

Monthly roundup - January 2013

Staying on top of developments

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Monthly highlights

EFRAG concerns on Hedge Accounting proposals

The European Financial Reporting Advisory Group (EFRAG) has issued its [comments](#) (PDF) on the IFRS 9 'Hedge Accounting Review Draft' released by the International Accounting Standards Board (IASB) in September 2012. EFRAG's comments reflect the results of field-test of the review draft conducted by EFRAG involving 44 companies across various industry sectors. Main concerns identified by the EFRAG include:

- **Implementation Issues:** The results identify significant implementation issues that still exist in such areas as the use of net positions, the tensions between economic hedges and hedge accounting, the treatment of basis risk in cross currency interest rate swaps, the own use exception and the treatment of time value and forward points
- **Effect analysis:** The EFRAG expressed concern that there are a series of common hedging strategies for which hedge accounting is not permitted and recommends the IASB explain more clearly in its 'effects analysis' documentation the reasons behind the exclusions policies it has adopted in developing the new requirements. The issues relate to the application of hedge accounting to a net position with foreign currency risk, the treatment of credit risk and the sub-LIBOR issue
- **Macro-hedging:** EFRAG holds that transition from IAS 39 *Financial Instruments: Recognition and Measurement* to IFRS 9 *Financial Instruments* for macro-hedging practices should be in one go, rather than piecemeal. It is of view that IAS 39 requirements applicable to macro-hedging should remain applicable in their entirety – cash-flow macro-hedging included – until the IASB completes its now separate project on macro-hedging, so that macro-hedging of open portfolios practices are not subject to successive changes from current practice.

EFRAG submitted a separate [draft comment letter](#) (PDF) on this issue. It recommends the need to modify the wording of paragraph 71 of IAS 39 to allow a broader range of hedges to be accounted for under what remains of IAS 39, and any related implementation guidance should be maintained accordingly to achieve this objective.

EFRAG is undertaking a supplementary short consultation with European stakeholders on the macro-hedging issue, and further findings and recommendations will be made to the IASB in March 2013. For further information refer [21 Jan](#) and [22 Jan](#) articles on IAS Plus.

Identifying whether a "business" is involved in a transaction

It has become increasingly significant to identify whether an entity (or group of assets and liabilities) involved in a transaction would meet the definition of a business. As the IASB finalises a number of open positions, this judgment will continue to increase in importance. The assessment of whether a business is present for accounting purposes will affect

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- whether reverse acquisition accounting can be applied when backing into a listed shell ([IFRIC agenda decision](#))
- the amount of gain or loss recognised in transactions between an investor and its associates or joint ventures ([ED 2012/6](#))
- how the acquisition of an interest in a joint venture is accounted for ([ED 2012/7](#))
- the determination of whether a purchase of an investment property will be treated as the acquisition of a stand-alone asset or as a business combination ([ED 2012/2](#)).

We strongly recommend that when a transaction is entered into, entities carefully consider whether there is a "business" involved, using the guidance in AASB 3 *Business Combinations* as a reference.

New pronouncements

(A listing of new accounting standards, interpretations, exposure drafts, discussion papers and similar documents issued during the month by the AASB and IASB/IFRIC, along with other IFRS-related documents by other bodies that may be of interest and related links to Deloitte publications and alerts.)

International Accounting Standards Board (IASB)

Pronouncement	Key dates	More information
<p>Exposure Draft ED/2013/1 <i>Recoverable Amount Disclosures for Non-Financial Assets (Proposed amendments to IAS 36)</i></p> <p>Proposes to narrow the application of the requirement to disclose the recoverable amount of an asset</p> <p>Clarify the disclosures when an asset has been impaired.</p>	<p>Comments due by 19 March 2013</p>	<p>IAS Plus article</p> <p>ED 2013/1 (PDF 143kb)</p>

Australian Accounting Standards Board (AASB)

Pronouncement	Key dates	More information
<p>Exposure Draft ED 235 <i>Recoverable Amount Disclosures for Non-Financial Assets (Proposed amendments to AASB 136)</i></p> <p>Incorporates IASB ED/2013/1, discussed above</p>	<p>Comments to the AASB due by 28 February 2013 and to the IASB by 19 March 2013</p>	<p>ED 235 (PDF 248kb)</p>

Standard setter meetings

(A listing of meetings of various standard setters during the month or where documents were issued during the month in respect of the previous month's meetings, with links to our analysis, agenda papers and so on)

Meeting	Highlights	More information
<p>IFRIC regular meeting 22-23 January 2013</p>	<p>Key issues discussed include:</p> <ul style="list-style-type: none"> • IFRS 3 <i>Business Combinations</i> — Continuing employment • IAS 27 <i>Separate Financial Statements</i> — Non-cash acquisition of non-controlling interest • IAS 28 <i>Investments in Associates and Joint Ventures</i> — Impairment of investments in associates in separate financial 	<p>Deloitte observer notes</p> <p>IFRIC update(PDF)</p> <p>IFRIC webcast(mp3)</p>

- statements
- IAS 39 *Financial Instruments: Recognition and Measurement* —
 - Negative interest rates
 - Recognition and Measurement — Novation of derivatives under EMIR legislation
 - IAS 19 *Employee Benefits* —
 - Measurement of the net DBO for post employee benefit plans with employee contributions
 - Determination of discount rate
 - IAS 10 *Events after the Reporting Period* — Reissue of financial statements
 - IAS 40 *Investment Property* — Accounting for a structure that appears to lack the physical characteristics of a building
 - IFRS 2 *Share-based Payment* — Timing of the recognition of intercompany recharges
 - IAS 32 *Financial Instruments: Presentation* — Put options written over non-controlling interests
 - IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and IFRIC 6 *Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment* — IFRIC Interpretation X Levies
 - IFRS 7 *Financial Instruments: Disclosures* — Whether the transfers of financial assets disclosure requirements apply to servicing rights/obligations
 - IAS 28 *Investments in Associates and Joint Ventures* and IFRS 3 *Business Combinations* — Associates and common control
 - IAS 7 *Statement of Cash Flows* — Identification of cash equivalents

IASB regular meeting 29-31 January 2013 Topics discussed were as follows (click on the links for direct access to the Deloitte observer notes for that topic):

[Deloitte Observer notes](#)

- [Financial instruments — Hedge accounting](#)
- [Matters arising from the IFRS Interpretations Committee](#)
- [Revenue recognition](#)
- [Leases](#)
- [Integrated reporting — Overview and update of IASB activities](#)
- [Post-implementation review — IFRS 8 Operating Segments](#)

[IASB update](#)(PDF)

IFRS publications

- [IFRS on Point — IFRS Accounting Developments and Information: December 2012](#)(PDF) highlights the month's important IFRS developments and information
- [IASB Project Insights](#) provide a quick overview of the current status of the key projects of the IASB. New updates posted in January 2013: [Insurance contracts](#)
- [The Bruce Column 'Uncertain weather ahead'](#) takes a look at a new report on 'The Future of IFRS', and assesses the prospects for the year ahead.

Other publications

- ['Third Global IFRS Banking Survey – Still far from land?'](#) highlights the views of 70 of the world's major banking groups and global systemically important financial institutions (G-SIFIs) on accounting change ([IAS Plus article](#)).

Deloitte comment letters

- [Deloitte comment letter](#) on IFRS Interpretations Committee tentative agenda decision on the valuation of biological assets
- [Deloitte comment letter](#) on IFRS Interpretations Committee tentative agenda decision on reverse acquisitions
- [Deloitte comment letter](#) on the Discussion Paper '*Towards a Disclosure Framework for the Notes*' issued by the European Financial Reporting Advisory Group (EFRAG), Autorité des Normes Comptables (ANC) and the UK Accounting Standards Board (ASB).

Other developments

(A brief listing of other financial reporting developments during the month. A full summary of all IFRS-related developments can be found in our [January historical summary on IAS Plus](#). You can also subscribe to our [Deloitte IAS Plus RSS feed](#) to be kept informed of developments as they happen)

International Accounting Standards Board

- The International Accounting Standards Board (IASB) has released highlights of a survey aimed at assisting the IASB to gain a clearer picture on the perceived "disclosure problem" ([media release](#))
- [IASB Investor spotlight](#) '*Potential changes to lessee accounting*' summarises the proposed changes based on developments in the IASB lease project.

Other global news

- Recent draft comment letters issued by the European Financial Reporting Advisory Group (EFRAG):
 - [draft comment letter](#) (PDF) on the IASB's Exposure Draft ED/2012/4 'Classification and Measurement: Limited Amendments to IFRS 9 (proposed amendments to IFRS 9 (2010))' ([IAS Plus article](#))
 - [draft comment letter](#) (PDF) on the impact of the Review Draft (RD) 'IFRS 9 General hedge accounting', published by the IASB in September 2012 ([IAS Plus article](#))
 - [draft comment letter](#) (PDF) on the impact of the Review Draft (RD) 'IFRS 9 General hedge accounting', published by the IASB in September 2012 ([IAS Plus article](#))
- The European Securities and Markets Authority (ESMA) released review of 2011 IFRS financial statements related to goodwill impairment testing. The report shows room for improvement regarding such disclosures ([IAS Plus article](#)), ([Bruce column](#))
- The CFA Institute, a global association of investment professionals, has published a report entitled '[User Perspectives on Financial Instrument Risk Disclosures Under IFRS \(Volume 2\)](#)' (PDF), that provides user insights on the disclosures of derivatives and hedging activities under IFRS 7 *Financial Instruments: Disclosures* ([IAS Plus article](#)).