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IFRS Global office
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IFRS in Focus
IASB issues Annual Improvements: 2011-2013 Cycle

Contents

The Bottom Line

- The amendments impact the following standards:
  - IFRS 1 *First-time Adoption of International Financial Reporting Standards* – Clarification of the meaning of "effective IFRSs";
  - IFRS 3 *Business Combinations* – Clarification of the scope exclusion for joint ventures;
  - IFRS 13 *Fair Value Measurement* – Clarification of the scope of the portfolio exception;
  - IAS 40 *Investment Property* – Clarification of the interrelationship between IFRS 3 and IAS 40.
- The amendments are effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

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

Why have these amendments been issued?

The *Annual Improvements to IFRS: 2011-2013 Cycle* issued by the International Accounting Standards Board (IASB) is the sixth collection of amendments issued under the annual improvement process, which is designed to make necessary, but non-urgent, amendments to IFRSs.

When do the new requirements apply?

The amendments apply prospectively for annual periods beginning 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: 2011-2013 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 1 *First-time Adoption of International Financial Reporting Standards*	Meaning of "effective IFRS"	The Basis for Conclusions was amended to clarify that a first-time adopter is allowed, but not required, to apply a new IFRS that is not yet mandatory if that IFRS permits early application. If an entity chooses to early apply a new IFRS, it must apply that new IFRS retrospectively throughout all periods presented unless IFRS 1 provides an exemption or an exception that permits or requires otherwise. Consequently, any transitional requirements of that new IFRS do not apply to a first-time adopter that chooses to apply that new IFRS early.
IFRS 3 *Business Combinations*	Scope exception for joint ventures	The scope section was amended to clarify that IFRS 3 does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.
IFRS 13 *Fair Value Measurement*	Scope of portfolio exception (paragraph 52)	The scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, an accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32. Consistent with the prospective initial application of IFRS 13, the amendment must be applied prospectively from the beginning of the annual period in which IFRS 13 was initially applied.
IAS 40 *Investment Property*	Interrelationship between IFRS 3 and IAS 40	IAS 40 was amended to clarify that this standard and IFRS 3 *Business Combinations* are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether (a) the property meets the definition of investment property in IAS 40 and (b) the transaction meets the definition of a business combination under IFRS 3. The amendment applies prospectively for acquisitions of investment property in periods commencing on or after 1 July 2014. An entity is only permitted to adopt the amendments early and/or restate prior periods if the information to do so is available.

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