

Monthly roundup - July 2013

Staying on top of financial reporting developments

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Monthly highlights

Post-implementation Review of Operating Segments (IFRS 8)

The International Accounting Standards Board (IASB) recently announced the completion of its Post-implementation Review of IFRS 8 *Operating Segments*.

The [Report and Feedback Statement](#) (PDF) of IFRS 8 concludes the benefits of applying the Standard were largely as expected and that overall the Standard achieved its objectives and has improved financial reporting. As a result, the report does not believe a revision of the principles of IFRS 8 is necessary.

However, the IASB has identified a number of issues that could be considered for improvement and that warrant further investigation. These include feedback that:

- The concept of an identifiable chief operating decision maker (CODM) is confusing and outdated, and that the identification of the CODM is difficult in practice
- Some preparers are uncertain about presentation of the reconciliations required by IFRS 8, and some investors find aspects of reconciliations difficult to understand.

In addition, the following areas of disclosure may be considered for improvement:

- Improvements to avoid the loss of trend information where an entity changes its basis of segmentation from one year to another
- Require disclosure of some defined line items in order that investors can calculate their own sub-totals for operating result or cash flow
- Addressing difficulties around the aggregation of operating segments
- Further improvements to the requirements for reconciliations, including whether such information should be given by segment in some cases.

The IASB staff will research these issues and provide their findings and recommendations to the board in the future.

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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.)

Australian Accounting Standards Board (AASB)

Pronouncement	Key dates	More information
<p>AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting</p> <p>Amends AASB 139 'Financial Instruments: Recognition & Measurement' to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations.</p> <p>It follows similar guidance issued by the IASB in June 2013.</p>	<p>Effective for annual periods beginning on or after 1 January 2014</p>	<p>AASB 2013-4(PDF) IFRS in Focus(PDF)</p>
<p>Tier 2 Supplement to ED 230 Classification and Measurement: Limited Amendments to AASB 9</p> <p>Sets out the disclosures proposed in AASB ED 230 from which it is proposed entities applying Tier 2 reporting requirements should be exempt.</p>	<p>Comments due by 16 September 2013</p>	<p>Tier 2 supplement(PDF) Analysis (PDF)</p>
<p>Tier 2 Supplement to ED 237 Financial Instruments: Expected Credit Losses</p> <p>Sets out the disclosures proposed in AASB ED 237 from which it is proposed entities applying Tier 2 reporting requirements should be exempt.</p>	<p>Comments due by 16 September 2013</p>	<p>Tier 2 supplement(PDF) Analysis (PDF)</p>
<p>Exposure Draft ED 245 Agriculture: Bearer Plants</p> <p>Incorporates IASB ED/2013/8</p> <p>Proposed amendments to AASB 116 'Property, Plant and Equipment' and AASB 141 'Agriculture' to include bearer plants which no longer undergo significant biological transformation into the scope of AASB 116. (Note: Currently, AASB 141 requires that all biological assets that are related to agricultural activity must be measured at fair value less costs to sell)</p>	<p>Comments due to the AASB by 1 October 2013 and to the IASB by 28 October 2013</p>	<p>ED 245 (PDF) IFRS in Focus(PDF)</p>

International Accounting Standards Board (IASB)

Pronouncement	Key dates	More information
<p>No major accounting pronouncements released by the IASB in July 2013</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
IFRIC regular meeting	Key issues discussed include:	Deloitte observer notes
16 – 17 July 2013	<ul style="list-style-type: none"> • IAS 19 Employee Benefits— <ul style="list-style-type: none"> ○ Employee benefit plans with a guaranteed return on contributions or notional contributions ○ Pre-tax or post-tax discount rate ○ Actuarial assumptions: discount rate • IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements—transitional provisions in respect of impairment, foreign exchange and borrowing costs • IFRS 10 Consolidated Financial Statements—Classification of puttable instruments that are non - controlling interests • IAS 32 Financial Instruments: Presentation— <ul style="list-style-type: none"> ○ Classification of a financial instrument that is mandatorily convertible into a variable number of shares (subject to a cap and a floor) but gives the issuer the option to settle by delivering the maximum (fixed) number of shares ○ Classification of a financial instrument that is mandatorily convertible into a variable number of shares upon a contingent 'non-viability' event • Deliberation of comments received on proposals for narrow-scope amendments <ul style="list-style-type: none"> ○ ED/2012/6 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture—Proposed amendments to IFRS 10 and IAS 28 ○ ED/2012/7 Acquisition of an Interest in a Joint Operation—Proposed amendment to IFRS 11 ○ ED/2012/3 Equity Method: Share of Other Net Asset Changes—Proposed amendments to IAS 28 ○ ED/2012/5 Clarification of Acceptable Methods of Depreciation and Amortisation—Proposed amendments to IAS 16 and IAS 38 	IFRIC update (PDF)
AASB regular meeting	Key issues discussed include:	AASB action alert (PDF)
17 – 18 July 2013	<ul style="list-style-type: none"> • Financial Instruments - key issues relating to classification and measurement, impairment, general hedge accounting and macro hedge accounting • IASB ED/2013/5 Regulatory Deferral Accounts • IASB ED/2013/4 Defined Benefit Plan: Employee Contributions • Overview of AASB ED 242 Leases • IASB's Insurance Contracts project and an overview of the plans for consultation with Australian constituents • Impact of Interpretation 21 'Levies' on the accounting in the fixed phase of the Carbon Pricing Mechanism (CPM) • Update on IFRS Interpretations Committee activities 	
IASB regular meeting	Topics discussed were as follows (click on the links for direct access to the Deloitte observer notes for that topic)	Deloitte observer notes
23 – 25 July 2013	<ul style="list-style-type: none"> • Revenue recognition • Rate-regulated activities 	IASB update (PDF)

- [Financial instruments — Limited amendments to IFRS 9 \(classification and measurement\)](#)
 - [Post-implementation review — IFRS 3](#)
 - [IAS 16/IAS 38 — Contingent pricing of property, plant and equipment and intangible assets](#)
 - [IAS 28 — Elimination of intercompany profits between an issuer and its joint venture](#)
 - [Financial instruments — Macro hedge accounting](#)
 - [Financial Instruments - Classification and measurement](#)
 - [Financial Instruments - Impairment](#)
 - [Comprehensive review of the IFRS for SMEs](#)
 - [Annual improvements — 2010-2012 cycle](#)
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IFRS publications

- [IFRS on Point — IFRS Accounting Developments and Information: June 2013](#) (PDF) highlights critical IFRS-related financial reporting developments for the month
- [IFRS in Focus — IASB publishes an amendment to IAS 39 on novation of derivatives](#) outlines the recent amendments to IAS 39 'Financial Instruments: Recognition and Measurement' clarifying that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met
- [IFRS industry insights - Shipping industry implications of the revised leasing exposure draft](#) looks specifically at implications of the revised exposure draft on leases in the shipping industry
- [IASB Project Insights](#) provide a quick overview of the current status of the key projects of the IASB. No new updates posted in July 2013.

Deloitte podcasts

- [Deloitte podcast](#) on the International Integrated Reporting Framework being developed by the International Integrated Reporting Council (IIRC)
- [Deloitte podcast](#) on the latest exposure draft on insurance contracts

Deloitte comment letters

- Deloitte [comment letter](#) on the International Accounting Standards Board's Exposure Draft, ED/2013/3 'Financial Instruments: Expected Credit Losses'
- Deloitte [comment letter](#) on the International Accounting Standards Board's Exposure Draft, ED/2013/4 'Defined Benefit Plans: Employee Contributions'
- Deloitte [comment letter](#) on the International Integrated Reporting Council (IIRC) Consultation Draft of its proposed 'International Integrated Reporting Framework'
- Deloitte [comment letter](#) on IFRS Interpretations Committee agenda decisions on IFRS 5 - Classification in conjunction with a planned IPO, but where the prospectus has not been approved by the securities regulator
- Deloitte [comment letter](#) on IFRS Interpretations Committee agenda decisions on IFRS 10 - Effect of protective rights on an assessment of control
- Deloitte [comment letter](#) on IFRS Interpretations Committee agenda decisions on IAS 32 - Classification of financial instruments that give the issuer the contractual right to choose the form of settlement.

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 [July 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 released an updated version of a [staff paper](#) (PDF) on accounting for Australia's carbon pricing mechanism, specifically how to account for the 'fixed price' phase which is often referred to as a 'carbon tax'. The latest update of the paper discusses the implications of the release of AASB

Interpretation 21 'Levies', and notes a number of interpretative issues surrounding the identification of the obligating event for the carbon tax

- The AASB has [raised concerns](#) with the IFRS Interpretations Committee in relation to the accounting for levies subject to a minimum activity threshold in applying IFRIC 21 Levies
- The AASB published [ITC 29](#) 'A Review of the Conceptual Framework for Financial Reporting' for public comment, which incorporates the IASB Discussion Paper. The IASB Discussion Paper seeks initial views on important issues the IASB will consider as it develops an Exposure Draft of possible changes to its Conceptual Framework
- The Australian Accounting Standards Board (AASB) to host Roundtable Discussions on:
 - IASB Proposals relating to Leases ([AASB media release](#))
 - IASB Proposals relating to Insurance Contracts ([AASB media release](#)).

International Accounting Standards Board

- The International Accounting Standards Board (IASB) has published a comprehensive Discussion Paper (DP) containing proposals for topical areas where it considers a revision and amendment of the existing Conceptual Framework necessary ([IAS Plus article](#)), ([IASB presentation](#))
- The IASB has completed its Post-implementation Review (PIR) of IFRS 8 'Operating Segments'. The completion of the PIR of IFRS 8 marks the first ever PIR conducted by the IASB as part of its due process ([IAS Plus article](#))
- The IASB has begun the Post-Implementation Review (PIR) of IFRS 3, which will consist of two phases and will review the changes introduced during the whole business combinations project (2004 and 2008 stages), including changes to the presentation of consolidated financial statements ([IAS Plus article](#))
- [Investor Perspectives](#) 'Framework rethink will shape the landscape for investors' discusses the relevance of the proposals in the recently issued discussion paper on conceptual framework will have to the investor community
- The IASB has updated the IFRS 10 Effects Analysis originally published in September 2011 ([IAS Plus article](#))
- The IASB has released its updated work plan. The expected timing in the general hedge accounting standard has been extended to include the fourth quarter of 2013 ([IAS Plus article](#))
- The IASB and the Financial Accounting Standards Board (FASB) have formally announced the plan to create a joint transition resource group for the upcoming revenue recognition standard ([IAS Plus article](#)).

External Webcasts

- [IASB webcast](#) on the recently issued Exposure Draft 'Insurance Contracts' proposals concerning contracts that require the entity to hold underlying items and specify a link to returns on those underlying items
- [IASB webcast](#) on the recently issued Exposure Draft 'Insurance Contracts' revenue proposals.

Other global news

- The European Financial Reporting Advisory Group (EFRAG) issued a feedback statement to summarise the work by the EFRAG during its field test of IFRS 9 Hedge Accounting Review Draft and the consultation on macro hedging practices ([IAS Plus article](#))
- The EFRAG and the National Standard Setters of France, Germany, Italy and the United Kingdom have published two more issues of their joint publication series on the IASB's Conceptual Framework project. They are dedicated to the role of the business model in financial reporting and the role of a Conceptual Framework ([IAS Plus article](#))
- The International Auditing and Assurance Standards Board (IAASB) has released an exposure draft which proposes changes to audit reports, including the provision of more information on how audits are performed. Among other changes, a key development would be the introduction of a 'key audit matters' section in the audit report on audits of listed entity financial statements ([IAS Plus article](#)).