highly probable forecast intragroup transaction is permitted to qualify as the hedged item in a cash flow hedge in the consolidated financial statements, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and the foreign currency risk will affect the consolidated profit or loss. Also, the foreign currency risk of a highly probable intragroup monetary item may qualify as a hedged item in the consolidated financial statements if it results in an exposure to foreign exchange rate gains or losses that are not fully eliminated on consolidation.
  - If the hedge of a forecast intragroup transaction qualifies for hedge accounting, any gain or loss that is recognised in other comprehensive income in accordance with the hedging rules in IAS 39 is reclassified from equity to profit or loss in the same period or periods in which the foreign currency risk of the hedged transaction affects profit or loss.
  - A portfolio hedge of interest rate risk (hedging an amount rather than a specific asset or liability) can qualify as a fair value hedge if specified conditions are met.

### IFRIC 9 Reassessment of Embedded Derivatives

Generally, determination as to whether to account for an embedded derivative separately from the host contract is made when the entity first becomes a party to the contract, and is not subsequently reassessed.

A first-time adopter of IFRSs makes its assessment based on conditions existing at a later of the date it first becomes a party to the contract and the date a reassessment is required (see below), not when it adopts IFRSs.

An entity only revisits its assessment if the terms of the contract change, and the expected future cash flows of the embedded derivative, the host contract, or both, change significantly relative to the previously expected cash flows on the contract.

On reclassification of a financial asset out of the fair value through profit and loss category (as permitted by IAS 39, see above), the instrument reclassified must be reassessed for separation of embedded derivatives.

Amended in April 2009 (*Improvements to IFRSs*) to confirm that, in addition to business combinations, derivatives in contracts acquired in the formation of a joint venture or in a combination of entities under common control are outside the scope of IFRIC 9.

### IFRIC 16 Hedges of a Net Investment in a Foreign Operation

The presentation currency does not create an exposure to which an entity may apply hedge accounting. Consequently, a parent entity may designate as a hedged risk only the foreign exchange differences arising from a difference between its own functional currency and that of its foreign operation.

The hedging instrument(s) for the hedge of a net investment in a foreign operation may be held by any entity or entities within the group as long as the designation, effectiveness and documentation requirements for a hedge of a net investment are satisfied.

The April 2009 amendments (*Improvements to IFRSs*) removed the previous restriction that prevented the hedging instrument from being held by the foreign operation being hedged.

On derecognition of a foreign operation, IAS 39 must be applied to determine the amount that needs to be reclassified to profit or loss from the foreign currency translation reserve in respect of the hedging instrument, while IAS 21 must be applied in respect of the hedged item.

### **IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments**

A borrower may enter into an agreement with a lender to issue equity instruments to the lender in order to extinguish a financial liability owed to the lender.

The issue of equity instruments to extinguish all or part of a financial liability constitutes consideration paid. An entity shall measure the equity instruments issued as extinguishment of the financial liability at their fair value on the date of extinguishment of the liability, unless that fair value is not reliably measurable. (In this case the equity instruments should be measured to reflect the fair value of the liability extinguished.)

Any difference between the carrying amount of the liability (or the part of the liability) extinguished and the fair value of equity instruments issued is recognised in profit or loss. When consideration is partly allocated to the portion of a liability which remains outstanding (i.e., when the entity determines that part of the consideration relates to modification of the remaining liability), the part allocated to this portion forms part of the assessment as to whether there has been an extinguishment or a modification of that portion of the liability. If the remaining liability has been substantially modified, the entity should account for the modification as the extinguishment of the original liability and the recognition of a new liability as required by IAS 39.

## IAS 39 guidance

Implementation guidance is provided in the IASB's annual bound volume of IFRSs.

## Useful Deloitte publication

**iGAAP 2010: Financial instruments: IAS 32, IAS 39 and IFRS 7 explained**

6th edition (June 2010). Guidance on how to apply these complex Standards, including illustrative examples and interpretations.

Information at

[www.iasplus.com/dttpubs/pubs.htm](http://www.iasplus.com/dttpubs/pubs.htm)

## IAS 40 Investment Property

### Effective date

Annual periods beginning on or after 1 January 2005.

### Objective

To prescribe the accounting treatment for investment property and related disclosures.

### Summary

- Investment property is land or buildings or a part of a building or both held (whether by the owner or by a lessee under a finance lease) to earn rentals or for capital appreciation or both.
- IAS 40 does not apply to owner-occupied property or property that is being constructed or developed on behalf of third parties or property held for sale in the ordinary course of business, or property that is leased to another entity under a finance lease.
- Mixed-use property (partly used by the owner and partly held for rental or appreciation) must be split with components accounted for separately if these portions could sold separately.
- An investment property is measured initially at cost. Transaction costs are included in the initial measurement.
- An entity chooses either the fair value model or the cost model after initial recognition;
  - fair value model: investment property is measured at fair value, and changes in fair value are recognised in profit or loss; or



- cost model: investment property is measured at depreciated cost less any accumulated impairment losses unless it is classified as a non-current asset held for sale under IFRS 5. Fair value of the investment property is disclosed.
- The chosen measurement model is applied to all of the entity's investment property.
- If an entity uses the fair value model but, when a particular property is acquired, there is clear evidence that the entity will not be able to determine fair value on a continuing basis, the cost model is used for that property – and it must continue to be used until disposal of the property.
- Change from one model to the other is permitted if it will result in a more appropriate presentation (highly unlikely for change from fair value to cost model).
- A property interest held by a lessee under an operating lease can qualify as investment property provided that the lessee uses the fair value model of IAS 40. In this case, the lessee accounts for the lease as if it were a finance lease.

### Interpretations

None.

## IAS 41 Agriculture

### Effective date

Periods beginning on or after 1 January 2003.

### Objective

To prescribe accounting for agricultural activity – the management of the biological transformation of biological assets (living plants and animals) into agricultural produce.

### Summary

- All biological assets are measured at fair value less costs to sell, unless fair value cannot be measured reliably.

- Agricultural produce is measured at fair value less costs to sell at the point of harvest. Because harvested produce is a marketable commodity, there is no 'measurement reliability' exception for produce.
- Any change in the fair value of biological assets during a period is reported in profit or loss.
- Exception to fair value model for biological assets: if there is no active market at the time of recognition in the financial statements, and no other reliable measurement method, then the cost model is used for the specific biological asset only. The biological asset is measured at depreciated cost less any accumulated impairment losses.
- Quoted market price in an active market generally represents the best measure of the fair value of a biological asset or agricultural produce. If an active market does not exist, IAS 41 provides guidance for choosing one of other market-determined prices or values.
- If such market-determined prices or values is not available the present value of expected net discounted cash flows is used in determining fair value. Additional biological transformations are taken into consideration when calculating the fair value.
- Fair value measurement stops at harvest. IAS 2 applies after harvest.

### Interpretations

None.

## IFRIC 12 Service Concession Arrangements

Note: This Interpretation draws from several Standards and is included separately due to its complexity and significance.

<b>Effective date</b>	Periods beginning on or after 1 January 2008.
<b>Objective</b>	To address the accounting by private sector operators involved in the provision of public sector infrastructure assets and services. The Interpretation does not address the accounting for the government (grantor) side of such arrangements.
<b>Summary</b>	<ul style="list-style-type: none"><li>• For all arrangements falling within the scope of the Interpretation (essentially those where the infrastructure assets are not controlled by the operator), the infrastructure assets are not recognised as property, plant and equipment of the operator. Rather, depending on the terms of the arrangement, the operator recognises:<ul style="list-style-type: none"><li>– a financial asset – where the operator has an unconditional right to receive a specified amount of cash or other financial asset over the life of the arrangement; or</li><li>– an intangible asset – where the operator’s future cash flows are not specified (e.g. where they will vary according to usage of the infrastructure asset); or</li><li>– both a financial asset and an intangible asset where the operator’s return is provided partially by a financial asset and partially by an intangible asset.</li></ul></li></ul>
<b>Other interpretations</b>	<b>SIC 29 Service Concession Arrangements: Disclosures</b>  Disclosure requirements for service concession arrangements.

**Useful Deloitte  
publication**

**IFRIC 12 Service concession arrangements –  
A pocket practical guide**

Illustrative tool in the application of IFRIC 12, providing analysis of the requirements of IFRIC 12 and practical guidance with examples that address some of the more complex issues around service concession arrangements.

Available for download at  
[www.iasplus.com/dttpubs/pubs.htm](http://www.iasplus.com/dttpubs/pubs.htm)

**IFRIC 17 Distributions of Non-cash Assets to Owners**

Note: This Interpretation draws from several Standards and is included separately due to its complexity and significance.

**Effective date**

Annual periods beginning on or after 1 July 2009.

**Objective**

To address the accounting when non-cash assets are distributed to owners.

**Summary**

- A dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity.
- An entity should measure the non-cash dividend payable at the fair value of the assets to be distributed. The liability should be remeasured at each reporting date with changes recognised directly in equity.
- The difference between the dividend paid and the carrying amount of the assets distributed should be recognised in profit or loss.

# Current IASB agenda projects

Our [www.iasplus.com](http://www.iasplus.com) website has the latest information about the IASB and IFRS Interpretations Committee agenda projects and research topics, including summaries of decisions reached at each IASB and IFRS Interpretations Committee meeting.

The following is a summary of the IASB's agenda projects at 31 May 2011.

\* Convergence or joint project with FASB

Topic	Project	Status
Annual improvements	Minor amendments to IFRSs: 2009-2011	ED expected second quarter 2011
Common control transactions	Addresses the accounting for combinations between entities or businesses under common control in the acquirer's consolidated and separate financial statements.	The IASB will consider whether to restart the project when it considers its future agenda in 2011
Conceptual Framework*	The project is being addressed in eight phases:	
	A Objectives and qualitative characteristics	Final Phase A chapters published September 2010
	B Elements and recognition	Not considered until after June 2011
	C Measurement	Not considered until after June 2011
	D Reporting entity	ED issued March 2010. Not considered until after June 2011
	E Presentation and disclosure	IASB has not yet determined timing of other phases
	F Purpose and status of framework	
	G Applicability to not-for-profit entities	
	H Other issues, if necessary	

Topic	Project	Status
Consolidation, including special purpose entities*	The objective of the project is to provide more rigorous guidance on the concept of 'control' as the basis for preparing consolidated financial statements.	Final IFRS issued in second quarter 2011 (a)
Consolidation – Investment company*	The objective is to define an investment entity and require accounting treatments for investments held by an investment entity	ED expected second quarter 2011
Consolidation - Disclosures	Disclosure of interests in other entities	Final IFRS issued in second quarter 2011 (a)
Derecognition*	The revision of conflicting aspects of IAS 39's guidance on derecognition.	Amendments to IFRS 7 on improved disclosures about derecognition issued in October 2010  Final financial instruments standard reflecting balance sheet offsetting (netting) of derivatives planned for second half 2011  The IASB will consider whether to restart the project when it considers its future agenda in 2011
Discontinued Operations and Non-current Assets Held for Sale*	The goal of this project is to improve the definition of, and disclosures about, a discontinued operation in IFRS 5.	ED issued September 2008, IASB will discuss late 2011
Earnings per Share	Amendment of IAS 33 re treasury stock method and several other issues.	ED issued August 2008  The IASB will consider whether to restart the project when it considers its future agenda in 2011

Topic	Project	Status
Emission trading schemes*	Addresses the accounting for emission trading rights, including any government grants associated with such rights but will not address government grants more generally.	The IASB will consider whether to restart the project when it considers its future agenda in 2011
Fair value measurement guidance*	To provide guidance to entities on how they should measure the fair value of assets and liabilities when required by other Standards.	Final IFRS issued in second quarter 2011 (a)
Financial instruments: comprehensive project*	The review of IAS 39 focuses on improving, simplifying, and ultimately replacing the standard with IFRS 9 in multiple steps.	<p>Classification and Measurement of Financial Assets – Final IFRS issued in November 2009</p> <p>Classification and Measurement of Financial Liabilities- Final IFRS issued in October 2010</p> <p>Impairment and Provisioning – Final IFRS expected second half 2011</p> <p>Hedge Accounting- Final IFRS expected second half 2011</p> <p>Asset and Liability Offsetting – Final IFRS expected second half 2011</p> <p>Final comprehensive IFRS expected second half 2011</p>
Financial instruments with characteristics of equity*	This project addresses the distinction between liabilities and equity.	The IASB will consider whether to restart the project when it considers its future agenda in 2011

Topic	Project	Status
Financial statement presentation (performance reporting)*	<p>Phase A: Presentation of Financial statements</p> <p>Phase B</p> <p>1. Statement of comprehensive income</p> <p>2. Replacement of IAS 1 and IAS 7</p>	<p>IAS 1 issued in September 2007</p> <p>Amendment to IAS 1 (OCI presentation) expected second quarter 2011</p> <p>The IASB will consider whether to restart the project when it considers its future agenda in 2011</p>
Government grants*	The objective of this project is to improve IAS 20.	<p>Work has been deferred pending completion of the revenue recognition and emissions trading schemes projects</p> <p>The IASB will consider whether to restart the project when it considers its future agenda in 2011</p>
Income taxes*	Aimed at reducing the differences between IAS 12 <i>Income Taxes</i> and the US standard, SFAS 109 <i>Accounting for Income Taxes</i> .	<p>ED issued March 2009</p> <p>Limited amendments on recovery of underlying assets issued in December 2010</p> <p>The IASB will consider whether to restart the project when it considers its future agenda in 2011</p>
Insurance contracts* Phase II	The objective of the project is to develop a comprehensive standard on accounting for insurance contracts.	Final IFRS expected second half 2011



Topic	Project	Status
Joint ventures*	Replacement of IAS 31 <i>Interests in Joint Ventures</i> with a Standard that reduces options and focuses on underlying rights and obligations.	Final IFRS issued in second quarter 2011 (a)
Leases*	The objective of the project is to improve the accounting for leases by developing an approach that is more consistent with the conceptual framework definitions of assets and liabilities.	Final IFRS expected second half 2011
Liabilities* (IAS 37 replacement)	The objective of the project is to improve the requirements relating to identification, recognition and measurement of liabilities.	ED was issued in June 2005  Another ED (dealing with some measurement issues) issued in January 2010  The IASB will consider whether to restart the project when it considers its future agenda in 2011
Post-employment benefits (including pensions)*	The project includes: <ul style="list-style-type: none"> <li>• a targeted series of improvements to IAS 19 to be completed within a four year period; and</li> <li>• a comprehensive review of the existing pension accounting model in conjunction with FASB.</li> </ul>	Amendment to IAS 19 eliminating the 'corridor' method expected second quarter 2011
Rate-regulated activities	The main objective is to address whether rate-regulated entities could or should recognise a liability (or an asset) as a result of rate regulation by regulatory bodies or governments.	ED issued in July 2009  The IASB will consider whether to restart the project when it considers its future agenda in 2011

Topic	Project	Status
Revenue recognition*	The objective of the project is to develop general principles for determining when revenue should be recognised in the financial statements.	Final IFRS expected second half 2011
Post-employment benefits – Termination benefits	The objective of the project is to clarify the difference in accounting treatment between employees that leave service voluntarily and those where employment is terminated by the entity.	Amendments to IAS 19 expected second quarter 2011

(a) Final standards were issued in May 2011. See below.

## Publishes in May 2011

On 12 May 2011, the IASB published its “package of five” new and revised standards addressing the accounting for consolidation, involvements in joint arrangements and disclosure of involvements with other entities.

IFRS 10 *Consolidated Financial Statements* replaces the consolidation guidance in IAS 27 *Consolidated and Separate Financial Statements* (2008) and SIC-12 *Consolidation – Special Purpose Entities* by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e., whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in special purpose entities). Under IFRS 10, control is based on whether an investor has 1) power over the investee; 2) exposure, or rights, to variable returns from its involvement with the investee; and 3) the ability to use its power over the investee to affect the amount of the returns.

IFRS 11 *Joint Arrangements* introduces new accounting requirements for joint arrangements, replacing IAS 31 *Interests in Joint Ventures*. The option to apply the proportional consolidation method when accounting for jointly controlled entities is removed. Additionally, IFRS 11 eliminates jointly controlled assets to now only differentiate between joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets.

IFRS 12 *Disclosures of Involvement with Other Entities* requires enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement. The objective of IFRS 12 is to require information so that financial statement users may evaluate the basis of control, any restrictions on consolidated assets and liabilities, risk exposures arising from involvements with unconsolidated structured entities and non-controlling interest holders' involvement in the activities of consolidated entities.

IAS 27 *Separate Financial Statements* (2011) keeps the requirements relating to separate financial statements unchanged that are included in IAS 27(2008). The other portions of IAS 27(2008) are replaced by IFRS 10.

IAS 28 *Investments in Associates and Joint Ventures* (2011) amended IAS 28 *Investments in Associates* (2008) to conform changes based on the issuance of IFRS 10, IFRS 11 and IFRS 12.

Each of the five standards have an effective date for annual periods beginning on or after 1 January 2013, with earlier application permitted so long as each of the other standards in the 'package of five' are also early applied. However, entities are permitted to incorporate any of the disclosure requirements in IFRS 12 into their financial statements without technically early applying the provisions of IFRS 12 (and thereby each of the other four standards).

On 12 May 2011, the IASB also issued IFRS 13 *Fair Value Measurement* which replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. IFRS 13 defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value. IFRS 13 is effective for annual periods beginning on or after 1 January 2013 with early application permitted.

## **Post-implementation reviews**

The IASB expressed a commitment to perform post-implementation reviews of all new IFRSs and major amendments. A post-implementation review is expected to be conducted two years after the new requirements have been implemented to review the important issues that had been identified as contentious during the development of the pronouncement and consider any unexpected costs or implementation problems that have been encountered. The first two IFRSs or amendments for which the IASB is scheduled to begin post-implementation reviews are IFRS 8 and Business Combinations: Phase II (the revised IFRS 3(2008) and the amended IAS 27(2008)), which are scheduled to commence in 2011 and 2012, respectively.

# IASB active research topics

\* Convergence or joint research topic with FASB

Topic	Status
Intangible assets*	<ul style="list-style-type: none"><li>• To develop a consistent approach to recognition and measurement of intangible assets, including purchased and internally generated intangible assets not related to a business combination.</li><li>• Staff research paper being developed.</li><li>• Decision in December 2007 not to add this project to the agenda but to continue as a research project.</li><li>• The IASB will consider whether to restart the project when it considers its future agenda in 2011.</li></ul>
Extractive activities	<ul style="list-style-type: none"><li>• To focus on the factors influencing the estimation of reserves and resources and the major reserve reporting codes and classification systems used in the extractive industries.</li><li>• Discussion paper was published in April 2010.</li><li>• The IASB will consider whether to restart the project when it considers its future agenda in 2011.</li></ul>

## Management commentary

In December 2010 the IASB issued the IFRS Practice Statement Management Commentary. The Practice Statement provides a broad, non-binding framework for the presentation of management commentary that relates to financial statements prepared in accordance with IFRS. The Practice Statement is not an IFRS. Consequently, entities are not required to comply with the Practice Statement, unless specifically required by their jurisdiction.

## IFRS Foundation project

Topic	Status
IFRS XBRL Taxonomy	<ul style="list-style-type: none"><li>• Refer to <a href="http://www.iasb.org/XBRL/XBRL.htm">http://www.iasb.org/XBRL/XBRL.htm</a></li></ul>

# Interpretations

Interpretations of IASs and IFRSs are developed by the IFRS Interpretations Committee, which replaced the Standing Interpretations Committee (SIC) in 2002. Interpretations are part of IASB's authoritative literature. Therefore, financial statements may not be described as complying with International Financial Reporting Standards unless they comply with all the requirements of each applicable Standard and each applicable Interpretation.

## Interpretations

The following Interpretations have been issued by the IFRS Interpretations Committee starting in 2004 through 31 March 2011.

- IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*
- IFRIC 2 *Members' Shares in Co-operative Entities and Similar Instruments*
- IFRIC 3 – withdrawn
- IFRIC 4 *Determining whether an Arrangement contains a Lease*
- IFRIC 5 *Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*
- IFRIC 6 *Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment*
- IFRIC 7 *Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies*
- IFRIC 8 – withdrawn
- IFRIC 9 – withdrawn
- IFRIC 10 *Interim Financial Reporting and Impairment*
- IFRIC 11 – withdrawn
- IFRIC 12 *Service Concession Arrangements*
- IFRIC 13 *Customer Loyalty Programmes*
- IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*
- IFRIC 15 *Agreements for the Construction of Real Estate*
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*
- IFRIC 17 *Distributions of Non-cash Assets to Owners*
- IFRIC 18 *Transfers of Assets from Customers*
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*

## SIC Interpretations

The following Interpretations, issued by the Standing Interpretations Committee (SIC) from 1997-2001, remain in effect. All other SIC Interpretations have been superseded by amendments to IASs or new IFRSs issued by the IASB:

- SIC 7 *Introduction of the Euro*
- SIC 10 *Government Assistance – No Specific Relation to Operating Activities*
- SIC 12 *Consolidation – Special Purpose Entities*
- SIC 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*
- SIC 15 *Operating Leases – Incentives*
- SIC 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets*
- SIC 25 *Income Taxes – Changes in the Tax Status of an Entity or its Shareholders*
- SIC 27 *Evaluating the Substance of Transactions in the Legal Form of a Lease*
- SIC 29 *Service Concession Arrangements: Disclosures*
- SIC 31 *Revenue – Barter Transactions Involving Advertising Services*
- SIC 32 *Intangible Assets – Web Site Costs*

## Items not added to IFRS Interpretations Committee agenda

We maintain on [www.iasplus.com](http://www.iasplus.com) a list of issues that the IFRS Interpretations Committee (formerly known as IFRIC) considered adding to its agenda but decided not to do so. In each case, the Committee announces its reason for not taking the issue onto its agenda. By their nature, those announcements provide helpful guidance in applying IFRSs. You will find the list at [www.iasplus.com/ifric/notadded.htm](http://www.iasplus.com/ifric/notadded.htm)

## Due process for Interpretations Committee

In February 2007, the Trustees of the IASC Foundation (now known as IFRS Foundation) published the Due Process Handbook for the International Financial Reporting Interpretations Committee (IFRIC) (now renamed the IFRS Interpretations Committee). A copy may be downloaded from the IASB's website [www.ifrs.org](http://www.ifrs.org).

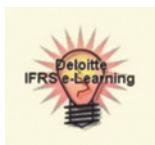
The IFRS Interpretations Committee approves draft and final Interpretations if not more than four of the fourteen members vote against. Final Interpretations must then be approved by the IASB (at least nine votes in favour).

# IFRS Interpretation Committee current agenda issues

The following is a summary of the IFRS Interpretation Committee's agenda projects at 31 May 2011.

Standard	Topic	Status
IAS 16	Accounting for production stripping costs	Draft interpretation issued in January 2010
	Accounting for the contingent pricing of property, plant and equipment and intangible assets	Tentatively added to the agenda
IAS 32	Accounting for put options written over non-controlling interests	Active

# Deloitte IFRS e-learning



Deloitte is pleased to make available, in the public interest and without charge, our e-learning training materials for IFRSs. Modules are available for virtually all IASs/IFRSs. They are kept up to date regularly.

Each module involves downloading a 4mb to 6mb zip file and extracting the enclosed files and directory structure into a directory on your computer.

Before downloading, you will be asked to read and accept a disclaimer notice. The e-learning modules may be used and distributed freely by those registering with the site, without alteration from the original form and subject to the terms of the Deloitte copyright over the material.

To download, go to [www.iasplus.com](http://www.iasplus.com) and click on the light bulb icon on the home page.



# Some other Deloitte IFRS resources

Model IFRS financial statements, IFRS presentation and disclosure checklists, and IFRS compliance checklists are available in English and a number of other languages here: [www.iasplus.com/fs/fs.htm](http://www.iasplus.com/fs/fs.htm)

This *IFRSs in your pocket guide* is available in a number of languages here: [www.iasplus.com/dtppubs/pubs.htm#pocket](http://www.iasplus.com/dtppubs/pubs.htm#pocket)

You will find Deloitte IFRS resources in the Spanish language here: [www.iasplus.com/espanol/espanol.htm](http://www.iasplus.com/espanol/espanol.htm)

Deloitte resources relating to first-time adoption of IFRSs are here: [www.iasplus.com/new/firsttime.htm](http://www.iasplus.com/new/firsttime.htm)

Deloitte iGAAP books (*Guide to IFRS Reporting and iGAAP Financial Instruments: IAS 32, IAS 39, IFRS 7 and IFRS 9 Explained*) are available from Lexis-Nexis: <http://www1.lexisnexis.co.uk/deloitte/>

Deloitte IFRS University Consortium: set up by Deloitte to accelerate the integration of IFRS into school curriculums through the supply of course materials and case studies, guidance and financial support: <http://www.deloitte.com/us/ifrs/consortium>

# Website addresses

## Deloitte Touche Tohmatsu

[www.deloitte.com](http://www.deloitte.com)

[www.iasplus.com](http://www.iasplus.com)

## IASB

[www.ifrs.org](http://www.ifrs.org)

## Some national standard-setting bodies

Australian Accounting Standards Board	<a href="http://www.aasb.com.au">www.aasb.com.au</a>
Canadian Accounting Standards Board	<a href="http://www.acsbcanda.org">www.acsbcanda.org</a>
China Accounting Standards Committee	<a href="http://www.casc.gov.cn">www.casc.gov.cn</a>
Autorit des Normes Comptables (France)	<a href="http://www.anc.gouv.fr">www.anc.gouv.fr</a>
German Accounting Standards Board	<a href="http://www.drsc.de">www.drsc.de</a>
Accounting Standards Board of Japan	<a href="http://www.asb.or.jp">www.asb.or.jp</a>
Korea Accounting Standards Board	<a href="http://eng.kasb.or.kr">http://eng.kasb.or.kr</a>
New Zealand Financial Reporting Standards Board and New Zealand Accounting Standards Review Board	<a href="http://www.nzica.com">www.nzica.com</a> <a href="http://www.asrb.co.nz">www.asrb.co.nz</a>
Accounting Standards Board (United Kingdom)	<a href="http://www.frc.org.uk/asb/">www.frc.org.uk/asb/</a>
Financial Accounting Standards Board (USA)	<a href="http://www.fasb.org">www.fasb.org</a>

## International Auditing and Assurance Standards Board

[www.ifac.org/iaasb](http://www.ifac.org/iaasb)

## International Federation of Accountants

[www.ifac.org](http://www.ifac.org)

## International Organization of Securities Commissions

[www.iosco.org](http://www.iosco.org)

Our IAS Plus website has a page with links to nearly 200 accounting-related websites: [www.iasplus.com/links/links.htm](http://www.iasplus.com/links/links.htm)

# Subscribe to our *IFRS in Focus* newsletter

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Electronic editions of the *IFRS in Focus* newsletter are available at [www.iasplus.com/iasplus/iasplus.htm](http://www.iasplus.com/iasplus/iasplus.htm)

We also offer alerts via our RSS feed – subscribe on the IAS Plus website home page.

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# Deloitte IFRS resources

In addition to this publication, Deloitte Touche Tohmatsu has a range of tools and publications to assist in implementing and reporting under IFRSs. These include:

<b>www.iasplus.com</b>	Updated daily, <a href="http://iasplus.com">iasplus.com</a> is your one-stop shop for information related to IFRSs.
Deloitte's IFRS e-Learning modules	e-Learning IFRS training materials, one module for each IAS and IFRS and the Framework, with self-tests, available without charge at <b>www.iasplus.com</b>
IAS in Focus newsletter	Newsletter at the time of release of new and revised Standards and Interpretations, EDs and discussion documents, including summaries of the documents and consideration of the principal amendments/proposals. To subscribe, visit <b>www.iasplus.com</b>
IFRS on Point newsletter	Monthly newsletter on critical IFRS financial reporting developments.
Presentation and disclosure checklist	Checklist incorporating all of the presentation and disclosure requirements of Standards.
Model financial statements	Model financial statements illustrating the presentation and disclosure requirements of IFRSs.
iGAAP 2010 Financial instruments: IAS 32, IAS 39, IFRS 7 and IFRS 9 explained	Sixth edition. Guidance on how to apply these complex Standards, including illustrative examples and interpretations.
First-time adoption: A guide to IFRS 1	Second edition. Application guidance for the standard effective in 2005.
Business combinations and changes in ownership interests: A guide to IFRS 3 and IAS 27	Supplements the IASB's own guidance for applying IFRS 3 and related requirements of IAS 27.

Assets held for sale  
and discontinued  
operations:  
A guide to IFRS 5

Detailed summaries and explanations of the requirements of the Standard, including examples of application and discussion of evolving literature.

Interim financial  
reporting:  
A guide to IAS 34

Guidance on applying the interim reporting standard, including a model interim financial report and an IAS 34 compliance checklist.

Service concession  
arrangements:  
A guide to IFRIC 12

Guidance on applying the Standard and practical guidance with examples that address some of the more complex issues around service concession arrangements.

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