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IFRS in Focus
IASB issues Annual Improvements: 2010-2012 Cycle

Contents

This edition of IFRS in Focus outlines the recent amendments to seven International Financial Reporting Standards (IFRSs) issued under the annual improvement process.

The Bottom Line

- The amendments impact the following standards:
  - IFRS 2 *Share based payments* – Definition of vesting condition
  - IFRS 3 *Business Combinations* – Accounting for contingent consideration in a business combination
  - IFRS 8 *Operating Segments* – (i) Aggregation of operating segments and (ii) Reconciliation of the total of the reportable segments' assets to the entity's assets
  - IFRS 13 *Fair Value Measurement* – Short-term receivables and payables
  - IAS 16 *Property, Plant and Equipment* – Revaluation method: proportionate restatement of accumulated depreciation
  - IAS 24 *Related Party Disclosures* – Key management personnel
  - IAS 38 *Intangible Assets* – Revaluation method: proportionate restatement of accumulated amortisation

- The amendments are effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

Why have these amendments been issued?

The *Annual Improvements to IFRS: 2010-2012 Cycle* issued by the International Accounting Standards Board (IASB) is the fifth collection of amendments issued under the annual improvement process, which is designed to make necessary, but non-urgent, amendments to IFRS.

When do the new requirements apply?

The amendments broadly apply for annual periods beginning, or transactions occurring, on or after 1 July 2014, with earlier application permitted. Any specific transitional requirements are included in the relevant sections below.

Entities are permitted to early adopt any individual amendment within the *Annual Improvements to IFRS: 2010-2012 Cycle* without early adopting all other amendments.

For more information please see the following websites:

www.iasplus.com

www.deloitte.com

What are the changes introduced by the amendments?

IFRS	Topic	Amendment
IFRS 2 *Share based payments*	Definition of vesting condition	Appendix A 'Defined terms' to IFRS 2 was amended to (i) change the definitions of 'vesting condition' and 'market condition' and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments clarify that: • a performance target can be based on the operations of the entity or another entity in the same group (i.e. a non-market condition) or on the market price of the equity instruments of the entity or another entity in the same group (i.e. a market condition); • a performance target can relate either to the performance of the entity as a whole or to some part of it (e.g. a division or an individual employee); • a share market index target is a non-vesting condition because it not only reflects the performance of the entity, but also of other entities outside the group; • the period for achieving a performance condition must not extend beyond the end of the related service period; • a condition needs to have an explicit or implicit service requirement in order to constitute a performance condition (rather than being a non-vesting condition); • a market condition is a type of performance condition, rather than a non-vesting condition; and • if the counterparty ceases to provide services during the vesting period, this means it has failed to satisfy the service condition, regardless of the reason for ceasing to provide services. The amendments apply prospectively to share-based payment transactions with a grant date on or after 1 July 2014, with earlier application permitted.
IFRS 3 *Business Combinations*	Accounting for contingent consideration in a business combination	The amendments clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. Consequential amendments were also made to IFRS 9, IAS 39 and IAS 37. The amendments apply prospectively to business combination for which the acquisition date is on or after 1 July 2014. Earlier application is permitted.
IFRS 8 *Operating Segments*	Aggregation of Operating Segments	The amendments require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'. The amendments apply for annual periods beginning on or after 1 July 2014, with earlier application permitted.
	Reconciliation of the total of the reportable segments' assets to the entity's assets	The amendment clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker. The amendments apply for annual periods beginning on or after 1 July 2014, with earlier application permitted.
IFRS 13 *Fair Value Measurement*	Short-term receivables and payables	The Basis for Conclusions was amended to clarify that the issuance of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of not discounting is immaterial.
IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*	Revaluation method: proportionate restatement of accumulated depreciation/ amortisation	The amendments remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended requirements clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses. The amendments apply for annual periods beginning on or after 1 July 2014, with earlier application permitted. An entity is required to apply to amendments to all revaluations recognised in the annual period in which the amendments are first applied and in the immediately preceding annual period. An entity is permitted, but not required, to restate any earlier periods presented.
IAS 24 *Related Party Disclosures*	Key management personnel	The amendments clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity must disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required. The amendments apply for annual periods beginning on or after 1 July 2014, with earlier application permitted.

Key contacts

Global IFRS Leader
Veronica Poole
ifrsglobalofficeuk@deloitte.co.uk

IFRS centres of excellence

Americas		
Canada	Karen Higgins	ifrs@deloitte.ca
LATCO	Fermin del Valle	ifrs-LATCO@deloitte.com
United States	Robert Uhl	iasplusamericas@deloitte.com
Asia-Pacific		
Australia	Anna Crawford	ifrs@deloitte.com.au
China	Stephen Taylor	ifrs@deloitte.com.cn
Japan	Shinya Iwasaki	ifrs@tohmatsu.co.jp
Singapore	Shariq Barmaky	iasplus-sg@deloitte.com
Europe-Africa		
Belgium	Thomas Carlier	ifrs-belgium@deloitte.com
Denmark	Jan Peter Larsen	ifrs@deloitte.dk
France	Laurence Rivat	ifrs@deloitte.fr
Germany	Andreas Barckow	ifrs@deloitte.de
Italy	Franco Riccomagno	friccomagno@deloitte.it
Luxembourg	Eddy Termaten	luiasplus@deloitte.lu
Netherlands	Ralph Ter Hoeven	ifrs@deloitte.nl
Russia	Michael Raikhman	ifrs@deloitte.ru
South Africa	Nita Ranchod	ifrs@deloitte.co.za
Spain	Cleber Custodio	ifrs@deloitte.es
United Kingdom	Elizabeth Chrispin	deloitteifrs@deloitte.co.uk

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