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IFRS Global office
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IFRS in Focus
Closing out 2010

Contents

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Introduction

This special edition of IFRS in Focus provides an overview of new and revised International Financial Reporting Standards (IFRSs) and Interpretations issued by the IFRS Interpretations Committee (the "Committee" or "IFRIC") that are effective for December 2010 calendar year-ends and subsequent accounting periods. There are no new standards that are effective this year on a mandatory basis. There are, however, two interpretations as well as two revised standards and various amendments to existing standards that are effective this year.

As a general rule, entities are able to adopt new and revised standards and interpretations prior to their mandatory effective date. This newsletter provides a summary of IFRSs and interpretations that an entity may elect to apply for the year ending 31 December 2010. Consideration should also be given to the impact of any local endorsement or other legal processes on an entity's ability to early adopt.

This newsletter also provides a brief snapshot of each new and revised standard and interpretation as well as the current status of IASB projects. For a more comprehensive analysis as well as practical tips and considerations, entities are encouraged to review the past newsletters issued on these new standards and interpretations. These newsletters are available on **www.iasplus.com**. As always, entities should refer to the standards and interpretations themselves to identify all of the changes that may affect their particular circumstances.

New and revised Standards and Interpretations

The following tables provide a list of new and revised Standards and Interpretations in issue at December 2010 that are either effective, or available for early adoption, for 31 December 2010 calendar year-ends. All of the newsletters referred to in the tables below may be accessed at **www.iasplus.com/iasplus/iasplus.htm**

For more information please see the following websites:

www.iasplus.com

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Effective for 31 December 2010 year-ends

Amendments and Revised Standards		Effective for annual periods beginning on or after	Newsletter issued
IFRS 1	Revisions to IFRS 1 on First-Time Adoption of IFRSs	1 July 2009	December 2008
	Additional exemptions for First-Time Adopters	1 January 2010	August 2009
IFRS 2	Group Cash-settled Share based Payments	1 January 2010	June 2009
IFRS 3 (2008) and IAS 27 (2008)	Business Combinations; Consolidated and Separate Financial Statements	1 July 2009	January 2008
IAS 39	Eligible Hedged Items	1 July 2009	July 2008
Various	Improvements to IFRSs	1 July 2009 or 1 January 2010	April 2009
New Interpretations			
IFRIC 17	Distributions of Non-cash Assets to Owners	1 July 2009	December 2008
IFRIC 18	Transfers of Assets from Customers	Transfers received on or after 1 July 2009	February 2009

Available for early adoption for 31 December 2010 year-ends

Amendments to Standards		Effective for annual periods beginning on or after	Newsletter issued
IFRS 1	IFRS 7 Short-term Disclosure Exemption	1 July 2010	February 2010
	IFRS 9 Short-term Exemption	1 July 2010	November 2009
	Three amendments[1] to IFRS 1 – changes in accounting policies, deemed cost exemption for event-driven fair value measurements and deemed cost (rate-regulated entities)	1 January 2011	May 2010
IFRS 3	Amendments to IFRS 3 (2008)[1]	1 July 2010	May 2010
IFRS 7	Amendments to IFRS 7[1]	1 January 2011	May 2010
	Enhanced Derecognition Disclosure Requirements	1 July 2011	October 2010
IFRS 9	Financial Instruments: Classification and Measurement	1 January 2013	November 2009
	Additions to IFRS 9 for Financial Liability Accounting	1 January 2013	November 2010
IAS 1	Amendment to IAS[1]	1 January 2011	May 2010
IAS 24	Related Party Disclosures	1 January 2011	November 2009
IAS 27 (2008)	Amendment to IAS 27 (2008)[1]	1 July 2010	May 2010
IAS 32	Classification of Rights Issues	1 February 2010	October 2009
IAS 34	Amendment to IAS 34[1]	1 January 2011	May 2010
New Interpretation			
IFRIC 19	Extinguishing financial liabilities with equity instruments	1 July 2010	December 2009
Amended Interpretations			
IFRIC 13	Amendment to IFRIC 13	1 January 2011	May 2010
IFRIC 14	Prepayments of a Minimum Funding Requirement	1 January 2011	December 2009

1 Amended as part of Improvements to IFRSs 2010.

Effective for 31 December 2010 year-ends

IFRS 1 (revised) – First-time Adoption of IFRSs

Effective 1 July 2009[2]

The objective of this revision of IFRS 1 is to improve the structure of IFRS 1 – no new or revised technical material has been introduced. The revisions are designed to make IFRS 1 clearer and easier to follow by reorganising and moving to appendices most of the numerous exceptions and exemptions. The improved structure is also intended to better accommodate future changes to IFRS 1.

Amendments to IFRS 1: Additional exemptions for first-time adopters

Effective 1 January 2010

The following amendments to IFRS 1 provide additional exemptions for first-time adopters relating to oil and gas assets and arrangements containing leases.

Deemed cost exemption for oil and gas assets

The exemption is applicable to oil and gas entities that used the "full-cost" method of accounting under previous GAAP. Under this method, exploration and development costs related to oil and gas properties were recorded in cost centres that include all properties in a large geographical area.

Under the exemption, an entity may elect to measure oil and gas assets at the amount determined under previous GAAP at the date of transition to IFRSs. Amounts determined for cost centres under previous GAAP are required to be allocated to the underlying assets in the development/production phase on a pro rata basis using reserve volumes or values at the date of transition. An impairment test is also required at the date of transition, potentially resulting in a write-down in some cases compared to the carrying amount determined under previous GAAP.

Decommissioning liabilities included in the cost of property, plant and equipment (oil and gas assets)

If an entity elects to use the deemed cost exemption discussed above for oil and gas assets, an additional first-time adoption exemption must also be applied to its decommissioning liabilities. Specifically, the entity must:

- measure decommissioning, restoration and similar liabilities as at the date of transition to IFRSs in accordance with IAS 37; and

- recognise directly in retained earnings any difference between that amount and the carrying amount of those liabilities at the date of transition to IFRSs determined under previous GAAP.

Exemption for leases

An additional exemption has been added to provide further relief to first-time adopters. The new exemption applies to a first-time adopter who has made an assessment of whether an arrangement contains a lease under its previous GAAP that is consistent with IFRIC 4, but at a date other than that required under IFRIC 4. As a result of the exemption, a first-time adopter will not be required to reconsider its assessment of whether an arrangement contains a lease under previous GAAP if that previous assessment would have given the same outcome as that resulting from the application of IAS 17 Leases and IFRIC 4.

Amendments to IFRS 2: Group cash-settled share based payments

Effective 1 January 2010

The amendments to IFRS 2 provide additional guidance on the accounting for share-based payment transactions among group entities. The revised Standard states explicitly that the entity receiving the goods or services will recognise the transaction as an equity-settled share-based payment transaction only if:

- the awards granted are its own equity instruments; or

- it has no obligation to settle the transaction.

In all other circumstances, the entity will measure the transaction as a cash-settled share-based payment. The entity (or shareholder) responsible for settling the transaction will recognise it as an equity-settled share-based payment only if the transaction is settled in its own equity instruments. In all other circumstances, the transaction will be recognised by the entity that settles the award as a cash-settled share-based payment.

As the classification of a group share-based payment as equity or cash-settled may be different at the subsidiary and parent level, the amount recognised by the entity receiving the goods or services may differ from the amount recognised by the entity settling the transaction and in the consolidated financial statements. Intragroup repayment arrangements will not affect the application of the principles described above for the classification of group-settled share-based payment transactions.

2 Amended from 1 January 2009 at the December 2008 meeting of the IASB.

The scope of IFRS 2 has also been amended to clarify that the Standard applies to all share-based payment transactions, whether or not the goods or services received under the share-based payment transaction can be individually identified. Any unidentifiable goods and services are measured at the grant date as the difference between the fair values of the share-based payment and the identifiable goods and services.

Guidance in these areas was previously provided in IFRIC 8 *Scope of IFRS 2* and IFRIC 11 IFRS 2 – *Group and Treasury Share Transactions* and as a result, these Interpretations will be withdrawn from the effective date of the amendments.

IFRS 3 (revised) Business Combinations and IAS 27 (revised) Consolidated and Separate Financial Statements

Effective 1 July 2009

IFRS 3 (revised 2008) and IAS 27 (revised 2008) were published as a package (and are required to be adopted in unison) together with consequential amendments to other Standards, most notably IAS 28 *Investments in Associates and* IAS 31 *Interests in Joint Ventures*.

The most significant changes introduced by the revised Standards are covered below.

- Costs incurred to effect a business combination (e.g. finder's fees, advisory, legal, accounting, valuation, and other professional or consulting fees) are expensed in the period incurred. Costs incurred to issue debt or equity securities continue to be recognised in accordance with IAS 32 and IAS 39.

- A pre-existing equity interest held by the acquirer in the entity acquired is remeasured to fair value at the date control is obtained. Any resulting gain or loss is recognised in profit or loss.

- The term 'non-controlling interest' (NCI) replaces minority interest. An entity elects, on a transaction-by-transaction basis, whether to measure NCI at fair value or at the NCI's proportionate share of the net identifiable assets of the entity acquired.

- Goodwill is measured at the acquisition date as the difference between:

  – the aggregate of (a) the acquisition-date fair value of the consideration transferred; (b) the amount of any NCI in the entity acquired; and (c) the acquisition-date fair value of any previously-held equity interest in the entity acquired; and

  – the net of the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed.

- Once control is obtained, all subsequent changes in ownership interests that do not involve the loss of that control are treated as transactions with owners. Accordingly, goodwill is not subsequently remeasured and no gain or loss is recognised on such changes in ownership interests. Any difference between the change in the NCI and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent.

- Consideration for an acquisition, including any contingent consideration, is measured at fair value at the acquisition date. Where contingent consideration meets the definition of a liability, changes resulting from events after the acquisition date (e.g., the acquiree meeting an earnings target or reaching a specified share price) are recognised in profit or loss.

- The NCI's proportionate share of profit or loss is attributed to the NCI even if this results in the NCI having a deficit balance.

- Upon the loss of control of a subsidiary, an entity is required to derecognise all assets, liabilities and related NCI. Any interest retained in the former subsidiary is recognised at its fair value at the date control is lost. Any gain or loss arising on loss of control is recognised in profit or loss.

Other important changes arising from the revision of IFRS 3 include:

- wider scope to include business combinations between mutual entities and business combinations achieved by contract alone;

- specific guidance on whether replacement share-based payment awards are part of the consideration transferred and to what extent, and on the measurement of reacquired rights on initial recognition; and

- clarification that an entity needs to reassess the classification of contractual arrangements on acquisition with the exception of insurance contracts and leases (for which the original classification as finance or operating is retained). This is particularly relevant for financial instruments, embedded derivatives and hedging relationships.

The transitional provisions for these Standards are complex. IFRS 3(2008) is to be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. Earlier adoption is permitted – although the revised Standard may not be applied in an annual reporting period that begins before 30 June 2007. IAS 27(2008) is effective for annual periods beginning on or after 1 July 2009, with early application permitted. An entity may not early adopt IFRS 3(2008) unless IAS 27(2008) is also adopted at the same time, and vice versa.

Amendments to IAS 39 – Eligible Hedged Items

Effective 1 July 2010

The amendments to IAS 39 provide clarification on two issues relating to hedge accounting.

Identifying inflation as a hedged risk

Inflation may only be hedged where changes in inflation are a contractually specified portion of cash flows of a recognised financial instrument. This may be the case where an entity acquires or issues inflation-linked debt. In this case, the entity has a cash flow exposure to changes in future inflation that may be cash flow hedged. However, the amendments do not permit an entity to designate an inflation component of issued or acquired fixed-rate debt in a fair value hedge. In this instance, the inflation component is not considered to be separately identifiable and reliably measurable.

The amendments also clarify that a risk-free or benchmark interest rate portion of the fair value of a fixed-rate financial instrument will normally be separately identifiable and reliably measurable and, therefore, may be hedged.

Hedging with options

IAS 39 permits an entity to designate purchased (or net purchased) options as a hedging instrument in a hedge of a financial or non-financial item. An entity may designate an option as a hedge of changes in the cash flows or fair value of a hedged item above or below a specified price or other variable (a one-sided risk).

The amendments clarify that the intrinsic value, not the time value, of an option reflects a one-sided risk and therefore an option designated in its entirety cannot be perfectly effective. The time value of a purchased option is not a component of the forecast transaction that impacts profit or loss. Therefore, if an entity designates an option in its entirety as a hedge of a one-sided risk arising from a forecast transaction, hedge ineffectiveness will arise. Alternatively, an entity may choose to exclude time value as permitted by the Standard in order to improve hedge effectiveness. As a result of this designation, changes in the time value of the option will be recognised immediately in profit or loss.

Improvements to IFRSs (April 2009)

1 July 2009 or 1 January 2010

This is the second omnibus Standard published under the IASB's annual improvements process which is intended to deal with non-urgent, minor amendments to Standards. The Standard includes amendments to 12 IFRSs – which are individually dealt with in our April 2009 newsletter.

IFRIC 17 – Distributions of Non-cash Assets to Owners

Effective 1 July 2009

IFRIC 17 provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders. The interpretation clarifies that a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity. The most significant conclusion reached by the Committee is that a dividend should be measured at the fair value of the assets distributed, and that any difference between this amount and the previous carrying amount of the assets distributed should be recognised in profit or loss when the entity settles the dividend payable. This accounting treatment will result in a change in practice in many jurisdictions.

The Interpretation does not apply to distributions of non-cash assets where the asset is ultimately controlled by the same party or parties before and after the distribution (e.g. distributions of non-cash assets between entities under common control). This is the most common circumstance in which such distributions occur.

The Interpretation has resulted in consequential amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* regarding the appropriate treatment of the non-cash assets held for distribution.

IFRIC 18 – Transfers of Assets from Customers

Effective for transfers received on or after 1 July 2009

IFRIC 18 was issued to address divergent practice around the accounting treatment of transfers of assets from customers to the reporting entity. For example, a customer may give an item of property, plant and equipment (or a cash payment to be used by the recipient entity to acquire such an item) to an entity that is subsequently used by the recipient entity in order to supply that same customer with goods and/or services that require the use of the transferred item. For entities with such arrangements, IFRIC 18 is likely to result in deferral of revenue recognition or increased amounts being recognised as revenue, depending on the accounting policy previously adopted.

The Interpretation concludes that the recipient entity is required to recognise the transferred item of property, plant and equipment in its statement of financial position when it meets the definition of an asset under the *Framework for the Preparation and Presentation of Financial Statements*. The Interpretation emphasises that the entity must control the asset in order to recognise it, noting that right of ownership may not of itself be sufficient to establish control.

If and when an entity determines that the item of property, plant and equipment qualifies for recognition as an asset, the entity is required to recognise the asset in accordance with IAS 16 *Property, Plant and Equipment*, and therefore to measure its cost on initial recognition at its fair value.

If only one service is included in the agreement (e.g. connecting to the utility network with ongoing goods or services charged at the same rates as for other customers), the entity recognises revenue when that service is performed. If more than one service is identified, the fair value received is allocated between the services, and the recognition criteria of IAS 18 are then applied to each service individually. If an ongoing service is identified as part of the agreement, the period over which revenue is recognised for that service is generally determined by the terms of the agreement with the customer. If the agreement does not specify a period, the revenue is recognised over a period no longer than the useful life of the transferred asset used to provide the ongoing service.

Available for early adoption for 31 December 2010 year ends

Amendments to IFRS 1 and IFRS 7: Improving Disclosures about Financial Instruments

Effective 1 July 2010

The IASB amended IFRS 1 to exempt first-time adopters of IFRSs from providing the additional disclosures introduced by the March 2009 amendments to IFRS 7 *Improving Disclosures about Financial Instruments.* The amendment gives first-time adopters the same transitional provisions that the amendments to IFRS 7 provide to current IFRS preparers. This amendment is a short-term exemption and is applicable only to annual comparative periods ending before 31 December 2009, interim periods with an annual comparative period before 31 December 2009 and to any statement of financial position presented within these periods.

Amendments to IFRS 1 and IFRS 9 – Financial Instruments

Effective only if IFRS 9 is early adopted

A short-term disclosure exemption was introduced for entities that adopt IFRSs for annual periods beginning prior to 1 January 2012 and that elect to early adopt IFRS 9. The exemption provides some relief from the requirement to restate comparative information for items within the scope of IFRS 9 providing alternative disclosure requirements.

Amendments to IFRS 1 as part of Annual Improvements Project (AIP)

Effective 1 January 2011

IFRS 1 was amended as a result of Improvements to IFRSs 2010. The amendments, discussed below, relate to accounting policy changes in the year of adoption and additions to the deemed cost exemption.

- Accounting policy changes in the year of adoption: This amendment provides clarification of the ability of a first-time adopter to make changes to its accounting policies and elective IFRS 1 exemptions prior to the issuance of the first annual IFRS financial statements. The amended guidance also identifies disclosures required in the event that a first-time adopter changes its policies or exemptions in the period between the first interim and first annual financial statements issued in the year of adoption.

- Deemed cost exemption – Event-driven fair value measurements: The deemed cost exemption was amended to enable the use of fair value measurements for events that occur between the date of transition and the end of the first annual IFRS reporting period. An example of such an event would be an Initial Public Offering or Privatisation. Where the exemption is applied, the entity records the deemed cost adjustment through an entry to equity at the measurement date. The exemption does not provide the entity with any relief from the requirement to establish an IFRS-compliant measurement basis at the date of transition to IFRSs.

- **Deemed cost exemption – Entities subject to Rate-regulation:** This addition to the deemed cost exemption relates to property, plant and equipment or intangible assets subject to rate regulation and allows a first-time adopter to use a previous GAAP carrying amount as deemed cost on transition to IFRSs. Where an entity elects to apply this exemption, an impairment test for the related assets is also required at the date of transition.

Amendments to IFRS 3 (2008) as part of AIP

Effective 1 July 2010

Three amendments to IFRS 3 (2008) were incorporated in Improvements to IFRSs 2010:

- **Measurement of non-controlling interests:** Specifies that the option to measure non-controlling interests either at fair value or at the proportionate share of the acquiree's net identifiable assets at the acquisition date under IFRS 3 (2008) applies only to non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation.

- **Un-replaced and voluntarily replaced share-based payment awards:** Specifies that the current requirement to measure awards of the acquirer that replace acquiree share-based payment transactions in accordance with IFRS 2 at the acquisition date ('market-based measure') applies also to share-based payment transactions of the acquiree that are not replaced.

- **Transitional requirements for contingent consideration from a business combination that occurred before the effective date of IFRS 3 (2008):** Clarifies that IAS 32 Financial Instruments: Presentation, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures do not apply to contingent consideration that arose from business combinations whose acquisition dates preceded the application of IFRS 3 (2008).

Amendments to IFRS 7 as part of AIP

Effective 1 January 2011

IFRS 7 was amended as part of Improvements to IFRSs 2010 in order to clarify the existing disclosure requirements. The effect of the amendment is to encourage qualitative disclosures in the context of the quantitative disclosure required to help users to form an overall picture of the nature and extent of risks arising from financial instruments. This amendment also clarifies the required level of disclosure around credit risk and collateral held and provides relief from disclosure of renegotiated loans.

Amendment to IFRS 7 – Enhanced Derecognition Disclosure Requirements

Effective 1 July 2011

The IASB introduced enhanced disclosure requirements to IFRS 7 Financial Instruments as part of its comprehensive review of off-balance sheet activities. The amendments are designed to ensure that users of financial statements are able to more readily understand transactions involving the transfer of financial assets (for example, securitisations), including the possible effects of any risks that may remain with the entity that transferred the assets.

The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

IFRS 9 – Financial Instruments – Classification and Measurement of Financial Assets

Effective 1 January 2013

IFRS 9 introduces new requirements for the classification and measurement of financial assets and is effective from 1 January 2013 with early adoption permitted. The requirements were issued in 2009 as part of the gradual development and phase-in of the new financial instruments guidance. New requirements for classification and measurement of financial liabilities were also added this year (see next section). Impairment and hedge accounting are expected to be added to IFRS 9 in 2011. As a result, IFRS 9 will eventually be a complete replacement for IAS 39.

All 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 (e.g. loan receivable) 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 generally must be measured at amortised cost. All other debt instruments must be measured at fair value through profit or loss (FVTPL). A fair value option is available (provided that certain specified conditions are met) as an alternative to amortised cost measurement. For debt instruments not designated at FVTPL under the fair value option, reclassification is required between FVTPL and amortised cost, or vice versa, if the entity's business model objective for its financial assets changes so that its previous measurement basis no longer applies.

When debt instruments are non-recourse, i.e. the lender's claim is limited to specific assets of the borrower, it will be necessary to consider whether the loan only represents contractual cash flows that are payments of principal and interest. The Standard requires an entity to look through to the underlying assets or cash flows to make this determination. If the terms of the loan give rise to any other cash flows or limit the cash flows in a manner inconsistent with payments representing principal and interest the loan cannot be measured at amortised cost.

All equity investments within the scope of IFRS 9 are to be measured on the statement of financial position at fair value with the default recognition of gains and losses in profit or loss. Only if the equity investment 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 unless the dividend clearly represents a recovery of part of the cost of the investment.

IFRS 9 does not retain IAS 39's concept of embedded derivatives for hybrid contracts if the host contract is a financial asset within the scope of IFRS 9. Consequently, embedded derivatives that would have been separately accounted for at FVTPL under IAS 39 because they were not closely related to the financial asset host will no longer be separated. Instead, the contractual cash flows of the financial asset are assessed in their entirety and the asset as a whole is measured at FVTPL if any of its cash flows do not represent payments of principal and interest as described by the Standard.

The effective date of IFRS 9 is for annual periods beginning on or after 1 January 2013, with early adoption permitted. IFRS 9 is required to be applied retrospectively with some exemptions for specific aspects of the Standard. Entities adopting the new Standard with an initial application date before 1 January 2012 will be exempt from the requirement to restate prior periods.

IFRS 9 – Incorporation of requirements on the accounting for financial liabilities

Effective 1 January 2013

As noted in the preceding section, IFRS 9 is being developed in several phases with the first part of the new financial instruments guidance being issued in 2009 (Classification and Measurement of Financial Assets). The 2010 revision to IFRS 9 retains the requirements for classification and measurement of financial assets that were published in November 2009 but adds guidance on the classification and measurement of financial liabilities. Guidance on derecognition of financial instruments and related implementation guidance from IAS 39 *Financial Instruments: Recognition and Measurement* has also been incorporated into IFRS 9.

The guidance included in IFRS 9 retains the classification criteria for financial liabilities currently contained in IAS 39. However, there are two key differences, relating to presentation and measurement, compared to IAS 39:

- the presentation of the effects of changes in fair value attributable to a liability's credit risk; and

- the elimination of the cost exemption for derivative liabilities to be settled by delivery of unquoted equity instruments.

The presentation of the effects of changes in a liability's credit risk

The revised guidance about a liability's credit risk does not apply to all liabilities measured as at FVTPL. Financial liabilities held for trading and financial guarantee contracts that are designated under the fair value option would continue to be measured at fair value with all changes being recognised in profit or loss. For all other financial liabilities designated as at FVTPL using the fair value option, the revised guidance requires the amount of change in the liability's fair value attributable to changes in the credit risk to be recognised in other comprehensive income (OCI) with the remaining amount of change in fair value being recognised in profit and loss. However, if recognising the changes in fair value attributable to credit risk within OCI creates or increases an accounting mismatch, an entity would present the entire change in fair value within profit or loss.

The elimination of the cost exemption for derivative financial liabilities

The part of IFRS 9 dealing with financial assets removed the cost exemption in IAS 39 for unquoted equity instruments and related derivative assets where fair value was not reliably determinable. When the financial assets part of IFRS 9 was published, the cost exemption for derivative liabilities that will be settled by delivering unquoted equity instruments whose fair value cannot be determined reliably (e.g. a written option where, on exercise, an entity would deliver unquoted shares to the holder of the option) remained in place. However, the revised guidance now also removes this cost exemption so that all derivatives, whether assets or liabilities, are measured at fair value.

Amendment to IAS 1 as part of AIP

Effective 1 January 2011

IAS 1 was amended as part of Improvements to IFRSs issued in May 2010. The amendment clarifies that an entity may present the analysis of other comprehensive income by item either in the statement of changes in equity or in the notes to the financial statements.

Amendments to IAS 24 – Related Party Disclosures

Effective 1 January 2011

The amendments to IAS 24 simplify the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government (referred to as government-related entities) and clarify the definition of a related party.

The previous version of IAS 24 contained no specific exemption for government-related entities. Many entities, particularly in an environment where government control is pervasive, found it problematic in practice to identify all government-related entities, and to quantify all related party transactions and balances with those entities.

As a result, the amendment to IAS 24 provides a partial exemption from the disclosure requirements of IAS 24 for government-related entities. Specifically, a reporting entity is exempt from the general disclosure requirements of IAS 24 in relation to related party transactions and outstanding balances (including commitments) with:

- a government that has control, joint control or significant influence over the reporting entity; and
- another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

However, where a reporting entity is exempt from the general disclosure requirements the revised Standard requires the reporting entity to disclose the following information about the transactions and related outstanding balances:

- the name of the government and the nature of its relationship with the reporting entity (i.e. control, joint control or significant influence);
- sufficient detail about:
  - the nature and amount of each individually significant transaction; and
  - other transactions that are collectively, but not individually, significant, a qualitative or quantitative indication of their extent.

A further amendment to IAS 24 simplified the definition of a related party, clarified its intended meaning and eliminated a number of inconsistencies. In summary, the revised definition is based on the following principles:

- in the assessment of a related party relationship, significant influence is regarded as equal to the relationship with key management personnel. It is therefore not as close as a relationship where control or joint control exists;
- two entities that are subject to control or joint control by the same party, are related to each other;
- if one party controls or jointly controls an entity and at the same time has significant influence over another entity, the associate and joint venture are related to each other;
- if two entities are both subject to significant influence by the same entity, the entities are not related to each other; and
- symmetry in the treatment of related party relationships. If the revised definition treats one party as related to a second party, the second party is also treated as related to the first party.

Amendment to IAS 27 (2008) as part of AIP

Effective 1 July 2009 or 1 July 2010

Following the issuance of IAS 27 (2008), a number of consequential amendments were made to other IFRSs. The changes related to IAS 21, 28 and IAS 31 and are to be applied prospectively (with the exception of paragraph 35 of IAS 28 and paragraph 46 of IAS 31, which are to be applied retrospectively).

Amendments to IAS 32 – Classification of rights issues

Effective 1 February 2010

Under the amendment to IAS 32 rights, options and warrants – otherwise meeting the definition of equity instruments in IAS 32.11 – issued to acquire a fixed number of an entity's own non-derivative equity instruments for a fixed amount in any currency are classified as equity instruments, provided the offer is made pro-rata to all existing owners of the same class of the entity's own non-derivative equity instruments.

Amendment to IAS 34 as part of AIP

Effective 1 January 2011

IAS 34 was amended to provide a clarification around significant events and transactions to be disclosed in interim financial reports. The amendment is intended to emphasise that these interim disclosures should update the relevant information presented in the most recent annual financial report. The amendment also clarifies how to apply this principle in respect of financial instruments and their fair values.

IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

Effective 1 July 2010

The Interpretation addresses divergent accounting by entities issuing equity instruments in order to extinguish all or part of a financial liability (often referred to as "debt for equity swaps"). The Interpretation concludes that the issue of equity instruments to extinguish an obligation constitutes consideration paid.

The consideration should be measured at the fair value of the equity instruments issued, unless that fair value is not readily determinable, in which case the equity instruments should be measured at the fair value of the obligation extinguished. Any difference between the fair value of the equity instruments issued and the carrying value of the liability extinguished is recognised in profit or loss.

If the issue of equity instruments is to settle a portion of a financial liability, the entity should assess whether a part of the consideration relates to a renegotiation of the portion of the liability that remains outstanding.

Amendment to IFRIC 13 – Customer Loyalty Programmes as part of AIP

Effective 1 January 2011

IFRIC 13 was amended in order to provide clarification on the measurement of the fair value of award credits under the interpretation.

Specifically, the amendment states that the 'fair value' of award credits should take into account:

- the amount of discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale; and

- any expected forfeitures.

Amendment to IFRIC 14 – Prepayments of a Minimum Funding Requirement

Effective 1 January 2011

IFRIC 14 has been amended to address an unintended consequence of IFRIC 14 where entities are in some circumstances not permitted to recognise prepayments of minimum funding contributions as an asset.

IFRIC 14 (as originally issued) did not consider that a plan surplus may result from a prepayment of future minimum funding contributions and therefore, unintentionally reduced the economic benefits available in accordance with IAS 19.58 arising from voluntary prepayments of minimum funding contributions. If an entity is subject to minimum funding requirements for contributions relating to future benefits, IFRIC 14.20 (as originally issued) limited the economic benefit available in the form of reductions in future contributions to the present value of:

(a) the estimated future service cost in each year; less

(b) the estimated minimum funding contributions required in respect of the future accrual of benefits in that year.

Under the amended IFRIC 14.20, if there is a minimum funding requirement for contributions relating to future service, the economic benefit available as a reduction in future contributions (and, therefore, the surplus that should be recognised as an asset) is comprised of:

(a) any amount that reduces future minimum funding requirement contributions for future services because the entity made a prepayment (i.e. any amount that the entity has paid before being required to do so); and

(b) the estimated future service cost in each period less the estimated minimum funding requirement contributions that would be required for future service in that period if there were no prepayment of those contributions as described in (a).

Further, IFRIC 14 clarifies that while the amount calculated under (b) above may be negative for a given period (i.e. the estimated minimum funding requirement contribution for that period exceeds the estimated future service cost for that same period), the total amount calculated under (b) can never be less than zero. Accordingly, the economic benefit available as a reduction in future contributions will correspond, as a minimum, to the amount of the prepayment, if any.

Looking forward: Status of current IASB projects

There have been a number of changes in the IASB work plan during the year – the end result of which has been to agree on a revised timetable that is focused on the completion of a number of major projects during the first half of 2011. The following is a summary of some of the major project developments in 2011:

Project	Summary	Newsletter
Consolidation	The IASB is developing a single consolidation model applicable to all entities that would be based on the concept of control and improve disclosures of consolidated and unconsolidated entities. A final standard is expected to be issued in late January 2011. A separate ED is expected to be issued in 2011 addressing investment companies as part of the broader consolidation project, considering the question of whether investments held by "Investment Entities" (as defined by the IASB) should be measured at fair value rather than consolidated.	January 2009
Fair Value Measurement	The IASB is developing a single source of guidance for all fair value measurements, to clarify the definition of fair value, to enhance disclosures about fair value and to increase convergence with US GAAP. The project addresses how to measure fair value but not when to measure it. A final standard is expected to be issued in the first quarter of 2011.	July 2010
Financial Instruments	The IASB's financial instrument project will replace IAS 39 and is being addressed in phases: Classification and Measurement, Impairment, Hedge Accounting and Offsetting of Financial Assets and Liabilities. An exposure draft on Hedge Accounting was issued in December 2010 and exposure drafts on impairment and asset and liability offsetting are expected to be issued in January 2011. All phases are expected to be completed in June 2011.	July and November 2009
Insurance Contracts	An exposure draft relating to Insurance Contracts was issued proposing a single IFRS that all insurers, in all jurisdictions, could apply to all contract types on a consistent basis. This is one of the priority projects of the IASB with a new IFRS expected in June 2011.	August 2010
Joint Ventures	The IASB has limited the scope of this project to remove the option to apply the proportional consolidation method when accounting for jointly controlled entities and consider the existing definition of a joint arrangement and the differences between a joint venture entity and direct interests in assets and liabilities of a joint arrangement. A final standard is expected in late January 2011.	October 2007
Leases	An exposure draft was issued in August 2010 proposing significant changes to lease accounting for both lessees and lessors. Lessees would be required to recognise a "right of use" asset and corresponding liability in the statement of financial position. Two accounting models are proposed for lessors – a derecognition model and a performance obligation model. A final standard is expected to be issued in June 2011.	August 2010
Liabilities (IAS 37)	The IASB is developing a new standard to replace IAS 37 that addresses liabilities of uncertain timing or amount that are not within the scope of another standard. An exposure draft is expected to be issued in the second half of 2011.	January 2010
Post-employment Benefits	An exposure draft was issued proposing to remove the allowed treatment under IAS 19 of deferring and amortising actuarial gains and losses ('the corridor approach'). Other proposed changes relate to the measurement and disaggregation of the various components of the benefit expense. The amendments are planned to be finalised in the first quarter of 2011.	May 2010
Revenue Recognition	An exposure draft was issued in June 2010. The proposed guidance would provide a single standard designed to address all types of revenue contracts and identifies the transfer of control of a good or service as being required for revenue to be recognised. The exposure draft proposes substantive changes to the accounting for revenue contracts that include multiple deliverables. A final standard is expected to be issued in June 2011.	June 2010

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