

Monthly roundup - December 2013

Staying on top of financial reporting developments

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December 2013 edition

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Monthly highlights

Key considerations for the December reporting season

Prospects for the global economy continue to be challenging, and the uncertainty would have broad financial reporting implications for many entities. A wide range of impacts for financial reporting might need to be considered – including impairment of financial and non-financial assets (as well as the possibility of reversals of previous impairment losses in some cases), management commentary and business combinations and continuing employment (recognition of employee benefit cost vs. consideration), in addition to other issues arising in an uncertain economic environment (including going concern and classification of liabilities as current or non-current). On top of the recognition and measurement requirements, there is an ever growing list of disclosure requirements to consider.

Deloitte Global has issued [IFRS in Focus — Closing out 2013](#) (PDF) that sets out financial reporting issues that may be relevant for years ending 31 December 2013 as a result of economic conditions, areas of regulatory focus or changes in accounting standards. It also includes an overview of new and revised International Financial Reporting Standards and IFRS Interpretations for December 2013.

ASIC findings from 30 June 2013 financial reports

The Australian Securities and Investments Commission (ASIC) has announced the results from a review of 30 June 2013 financial reports that covered 280 listed and other public interest entities. ASIC noted that while the quality of financial reporting in Australia is comparable with other major jurisdictions, there continues to be issues identified in relation to inadequate impairment of assets and inappropriate recognition of revenue. The June 2013 annual reports are the first since ASIC released guidance on the operating and financial review (OFR) in March 2013. Since then, there have been significant improvements in the quality of disclosures in the OFR, however some entities need to improve the description of the entity's business and the underlying drivers of reported results.

To date, ASIC has made inquiries of 70 entities on 100 matters. Inquiries of other entities are being finalised in areas such as:

- impairment and other asset values;
- revenue recognition;
- consolidation of other entities;
- amortisation of intangibles;
- segment reporting; and

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- operating and financial review disclosures.

[ASIC media release](#) contains more details on the 13 areas of findings from this review.

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 CF 2013-1 Amendments to the Australian Conceptual Framework</p> <p>AASB CF 2013-1 incorporates Chapters 1 and 3 of the IASB's <i>Conceptual Framework for Financial Reporting into the AASB Framework for the Preparation and Presentation of Financial Statements</i> for application by for-profit entities and, with some amendments, for application by not-for-profit entities. As an interim step the AASB is also retaining its existing AASB Framework (except as amended by the new Chapters), in anticipation of further revisions to the IASB Conceptual Framework. The Board does not expect the amendments to cause entities to change accounting policies adopted under the existing AASB Framework.</p> <p>Chapter 1 <i>The objective of general purpose financial reporting</i> and Chapter 3 <i>Qualitative characteristics of useful financial information</i> supersede previous guidance on the objective and qualitative characteristics of financial statements. AASB CF 2013-1 also withdraws SAC 2 <i>Objective of General Purpose Financial Reporting</i>.</p>	<p>Applicable to annual reporting periods ending on or after 20 December 2013 with earlier application permitted</p>	<p>AASB CF 2013-1 (PDF)</p>
<p>AASB 1031 Materiality (2013)</p> <p>The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework for the Preparation and Presentation of Financial Statements (issued December 2013) that contain guidance on materiality. The AASB is progressively removing references to AASB 1031 in all Standards and Interpretations, and once all these references have been removed, AASB 1031 will be withdrawn.</p>	<p>Applicable to annual reporting periods beginning on or after 1 January 2014</p>	<p>AASB 1031 (2013) (PDF)</p>
<p>AASB 1048 Interpretation of Standards (2013)</p> <p>The revised AASB 1048 is a 'service' Standard giving effect to the latest applicable versions of Interpretations and the Framework.</p>	<p>Applicable to annual reporting period ending on or after 20 December 2013 with earlier application permitted</p>	<p>AASB 1048 (2013) (PDF)</p>
<p>AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments</p> <p>Part A – Conceptual Framework of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1 noted above.</p> <p>Part B – Materiality makes amendments to particular Australian Accounting Standards to delete references to AASB 1031. Part B also makes minor editorial amendments to various standards.</p>	<p>Part A – <i>Conceptual Framework</i></p> <p>Applicable to annual reporting periods ending on or after 20 December 2013 with earlier application permitted</p> <p>Part B – <i>Materiality</i></p>	<p>AASB Media Release</p> <p>AASB 2013-9 (PDF)</p>

Part C – Financial Instruments makes amendments to a number of Australian Accounting Standards which incorporates the IASB’s Standard IFRS 9 *Financial Instruments (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39)*.

Applicable to annual reporting periods beginning on or after 1 January 2014

The main amendments regarding financial instruments are as follows:

Part C – Financial Instruments

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| <ol style="list-style-type: none"> 1. to add Chapter 6 Hedge Accounting and make consequential amendments to AASB 9 and numerous other Standards; 2. to permit requirements relating to the ‘own credit risk’ of financial liabilities measured at fair value to be applied without applying any other requirements of AASB 9 at the same time; 3. to amend the mandatory application date of AASB 9 so that AASB 9 is required to be applied for annual reporting periods beginning on or after 1 January 2017 instead of 1 January 2015; and 4. to add or amend the Australian Accounting Standards – Reduced Disclosure Requirements for AASB 7 Financial Instruments: Disclosures and AASB 101 <i>Presentation of Financial Statements</i>. AASB 1053 <i>Application of Tiers of Australian Accounting Standards</i> provides further information regarding the differential reporting framework and the two tiers of reporting requirements for general purpose financial statements. | <p>Applicable to annual reporting periods beginning on or after 1 January 2015 with earlier application permitted</p> |
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AASB 105X *Superannuation Entities*

Fatal flaw comments to [AASB 105X](#) (PDF) the AASB due by 28 February 2014

The AASB has approved a new Standard applying to superannuation entities, which is subject to fatal flaw review.

The final Standard will replace AAS 25 *Financial Reporting by Superannuation Plans* and is expected to apply to annual reporting periods beginning on or after 1 July 2016. Following the fatal flaw process, the final Standard is expected to be made by the AASB in early 2014.

Exposure Draft ED 247 *Annual Improvements to IFRSs 2012–2014 Cycle*

Comments to the AASB [ED 247](#) (PDF) due by 27 February 2014

Incorporates the Exposure draft ED/2013/11 released by the IASB on annual improvements that sets out four minor but essential changes to four separate standards.

Exposure Draft ED 246 *Equity Method in Separate Financial Statements (proposed amendments to AASB 127)*

Comments to the AASB [ED 246](#) (PDF) due by 24 January 2014

Incorporates the Exposure draft ED/2013/10 released by the IASB that sets out proposed amendments to IAS 27.

The ED proposes to reintroduce an option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity’s separate financial statements.

International Accounting Standards Board (IASB)

Pronouncement	Key dates	More information
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Annual Improvements to IFRSs 2010–2012 Cycle

Amends a number of pronouncements as a result of the IASB's 2010–2012 annual improvements cycle.

Key amendments include:

1. IFRS 2 – definition of vesting condition;
2. IFRS 3 – accounting for contingent consideration in a business combination;
3. IFRS 8 – aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets;
4. IFRS 13 – short-term receivables and payables;
5. IAS 16 – revaluation method: proportionate restatement of accumulated depreciation;
6. IAS 24 – key management personnel; and
7. IAS 38 – revaluation method: proportionate restatement of accumulated amortisation.

Applicable to annual reporting periods beginning on or after 1 July 2014 with earlier application permitted.

[IFRS in focus](#)(PDF)

[IAS Plus article](#)

[IASB press release](#)

Annual Improvements to IFRSs 2011–2013 Cycle

Amends a number of pronouncements as a result of the IASB's 2011–2013 annual improvements cycle.

Key amendments include:

1. IFRS 1 – meaning of 'effective IFRSs';
2. IFRS 3 – scope exceptions for joint ventures;
3. IFRS 13 – scope of paragraph 52 (portfolio exception); and
4. IAS 40 – clarifying the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

Applicable to annual reporting periods beginning on or after 1 July 2014 with earlier application permitted.

[IFRS in focus](#)(PDF)

[IAS Plus article](#)

[IASB press release](#)

Exposure Draft ED/2013/11 *Annual Improvements to IFRSs 2012–2014 Cycle*

Proposes amendments to four International Financial Reporting Standards (IFRSs) under the annual improvements project.

Key amendments include:

1. IFRS 5 – changes in methods of disposal;
2. IFRS 7 – servicing contracts and the applicability of the amendments to IFRS 7 to condensed interim financial statements;
3. IAS 19 – discount rate: regional market issue; and
4. IAS 34 – disclosure of information 'elsewhere in the interim report'.

Comments to the IASB due by 13 March 2014

[IFRS in focus](#)(PDF)

[ED/2013/11](#)(PDF)

[IASB press release](#)

[IAS Plus article](#)

Exposure Draft ED/2013/10 *Equity Method in Separate Financial Statements (Proposed amendments to IAS 27)*

The proposed amendments to IAS 27 would allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate (parent only) financial statements.

The IASB expects the proposed change will reduce compliance costs for

Comments to the IASB due by 3 February 2014

[IFRS in focus](#)(PDF)

[ED/2013/10](#)(PDF)

[IASB press release](#)

[IAS Plus article](#)

many entities, while providing information helpful to an assessment of the investor's net assets and profit or loss.

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
AASB regular meeting	Key issues discussed include:	AASB action alert (PDF)
11-12 December 2013	<ul style="list-style-type: none"> • Superannuation Entities – cleared remaining issues to enable voting to approve a ballot draft Standard to be posted on the website before the end of December for a 60-day comment period; • Conceptual Framework – finalised key issues to raise in its submission to the IASB; • Financial Instruments – tentatively decided to issue amendments to AASB 9 and consequential amendments to other Standards to be mandatorily effective for annual periods beginning on or after 1 January 2017, with early application permitted; • IASB Disclosure Initiative – decided to write to the IASB expressing concern regarding the IASB's decision that it is not necessary to clarify the requirements in IAS 1 Presentation of Financial Statements relating to disclosures about going concern uncertainties; and • Withdrawal of AASB 1031 – finalised decisions about how to withdraw AASB 1031 Materiality. 	
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
12 December 2013	<ul style="list-style-type: none"> • Post Implementation Review of IFRS 3 Business Combinations • IFRIC Update • IAS 28 Investments in Associates and Joint Ventures — Equity method: Share of other net asset changes • IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets — Clarification of Methods of Depreciation and Amortisation — Due Process consideration • IAS 19 Employee Benefits — Determination of discount rate • IFRS 1 First-time Adoption of International Financial Reporting Standards — short term exemptions from IFRSs • Financial Instruments — Impairment • Financial Instruments — Limited amendments to IFRS 9 (classification and measurement) • IFRS 13 Fair Value Measurement — Portfolios 	IASB update (PDF)

The IFRIC did not hold any meeting in December 2013

IFRS publications

- [IFRS in Focus — Closing out 2013](#) (PDF) sets out financial reporting issues that may be relevant for years ending 31 December 2013 as a result of economic conditions, areas of regulatory focus or changes in accounting standards. It also includes an overview of new and revised International Financial Reporting Standards and IFRS Interpretations that are either (1) mandatorily effective for December 2013 calendar year-ends and subsequent accounting periods or (2) can be early adopted.
- [IFRS in Focus — IASB issues Annual Improvements: 2011-2013 Cycle](#) (PDF) outlines the recent amendments to four International Financial Reporting Standards (IFRSs) issued under the IASB's annual improvements process.
- [IFRS in Focus — IASB issues Annual Improvements: 2010-2012 Cycle](#) (PDF) outlines the recent amendments to seven International Financial Reporting Standards (IFRSs) issued under the IASB's annual improvements process.
- [<IR> in Focus — The IIRC releases the International Integrated Reporting <IR> Framework](#) (PDF) provides an overview of the IIRC's International Integrated Reporting Framework (Framework) which was released on 9 December 2013.
- [IFRS in Focus — IASB issues exposure draft on Annual Improvements to IFRSs: 2012-2014 Cycle](#) (PDF) outlines recent proposed amendments to four International Financial Reporting Standards (IFRSs) under the IASB's annual improvements project.
- [IFRS in Focus — IASB proposes amendments to IAS 27 to allow the use of the equity method in separate financial statements](#) (PDF) outlines recent proposed amendments aimed at reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.
- [IFRS on Point — November 2013](#) (PDF) highlights critical IFRS-related financial reporting developments for the month
- [Global IFRS Insurance Survey 2013](#) (PDF) outlines the results of the Global IFRS Insurance Survey 2013, reporting on the responses of almost 300 insurers from across Western Europe, North America and Asia Pacific in relation to their preparation for the new IFRS accounting rules.

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 [December 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 Securities and Investments Commission (ASIC) has announced the results from a review of 30 June 2013 financial reports that covered 280 listed and other public interest entities. To date, ASIC has made inquiries of 70 entities on 100 matters. Inquiries of other entities are being finalised in areas such as impairment, revenue recognition, consolidation of other entities, amortisation of intangibles, segment reporting and operating and financial review disclosures. There are 13 areas of findings from this review ([ASIC media release](#))
- The Australian Accounting Standards Board (AASB) has appointed five new members to join its Board and they include: Ms Regina Fikkers, Mr Steve Mitsas, Ms Taryn Rulton, Mr Marc Smit and Professor Ann Tarca. They replace retiring members: Mr Victor Clarke, Professor Jayne Godfrey, Ms. Liane Papaelias, Dr. Roger Sexton and Mr Robert Williams. The [appointment](#) will begin on 1 January 2014
- The AASB has updated its [work programme](#) as at 17 December 2013.

International Accounting Standards Board

- The International Accounting Standards Board (IASB) has updated its [work programme](#) as at 17 December 2013.
- The Trustees of the IFRS Foundation have announced the appointment of Joanna Perry as the new chair of the IFRS Advisory Council ([IAS Plus article](#))
- The IASB has appointed Hugh Shields as Executive Technical Director. Mr Shields will lead the IASB's technical staff and be responsible for the efficient delivery of all technical activities ([IAS Plus article](#))
- The IASB issued 'Annual Improvements to IFRSs 2011–2013 Cycle', a collection of amendments to IFRSs, in response to issues addressed during the 2011–2013 cycle. Four standards are affected by the amendments ([IAS Plus article](#))
- The IASB issued 'Annual Improvements to IFRSs 2010–2012 Cycle', a collection of amendments to IFRSs, in response to issues addressed during the 2010–2012 cycle. Seven standards are affected by the amendments ([IAS Plus article](#))

- The IASB has published to its website an exposure draft (ED) of proposed amendments to four International Financial Reporting Standards (IFRSs) under its annual improvements project ([IAS Plus article](#))
- The IFRS Foundation has published the "2014 IFRS Consolidated without early application" ([IAS Plus article](#))
- The IFRS Foundation has posted to its website comments on the final report of the special advisor to EU Commissioner Michel Barnier, Mr Philippe Maystadt, setting out his preliminary recommendations for enhancing the EU's role in promoting high quality accounting standards ([IAS Plus article](#))
- The IASB has published an Exposure Draft (ED) of proposed amendments to IAS 27. With the 2003 revision of IAS 27 'Consolidated and Separate Financial Statements' the equity method was removed as an accounting option for investments in subsidiaries and associates in an entity's separate financial statements and the decision was carried forward to IAS 27 'Separate Financial Statements' in 2011. Constituent feedback to the Agenda consultation 2011 led the IASB to reconsider the option and to publish ED/2013/10 'Equity Method in Separate Financial Statements (Amendments to IAS 27)' with the proposal to reinstate the option. Comments are requested by 3 February 2014 ([IAS Plus article](#))

Other global news

- The European Financial Reporting Advisory Group (EFRAG) has released a new issue of its EFRAG Update newsletter, summarising the discussions held at the 28 November EFRAG CFSS meeting and at the 17–18 December EFRAG TEG meeting ([IAS Plus article](#))
- The International Public Sector Accounting Standards Board (IPSASB) has published an exposure draft of a Recommended Practice Guideline (RPG) that would provide guidance on the reporting of service performance information ([IAS Plus article](#))
- The Asian-Oceanian Standard-Setters Group (AOSSG) has released a communiqué from its meeting held in Colombo, Sri Lanka on 27 and 28 November 2013 ([IAS Plus article](#))
- The European Financial Reporting Advisory Group (EFRAG), the French Autorité des Normes Comptables (ANC), and the UK Financial Reporting Council (FRC) have published a research paper on 'The Role of the Business Model in Financial Statements'. The paper is the result of one of the projects on EFRAG's proactive agenda ([IAS Plus article](#))
- A report has been issued summarising the discussions at the meeting of the International Forum of Accounting Standard Setters (IFASS) held in Brussels on 19-20 September 2013 ([IAS Plus article](#))
- The International Valuation Standards Council (IVSC) has published an exposure draft which would provide guidance on the determination of fair value under IFRS 13 'Fair Value Measurement', and for other purposes. The draft paper focuses on how counterparty credit risk and own credit risk are taken into account in the measurement of certain financial assets and financial liabilities measured at fair value ([IAS Plus article](#))
- The International Integrated Reporting Council (IIRC) has released its 'International Integrated Reporting Framework' (Framework). The Framework seeks to explain the fundamental concepts, principles and content requirements underlying an 'integrated report', which is considered the next step in the evolution of corporate reporting ([IAS Plus article](#))