

Monthly roundup - May 2013

Staying on top of developments

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Monthly highlights

IASB re-exposes proposals on lease accounting

The International Accounting Standards Board (IASB) has re-exposed its proposed approach for the recognition and measurement of leases as ED/2013/6 *Leases* ("revised ED").

Re-exposing the revised proposals on lease accounting is a significant point in the long debate over whether all leases should be recorded on balance sheet. The IASB argue that all leases convey a right of use of the leased asset and that right and a matching liability should be recorded on balance sheet.

This revised ED addresses some of the concerns raised in submissions on the IASB's original lease exposure draft published in August 2010 (the "2010 ED"), particularly around the profile of recognition in the income statement and the complex judgements around lease term and variable lease payments. Given the significance of changes to the proposals, the IASB has decided to re-expose the lease accounting proposals for comment.

For lessees, the revised ED proposes the recognition of a liability and a right-of-use asset for all leases with a profit or loss impact dependent on the classification of a lease. Under the proposals, leases would be classified as either 'Type A' or 'Type B' depending on the nature of the underlying asset:

- **Type A:** leases of assets other than property, unless the lease term is an insignificant portion of the underlying asset's economic life or the present value of fixed lease payments is insignificant relative to the fair value of underlying asset – i.e. most leases of equipment or vehicles would be type A leases
- **Type B:** leases of property, including land, a building, or part of a building

This revised model results in what in profit & loss looks like operating lease accounting for property leases, while most equipment leases will be subject to the front-loaded expense recognition pattern. The lessor model in the revised ED is similar to current lease accounting with some nuances for the recognition of revenue and discounting of the residual asset. The proposals are only applicable for leases with a lease term of more than 12 months.

The proposals would significantly affect the accounting for lease contracts by both lessees and lessors. In addition, changes in recognition, measurement, and presentation of leases under the revised proposals may significantly impact financial statement metrics.

Submissions are due to the Australian Accounting Standards Board by 14 August 2013 and to the IASB by 13 September 2013.

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Deloitte's global edition of [IFRS in focus](#) outlines the proposals included in the May 2013 revised ED 'Leases' and summarises some of the significant changes from existing IFRSs.

Additional resources available:

- [Exposure Draft ED/2013/6 'Leases'](#) (link to IASB website, includes access to the Basis for Conclusions and the Illustrative Examples)
- [IASB's project page](#) on the IASB's leases project including a [snapshot](#) document and an [Investor spotlight](#) article
- [Deloitte IFRS podcast](#) — Revised lease accounting proposals interview
- [Industry insights](#) (link to IAS Plus) on the implications of the revised leases exposure draft for the following industries:
 - [Energy & Resources](#)
 - [Consumer business](#)
 - [Manufacturing](#)
 - [Real estate](#)
 - [Telecommunications](#)
 - [Financial services](#)

New pronouncements

International Accounting Standards Board (IASB)

Pronouncement	Key dates	More information
<p>Exposure Draft ED/2013/6 Leases</p> <p>For lessees, the ED proposes the recognition of a liability and a right-of-use asset for all leases with a profit or loss impact dependent on the classification of a lease.</p> <p>The lessor model in the ED is similar to current lease accounting with some nuances for the recognition of revenue and discounting of the residual asset</p>	<p>Comments due by 13 September 2013</p>	<p>IFRS in focus (PDF)</p> <p>Deloitte Podcasts</p> <p>IAS Plus article</p>
<p>IFRIC 21 Levies</p> <p>Provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and those where the timing and amount of the levy is certain</p>	<p>Effective for annual periods beginning on or after 1 January 2014</p>	<p>IFRS in focus (PDF)</p> <p>IAS Plus article</p>
<p>Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36 Impairment of Assets)</p> <p>Narrow-scope amendments to IAS 36 <i>Impairment of Assets</i> address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal</p>	<p>Effective for annual periods beginning on or after 1 January 2014</p>	<p>IFRS in focus (PDF)</p> <p>IAS Plus article</p>

Australian Accounting Standards Board (AASB)

Pronouncement	Key dates	More information
<p>ED 240 Regulatory Deferral Accounts</p>	<p>Comments to the AASB due by 5 August 2013 and to the IASB by 4 September 2013</p>	<p>IFRS in focus (PDF)</p> <p>ED 240 (PDF)</p>

Incorporates IASB ED/2013/5

Proposed interim standard - intended to allow entities that currently recognise regulatory assets and regulatory liabilities in accordance with their previous GAAP to continue to recognise the effects of rate regulation under IFRSs until the longer term rate-regulated activities project is completed

ED 241 Amendments to AASB 1038 arising from AASB 10 in relation to consolidation and interests of policyholders

Comments to the AASB [ED 241](#) (PDF) due by 7 August 2013

Proposes to remove the specific requirements in relation to consolidation from AASB 1038 *Life Insurance Contracts*, which would leave AASB 10 *Consolidated Financial Statements* as the sole source for consolidation requirements applicable to life insurer entities

ED 242 Leases

Comments to the AASB [ED 242](#) (PDF) due by 14 August 2013 and to the IASB by 13 September 2013

Incorporates the IASB ED/2013/6, discussed above

Tier 2 Supplement to ED 235 'Recoverable Amount Disclosures for Non-Financial Assets'

Comments to the AASB [Tier 2 supplement](#)(PDF) due by 15 July 2013

Sets out the disclosures proposed in AASB ED 235 *Recoverable Amount Disclosures for Non-Financial Assets* from which it is proposed entities applying Tier 2 reporting requirements should be exempt

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
IFRIC regular meeting 14-15 May 2013	<p>Key issues discussed include:</p> <ul style="list-style-type: none"> IAS 10 Events after the Reporting Period — Reissue of financial statements IAS 28/IFRS 3 Business Combinations — Associates and common control IAS 7 Statement of Cash Flows: Disclosures — Definition of cash equivalents IFRS 2 Share-based Payment — Timing of the recognition of intercompany recharges IFRS 3 Business combinations — Input to IFRS 3 Post Implementation Review IAS 19 Employee Benefits — Determination of discount rate IAS 28 Investments in Associates and Joint Ventures — Elimination of intercompany profits between an issuer and its joint venture IAS 32 Financial Instruments: Presentation — Classification of instruments when issuer has choice over how obligation is settled IFRS 7 Financial Instruments: Disclosures — Servicing agreements IFRS 10 Consolidated Financial Statements — Effect of protective 	<p>Deloitte Observer notes</p> <p>IFRIC update(PDF)</p>

- rights on an assessment of control
- Annual Improvements (2011-2013 cycle)
- IAS 12 Income Taxes — Recognition of deferred tax assets for unrealised losses
- IFRS 2 Share-based Payment — Transactions in which the manner of settlement is contingent on future events
- IFRS 13 Fair Value Measurement — Portfolios
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations - Classification in conjunction with a planned IPO and change of disposal method

IASB regular meeting 21- 24 May 2013

Topics discussed were as follows (click on the links for direct access to the Deloitte observer notes for that topic):

[Deloitte Observer notes](#)

- [Fair value measurement - Unit of account for investments](#)
- [Comprehensive review of IFRS for SMEs](#)
- [IFRS 3 — Mandatory purchase of NCI](#)
- [IAS 34 — Disclosure of information 'elsewhere in the interim financial report'](#)
- [IFRS 3 — Contingent consideration](#)
- [IAS 41 / IFRS 13 — Valuation of biological assets](#)
- [IAS 27 — Equity method](#)
- [Conceptual framework](#)
- [IAS 39 — Novation of derivatives](#)
- [Accounting for macro hedging](#)
- [Revenue recognition — Transition: First-time adopters and IAS 8 disclosures / Due process Summary](#)
- [Revenue recognition — Credit card reward programs \(Education session\)](#)
- [Revenue recognition — Credit card reward programs](#)
- [IFRS 9 — Limited amendments \(classification and measurement\)](#)

[IASB Update](#)(PDF)

AASB regular meeting 29-30 May 2013

Key issues discussed include:

[AASB alert](#)(PDF)

- Financial Instruments
- Investment Entities
- IASB Request for Information: Rate Regulation
- IASB Conceptual Framework Project Update
- Superannuation Entities
- Repeat Application of AASB 1 and Disclosure Requirements
- IFRS Interpretations Committee Update
- Proposed Withdrawal of AASB 1031 Materiality

IFRS publications

- [IFRS on Point — IFRS Accounting Developments and Information: April 2013](#) (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 update posted in May 2013 – [Revenue recognition](#)
- [IFRS in Focus — IASB re-exposes proposals on lease accounting](#) (PDF) outlines the proposals included in the May 2013 exposure draft 'Leases' and summarises some of the significant changes from existing IFRSs

- [IFRS in Focus — New IFRIC Interpretation on Levies](#) (PDF) outlines the requirements of the IFRIC Interpretation IFRIC 21 'Levies'
- [IFRS in Focus — IASB issues exposure draft on regulatory deferral accounts interim standard](#) (PDF) discusses the exposure draft ED/2013/5 'Regulatory Deferral Accounts', issued by the IASB, which proposes an interim standard for entities that are first-time adopters and have recognised regulatory deferral account balances under their previous GAAP policies
- [IFRS industry insights: Joint arrangements in the life sciences industry](#) (PDF) highlights some of the key issues the life sciences industry is likely to encounter in adopting IFRS 11 'Joint Arrangements' and provides insight and examples to assist in the implementation of the standard. It also includes a comparison to accounting principles generally accepted in the United States of America (US GAAP)
- IFRS industry insights on the implications of the **revised leasing exposure draft** on the following industry segments:
 - [Energy & Resources](#)
 - [Consumer business](#)
 - [Manufacturing](#)
 - [Real estate](#)
 - [Telecommunications](#)
 - [Financial services](#)
- Deloitte's Global Audit Learning group has released new or revised e-learning modules on various standards: IFRS 3, IFRS 11, IFRS 13, IAS 1, IAS 16 and IAS 27 (2011). These modules are additions to the extensive catalogue of [IFRS e-learning content](#) made freely available by Deloitte ([IAS Plus article](#)).

Deloitte podcasts

- [Deloitte IFRS podcast](#) on the revised lease accounting proposals in ED 2013/6 'Leases'.

Deloitte comment letters

- [Deloitte comment letter](#) on the IASB *Request for Information – Rate Regulation*

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 [May 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)

Australian-specific topics

- The Australian Accounting Standards Board (AASB) has issued an [agenda decision](#) addressing the Board decision not to proceed with issuing a Standard on GAAP/GFS harmonisation for entities within the GGS
- A revised version of ASX Guidance Note 8 'Continuous Disclosure' and disclosure-related listing rule amendments came into effect on 1 May 2013 ([ASX Company update 02/13](#)).

International Accounting Standards Board

- The IASB has published a [feedback statement](#) (PDF) summarising the discussions at a forum hosted by the IASB on financial information disclosure, and outlining its response to the matters raised ([IAS Plus article](#))
- The IASB has updated its work plan - the timing of expected milestones have been deferred or clarified in relation to general hedge accounting, annual improvements and other narrow scope projects ([IAS Plus article](#)).

Other global news

- The European Financial Reporting Advisory Group Technical Expert Group (EFRAG TEG) has published a draft comment letter on the IASB's exposure draft ED/2013/5 'Regulatory Deferral Accounts'. In the proposed comment letter the EFRAG makes clear that it does not agree with the pursuance of this interim project ([IAS Plus article](#)).