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IFRS in your pocket 2013



Foreword

Welcome to the 2013 edition of IFRS in Your Pocket, which provides an update on developments up to the first quarter of 2013. We cover all of the material which has made this publication an annual world-wide favourite: background information on the structure and workings of the IASB; analysis of the use of IFRSs around the world; summaries of all current Standards and Interpretations; and up-to-date details of IASB and IFRIC agenda projects. It is the ideal guide, update and refresher for everyone either contemplating a move to IFRSs or already reporting under the IFRS framework.

Last year was one of change and a gradual strengthening of the standard-setting process even though progress on the most difficult projects proved complex and contentious. It was a year when the results of a variety of governance reviews and strategy reviews brought a strengthening of the process of the IASB. And it was a year of taking stock on progress. In the words of Michel Prada, the new Chairman of the IFRS Foundation Trustees, the IASB in its short history has gone from 'an innovative international start-up' to 'an international standard-setter that issued words that would be written into law verbatim by the nations of the world'. Over half of the Fortune Global 500 Companies now report using IFRS. The establishment of an Accounting Standards Advisory Forum, (ASAF), by the IASB was intended to expand dialogue with the global standard-setting community, and this turned into one of the themes of the year. 'Having spent the first decade working one-to-one with other standards setters', said IASB Chairman Hans Hoogervorst, 'we have now set a new, more inclusive and multi-lateral path'.

Efforts were concentrated on speeding up the progress on some of the key projects and publication of exposure drafts on revenue recognition, financial instruments, leases and insurance contracts. This once again brought into focus convergence efforts with the US standard-setter, the FASB. Referring to revenue recognition in particular Hoogervorst made the point that a 'fully converged standard is, in my view, the jewel in the crown of the convergence programme'.

In terms of improvements more broadly to financial reporting, the IASB responded to what Hoogervorst referred to as 'concerns that financial reports contain too much irrelevant and unconnected information' by instituting a process of round-tables and other efforts to rationalise what was increasingly referred to simply as clutter. And a revitalised programme to bring a full conceptual framework into being also got under way.

The hope is that the combination of efforts to bring about an endgame for some of the most contentious topics which the IASB has ever faced, along with greater cooperation and understanding around the world, will bring greater gains for IFRS.

Veronica Poole
Global IFRS Leader

Our IAS Plus website

The screenshot displays the IAS Plus website interface. At the top, there is a navigation menu with links for Home, News, Publications, Events, Standards, Practice, Jurisdiction, and Resources. A search bar is located in the top right corner. Below the navigation, a banner reads "The #1 website for global accounting news".

The main content area is divided into two columns. The left column features a "Latest news" section with several articles, each with a country flag icon and a date:

- New report on non-financial materiality** (Aug 16, 2013): A report from the Global non-financial reporting group on accountability, sustainable business practices, and corporate responsibility.
- Malaysia for the IASB: IFRS jurisdiction briefing for certain entities** (Aug 16, 2013): The Malaysian Accounting Standards Board (MASB) has announced that it will amend its regulations and rules to align with the adoption of IASB's IFRS standards.
- US Senate extends SEC Chairman's term** (Aug 16, 2013): The United States Senate confirmed an additional two-year term for SEC Chairman Mary Jo White.
- EFPRG draft comment letter on insurance contracts** (Aug 16, 2013): The European Financial Reporting Advisory Group (EFRAG) has issued a draft comment letter on the IASB's draft Exposure Draft (ED) on insurance contracts.
- Key Tunes (India) - IFRS and UK GAAP update** (Aug 16, 2013): The Delhi-based IFRS Centre of Excellence is offering a series of four-hour, internet-based financial reporting courses.
- IFSBAS publishes preliminary proposal for reforming public sector conceptual framework** (Aug 16, 2013): The International Public Sector Accounting Standards Board (IPSBAS) has issued a preliminary version of a Practice by Following Conceptual Framework for the public sector.

The right column features a "Latest exposure draft" section with a calendar icon and a list of upcoming events:

- September 2013 IFRS: IASB preliminary Committee meeting** (Sep 16, 2013 - Sep 16, 2013) - London
- September 2013 IASB: IASB meeting (draft phase session)** (Sep 16, 2013 - Sep 16, 2013) - London
- September 2013 IASB: IASB meeting** (Sep 16, 2013 - Sep 20, 2013) - London
- September 2013 IASB: IASB and IASB meetings on issues** (Sep 16, 2013) - Toronto

Below the calendar is a "Popular" section with a list of featured articles:

- IASB exposure draft proposed significant changes to audit reports
- IASB work plan
- IASB meeting - 21-25 July 2013
- IASB - Proposed Instruments: Recognition and Measurement
- IFRS 1 - Presentation of Financial Statements
- IFRSB (part 2)
- Recent financial statements are available
- Revenue recognition project
- Use of IFRS by jurisdiction
- Overview of the IASB and IFRS Foundation
- Public sector reporting

At the bottom of the page, there are several quick links:

- Welcome to IAS Plus
- Follow IAS Plus on Twitter
- IFRS Industry events
- IFRS Centre of Excellence
- IFRS operations
- Go to IFRS homepage

Deloitte's IAS Plus (www.iasplus.com) is one of the most comprehensive sources of global financial reporting news on the Web. It is a central repository for information about International Financial Reporting Standards (IFRSs) as well as the activities of the International Accounting Standards Board (IASB). The site, which is also available in German, will soon include portals tailored to the United Kingdom and the United States, each with a focus on local GAAP and jurisdiction-specific corporate reporting requirements. More portals are planned for the future.

IAS Plus features:

- news about global financial reporting developments, presented intuitively with related news, publications, events and more;
- summaries of all standards, interpretations and projects, with complete histories of developments and standard-setter discussions together with related news and publications;
- rich jurisdiction-specific information, including background and financial reporting requirements, links to country-specific resources, related news and publications and a comprehensive history of the adoption of IFRSs around the world;
- detailed personalisation of the site, which is available by selecting particular topics of interest and viewing tailored views of the site;
- dedicated resource pages for research and education, sustainability and integrated reporting, accounting developments in Europe, global financial crisis, XBRL and Islamic accounting;
- important dates highlighted throughout the site for upcoming meetings, deadlines and more;
- a library of IFRS-related publications available for download and subscription – including our popular *IFRS in Focus* newsletter and other publications;
- model IFRS financial statements and checklists, with many versions available tailored to specific jurisdictions;
- an extensive electronic library of both global and jurisdiction-specific IFRS resources;
- expert analysis and commentary from Deloitte subject matter experts, including webcasts, podcasts and interviews, and further analysis from respected financial journalist Robert Bruce;
- e-learning modules for most International Accounting Standards (IASs) and IFRSs;
- enhanced search functionality, allowing easy access to topics of interest by tags, categories or free text searches, with search results intuitively presented by category with further filtering options;
- Deloitte comment letters to the IASB and numerous other bodies; and
- freedom to access the information through the Web, mobile, RSS, Twitter and more.

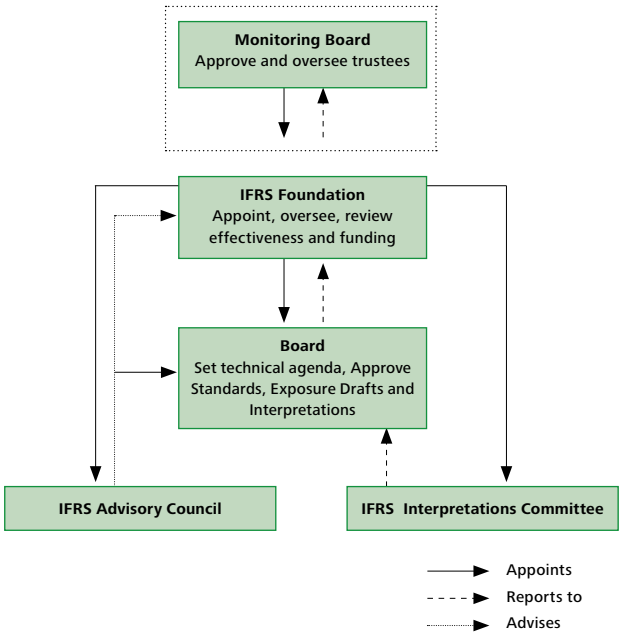
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Abbreviations

DI	Draft interpretation
DP	Discussion paper
EC	European Commission
ED	Exposure draft
EEA	European Economic Area (EU 28 + 3 countries)
EFRAG	European Financial Reporting Advisory Group
ESMA	European Securities and Markets Authority
EU	European Union (28 countries)
FASB	Financial Accounting Standards Board (US)
FEE	Federation of European Accountants
GAAP	Generally Accepted Accounting Principle(s)
IAS(s)	International Accounting Standard(s)
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee (predecessor to the IASB)
IASCF	IFRS Foundation (predecessor to the IFRSF)
IFRIC	IFRS Interpretations Committee (previously “International Financial Reporting Interpretations Committee of the IASB, and Interpretations issued by that committee” – see below)
IFRS(s)	International Financial Reporting Standard(s)
IFRSF	IFRS Foundation, parent body of the IASB
IOSCO	International Organization of Securities Commissions
NCI	Non-controlling interest(s) (previously “minority” interests)
RFI	Request for information
SAC	IFRS Advisory Council (previously “Standards Advisory Council” – see below) – advisory to the IASB
SEC	Securities and Exchange Commission (US)
SIC	Standing Interpretations Committee of the IASC, and Interpretations issued by that committee
SME(s)	Small and medium-sized entity(ies)

IASB structure



Monitoring Board

The primary purpose of the Monitoring Board provides a mechanism for formal interaction between capital markets authorities responsible for the form and content of financial reporting and the IFRS Foundation (IFRSF). In particular, it assures public accountability of the IFRSF through a formal reporting line from the IFRSF through a formal reporting line from the IFRSF Trustees to the Monitoring Board.

The responsibilities of the Monitoring Board include:

- participating in the process for appointing trustees and approving the appointment of trustees according to the guidelines set out in the IFRSF's Constitution;
- to review the adequacy and appropriateness of Trustee arrangements for financing the IASB;
- review the Trustees' oversight of the IASB's standard-setting process. In particular, with respect to its due process arrangements;
- to confer with the Trustees regarding the responsibilities, particularly in relation to the regulatory, legal and policy developments that are pertinent to the IFRS Foundation's oversight to the IASB; and
- referring matters of broad public interest related to financial reporting to the IASB through the IFRS Foundation.

As at 30 June 2013, the Monitoring Board comprised the relevant Member of the European Commission, and the chairs of the Financial Services Agency of Japan, the US Securities and Exchange Commission (SEC), the Emerging Markets Committee of the International Organisation of Securities Commissions (IOSCO) and the Chair of the IOSCO Board. The Basel Committee on Banking Supervision is a non-voting observer.

In May 2013, the Monitoring Board commenced a process to appoint up to a further four members. Prospective members must be a capital markets authority responsible for setting the form and content for financial reporting in its jurisdiction and meet certain requirements about the use of IFRSs in that jurisdiction and continuing participation in the IFRS Foundation's funding arrangements.

IFRS Foundation

Composition: 22 individual trustees, one appointed as Chair and up to two as Vice-Chairs. Trustees are appointed for a three-year term, renewable once. Regardless of prior service, a trustee may be appointed to serve as Chair or Vice-Chair for a term of three years, renewable once, provided total years' service as a trustee does not exceed nine years.

Geographical balance: six trustees from the Asia/Oceania region; six from Europe; six from North America; one from Africa; one from South America and two from any area (subject to maintaining overall geographical balance).

Backgrounds of trustees: the IFRSF Constitution requires an appropriate balance of professional backgrounds, including auditors, preparers, users, academics, and other officials serving the public interest. Two will normally be senior partners of prominent international accounting firms.

International Accounting Standards Board

Composition: 16 Board Members, of whom one is appointed as chair and up to two as vice-chairs. Up to three members may be 'part-time' members. IASB members are appointed for an initial term of five years, renewable for a further three years. The chair and vice-chairs may serve second terms of five years, subject to an overall maximum term of ten years.

Geographical balance: to ensure a broad international diversity, there will normally be four members from the Asia/Oceania region; four from Europe; four from North America; one each from Africa and South America; and two appointed from any area, subject to maintaining overall geographical balance.

Backgrounds of Board members: the main qualification for membership is professional competence and practical experience. The group is required to represent the best available combination of technical expertise and diversity of international business and market experience.

Members of the IASB



Hans Hoogervorst, Chairman was formerly Chairman of the executive board, the Netherlands Authority for the Financial Markets, and a former chairman of the IOSCO technical committee. He was appointed as a co-chair of the Financial Crisis Advisory Group, a high level group of business leaders with experience of international markets, to advise the IASB and the FASB on their joint response to the financial crisis. He also served as Chairman of the Monitoring Board of the IFRS Foundation, oversight body of the IASB.

Mr Hoogervorst held a number of positions in the Dutch Government, including minister of finance between 1998 and 2007. Term expires 30 June 2016.



Ian Mackintosh, Vice-Chairman was formerly Chairman of the United Kingdom Accounting Standards Board.

Mr Mackintosh has played an active role in standard-setting since 1983. He was a member, and later Deputy Chairman, of the Australian Accounting Standards Board, as well as chairing its Urgent Issues Group. Term expires 30 June 2016.



Stephen Cooper was Managing Director and head of valuation and accounting research at UBS Investment Bank prior to his appointment in 2007. Term expires 31 July 2017.



Philippe Danjou has previously served as director of the accounting division of the Autorité des Marchés Financiers, the French securities regulator. Term expires 30 June 2016.



Martin Edelmann has previously served as a member of the German Accounting Standards Board from 2006 until 2011. He is a former Head of Group Reporting at Deutsche Bank AG. Term expires 30 June 2017.



Jan Engström held senior financial and operating positions with the Volvo Group, including serving on the management board as Chief Financial Officer and as Chief Executive Officer of Volvo Bus Corporation. Term expires 30 June 2014.



Patrick Finnegan was a Director of the Financial Reporting Policy Group, CFA Institute for Financial Market Integrity. Term expires 30 June 2014.



Amaro Luiz de Oliveira Gomes was Head of the Financial System Regulation Department of the Central Bank of Brazil prior to his appointment to the IASB. Term expires 30 June 2014.



Gary Kabureck was the Chief Accounting Officer (and since 2003 as a Corporate Vice President) for Xerox Corporation. Term expires 30 June 2017.



Prabhakar Kalavacheria ('PK') was an audit partner at KPMG LLP in the US, and formerly in India, where he led KPMG's US GAAP practice, and in Europe. Retiring 31 December 2013.



Patricia McConnell is a former Senior Managing Director in Equity Research and Accounting and Tax Policy Analyst for Bear Stearns & Co. Term expires 30 June 2014.



Takatsugu (Tak) Ochi is a former Assistant General Manager, Financial Resources Management Group of Sumitomo Corporation. Term expires June 2016.



Darrell Scott was CFO of the FirstRand Banking Group, one of the largest financial institutions in South Africa. Term expires 31 October 2015.



Mary Tokar has served for more than 10 years as the global leader for KPMG's International Financial Reporting Group. Term expires 30 June 2017.



Dr Chung Woo Suh was an advisor to the Korea Accounting Standards Board (KASB) and is a Professor of Accounting at Kookmin University, Seoul. Term expires 30 June 2017.



Zhang Wei-Guo was Chief Accountant of the China Securities Regulatory Commission (CSRC) between 1997 and 2007. Term expires 30 June 2017.

The following appointment has been announced:



Sue Lloyd currently serves as a Senior Director of Technical Activities for the IASB. Term begins 1 January 2014 and expires 31 December 2019.

IASB due process

In developing IFRSs (including Interpretations), the IASB follows a comprehensive, open due process. The due process requirements are built on the principles of transparency, full and fair consultation – considering the perspectives of those affected by IFRSs globally – and accountability. The IFRS Foundation Trustees, through its Due Process Oversight Committee, is responsible for overseeing all aspects of the due process procedures of the IASB and the Interpretations Committee (IC), and for ensuring that those procedures reflect best practice.

Transparency is provided by holding all technical discussions in public (and usually webcast), providing public access to staff papers, ensuring that the IASB and IC have sufficient information to be able to make decisions based on the staff recommendations. A final Standard or Interpretation must be approved by at least 10 of the 16 members of the IASB.

Full and fair consultation includes mandatory steps:

- conducting, every three years, a public consultation on the IASB's technical work programme;
- debating any standard-setting proposals in public meetings;
- issuing an exposure draft of any proposed new Standard, amendment to a Standard or proposed Interpretation, with the related basis for conclusions and alternative views ('dissenting opinions'), for public comment, and subject to minimum comment periods;
- considering in a timely manner those comment letters received on the proposals. Comment letters are placed on the public record;
- considering whether the proposals should be exposed again;
- issuing final Standards together with a basis for conclusions and any dissenting opinions;
- consulting the Advisory Council on the technical programme, major projects, project proposals and work priorities; and
- ratification of an Interpretation by the IASB.

In addition, the IASB is committed to conducting post-implementation reviews of each new Standard or major amendment of an existing Standard.

In addition, and subject to a 'comply or explain' condition, the IFRS Foundation Constitution includes the following steps that are not mandatory:

- consulting on major projects with the Accounting Standards Advisory Forum¹ (ASAF);
- publishing a discussion document (for example, a Discussion Paper) before an Exposure Draft is developed. This document will usually include the IASB's preliminary views on issues in the project;
- establishing consultative groups or other types of specialist advisory groups;
- holding public hearings; and
- undertaking fieldwork.

Accountability is provided through such means as effects analysis and the basis for conclusions (and dissenting views) accompanying an IFRS.

1 This item was not included in the IFRS Foundation Constitution at the time of publication. The ASAF was established in March 2013. The ASAF will be consulted on all major IASB projects.

IASB contact information

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- Website : <http://shop.ifrs.org>
- Publications e-mail: publications@ifrs.org
- Office hours: Monday-Friday 09:30-17:30 London time

Obtaining IASB pronouncements and publications

IASB pronouncements and publications can be purchased in printed and electronic formats on the IASB's website (www.ifrs.org). The IASB's Standards (including mandatory application guidance, but not implementation guidance or bases for conclusions) are available on its website for free download. The complete IFRS for SMEs, including implementation guidance and basis for conclusions, is available without charge. Discussion papers and exposure drafts may be downloaded from the IASB's website without charge.

IASB chronology

- 1973** Agreement to establish IASC is signed by representatives of the professional accountancy bodies in Australia, Canada, France, Germany, Japan, Mexico, the Netherlands, the United Kingdom/the Republic of Ireland and the United States.
- Steering committees for the IASC's first three projects are appointed.
- 1975** First final IASs published: IAS 1 (1975) *Disclosure of Accounting Policies*, and IAS 2 (1975) *Valuation and Presentation of Inventories in the Context of the Historical Cost System*.
- 1982** IASC Board is expanded to up to 17 members, including 13 country members appointed by the Council of the International Federation of Accountants (IFAC) and up to 4 representatives of organisations with an interest in financial reporting. IFAC recognises the IASC as the global accounting standard-setter.
- 1989** The Federation of European Accountants (FEE) supports international harmonisation and greater European involvement in the IASC. IFAC adopts a public-sector guideline to require government business enterprises to follow IASs.
- 1994** IASC Advisory Council is established, with responsibilities for oversight and finances.
- 1995** European Commission (EC) supports the agreement between IASC and IOSCO to complete core standards and concludes that IASs should be followed by European Union multinationals.
- 1996** US SEC announces its support of the IASC's objective to develop, as expeditiously as possible, accounting standards that could be used in preparing financial statements for the purpose of cross-border offerings.
- 1997** SIC is formed with 12 voting members. Mission to develop interpretations of IASs for final approval by IASC.
- Strategy Working Party is formed to make recommendations regarding the future structure and operation of IASC.
- 1998** IFAC/IASC membership expands to 140 accountancy bodies in 101 countries.
- IASC completes the core Standards with approval of IAS 39.

1999

G7 Finance Ministers and International Monetary Fund urge support for IASs to “strengthen the international financial architecture”.

IASC Board unanimously approves restructuring into 14-member board (12 full-time) under an independent board of trustees.

2000

IOSCO recommends that its members allow multinational issuers to use IASC standards in cross-border offerings and listings.

Ad hoc nominating committee is formed, chaired by US SEC Chairman Arthur Levitt, to nominate the trustees who will oversee the new IASB structure.

IASC member bodies approve IASC’s restructuring and a new IASC Constitution.

Nominating committee announces initial trustees.

Trustees name Sir David Tweedie (chairman of the UK Accounting Standards Board) as the first Chairman of the restructured IASB.

2001

Members and new name of IASB are announced. IASC Foundation is formed. On 1 April 2001, the new IASB assumes its standard-setting responsibilities from the IASC. Existing IASs and SICs adopted by IASB.

IASB meets with chairs of the eight liaison national accounting standard-setting bodies to begin coordinating agendas and setting out convergence goals.

2002

SIC is renamed as the IFRIC with a mandate not only to interpret existing IASs and IFRSs but also to provide timely guidance on matters not addressed in an IAS or IFRS.

Europe requires IFRSs for listed companies starting 2005.


IASB and FASB issue joint agreement on convergence.

2003

First final IFRS and first IFRIC draft Interpretation are published.

2004

Webcasting of IASB meetings begins.

- 
- 2005** Constitutional changes.
- Meetings of Working Groups opened to the public.
- 2006** IASB/FASB update agreement on convergence.
- IASB issues statement on working relationships with other standard setters.
- 2007** IFRIC is expanded from 12 to 14 members.
- Board proposes separate IFRS for small and medium-sized entities (SMEs).
- 2008** IASB's response to global financial crisis includes new fair value measurement guidance, fast-track amendments to IAS 39; acceleration of projects on fair value measurement and consolidation; enhanced financial instrument disclosures; and establishment of two expert advisory groups.
- 2009** IASB is expanded to 16 members (including maximum three part-time) and geographic mix established.
- IASCF forms a Monitoring Board of public authorities.
- Response to global financial crisis continues, with projects on the replacement of IAS 39, including measurement of loan impairments.
- 2010** Trustees complete part 2 of 2008-2010 Constitution Review, including name changes as follows: IFRS Foundation (formerly the IASC Foundation); IFRS Interpretations Committee (formerly the IFRIC) and IFRS Advisory Council (formerly the Standards Advisory Council).
- 2011** Hans Hoogervorst takes over the Chairmanship of the IASB from Sir David Tweedie.
- IASB issues request for views on its first three-yearly agenda consultation.

2012

Report of the Trustees' Strategy Review 2011, *IFRSs as the Global Standards: Setting a Strategy for the Foundation's Second Decade*, is issued.

IASB and FASB set a new target for completing the remaining major convergence projects to the first half of 2013 in their report to G20.

Trustees complete their review of the efficiency and effectiveness of the IFRIC.

IFRSF issues invitation to comment on the new due process to be followed by IASB and IFRIC as well as Due Process Oversight Committee (DPOC) of the IFRSF.

The first international office outside of London was opened in Tokyo.

2013
(as at
30 June
2013)

IASB establishes the ASAF which holds its first meeting in April.

Use of IFRSs around the world

IFRSs are now used extensively around the world as the basis for preparing financial reports.

We maintain an up-to-date summary of the adoption of IFRS around the world on IAS Plus at www.iasplus.com/country/useias.htm.

The status of IFRS in major capital markets is discussed below.

Use of IFRSs in Europe

European Accounting Regulation

Listed companies To implement a 'financial reporting strategy' adopted by the European Commission (EC) in June 2000, the EU in 2002 approved a Regulation (the 'IAS Regulation') requiring all EU companies listed on a regulated market (about 8,000 companies in total) to follow IFRSs in their consolidated financial statements starting in 2005. The IFRS requirement applies not only in the 28 EU member states but also in the three European Economic Area (EEA) countries. Most large companies in Switzerland (not an EU or EEA member) also use IFRSs.

Non-EU companies listed on an EU regulated market must file financial statements prepared using either IFRSs as adopted by the EU, IFRSs as issued by the IASB or a GAAP designated by the EC as equivalent to IFRSs. This includes companies from jurisdictions that have adopted IFRSs as their local GAAP, as long as the companies state a full compliance with IFRSs in their audited financial statements. As at July 2012, the GAAPs of the United States, Japan, Canada, China and South Korea have been designated as equivalent to IFRSs and financial statements prepared using the national GAAP of India accepted for a transitional period ending 31 December 2014.

Unlisted companies and separate-company statements EU Member States may also extend the IFRS requirement to non-listed companies and to separate (i.e. company-only) financial statements. Nearly all Member States permit some or all non-listed companies to use IFRSs in their consolidated financial statements, and some permit it in separate financial statements.

Endorsement of IFRSs for use in Europe

Under the EU IAS Regulation, IFRSs must be individually endorsed for use in Europe. The endorsement process involves the following steps:

- EU translates the IFRSs into all European languages;
- the private-sector European Financial Reporting Advisory Group (EFRAG) gives its endorsement advice to the EC;

- the EC's Accounting Regulatory Committee (ARC) makes an endorsement recommendation; and
- the EC submits the endorsement proposal to the European Parliament and to the Council of the EU. Both must not oppose (or in certain circumstances approve) endorsement within three months, otherwise the proposal is sent back to the EC for further consideration.

By the end of June 2013, the EU had endorsed all IFRSs and all Interpretations with the exception of:

- endorsement of IFRS 9 has been postponed.
- amendments in respect of investment entities to IFRS 10, IFRS 12 and IAS 27 are expected to be endorsed in the fourth quarter of 2013.
- amendments to IAS 36 in respect of disclosures of recoverable amounts for non-financial assets are expected in the fourth quarter of 2013.
- amendments to IAS 39 in respect of novation of derivatives and continuation of hedge accounting are expected in the first quarter of 2014.

IFRIC Interpretation 21 Levies is expected in the first quarter of 2014.

Enforcement of IFRSs in Europe

European securities markets are regulated by individual Member States. However, since 1 January 2011, EU-level Authorities are responsible for ensuring that rules applicable to the financial sector are implemented adequately to preserve financial stability and to ensure confidence in the European financial system as a whole and sufficient protection of consumers of financial services.

These authorities are the European Banking Authority (EBA), the European Securities and Markets Authority (ESMA), and the European Insurance and Occupational Pensions Authority (EIOPA). The European Parliament and the Council have delegated powers to the Authorities such that the Authorities may draft regulatory technical standards within their areas of competence, which, following a set procedure, the EC may endorse for use throughout the EU. The EC must forward all proposed regulatory technical standards to the European Parliament and the Council and report at various points during the endorsement process. The Authorities are also able to over-ride national decisions that do not conform to EU regulations.

The European Systemic Risk Board (ESRB) monitors and assesses potential threats to financial stability that arise from macro-economic developments and from developments within the financial system as a whole.

EU-wide regulations include:

- standards adopted by the Committee of European Securities Regulators (CESR), a consortium of national regulators (the predecessor of ESMA). Standard No. 1 *Enforcement of Standards on Financial Information in Europe* sets out 21 high level principles that EU member states should adopt in enforcing IFRSs. Standard No. 2 *Coordination of Enforcement Activities* adopts guidelines for implementing Standard No. 1. These Standards remain in force;
- the *Directive on Statutory Audit of Annual Accounts and Consolidated Accounts* which was issued in September 2006. The new Directive replaced the 8th Directive and amended the 4th and 7th Directives. Among other things, the Directive adopted International Standards on Auditing throughout the EU and required Member States to form auditor oversight bodies;
- the *Transparency Directive* established a common financial disclosure regime across the EU for issuers of listed securities; and
- amendments to EU directives that establish the collective responsibility of board members for a company's financial statements.

In January 2011, the European Commission adopted a first decision in recognising the equivalence of the audit oversight systems in 10 third countries. This decision allows for reinforced cooperation between member states and third countries which have been declared equivalent, so that they can mutually rely on each others' inspections of audit firms. The countries assessed as equivalent are Australia, Canada, China, Croatia (then an Accession State, now an EU Member State), Japan, Singapore, South Africa, South Korea, Switzerland and the United States of America.

Use of IFRSs in the United States

SEC recognition of IFRSs

Since November 2007, the SEC permits foreign private issuers to submit financial statements prepared using IFRSs as issued by the IASB without having to include a reconciliation of the IFRS figures to US GAAP.

In addition, the SEC has been exploring whether and, if so, how to incorporate IFRSs into the financial reporting system for US domestic issuers. The SEC issued several consultation documents, including a 'Concept Release' (August 2007), and a proposed IFRS 'roadmap' (November 2008).

In February 2010, the SEC published a 'Statement in Support of Convergence and Global Accounting Standards' in which it directed its staff to develop and execute a 'Work Plan' with a view to enabling the SEC to make a decision regarding incorporating IFRS into the financial reporting system for US issuers. As part of that Work Plan, the SEC issued further staff papers: 'A Possible Method of Incorporation' (May 2011); 'Comparison of US GAAP and IFRS' and 'An analysis of IFRS Practice' (both November 2011).

In July 2012 the SEC issued its Final Staff Report 'Work Plan for the Consideration of Incorporating International Financial Reporting Standards into the Financial Reporting System for U.S. Issuers'. The Final Report did not include a recommendation to the Commission. As at July 2013, the SEC had not signalled when it might make a policy decision about whether (and if so, when and how) IFRS should be incorporated into the US financial reporting system.

Use of IFRSs in Canada

Entities that file their financial statements in Canada in accordance with the continuous disclosure or offering document requirements or by a reporting issuer (other than acquisition statements), are required to prepare their financial statements in accordance with Canadian GAAP applicable to publicly accountable entities or IFRS.

SEC issuers, entities that have a class of securities registered under section 12 of the Securities Exchange Act (1934) or that file reports under section 159(d) of that Act, filing their financial statements in Canada may prepare them in accordance with US GAAP.

Foreign issuers, an issuer incorporated or organised under the laws of a foreign jurisdiction, may prepare their financial statements in accordance with (a) IFRS; (b) US GAAP (if they are an SEC foreign issuer); (c) accounting principles that meet the disclosure requirements for foreign private issuers as set out in the Securities Exchange Act (1934); or (d) accounting principles that meet the foreign disclosure requirement of the designated foreign jurisdiction to which the issuer is subject, if the issuer is a designated foreign issuer.

Not-for-profit entities and pension plans are excluded and will not be required to adopt IFRSs.

Use of IFRSs elsewhere in the Americas

Nearly all countries in South America require or permit IFRSs (or are in the process of introducing such requirements) as the basis for preparing financial statements. Argentina adopted IFRSs for all companies (except banks and insurance companies which continue to apply domestic requirements) from 2012. Brazil adopted IFRSs for all listed companies and banks effective 2010. Chile adopted IFRS for all public interest companies in 2012. IFRS has been adopted in Mexico has adopted IFRSs for all listed entities other than banks and insurance companies which apply Mexican Financial Reporting Standards (MFRS). A convergence project is underway to eliminate differences between MFRS and IFRS. IFRSs are already required in a number of other Latin American and Caribbean countries.

Use of IFRSs in Asia-Pacific

Asia-Pacific jurisdictions are taking a variety of approaches toward convergence of national GAAP for domestically listed companies with IFRSs.

Use of IFRSs in Japan

The Accounting Standards Board of Japan (ASBJ) has been working with the IASB to converge accounting standards under the August 2007 Memorandum of Understanding known as the “Tokyo Agreement” between two organisations. In June 2011 the IASB and ASBJ jointly announced that two boards have made good progress and agreed to continue effort for convergence.

While convergence is in process, in December 2009, Financial Services Agency of Japan announced that certain listed companies meeting specified criteria were permitted to use IFRSs in their consolidated financial statements starting in 2010. Since that time, voluntary adoptions (where permitted) of IFRSs has been increasing to approximately 20 out of 3,600 companies listed on stock exchanges in Japan have voluntarily adopted IFRS. This trend is expected to continue, in particular, among large public companies with significant market capitalisation and international operations.

In June 2013, the Business Accounting Council of Japan issued a report recommending certain initiatives to further increase voluntary use of IFRSs in Japan. Such initiatives, including relaxation of eligibility requirements to use IFRSs voluntarily, are expected to be reflected in relevant regulations in Japan in due course.

Use of IFRSs elsewhere in Asia-Pacific

Requirement for IFRSs in place of national GAAP

Mongolia requires IFRSs for all domestic listed companies.

All national standards are virtually word-for-word IFRSs

Australia, Hong Kong, Korea (effective 2011), Malaysia, New Zealand, and Sri Lanka (effective 2011) are taking this approach. Effective dates and transitions may differ from IFRSs as issued by the IASB.

Nearly all national standards are word-for-word IFRSs

The Philippines and Singapore have adopted most IFRSs word-for-word, but have made some significant modifications.

Some national standards are close to word-for-word IFRSs

India, Pakistan and Thailand have adopted selected IFRSs quite closely, but significant differences exist in other national standards, and there are time lags in adopting new or amended IFRSs.

IFRSs are looked to in developing national GAAP

IFRSs are considered to varying degrees in Indonesia, Taiwan and Vietnam.

In February 2006, China adopted the Chinese Accounting Standards for Business Enterprises (ASBE), which are generally consistent with IFRSs with few exceptions.

In May 2009, the Financial Supervisory Commission (FSC) of Taiwan announced its roadmap for the full adoption of IFRSs in two phases starting from 2013. Early adoption is permitted for certain companies from 2012.

Some domestic listed companies may use IFRSs

Hong Kong (companies based in Hong Kong but incorporated elsewhere), Laos and Myanmar permit the use of IFRSs for some domestic listed companies.

Recent pronouncements

Effective for 31 December 2013 year ends

New Standards

IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement

Amended Standards

IFRS 1	Government Loans
IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
IAS 1	Presentation of Items of Other Comprehensive Income
IAS 19	Employee Benefits (2011)
IAS 27	Separate Financial Statements (2011)
IAS 28	Investments in Associates and Joint Ventures (2011)
Various	Improvements to IFRSs issued in May 2012 (see our previous edition of <i>IFRS in your pocket</i>)

New Interpretations

IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine
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Available for early adoption for 31 December 2013 year ends

Note: Transitional provisions are complex, and there are interdependencies among Standards. See Standards and Interpretations for details. Transitional provisions are highlighted below for new or amended standards with an effective date of 1 January 2013 or later.

New and amended Standards		Effective for annual periods beginning on or after
IFRS 1	Exemption from the requirement to restate comparative information for IFRS 9	Concurrent with adoption of IFRS 9
IFRS 9	Financial instruments: classification and measurement	1 January 2015
	Additions to IFRS 9 for financial liability accounting	1 January 2015
IFRS 10	Investment entities: exemption from consolidation requirements	1 January 2014
IAS 32	Offsetting financial assets and financial liabilities	1 January 2014
IAS 36	Recoverable amount disclosures for non-financial assets	1 January 2014
IAS 39	Novation of derivatives and continuation of hedge accounting	1 January 2014

New Interpretations

IFRIC 21	Leases	1 January 2014
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Summaries of current Standards and related Interpretations

On pages 27 to 101, the requirements of all International Financial Reporting Standards in issue at 30 June 2013 are summarised, as well as the *Preface to IFRSs* and the *Conceptual Framework for Financial Reporting*.

These summaries are intended as general information and are not a substitute for reading the entire Standard or Interpretation.

'Effective date' means the effective date of the last comprehensive revision of the Standard or Interpretation, not necessarily original issuance.

Preface to International Financial Reporting Standards

Adoption Adopted by the IASB in May 2002, amended in 2007, 2008 and 2010.

Summary Covers, among other things:

- the objectives of the IASB;
- the scope of IFRSs;
- due process for developing Standards and Interpretations;
- equal status of 'bold type' and 'plain type' paragraphs;
- policy on effective dates; and
- use of English as the official language.

Conceptual Framework for Financial Reporting

Adoption

Approved by the IASC Board in April 1989.

Adopted by the IASB in April 2001.

The Conceptual Framework is in the process of being revised. In September 2010, the IASB issued Chapter 1 *The objective of general purpose financial reporting* and Chapter 3 *Qualitative characteristics of useful financial information*.

Summary

- Defines the objective of general purpose financial reporting. The objective is to provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity.
- Identifies the qualitative characteristics that make financial information in financial reporting useful. To be useful, it must be relevant and faithfully represent what it purports to represent. Usefulness is enhanced if it is comparable, verifiable, timely and understandable.
- Defines the basic elements of financial statements and the criteria for recognising them in financial statements. Elements directly related to financial position are assets, liabilities and equity. Elements directly related to performance are income and expenses.
- Defines the concept of capital and capital maintenance.



The IASB has restarted its project on the development of the *Conceptual Framework*. The *Conceptual Framework* project is focusing on the following: reporting entity, elements of financial statements (including recognition and derecognition), measurement, presentation and disclosure. The IASB has published a discussion paper addressing these issues in July 2013. The comment period closes on 14 January 2014

IFRS 1 First-time Adoption of International Financial Reporting Standards

Effective date

IFRS 1(2008) issued November 2008, replacing IFRS 1(2003). IFRS 1(2008) is effective first IFRS financial statements for a period beginning on or after 1 July 2009.

Amendments (March 2012) providing an exception to the retrospective application of IFRS guidance for government loans at below-market rates of interest are effective 1 January 2013, with earlier application permitted.

Amendments resulting from *Improvements to IFRSs* (May 2012) relating to repeated application of IFRS 1 and borrowing costs capitalised under previous GAAP are effective 1 January 2013, with earlier application permitted.

Objective

To prescribe the procedures when an entity adopts IFRSs for the first time as the basis for preparing its general purpose financial statements.

Summary

Overview for an entity that adopts IFRSs for the first time (by an explicit and unreserved statement of compliance with IFRSs) in its annual financial statements for the year ended 31 December 2013.

- Select accounting policies based on IFRSs effective at 31 December 2013 (with early application of new IFRS not yet mandatory permitted).
- Prepare at least 2013 and 2012 financial statements and restate retrospectively the opening statement of financial position by applying the IFRSs in force at 31 December 2013, except for those matters dealt with in specific exemptions in IFRS 1:
 - the opening statement of financial position is prepared at 1 January 2012 at the latest (but may be earlier if the entity elects to present more than one year of comparative information under IFRSs);
 - the opening statement of financial position is presented in the entity's first IFRS financial statements (therefore, three statements of financial position); and
 - if a 31 December 2013 adopter reports selected financial data (but not full financial statements) on an IFRS basis for periods prior to 2012, in addition to full financial statements for 2012 and 2013, that does not change the fact that its opening IFRS statement of financial position is as at 1 January 2012.

Interpretations

None.

IFRS 2 Share-based Payment

Effective date	Annual periods beginning on or after 1 January 2005.
Objective	To prescribe the accounting for transactions in which an entity receives or acquires goods or services either as consideration for its equity instruments or by incurring liabilities for amounts based on the price of the entity's shares or other equity instruments of the entity.
Summary	<ul style="list-style-type: none">• All share-based payment transactions are recognised in the financial statements, using a fair value measurement basis.• An expense is recognised when the goods or services received are consumed.• IFRS 2 also applies to share-based payment transactions in which the entity cannot specifically identify some or all of the goods or services received.• IFRS 2 applies to both public and non-public entities. However, in rare cases where the fair value of equity instruments of non-public entities cannot be measured reliably, intrinsic value measurements are used.• In principle, transactions in which goods or services are received from non-employees as consideration for equity instruments of the entity are measured at the fair value of the goods or services received. Only if the fair value of the goods or services cannot be measured reliably is the fair value of the equity instruments granted used.• For transactions with employees and others providing similar services, the entity measures the fair value of the equity instruments granted, because it is typically not possible to estimate reliably the fair value of employee services received.• For transactions measured at the fair value of the equity instruments granted (such as transactions with employees), fair value is estimated at grant date.• For transactions measured at the fair value of the goods or services received, fair value is estimated at the date of receipt of those goods or services.

- The fair value of equity instruments granted is based on market prices, if available, and takes into account the terms and conditions on which those equity instruments were granted. In the absence of market prices, fair value is estimated using a valuation model to estimate what the price of those equity instruments would have been on the measurement date in an arm's length transaction between knowledgeable, willing parties. IFRS 2 does not specify which particular valuation model should be used.
- Vesting conditions are either service conditions or performance conditions. Performance conditions require the completion of a specified period of service in addition to specified performance targets.
- For goods or services measured by reference to the fair value of the equity instruments granted, in general, vesting conditions (other than market conditions) are not taken into account when estimating the fair value of the shares or options at the relevant measurement date (as specified above), but are subsequently taken into account by adjusting the number of equity instruments included in the measurement of the transaction.
- Market-based vesting conditions and non-vesting conditions are taken into account when estimating the fair value of the shares or options at the relevant measurement date, with no subsequent adjustments made in respect of such conditions.
- IFRS 2 includes specific guidance on the accounting for share-based payment transactions among group entities.

Interpretations

None.

Effective date	<p>IFRS 3(2008) issued January 2008, replacing IFRS 3(2004).</p> <p>Effective for business combinations in periods beginning on or after 1 July 2009.</p>
Core principle	<p>An acquirer of a business recognises the assets acquired and liabilities assumed at their acquisition-date fair values and discloses information that enables users to evaluate the nature and financial effects of the acquisition.</p>
Summary	<ul style="list-style-type: none">• A business combination is a transaction or event in which an acquirer obtains control of one or more businesses. A business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return directly to investors or other owners, members or participants.• IFRS 3 does not apply to the formation of a joint venture, combinations of entities or businesses under common control, nor to the acquisition of an asset or a group of assets that do not constitute a business.• The acquisition method is used for all business combinations.• Steps in applying the acquisition method are as follows:<ol style="list-style-type: none">1. Identification of the 'acquirer' – the combining entity that obtains control of the acquiree.2. Determination of the 'acquisition date' – the date on which the acquirer obtains control of the acquiree.3. Recognition and measurement of the identifiable assets acquired, the liabilities assumed and any non-controlling interest (NCI) in the acquiree.4. Recognition and measurement of goodwill or a gain from a bargain purchase.

- Assets and liabilities are measured at their acquisition-date fair values (with a limited number of specified exceptions). An entity may elect to measure components of NCI in the acquire that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in liquidation either at (a) fair value or (b) the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets (option available on a transaction-by-transaction basis). All other components of NCI shall be measured at their acquisition-date fair value, unless another measurement basis is required by IFRS.
- Goodwill is measured as the difference between:
 - the aggregate of (a) the acquisition-date fair value of the consideration transferred, (b) the amount of any NCI, and (c) in a business combination achieved in stages (see below), the acquisition-date fair value of the acquirer's previously-held equity interest in the acquiree; and
 - the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed (measured in accordance with IFRS 3).
- If the difference above is negative, the resulting gain is recognised as a bargain purchase in profit or loss.
- For business combinations achieved in stages, if the acquirer increases an existing equity interest so as to achieve control of the acquiree, the previously-held equity interest is remeasured at acquisition-date fair value and any resulting gain or loss is recognised in profit or loss.
- If the initial accounting for a business combination can be determined only provisionally by the end of the first reporting period, the combination is accounted for using provisional values. Adjustments to provisional values relating to facts and circumstances that existed at the acquisition date are permitted within one year. No adjustments are permitted after one year except to correct an error in accordance with IAS 8.

- Consideration for the acquisition includes the acquisition-date fair value of contingent consideration. Changes to contingent consideration classified as a liability resulting from events after the acquisition date are generally recognised in profit or loss.
- All acquisition-related costs (e.g. finder's fees, professional or consulting fees, costs of internal acquisition department) are recognised in profit or loss except for costs to issue debt or equity securities, which are recognised in accordance with IFRS 9/IAS 39 and IAS 32 respectively.
- Expanded guidance on some specific aspects of business combinations, including:
 - business combinations achieved without the transfer of consideration;
 - reverse acquisitions;
 - identifying intangible assets acquired;
 - un-replaced and voluntarily replaced share-based payment awards;
 - pre-existing relationships between the acquirer and the acquiree (e.g. reacquired rights); and
 - the reassessment of the acquiree's contractual arrangements at the acquisition date.

Interpretations

Useful Deloitte publication

None.

Business combinations and changes in ownership interests: A guide to the revised IFRS 3 and IAS 27

Published in July 2008. Publication supplementing the IASB's own guidance for applying these Standards and addressing practical implementation issues. Available for download at www.iasplus.com/guides

IFRS 4 Insurance Contracts

Effective date	Annual periods beginning on or after 1 January 2005.
Objective	To prescribe the financial reporting for insurance contracts until the IASB completes the second phase of its project on insurance contracts.
Summary	<ul style="list-style-type: none">• Insurers are exempted from applying the IASB Framework and certain existing IFRSs.• Catastrophe reserves and equalisation provisions are prohibited.• Requires a test for the adequacy of recognised insurance liabilities and an impairment test for reinsurance assets.• Insurance liabilities may not be offset against related reinsurance assets.• Accounting policy changes are restricted.• New disclosures are required.• Financial guarantee contracts are in the scope of IAS 39, unless the issuer had previously (prior to initial adoption of IFRS 4) asserted explicitly that it regards such contracts as insurance contracts and has used accounting applicable to insurance contracts. In such circumstances, the issuer may elect to apply either IAS 39 or IFRS 4.
Interpretations	None.



The IASB has a major convergence project with the FASB on developing a comprehensive IFRS for insurance contracts to replace IFRS 4 *Insurance Contracts*. The IASB issued a revised set of proposals in June 2013: Exposure Draft *Insurance Contracts*. The comment period closes 25 October 2013.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Effective date Annual periods beginning on or after 1 January 2005.

Objective To prescribe the accounting for non-current assets held for sale, and the presentation and disclosure of discontinued operations.

Summary

- Introduces the classification 'held for sale' (available for immediate sale and disposal within 12 months is highly probable) and the concept of a disposal group (a group of assets to be disposed of in a single transaction, including any related liabilities also transferred).
- Non-current assets or disposal groups held for sale are measured at the lower of carrying amount and fair value less costs to sell.
- Such non-current assets held for sale (whether individually or as part of a disposal group) are not depreciated.
- Non-current assets classified as held for sale, and the assets and liabilities in a disposal group classified as held for sale, are presented separately in the statement of financial position.
- Assets and liabilities of a subsidiary should be classified as held for sale if the parent is committed to a plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest after the sale.
- A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale and (a) represents a separate major line of business or major geographical area of operations, (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or (c) is a subsidiary acquired exclusively with a view to resale.

- An entity presents as a single amount in the statement of comprehensive income the sum of the post tax profit or loss from discontinued operations for the period and the post tax gain or loss arising on the disposal of discontinued operations (or on the reclassification of the assets and liabilities of discontinued operations as held for sale). Therefore, the statement of comprehensive income is effectively divided into two sections – continuing operations and discontinued operations.
- The April 2009 amendments confirm that IFRS 5 requires disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. Consequently, disclosures in other IFRSs do not apply to such assets (or disposal groups) unless those IFRSs specifically require disclosures or the disclosures relate to the measurement of assets or liabilities within a disposal group that are outside the scope of the measurement requirements of IFRS 5.

Interpretations

None.

Useful Deloitte publication

Assets held for sale and discontinued operations: A guide to IFRS 5

Published March 2008. Guidance on applying IFRS 5. Available for download at www.iasplus.com/guides

IFRS 6 Exploration for and Evaluation of Mineral Resources

Effective date

Annual periods beginning on or after 1 January 2006.

Objective

To prescribe the financial reporting for the exploration for and evaluation of mineral resources until the IASB completes a comprehensive project in this area.

Summary

- Does not require or prohibit any specific accounting policies for the recognition and measurement of exploration and evaluation assets. An entity is permitted to continue to use its existing accounting policies provided that they comply with the requirements of paragraph 10 of IAS 8, i.e. that they result in information that is relevant to the economic decision-making needs of users and that is reliable.

- Grants a temporary exemption from applying paragraphs 11 and 12 of IAS 8 – which specify a hierarchy of sources of authoritative guidance in the absence of a specific IFRS.
- Requires an impairment test when there is an indication that the carrying amount of exploration and evaluation assets exceeds recoverable amount. Also, exploration and evaluation assets are tested for impairment before reclassification of those assets as development assets.
- Allows impairment to be assessed at a level higher than the 'cash-generating unit' under IAS 36, but requires measurement of the impairment in accordance with IAS 36 once it is assessed.
- Requires disclosure of information that identifies and explains amounts arising from exploration and evaluation of mineral resources.

Interpretations

None.

IFRS 7 Financial Instruments: Disclosures

Effective date and transition

Annual periods beginning on or after 1 January 2007.

Amendments (December 2011) to the required disclosures for offsetting arrangements are effective 1 January 2013, with earlier application permitted.

Objective

To prescribe disclosures that enable financial statement users to evaluate the significance of financial instruments to an entity, the nature and extent of their risks, and how the entity manages those risks.

Summary

- Requires disclosure of information about the significance of financial instruments for an entity's financial position and performance. These include:
 - disclosures relating to the entity's financial position – including information about financial assets and financial liabilities by category; special disclosures when the fair value option is used; reclassifications; derecognition; pledges of assets; embedded derivatives; breaches of terms of agreements and offsetting of financial assets and liabilities;
 - disclosures relating to the entity's performance in the period – including information about recognised income, expenses, gains and losses; interest income and expense; fee income; and impairment losses; and
 - other disclosures – including information about accounting policies; hedge accounting; and the fair values of each class of financial asset and financial liability.
- Requires disclosure of information about the nature and extent of risks arising from financial instruments:
 - qualitative disclosures about exposures to each class of risk and how those risks are managed; and
 - quantitative disclosures about exposures to each class of risk, separately for credit risk, liquidity risk and market risk (including sensitivity analyses).

Interpretations

Useful Deloitte publication

None.

iGAAP 2013 (Volume C): Financial Instruments – IAS 39 and related Standards

Guidance on how to apply these complex Standards, including illustrative examples and interpretations.

Information at www.iasplus.com/igaap

Effective date Annual periods beginning on or after 1 January 2009.

Core principle An entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

Summary

- Applies to the consolidated financial statements of a group with a parent (and to the separate or individual financial statements of an entity):
 - whose debt or equity instruments are traded in a public market; or
 - that files, or is in the process of filing, its (consolidated) financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market.
- An operating segment is a component of an entity:
 - that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
 - whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
 - for which discrete financial information is available.
- Start-up operations may be operating segments before earning revenues.
- Guidance is provided on which operating segments are reportable (generally 10% thresholds for revenue, absolute amount of its reported profit or loss, and assets).
- At least 75% of the entity's revenue must be included in reportable segments.

- Does not define segment revenue, segment expense, segment result, segment assets or segment liabilities, nor does it require segment information to be prepared in conformity with the accounting policies adopted for the entity's financial statements.
- Some entity-wide disclosures are required even when an entity has only one reportable segment. These include information about each product and service or groups of products and services, geographical areas and major customers (see below).
- Analyses of revenues and certain non-current assets by geographical area are required from all entities – with an expanded requirement to disclose revenues/non-current assets by individual foreign country (if material), irrespective of the entity's organisation.
- There is also a requirement to disclose information about transactions with major external customers (10% or more of the entity's revenue).

Interpretations

None.

IFRS 9 (2010) Financial Instruments (as of now only partially completed)

Effective date and transition

Annual periods beginning on or after 1 January 2015, with earlier application permitted. Supersedes and modifies certain parts of IAS 39 from date of application.

This standard includes specific transitional provisions that need to be considered for the current reporting cycle. IAS 8 requires changes to IFRSs to be applied retrospectively unless an IFRS sets out different requirements.

Objective

The part of IFRS 9 completed to date sets out recognition and derecognition, classification and measurement requirements for financial assets and financial liabilities. Eventually, IFRS 9 will be a comprehensive standard on accounting for financial instruments.

Summary

- IFRS 9 carries forward the requirements in IAS 39 related to the recognition and derecognition of financial assets and financial liabilities (see IAS 39 Summary).
- 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 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 must be measured at amortised cost unless it is designated at fair value through profit and loss (see below).
- All other debt instruments must be measured at fair value through profit or loss (FVTPL).
- A fair value option is also available as an alternative to amortised cost measurement (provided that certain conditions are met) for debt instruments allowing such instruments to be designated as financial assets at FVTPL.
- All equity instruments (for example, shares) are to be measured at fair value with the default recognition of gains and losses in profit or loss. Only if the equity instrument 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 and no reclassification of gains and losses on disposal.
- Generally, recognised financial liabilities (that are currently in the scope of IAS 39) will be measured at amortised cost except for certain liabilities (for example, derivatives) that shall be measured at fair value and liabilities irrevocably designated as measured at FVTPL at initial recognition.
- For financial liabilities designated as at FVTPL, the amount of change in fair value attributable to changes in the entity's own credit risk shall be recognised in OCI with the remaining change being recognised in profit or loss, unless the treatment of the credit risk creates or enlarges an accounting mismatch in profit or loss.

- All derivatives, whether assets or liabilities, within the scope of the Standard are required to be measured at fair value.
- Derivatives embedded in a financial asset shall not be accounted for separately from the financial asset. Embedded derivatives not closely related to financial liabilities will be accounted for separately at fair value in the case of financial liabilities not designated at FVTPL (as in IAS 39).

Interpretations

Useful Deloitte publication

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (see IAS 39 Interpretations)

iGAAP 2013 (Volume B): Financial Instruments – IFRS 9 and related Standards

Guidance on how to apply these complex Standards, including illustrative examples and interpretations. Information at www.iasplus.com/igaap



IFRS 9 is part of the IASB's major convergence project with the FASB on financial instruments. The IASB issued proposals in 2013 to (a) make limited amendments to classification and measurement; and (b) introduce an expected credit loss model for impairment of financial instruments. Both Boards are in the process of redeliberating these proposals. New requirements for general hedge accounting are expected to be finalised by Q4, 2013 as an addition to IFRS 9. The IASB is in the process of developing a DP for macro hedge accounting.

Effective date and transition

Annual periods beginning on or after 1 January 2013.

This standard includes specific transitional provisions that need to be considered for the current reporting cycle. IAS 8 requires changes to IFRSs to be applied retrospectively unless an IFRS sets out different requirements.

Amendments (October 2012) provide an exemption from consolidation of subsidiaries for entities which meet the definition of an 'investment entity', such as certain investment funds. Instead, such entities would measure their investment in particular subsidiaries at fair value through profit or loss in accordance with IFRS 9 or IAS 39. They are effective 1 January 2014, with earlier application permitted.

Objective

To prescribe a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e., whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in special purpose entities).

Summary

- A subsidiary is an entity controlled by another entity, the parent.
- Control is based on whether an investor has 1) power over the investee; 2) exposure, or rights, to variable returns from its involvement with the investee; and 3) the ability to use its power over the investee to affect the amount of the returns.
- IFRS 10 includes guidance on the assessment of control, including material on: protective rights; delegated power; de facto control; and de facto agency arrangements.
- Consolidated financial statements are financial statements of a group (parent and subsidiaries) presented as those of a single economic entity.
- When a parent-subsidiary relationship exists, consolidated financial statements are required (subject to certain specified exceptions).

- Consolidated financial statements include all subsidiaries. No exemption for 'temporary control', 'different lines of business' or 'subsidiary that operates under severe long-term funds transfer restrictions'. However, if, on acquisition, a subsidiary meets the criteria to be classified as held for sale under IFRS 5, it is accounted for under that Standard.
- The Standard contains an exemption from consolidation of subsidiaries for entities which meet the definition of an 'investment entity', such as certain investment funds. Instead, such entities would measure their investment in particular subsidiaries at fair value through profit or loss in accordance with IFRS 9 or IAS 39.
- Intragroup balances, transactions, income and expenses are eliminated in full.
- All entities in the group use the same accounting policies and, if practicable, the same reporting date.
- Non-controlling interests (NCI) are reported in equity in the statement of financial position separately from the equity of the owners of the parent. Total comprehensive income is allocated between NCI and the owners of the parent even if this results in the NCI having a deficit balance.
- Acquisition of a further ownership interest in a subsidiary after obtaining control is accounted for as an equity transaction and no gain, loss or adjustment to goodwill is recognised.
- Partial disposal of an investment in a subsidiary while control is retained is accounted for as an equity transaction with owners, and no gain or loss is recognised in profit or loss.
- Partial disposal of an investment in a subsidiary that results in loss of control triggers remeasurement of the residual holding to fair value. Any difference between fair value and carrying amount is a gain or loss on the disposal, recognised in profit or loss. Thereafter, IAS 28, IFRS 11 or IFRS 9/IAS 39 is applied, as appropriate, to the residual holding.

Interpretations

None.

IFRS 11 Joint Arrangements

Effective date and transition

Annual periods beginning on or after 1 January 2013.

This standard includes specific transitional provisions that need to be considered for the current reporting cycle. IAS 8 requires changes to IFRSs to be applied retrospectively unless an IFRS sets out different requirements.

Objective

To establish principles for financial reporting by entities that have an interests in joint arrangements.

Summary

- Applies to all entities that are a party to a joint arrangement. A joint arrangement is one in which two or more parties have joint control.
- A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities.
- A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets.
- The distinction between a joint operation and a joint venture requires assessment of the structure of the joint arrangement, the legal form of any separate vehicle, the terms of the contractual arrangement and any other relevant facts and circumstances.
- Joint operations: a joint operator recognises the assets it controls, and expenses and liabilities it incurs, and its share of income earned, in both its separate and consolidated financial statements.
- Joint ventures: a joint venture applies the equity method, as described in IAS 28, except joint ventures where the investor is a venture capital firm, mutual fund or unit trust, and it elects or is required to measure such investments at fair value through profit or loss in accordance with IFRS 9 or IAS 39 with certain disclosures.
- Interests in joint operation and joint ventures that are classified as held for sale in accordance with IFRS 5 are accounted for in accordance with that Standard.

- Even if consolidated financial statements are not prepared (e.g. because the venturer has no subsidiaries), the equity method is used to account for joint ventures. However, in the venturer's 'separate financial statements' as defined in IAS 27, interests in joint ventures are accounted for either at cost or as investments in accordance with IFRS 9 or IAS 39.

Interpretations None.

IFRS 12 Disclosure of Interests in Other Entities

Effective date and transition Annual periods beginning on or after 1 January 2013.

This standard includes specific transitional provisions that need to be considered for the current reporting cycle. IAS 8 requires changes to IFRSs to be applied retrospectively unless an IFRS sets out different requirements.

Objective To require information to be disclosed in an entity's financial statements that will enable users of those statements to evaluate the nature of, and risks associated with, the entity's interests in other entities as well as the effects of those interests on the entity's financial position, financial performance and cash flows.

Summary

- Requires disclosures for the following broad categories:
 - significant judgements and assumptions – such as how control, joint control and significant influence has been determined;
 - interests in subsidiaries – including details of the structure of the group, risks associated with consolidated structured entities, restrictions on use of assets and settlement of liabilities; changes in ownership levels, non-controlling interests in the group, etc.;
 - interests in joint arrangements and associates – the nature, extent and financial effects of interests in joint arrangements and associates (including names, details and summarised financial information) and the risks associated with such entities;
 - interests in unconsolidated structured entities – the nature and extent of interests in unconsolidated structured entities and the nature of, and changes in, the risks associated with its interests in unconsolidated structured entities.

Interpretations None.

IFRS 13 Fair Value Measurement

Effective date and transition

Annual periods beginning on or after 1 January 2013.

This standard includes specific transitional provisions that need to be considered for the current reporting cycle. IAS 8 requires changes to IFRSs to be applied retrospectively unless an IFRS sets out different requirements.

Objective

To establish a definition of fair value, provide guidance on how to determine fair value and prescribe the required disclosures about fair value measurements. However, IFRS 13 does not stipulate which items should be measured or disclosed at fair value.

Summary

- Applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements such as fair value less costs to sell).
- Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
- Requires, with some exceptions, classification of these measurements into a 'fair value hierarchy' based on the nature of the inputs:
 - Level 1 – quoted prices in active markets for identical assets and liabilities that the entity can access at the measurement date;
 - Level 2 – inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
 - Level 3 – unobservable inputs for the asset or liability.
- Requires various disclosures depending on the nature of the fair value measurement (e.g. whether it is recognised in the financial statements or merely disclosed) and the level in which it is classified.

Interpretations

None.

Effective date Annual periods beginning on or after 1 January 2009. Amendments (June 2011) requiring: 1) to group items presented in OCI based on whether they are potentially reclassifiable to profit or loss at a later date and 2) when OCI items are presented before tax, to present tax separately for each of the two groups are effective 1 July 2012.

Amendments resulting from *Improvements to IFRSs* (May 2012) clarifying the requirements for additional comparative information are effective 1 January 2013.

Objective To set out the overall framework for presenting general purpose financial statements, including guidelines for their structure and the minimum content.

Summary

- Fundamental principles established for the preparation of financial statements, including going concern assumption, consistency in presentation and classification, accrual basis of accounting, and materiality.
- Assets and liabilities, and income and expenses, are not offset unless offsetting is permitted or required by another IFRS.
- Comparative prior-period information is presented for amounts shown in the financial statements and notes.
- Financial statements are generally prepared annually. If the end of the reporting period changes, and financial statements are presented for a period other than one year, additional disclosures are required.
- A complete set of financial statements comprises:
 - a statement of financial position;
 - a statement of profit or loss and other comprehensive income;
 - a statement of changes in equity;
 - a statement of cash flows;
 - notes; and
 - (only when an accounting policy has been applied retrospectively or items in the financial statements have been restated or reclassified) a statement of financial position as at the beginning of the earliest comparative period. (Therefore, in these limited circumstances, generally three statements of financial position).

- Entities may use titles for the individual financial statements other than those used above.
- Specifies minimum line items to be presented in the statement of financial position, statement of profit or loss and other comprehensive income and statement of changes in equity, and includes guidance for identifying additional line items. IAS 7 provides guidance on line items to be presented in the statement of cash flows.
- In the statement of financial position, current/non-current distinction is used for assets and liabilities unless presentation in order of liquidity provides reliable and more relevant information.
- The statement of profit or loss and other comprehensive income includes all items of income and expense – (i.e. all ‘non-owner’ changes in equity) including (a) components of profit or loss and (b) other comprehensive income (i.e. items of income and expense that are not recognised in profit or loss as required or permitted by other IFRSs). These items may be presented either:
 - in a single statement of profit or loss and other comprehensive income (in which there is a sub-total for profit or loss); or
 - in a separate statement of profit or loss (displaying components of profit or loss) and a statement of profit or loss and other comprehensive income (beginning with profit or loss and displaying components of other comprehensive income).
- Items of other comprehensive income should be grouped based on whether or not they are potentially reclassifiable to profit or loss at a later date.
- Analysis of expenses recognised in profit or loss may be provided by nature or by function. If presented by function, specific disclosures by nature are required in the notes.

- The statement of changes in equity includes the following information:
 - total comprehensive income for the period;
 - the effects on each component of equity of retrospective application or retrospective restatement in accordance with IAS 8; and
 - for each component of equity, a reconciliation between the opening and closing balances, separately disclosing each change.
- Specifies minimum note disclosures which include information about:
 - accounting policies followed;
 - the judgements that management has made in the process of applying the entity's accounting policies that have the most significant effect on the amounts recognised in the financial statements;
 - sources of estimation uncertainty; and
 - information about management of capital and compliance with capital requirements.

Implementation guidance for IAS 1 includes illustrative financial statements other than the statement of cash flows (see IAS 7).

Interpretations

SIC 29 Service Concession Arrangements: Disclosure

Disclosure is required if an entity agrees to provide services that give the public access to major economic or social facilities.

Useful Deloitte publications

IFRS model financial statements

IFRS presentation and disclosure checklist

Illustrating the layout of financial statements, and the presentation and disclosure requirements of IFRSs.

Available for download at www.iasplus.com/models

IAS 2 Inventories

Effective date	Annual periods beginning on or after 1 January 2005.
Objective	To prescribe the accounting treatment for inventories, including cost determination and expense recognition.
Summary	<ul style="list-style-type: none">• Inventories are stated at the lower of cost and net realisable value (NRV).• Costs include purchase cost, conversion cost (materials, labour and overheads), and other costs to bring inventory to its present location and condition, but not foreign exchange differences.• For inventory items that are not interchangeable, specific costs are attributed to the specific individual items of inventory.• For interchangeable items, cost is determined on either a First In First Out (FIFO) or weighted average basis. Last In First Out (LIFO) is not permitted.• When inventories are sold, the carrying amount is recognised as an expense in the period in which the related revenue is recognised.• Write-downs to NRV are recognised as an expense in the period of the write-down. Reversals arising from an increase in NRV are recognised as a reduction of the inventory expense in the period in which they occur.
Interpretations	None.

IAS 7 Statement of Cash Flows

Effective date	Periods beginning on or after 1 January 1994. Title amended by IAS 1(2007), effective 1 January 2009.
Objective	To require the presentation of information about historical changes in an entity's cash and cash equivalents by means of a statement of cash flows that classifies cash flows during the period according to operating, investing and financing activities.

Summary

- The statement of cash flows analyses changes in cash and cash equivalents during a period.
- Cash equivalents include investments that are short-term (less than three months from date of acquisition), readily convertible to a known amount of cash, and subject to an insignificant risk of changes in value. Generally exclude equity investments.
- Cash flows from operating, investing and financing activities are separately reported.
- Cash flows arising from operating activities are reported using either the direct (recommended) or the indirect method.
- Cash flows arising from taxes on income are classified as operating unless they can be specifically identified with financing or investing activities.
- The exchange rate used for translation of transactions denominated in a foreign currency and the cash flows of a foreign subsidiary is the rate in effect at the date of the cash flows.
- Aggregate cash flows relating to obtaining or losing control of subsidiaries or other businesses are presented separately and classified as investing activities, with specified additional disclosures.
- Investing and financing transactions that do not require the use of cash are excluded from the statement of cash flows, but separately disclosed.
- Only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities.
- Illustrative statements of cash flows are included in appendices to IAS 7.

Interpretations

None.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

Effective date	Annual periods beginning on or after 1 January 2005.
Objective	To prescribe the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in estimates, and errors.
Summary	<ul style="list-style-type: none">• Hierarchy for selection of accounting policies:<ul style="list-style-type: none">– IASB Standards and Interpretations, taking into account any relevant IASB implementation guidance;– in the absence of a directly applicable IFRS, look to the requirements in IFRSs dealing with similar and related issues; and the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the <i>Conceptual Framework for Financial Reporting</i>; and– management may also consider the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards, other accounting literature, and accepted industry practices.• Accounting policies are applied consistently to similar transactions.• An accounting policy is changed only if required by an IFRS, or if the change results in reliable and more relevant information.• If a change in accounting policy is required by an IFRS, the pronouncement's transitional requirements are followed. If none are specified, or if the change is voluntary, the new accounting policy is applied retrospectively by restating prior periods.• If it is impracticable to determine period-specific effects for retrospective application, the new accounting policy is applied as of the beginning of the earliest period for which retrospective application is practicable and cumulative adjustments are made to balances at the beginning of that period. The new accounting policy is applied prospectively from the start of the earliest period practicable when the entity cannot determine the cumulative effect of applying the policy to all prior periods.

- Changes in accounting estimates (e.g. change in useful life of an asset) are accounted for in the current year, or future years, or both (no restatement).
- All material prior period errors are corrected by restating comparative prior period amounts and, if the error occurred before the earliest period presented, by restating the opening statement of financial position.

Interpretations None.

IAS 10 Events after the Reporting Period

Effective date Annual periods beginning on or after 1 January 2005.

Objective To prescribe:

- when an entity should adjust its financial statements for events after the end of the reporting period; and
- disclosures about the date when the financial statements were authorised for issue and about events after the end of the reporting period.

Summary

- Events after the end of the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue.
- Adjusting events – the financial statements are adjusted to reflect those events that provide evidence of conditions that existed at the end of the reporting period (such as the resolution of a court case after the end of the reporting period).
- Non-adjusting events – the financial statements are not adjusted to reflect events that arose after the end of the reporting period (such as a decline in market prices after year end, which does not change the valuation of investments at the end of the reporting period). The nature and impact of such events are disclosed.
- Dividends proposed or declared on equity instruments after the end of the reporting period are not recognised as a liability at the end of the reporting period. Disclosure is required.

- Financial statements are not prepared on a going concern basis if events after the end of the reporting period indicate that the going concern assumption is not appropriate.
- An entity discloses the date its financial statements are authorised for issue.

Interpretations

None.

IAS 11 Construction Contracts

Effective date

Periods beginning on or after 1 January 1995.

Objective

To prescribe the accounting treatment for revenue and costs associated with construction contracts in the financial statements of the contractor.

Summary

- Contract revenue comprises the amount agreed in the initial contract together with variations in contract work, claims, and incentive payments to the extent that it is probable that they will result in revenues and can be measured reliably.
- Contract costs comprise costs that relate directly to the specific contract, costs that are attributable to general contract activity and that can be allocated to the contract, together with other costs that are specifically chargeable to the customer under the terms of the contract.
- Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of contract activity (the percentage of completion method of accounting).
- If the outcome cannot be estimated reliably, no profit is recognised. Instead, contract revenue is recognised only to the extent that contract costs incurred are expected to be recovered, and contract costs are expensed as incurred.
- If it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately.

Interpretations

Refer to IAS 18 for a summary of IFRIC 15 *Agreements for the Construction of Real Estate*.



Refer also to the 'under construction' entry that follows IAS 18.

IAS 12 Income Taxes

Effective date

Periods beginning on or after 1 January 1998.

Objective

To prescribe the accounting treatment for income taxes.

To establish the principles and provide guidance in accounting for the current and future tax consequences of:

- the future recovery (settlement) of carrying amounts of assets (liabilities) recognised in an entity's statement of financial position, and
- transactions and other events of the current period that are recognised in an entity's financial statements.

Summary

- Current tax liabilities and assets are recognised for current and prior period taxes, measured at the rates that have been enacted or substantively enacted by the end of the reporting period.
- A temporary difference is a difference between the carrying amount of an asset or liability and its tax base.
- Deferred tax liabilities are recognised for the future tax consequences of all taxable temporary differences with three exceptions:
 - where the deferred tax liability arises from the initial recognition of goodwill;
 - the initial recognition of an asset/liability other than in a business combination which, at the time of the transaction, does not affect either the accounting or the taxable profit; and

- differences arising from investments in subsidiaries, branches and associates and interests in joint ventures (e.g. due to undistributed profits) where the entity is able to control the timing of the reversal of the difference and it is probable that the reversal will not occur in the foreseeable future.
- A deferred tax asset is recognised for deductible temporary differences, unused tax losses, and unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised, with the following exceptions:
 - a deferred tax asset arising from the initial recognition of an asset/liability, other than in a business combination, which, at the time of the transaction, does not affect the accounting or the taxable profit; and
 - deferred tax assets arising from deductible temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint venture are recognised only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available to utilise the difference.
- Deferred tax liabilities (assets) are measured at the tax rates expected to apply when the liability is settled or the asset is realised, based on tax rates/laws that have been enacted or substantively enacted by the end of the reporting period.
- There is a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 will, normally, be through sale.
- Deferred tax assets and liabilities are not discounted.
- Current and deferred tax are recognised as income or expense in profit or loss except to the extent that the tax arises from:
 - a transaction or event that is recognised outside profit or loss (whether in other comprehensive income or in equity); or
 - a business combination.
- Deferred tax assets and liabilities are presented as non-current items in the statement of financial position.

Interpretations SIC 25 Income Taxes – Changes in the Tax Status of an Entity or its Shareholders

The current and deferred tax consequences of changes in tax status are included in profit or loss for the period unless those consequences relate to transactions or events that were recognised outside profit or loss.

IAS 16 Property, Plant and Equipment

Effective date and transition Annual periods beginning on or after 1 January 2005.

Amendments from Improvements to IFRSs (May 2012) clarifying when spare parts, stand-by equipment and servicing equipment should be classified as PPE or inventory are effective 1 January 2013.

Objective To prescribe the principles for the initial recognition and subsequent accounting for property, plant and equipment.

Summary

- Items of property, plant, and equipment are recognised as assets when it is probable that the future economic benefits associated with the asset will flow to the entity, and the cost of the asset can be measured reliably.
- Initial recognition is at cost, which includes all costs necessary to get the asset ready for its intended use. If payment is deferred beyond normal credit terms, interest expense is recognised unless such interest can be capitalised in accordance with IAS 23.
- Subsequent to acquisition, IAS 16 allows a choice of accounting model:
 - cost model: the asset is carried at cost less accumulated depreciation and impairment; or
 - revaluation model: the asset is carried at a revalued amount, which is fair value at revaluation date less subsequent accumulated depreciation and impairment.

- Under the revaluation model, revaluations are carried out regularly. All items of a given class are revalued.
 - revaluation increases are recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss; and
 - revaluation decreases are recognised in profit or loss. However, the decrease shall be debited directly to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- When the revalued asset is disposed of, the revaluation surplus in equity remains in equity and is not reclassified to profit or loss.
- Components of an asset with differing patterns of benefits are depreciated separately.
- Depreciation is charged systematically over the asset's useful life. The depreciation method reflects the pattern of benefit consumption. The residual value is reviewed at least annually and is the amount the entity would receive currently if the asset were already of the age and condition expected at the end of its useful life. Useful life is also reviewed annually. If operation of an item of property, plant and equipment (e.g. an aircraft) requires regular major inspections, when each major inspection is performed, its cost is recognised in the carrying amount of the asset as a replacement, if the recognition criteria are satisfied.
- Impairment of property, plant and equipment is assessed under IAS 36.
- All exchanges of property, plant and equipment are measured at fair value, including exchanges of similar items, unless the exchange transaction lacks commercial substance or the fair value of neither the asset received nor the asset given up is reliably measurable.

- Entities that routinely sell items of property, plant and equipment that they have previously held for rental to others should transfer such assets to inventories at their carrying amount when they cease to be rented. The proceeds from the sale of such assets should be recognised as revenue in accordance with IAS 18.

Interpretations

Refer to IAS 18 for a summary of IFRIC 18 *Transfers of Assets from Customers*.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

IFRIC 20 addresses recognition of production stripping costs as an asset and measurement (initial and subsequent) of that stripping activity asset.

IAS 17 Leases

Effective date

Annual periods beginning on or after 1 January 2005.

Objective

To prescribe, for lessees and lessors, the appropriate accounting policies and disclosures for finance and operating leases.

Summary

- A lease (including a lease of land) is classified as a finance lease if it transfers substantially all risks and rewards incidental to ownership. Examples:
 - lease covers substantially all of the asset's life; and/or
 - present value of lease payments is substantially equal to the asset's fair value.
- All other leases are classified as operating leases.
- A lease of both land and buildings is split into land and building elements. However, separate measurement of the land and buildings elements is not required if the lessee's interest in both land and buildings is classified as an investment property under IAS 40 and the fair value model is adopted.
- Finance leases – Lessee's Accounting:
 - asset and liability are recognised at the lower of the present value of minimum lease payments and the fair value of the asset;
 - depreciation policy is as for owned assets; and
 - finance lease payments are apportioned between interest expense and reduction in liability.

- Finance leases – Lessor’s Accounting:
 - receivable is recognised at an amount equal to the net investment in the lease;
 - finance income is recognised based on a pattern reflecting a constant periodic rate of return on the lessor’s net investment; and
 - manufacturer or dealer lessors recognise selling profit or loss consistent with the policy for outright sales.
- Operating leases – Lessee’s Accounting:
 - lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the pattern of benefit.
- Operating leases – Lessor’s Accounting:
 - assets held for operating leases are presented in the lessor’s statement of financial position according to the nature of the asset and are depreciated in accordance with the lessor’s depreciation policy for similar assets; and
 - lease income is recognised on a straight-line basis over the lease term, unless another systematic basis is more representative of the pattern of benefit.
- Lessors add initial direct costs to the carrying amount of the leased asset and spread them over the lease term (immediate expensing prohibited).
- Accounting for sale and leaseback transactions depends on whether these are essentially finance or operating leases.

Interpretations

SIC 15 Operating Leases – Incentives

Lease incentives (such as rent-free periods) are recognised by both the lessor and the lessee as a reduction of rental income and expense, respectively, over the lease term.

SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease

If a series of transactions involves the legal form of a lease and can only be understood with reference to the series as a whole, then the series is accounted for as a single transaction.

IFRIC 4 Determining whether an Arrangement contains a Lease

IFRIC 4 addresses arrangements that do not take the legal form of a lease but which convey rights to use assets in return for a payment or a series of payments. An arrangement that meets the following criteria is, or contains, a lease that is accounted for in accordance with IAS 17, both from the lessee and lessor perspectives:

- the fulfilment of the arrangement depends upon a specific asset (either explicitly or implicitly in the arrangement); and
- the arrangement conveys the right to control the use of the underlying asset. IFRIC 4 provides further guidance to identify when this situation exists.



The IASB has a major convergence project with the FASB on lease accounting. In May 2013 both Boards issued exposure drafts with proposals to bring all leases (other than those for less than 12 months) on balance sheet. The comment period closes on 13 September 2013. The accounting for lessees and lessors is based on whether a significant part of an assets economic benefits are consumed over the lease period. It is expected that the Boards will commence their redeliberations on the leases project in fourth quarter of 2013.

Effective date	Periods beginning on or after 1 January 1995.
Objective	To prescribe the accounting treatment for revenue arising from sales of goods, rendering of services and from interest, royalties and dividends.
Summary	<ul style="list-style-type: none">• Revenue is measured at the fair value of the consideration received/receivable.• Revenue is generally recognised when it is probable that the economic benefits will flow to the entity, and when the amount of revenue can be measured reliably, and when the following conditions are met:<ul style="list-style-type: none">– from sale of goods: when significant risks and rewards have been transferred to buyer, seller has lost effective control, and cost can be reliably measured.– from rendering of services: percentage of completion method.– for interest, royalties, and dividends:<ul style="list-style-type: none">Interest – using the effective interest method as set out in IAS 39.Royalties – on an accrual basis in accordance with the substance of the agreement.Dividends – when shareholder’s right to receive payment is established.• If a transaction has multiple components (such as sale of goods with an identifiable amount for subsequent servicing), the recognition criteria are applied to the separate components separately.
Interpretations	SIC 31 Revenue – Barter Transactions Involving Advertising Services <p>Revenue from barter transactions involving advertising services is recognised only if substantial revenue is also received from non-barter transactions.</p> IFRIC 13 Customer Loyalty Programmes <p>Award credits granted to customers as part of a sales transaction are accounted for as a separately identifiable component of the sales transaction(s), with the consideration received or receivable allocated between the award credits and the other components of the sale.</p>

IFRIC 15 Agreements for the Construction of Real Estate

The construction of real estate is a construction contract within the scope of IAS 11 only when the buyer is able to specify the major structural elements of the design before construction begins and/or major structural changes once construction is in progress. If this criterion is not satisfied, the revenue should be accounted for in accordance with IAS 18.

IFRIC 15 provides further guidance on determining whether the entity is providing goods or rendering services in accordance with IAS 18.

IFRIC 18 Transfers of Assets from Customers

IFRIC 18 deals with circumstances where an entity receives from a customer an item of property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services.

IFRIC 18 provides guidance on when a recipient should recognise such assets in their financial statements. Where recognition is appropriate, the deemed cost of the asset is its fair value on the date of transfer.

IFRIC 18 also provides guidance on the pattern of revenue recognition arising on the transfer of the asset.



The IASB and the FASB are in the final stages of completing their convergence project on revenue recognition. The final standard is expected in the third quarter of 2013 and will replace IAS 11 and 18 and all related Interpretations.

The standard is expected to outline a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance.

The core principle is expected to be that an entity will recognise revenue to depict the transfer of goods or services in an amount that the entity expects to be entitled to in exchange for those goods or services.

The new standard is expected to be effective for reporting periods beginning on or after 1 January 2017 with early application permitted. The standard is expected to require retrospectively application but certain relief in the form of practical expedients may be permitted.

Effective date and transition

Annual periods beginning on or after 1 January 2013, with earlier application permitted. Supersedes the previous version of IAS 19 from the date of application.

The amendments to the previous version of the standard in respect of defined benefit plans:

- eliminate the 'corridor approach' for actuarial gains and losses and instead require their immediate recognition in OCI; and
- introduce new components of the change in the defined benefit liability (or asset):
 - service cost – in profit or loss;
 - net interest (i.e. time value) on the net defined benefit deficit/surplus – in profit or loss; and
 - remeasurements including (a) changes in fair value of plan assets that arise from factors other than time value and (b) actuarial gains and losses on obligations – in other comprehensive income (OCI).

This standard includes specific transitional provisions that need to be considered for the current reporting cycle. IAS 8 requires changes to IFRSs to be applied retrospectively unless an IFRS sets out different requirements.

Objective

To prescribe the accounting and disclosure for employee benefits, including short-term benefits (wages, annual leave, sick leave, annual profit-sharing, bonuses and non-monetary benefits); pensions; post-employment life insurance and medical benefits; other long-term employee benefits (long-service leave, disability, deferred compensation, and long-term profit-sharing and bonuses); and termination benefits.

Summary

- Underlying principle: the cost of providing employee benefits is recognised in the period in which the entity receives services from the employee, rather than when the benefits are paid or payable.
- Short-term employee benefits (expected to be settled wholly before 12 months after the annual period in which the services were rendered) are recognised as an expense in the period in which the employee renders the service. Unpaid benefit liability is measured at undiscounted amount.

- Profit-sharing and bonus payments are recognised only when the entity has a legal or constructive obligation to pay them and the costs can be reliably estimated.
- Post-employment benefit plans (such as pensions and health care) are categorised as either defined contribution plans or defined benefit plans.
- For defined contribution plans, expenses are recognised in the period in which the contribution is payable.
- For defined benefit plans, a liability (or asset) is recognised in the statement of financial position equal to the net of:
 - the present value of the defined benefit obligation (the present value of expected future payments required to settle the obligation resulting from employee service in the current and prior periods); and
 - the fair value of any plan assets at the end of the reporting period.
- Plan assets include assets held by a long-term employee benefit fund and qualifying insurance policies.
- The defined benefit asset is limited to the lower of the surplus in the defined benefit plan and the asset ceiling. The asset ceiling is defined as the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.
- The change in the defined benefit liability (or surplus) has the following components:
 - a) service cost – recognised in profit or loss;
 - b) net interest (i.e. time value) on the net defined benefit deficit/surplus – recognised in profit or loss;
 - c) remeasurements including a) changes in fair value of plan assets that arise from factors other than time value and b) actuarial gains and losses on obligations – recognised in OCI.

- For group plans, the net cost is recognised in the separate financial statements of the entity that is legally the sponsoring employer unless a contractual agreement or stated policy for allocating the cost exists.
- Long-term employee benefits are recognised and measured in the same way as post-employment benefits under a defined benefit plan. However, unlike defined benefit plans, remeasurements are recognised immediately in profit or loss.
- Termination benefits are recognised at the earlier of when the entity can no longer withdraw the offer of the benefits and when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

Interpretations

IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IFRIC 14 addresses three issues:

- when refunds or reductions in future contributions should be regarded as ‘available’ in the context of paragraph 58 of IAS 19;
- how a minimum funding requirement might affect the availability of reductions in future contributions; and
- when a minimum funding requirement might give rise to a liability.

IFRIC 14 was amended in November 2009 to address the situations when an entity with minimum funding requirements makes a prepayment of contributions to cover those requirements. The amendments permit the benefit of such prepayment to be recognised as an asset.

IAS 20 Accounting for Government Grants and Disclosure of Government Assistance

Effective date	Periods beginning on or after 1 January 1984.
Objective	To prescribe the accounting for, and disclosure of, government grants and other forms of government assistance
Summary	<ul style="list-style-type: none">• Government grants are recognised only when there is reasonable assurance that the entity will comply with the conditions attached to the grants, and the grants will be received. Non-monetary grants are usually recognised at fair value, although recognition at nominal value is permitted.• Grants are recognised in profit or loss over the periods necessary to match them with the related costs.• Income-related grants are either presented separately as income or as a deduction in reporting the related expense.• Asset-related grants are either presented as deferred income in the statement of financial position, or deducted in arriving at the carrying amount of the asset.• Repayment of a government grant is accounted for as a change in accounting estimate with different treatment for income – and asset-related grants.• The benefit of government loans with a below-market rate of interest is accounted for as a government grant – measured as the difference between the initial carrying amount of the loan determined in accordance with IAS 39 and the proceeds received.
Interpretations	SIC 10 Government Assistance – No Specific Relation to Operating Activities <p>Government assistance to entities that is aimed at encouragement or long-term support of business activities either in certain regions or industry sectors is treated as a government grant under IAS 20.</p>

IAS 21 The Effects of Changes in Foreign Exchange Rates

Effective date	Annual periods beginning on or after 1 January 2005.
Objective	To prescribe the accounting treatment for an entity's foreign currency transactions and foreign operations.
Summary	<ul style="list-style-type: none">• First, the entity's functional currency is determined (i.e. the currency of the primary economic environment in which the entity operates).• Then all foreign currency items are translated into the functional currency:<ul style="list-style-type: none">– transactions are recognised on the date that they occur using the transaction-date exchange rate for initial recognition and measurement;– at the end of subsequent reporting periods:<ul style="list-style-type: none">non-monetary items carried at historical cost continue to be measured using transaction-date exchange rates;monetary items are retranslated using the closing rate; andnon-monetary items carried at fair value are measured at valuation-date exchange rates.• Exchange differences arising on settlement of monetary items and on translation of monetary items at a rate different than when initially recognised are included in profit or loss, with one exception. Exchange differences arising on monetary items that form part of the reporting entity's net investment in a foreign operation are recognised in the consolidated financial statements that include the foreign operation in other comprehensive income. Such differences are reclassified from equity to profit or loss on disposal of the net investment.• The results and financial position of an entity whose functional currency is not the currency of a hyperinflationary economy are translated into a different presentation currency using the following procedures:<ul style="list-style-type: none">– assets (including goodwill arising on the acquisition of a foreign operation) and liabilities for each statement of financial position presented (including comparatives) are translated at the closing rate at the date of that statement of financial position;

- income and expenses for each period presented (including comparatives) are translated at exchange rates at the dates of the transactions; and
- all resulting exchange differences are recognised as other comprehensive income and the cumulative amount is presented in a separate component of equity until disposal of the foreign operation.
- Special rules exist for translating into a presentation currency the results and financial position of an entity whose functional currency is hyperinflationary.

Interpretations

SIC 7 Introduction of the Euro

Explains how to apply IAS 21 when the Euro was first introduced, and when new EU members join the Eurozone.

Refer to IAS 39 for a summary of IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*.

IAS 23 Borrowing Costs

Effective date

Annual periods beginning on or after 1 January 2009.

Objective

To prescribe the accounting treatment for borrowing costs.

Summary

- Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset, but only when it is probable that these costs will result in future economic benefits to the entity, and the costs can be measured reliably. All other borrowing costs that do not satisfy the conditions for capitalisation are expensed when incurred.
- A qualifying asset is one that necessarily takes a substantial period of time to make it ready for its intended use or sale. Examples include manufacturing plants, investment properties and some inventories.
- To the extent that an entity borrows funds specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred during the period less any investment income on the temporary investment of those borrowings.

- If funds are borrowed generally and used for the purpose of obtaining the qualifying asset, a capitalisation rate (weighted average of borrowing costs applicable to the general outstanding borrowings during the period) is applied to expenditure incurred during the period, to determine the amount of borrowing costs eligible for capitalisation. The amount of borrowing costs that the entity capitalises during a period cannot exceed the amount of borrowing costs incurred during the period.

Interpretations None.

IAS 24 Related Party Disclosures

Effective date Annual periods beginning on or after 1 January 2011.

Objective To ensure that financial statements draw attention to the possibility that the financial position and results of operations may have been affected by the existence of related parties.

Summary

- A related party is a person or entity that is related to the reporting entity.
 - (a) A person or a close member of that person's family is related to the reporting entity if that person:
 - i. has control or joint control of the reporting entity;
 - ii. has significant influence over the reporting entity; or
 - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
 - (b) An entity is related to the reporting entity if any of the following conditions applies:
 - i. the entity and the reporting entity are members of the same group (each parent, subsidiary and fellow subsidiary is related to the others);
 - ii. one entity is an associate or a joint venture of the other entity;
 - iii. both entities are joint ventures of the same third party;
 - iv. one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

- v. the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity; if the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;
 - vi. the entity is controlled or jointly controlled by a person identified in (a);
 - vii. a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- The Standard requires disclosure of:
 - relationships involving control, even when there have been no transactions;
 - related party transactions; and
 - key management personnel compensation (including an analysis by type of compensation).
 - For related party transactions, disclosure is required of the nature of the relationship and of sufficient information to enable an understanding of the potential effect of the transactions.
 - The standard provides a partial exemption for government-related entities. Requirements to disclose information that is costly to gather and of less value to users have been eliminated.

Interpretations None.

IAS 26 Accounting and Reporting by Retirement Benefit Plans

Effective date Periods beginning on or after 1 January 1998.

Objective To specify the measurement and disclosure principles for the financial reports of retirement benefit plans.

Summary

- Sets out the reporting requirements for both defined contribution and defined benefit plans, including a statement of net assets available for benefits and disclosure of the actuarial present value of promised benefits (split between vested and non-vested).
- Specifies the need for actuarial valuation of the benefits for defined benefits and the use of fair values for plan investments.

Interpretations None.

IAS 27 (2011) Separate Financial Statements

Effective date Annual periods beginning on or after 1 January 2013. Earlier application permitted – but only if IFRSs 10 to 12 and IAS 28 (2011) are applied from the same date.

The amendments to the previous version of the Standard moved all requirements for consolidated financial statements from IAS 27 into IFRS 10.

Objective To prescribe how to account for investments in subsidiaries, joint ventures and associates in separate financial statements.

Summary

- In the parent's separate financial statements: investments in subsidiaries, associates and joint ventures (other than those that are classified as held for sale under IFRS 5) are accounted for either at cost or as investments in accordance with IFRS 9 or IAS 39.
- The parent has to disclose a list of significant investments and to describe the method used to account for these investments.

Interpretations None.

IAS 28 (2011) Investments in Associates and Joint Ventures

Effective date and transition Annual periods beginning on or after 1 January 2013. Earlier application permitted – but only if IFRSs 10 to 12 (2011) and IAS 27 (2011) are applied from the same date.

The amendments to the previous version of the Standard align definitions and terminology with IFRSs 10, 11 and 12.

This standard includes specific transitional provisions that need to be considered for the current reporting cycle. IAS 8 requires changes to IFRSs to be applied retrospectively unless an IFRS sets out different requirements.

Objective To define significant influence for investments in associates and to prescribe investor's accounting for investments in associates and joint ventures.

Summary

- Applies to all investments in which an investor has significant influence and joint ventures unless the investor is a venture capital firm, mutual fund, unit trust or a similar entity, and it elects to measure such investments at fair value through profit or loss in accordance with IFRS 9 or IAS 39. Interests in associates and joint ventures that are classified as held for sale in accordance with IFRS 5 are accounted for in accordance with that Standard.
- Otherwise, the equity method is used for all investments in associates over which the entity has significant influence and in joint ventures.
- Rebuttable presumption of significant influence if investment held, directly and indirectly, is 20% or more of the voting power of the investee.
- Under the equity method, the investment is initially recorded at cost. It is subsequently adjusted by the investor's share of the investee's post acquisition change in net assets.
- Investor's statement of comprehensive income reflects its share of the investee's post-acquisition profit or loss.
- Associate's and joint venture's accounting policies shall be the same as those of the investor for like transactions and events in similar circumstances.
- The end of the reporting period of an associate or a joint venture cannot be more than three months different from the investor's end of the reporting period.
- Even if consolidated financial statements are not prepared (e.g. because the investor has no subsidiaries) equity accounting is used. However, the investor does not apply the equity method when presenting 'separate financial statements' as defined in IAS 27. Instead, the investor accounts for the investment either at cost or as an investment in accordance with IFRS 9 or IAS 39.
- Impairment is tested in accordance with IAS 36. The impairment indicators in IAS 39 apply. An investment in an associate or joint venture is treated as a single asset for impairment purposes.

- When an entity discontinues the use of the equity method (for example, as a result of a change in ownership), the investment retained is remeasured to its fair value, with the gain or loss recognised in profit or loss. Thereafter, IFRS 9 or IAS 39 is applied to the remaining holding unless the investment becomes a subsidiary in which case the investment is accounted for in accordance with IFRS 3.

Interpretations None.

IAS 29 Financial Reporting in Hyperinflationary Economies

Effective date Periods beginning on or after 1 January 1990.

Objective To provide specific guidance for entities reporting in the currency of a hyperinflationary economy, so that the financial information provided is meaningful.

Summary

- The financial statements of an entity whose functional currency is the currency of a hyperinflationary economy are stated in terms of the measuring unit current at the end of the reporting period.
- The gain or loss on the net monetary position is included in profit and loss.
- Comparative figures for prior period(s) are restated into the same current measuring unit.
- Generally an economy is hyperinflationary when the cumulative inflation rate over three years is approaching or exceeds 100%.
- When an economy ceases to be hyperinflationary, amounts expressed in the measuring unit current at the end of the previous reporting period become the basis for the carrying amounts in subsequent financial statements.

Interpretations **IFRIC 7 Applying the Restatement Approach under IAS 29**

When the economy of an entity's functional currency becomes hyperinflationary, the entity applies the requirements of IAS 29 as though the economy had always been hyperinflationary.

Effective date	<p>Annual periods beginning on or after 1 January 2005. Disclosure provisions superseded on adoption of IFRS 7, effective 1 January 2007.</p> <p>Amendments (December 2011) clarifying certain aspects of offsetting requirements are effective 1 January 2014, with earlier application permitted.</p> <p>Amendments from <i>Improvements to IFRSs</i> (May 2012) clarifying that income tax relating to distributions and transaction costs should be accounted for in accordance with IAS 12 are effective 1 January 2013, with earlier application permitted.</p>
Objective	<p>To prescribe principles for classifying and presenting financial instruments as liabilities or equity, and for offsetting financial assets and liabilities.</p>
Summary	<ul style="list-style-type: none">• Issuer's classification of an instrument either as a liability or an equity instrument:<ul style="list-style-type: none">– based on substance, not form, of the instrument;– classification is made at the time of issue and is not subsequently altered;– an instrument is a financial liability if for instance the issuer may be obligated to deliver cash or another financial asset or the holder has a right to demand cash or another financial asset. An example is mandatorily redeemable preference shares;– an equity instrument is an instrument that evidences a residual interest in the assets of the entity after deducting all of its liabilities; and– interest, dividends, gains and losses relating to an instrument classified as a liability are reported as income or expense as appropriate.• Puttable instruments and instruments that impose on the entity an obligation to deliver a pro-rata share of net assets only on liquidation that (a) are subordinate to all other classes of instruments and (b) meet additional criteria, are classified as equity instruments even though they would otherwise meet the definition of a liability.• At issue, an issuer classifies separately the debt and equity components of a single compound instrument such as convertible debt.

- A financial asset and a financial liability are offset and the net amount reported when, and only when, an entity has a legally enforceable right to set off the amounts, and intends either to settle on a net basis or simultaneously.
- Cost of treasury shares is deducted from equity, and resales of treasury shares are equity transactions.
- Costs of issuing or reacquiring equity instruments are accounted for as a deduction from equity, net of any related income tax benefit.

Interpretations

IFRIC 2 Members' Shares in Co-operative Entities and Similar Instruments

These are liabilities unless the co-op has the legal right not to redeem on demand.

Useful Deloitte publication

iGAAP 2013: Financial Instruments – IAS 39 (Volume C) and IFRS 9 (Volume B) and related Standards

Guidance on how to apply these complex Standards, including illustrative examples and interpretations. Information at www.iasplus.com/igaap

IAS 33 Earnings per Share

Effective date

Annual periods beginning on or after 1 January 2005.

Objective

To prescribe principles for determining and presenting earnings per share (EPS) amounts in order to improve performance comparisons between different entities in the same period and between different accounting periods for the same entity.

Summary

- Applies to publicly-traded entities, entities in the process of issuing such shares, and any other entity voluntarily presenting EPS.
- An entity presents basic and diluted EPS:
 - for each class of ordinary share that has a different right to share in profit for the period;
 - with equal prominence;
 - for all periods presented.
- If an entity presents only a statement of comprehensive income, EPS is reported in that statement. If it presents items of profit and loss in a separate statement, EPS is reported only in that statement.

- EPS is reported for profit or loss attributable to equity holders of the parent entity, for profit or loss from continuing operations attributable to equity holders of the parent entity, and for any discontinued operations (this last item can be in the notes).
- In consolidated financial statements, EPS reflects earnings attributable to the parent's shareholders.
- Dilution is a reduction in EPS or an increase in loss per share on the assumption that convertible instruments are converted, that options or warrants are exercised, or that ordinary shares are issued when specified conditions are met.
- Basic EPS calculation:
 - earnings numerator: after deduction of all expenses including tax, and after deduction of non-controlling interests and preference dividends; and
 - denominator: weighted average number of shares outstanding during the period.
- Diluted EPS calculation:
 - earnings numerator: the profit for the period attributable to ordinary shares is increased by the after-tax amount of dividends and interest recognised in the period in respect of the dilutive potential ordinary shares (such as options, warrants, convertible securities and contingent insurance agreements), and adjusted for any other changes in income or expense that would result from the conversion of the dilutive potential ordinary shares;
 - denominator: adjusted for the number of shares that would be issued on the conversion of all of the dilutive potential ordinary shares into ordinary shares; and
 - anti-dilutive potential ordinary shares are excluded from the calculation.

Interpretations

None.

Effective date	<p>Periods beginning on or after 1 January 1999.</p> <p>Amendments from <i>Improvements to IFRSs</i> (May 2012) clarifying that total assets and liabilities are disclosed separately only when the amounts are regularly provided to the chief operating decision maker and there has been a material change since the last annual financial statements are effective 1 January 2013, with earlier application permitted.</p>
Objective	<p>To prescribe the minimum content of an interim financial report and the recognition and measurement principles for an interim financial report.</p>
Summary	<ul style="list-style-type: none">• IAS 34 applies only when an entity is required or elects to publish an interim financial report in accordance with IFRSs.• Local regulators (not IAS 34) mandate:<ul style="list-style-type: none">– which entities should publish interim financial reports;– how frequently; and– how soon after the end of an interim period.• An interim financial report is a complete or condensed set of financial statements for a period shorter than an entity's full financial year.• Minimum components of a condensed interim financial report are:<ul style="list-style-type: none">– condensed statement of financial position;– condensed statement of comprehensive income presented either as a condensed single statement or a condensed separate income statement and a condensed statement of comprehensive income;– condensed statement of changes in equity;– condensed statement of cash flows; and– selected explanatory notes.• Prescribes the comparative periods for which interim financial statements are required to be presented.• Materiality is based on interim financial data, not forecast annual amounts.

- The notes in an interim financial report provide an explanation of events and transactions significant to understanding the changes since the last annual financial statements.
- Same accounting policies as annual.
- Revenue and costs are recognised when they occur, not anticipated or deferred.
- Change in accounting policy – restate previously reported interim periods.

Interpretations

IFRIC 10 Interim Financial Reporting and Impairment

Where an entity has recognised an impairment loss in an interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost, that impairment is not reversed in subsequent interim financial statements nor in annual financial statements.

IAS 36 Impairment of Assets

Effective date

Applies to goodwill and intangible assets acquired in business combinations for which the agreement date is on or after 31 March 2004, and to all other assets prospectively for periods beginning on or after 31 March 2004.

Amendments (May 2013) rectify some unintended consequences of consequential amendments to IAS 36 arising from IFRS 13. The amendments (a) align the disclosure requirements with IASB's intention and reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed; (b) require additional disclosure about fair value measurement when the recoverable amount of impaired assets is based on fair value less cost of disposal; and (c) introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount, based on fair value less costs of disposal, is determined using a present value technique. They are effective 1 January 2014, with earlier application permitted to any period in which IFRS 13 also applies.

Objective

To ensure that assets are carried at no more than their recoverable amount, and to prescribe how recoverable amount, impairment loss or its reversal is calculated.

Summary

- IAS 36 applies to all assets except inventories (see IAS 2), assets arising from construction contracts (see IAS 11), deferred tax assets (see IAS 12), assets arising from employee benefits (see IAS 19), financial assets (see IAS 39 or IFRS 9), investment property measured at fair value (see IAS 40), biological assets related to agricultural activity measured at fair value less costs to sell (see IAS 41), deferred acquisition costs and intangible assets arising from insurance contracts (see IFRS 4) and non-current assets classified as held for sale (see IFRS 5).
- An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount.
- An impairment loss is recognised in profit or loss for assets carried at cost; and treated as a revaluation decrease for assets carried at revalued amount.
- Recoverable amount is the higher of an asset's fair value less costs to sell and its value-in-use.
- Value-in-use is the present value of estimated future cash flows expected to arise from the continuing use of an asset, and from its disposal at the end of its useful life.
- Discount rate used to measure an asset's value in use is the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. The discount rate used does not reflect risks for which future cash flows have been adjusted and is the rate of return that investors would require if they were to choose an investment that would generate cash flows equivalent to those expected from the asset.
- At the end of each reporting period, assets are reviewed to look for any indication that an asset may be impaired. If impairment is indicated, the asset's recoverable amount is calculated.
- Goodwill and other intangibles with indefinite useful lives are tested for impairment at least annually, and recoverable amount calculated.

- If it is not possible to determine the recoverable amount for an individual asset, then the recoverable amount of the asset's cash-generating unit is determined. The impairment test for goodwill is performed at the lowest level within the entity at which goodwill is monitored for internal management purposes, provided that the unit or group of units to which goodwill is allocated is not larger than an operating segment under IFRS 8.
- Reversal of prior years' impairment losses is required in certain instances (prohibited for goodwill).

Interpretations

Refer to IAS 34 for a summary of IFRIC 10 *Interim Financial Reporting and Impairment*.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets

Effective date

Periods beginning on or after 1 July 1999.

Objective

To ensure that appropriate recognition criteria and measurement bases are applied to provisions, contingent liabilities and contingent assets, and to ensure that sufficient information is disclosed in the notes to the financial statements to enable users to understand their nature, timing and amount.

Summary

- A provision is recognised only when a past event has created a legal or constructive obligation, an outflow of resources is probable, and the amount of the obligation can be estimated reliably.
- The amount recognised as a provision is the best estimate of the settlement amount at the end of the reporting period.
- Provisions are reviewed at the end of each reporting period to adjust for changes in estimate.
- Provisions are utilised only for original purposes.
- Examples of provisions may include onerous contracts, restructuring provisions, warranties, refunds and site restoration.
- Planned future expenditure, even where authorised by the board of directors or equivalent governing body, is excluded from recognition, as are accruals for self-insured losses, general uncertainties, and other events that have not yet taken place.

- A contingent liability arises when:
 - there is a possible obligation to be confirmed by a future event that is outside the control of the entity; or
 - a present obligation may, but probably will not, require an outflow of resources; or
 - a sufficiently reliable estimate of the amount of a present obligation cannot be made (this is rare).
- Contingent liabilities require disclosure only (no recognition). If the possibility of outflow is remote, then no disclosure is required.
- A contingent asset arises when the inflow of economic benefits is probable, but not virtually certain, and occurrence depends on an event outside the control of the entity.
- Contingent assets require disclosure only. If the realisation of income is virtually certain, the related asset is not a contingent asset and recognition is appropriate.

Interpretations

IFRIC 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities

Provisions are adjusted for changes in the amount or timing of future costs and for changes in the market-based discount rate.

IFRIC 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Funds

IFRIC 5 deals with the accounting, in the financial statements of the contributor, for interests in decommissioning, restoration and environmental rehabilitation funds established to fund some or all of the costs of decommissioning assets or to undertake environmental rehabilitation.

IFRIC 6 Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment (WE&EE)

IFRIC 6 provides guidance on the accounting for liabilities for waste management costs. Specifically, it considers the appropriate trigger for recognition of an obligation to contribute to the costs of disposing of waste equipment based on the entity's share of the market in a measurement period. The Interpretation concludes that the event that triggers liability recognition is participation in the market during a measurement period.

IFRIC 21 Levies

IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and those where the timing and amount of the levy is certain:

- The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy.
- The liability is recognised progressively if the obligating event occurs over a period of time.
- If an obligating event is triggered on reaching a minimum threshold, the liability is recognised when that minimum is reached.

IAS 38 Intangible Assets

Effective date

Applies to intangible assets acquired in business combinations for which the agreement date is on or after 31 March 2004, and to all other intangible assets prospectively for periods beginning on or after 31 March 2004.

Objective

To prescribe the accounting treatment for recognising, measuring and disclosing all intangible assets that are not dealt with specifically in another IFRS.

Summary

- An intangible asset, whether purchased or self-created, is recognised if:
 - it is probable that the future economic benefits that are attributable to the asset will flow to the entity; and
 - the cost of the asset can be measured reliably.
- Additional recognition criteria for internally-generated intangible assets.
- All research costs are charged to expense when incurred.
- Development costs are capitalised only after technical and commercial feasibility of the resulting product or service have been established.
- Intangible assets, including in-process research and development, acquired in a business combination are recognised separately from goodwill if they arise as a result of contractual or legal rights, or they are separable from the business. In these circumstances the recognition criteria (probability of inflow of future economic benefits and reliable measurement – see above) are always considered to be satisfied.
- Internally-generated goodwill, brands, mastheads, publishing titles, customer lists, start-up costs unless they are included in the cost of an item of PP&E in accordance with IAS 16, training costs, advertising costs and relocation costs are never recognised as assets.
- If an intangible item does not meet both the definition and the recognition criteria for an intangible asset, expenditure on the item is recognised as an expense when it is incurred, except if the cost is incurred as part of a business combination, in which case it forms part of the amount recognised as goodwill at the acquisition date.
- An entity may recognise a prepayment asset for advertising or promotional expenditure. Recognition of an asset would be permitted up to the point at which the entity has the right to access the goods purchased or up to the point of receipt of services. Mail order catalogues specifically identified as a form of advertising and promotional activities.

- For the purpose of accounting subsequent to initial acquisition, intangible assets are classified as:
 - indefinite life: no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. (Note – ‘indefinite’ does not mean ‘infinite’); and
 - finite life: a limited period of benefit to the entity.
- Intangible assets may be accounted for using a cost model or a revaluation model (permitted only in limited circumstances – see below). Under the cost model, assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.
- If an intangible asset has a quoted market price in an active market (which is uncommon), an accounting policy choice of a revaluation model is permitted. Under the revaluation model, the asset is carried at a revalued amount, which is fair value at revaluation date less any subsequent depreciation and any subsequent impairment losses.
- The cost of an intangible asset with a finite useful life (residual value is normally zero) is amortised over that life. Impairment testing under IAS 36 is required whenever there is an indication that the carrying amount exceeds the recoverable amount of the intangible asset.
- Intangible assets with indefinite useful lives are not amortised but are tested for impairment on an annual basis. If recoverable amount is lower than the carrying amount, an impairment loss is recognised. The entity also considers whether the intangible continues to have an indefinite life.
- Under the revaluation model, revaluations are carried out regularly. All items of a given class are revalued (unless there is no active market for a particular asset). Revaluation increases are recognised in other comprehensive income and accumulated in equity. Revaluation decreases are charged first against the revaluation surplus in equity related to the specific asset, and any excess against profit or loss. When the revalued asset is disposed of, the revaluation surplus remains in equity and is not reclassified to profit or loss.

- Normally, subsequent expenditure on an intangible asset after its purchase or completion is recognised as an expense. Only rarely are the asset recognition criteria met.

Interpretations

SIC 32 *Intangible Assets – Web Site Costs*

Certain initial infrastructure development and graphic design costs incurred in web site development are capitalised.

IAS 39 Financial Instruments: Recognition and Measurement

Effective date

Annual periods beginning on or after 1 January 2005, except the 2004 and 2005 revisions for the fair value option, cash flow hedge accounting of forecast intragroup transactions, and financial guarantee contracts are effective 1 January 2006.

Under the amendments (June 2013) there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met. The amendments are effective 1 January 2014, with earlier application being permitted.

Objective

To establish principles for recognising, derecognising and measuring financial assets and financial liabilities.

Summary

- All financial assets and financial liabilities, including all derivatives and certain embedded derivatives, are recognised in the statement of financial position.
- Financial instruments are initially measured at fair value on date of acquisition or issue. This is generally the same as cost. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are recognised directly in profit or loss. In the case of financial assets and liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue are included in the cost.
- An entity has an option of recognising regular way purchases and sales of financial assets in the market place consistently either at trade date or settlement date. If settlement-date accounting is used, IAS 39 requires recognition of certain value changes between trade and settlement dates.

- For the purpose of measuring a financial asset subsequent to initial recognition, IAS 39 classifies financial assets into four categories:
 1. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those the entity intends to sell immediately or in the short-term (which must be classified as held for trading), and those that the entity on initial recognition designates as either at fair value through profit or loss or available-for-sale.
 2. Held-to-maturity (HTM) investments, such as debt securities and mandatorily redeemable preference shares that the entity intends and is able to hold to maturity. If an entity sells or reclassifies more than an insignificant amount of HTM investments before maturity (other than in exceptional circumstances), any remaining HTM investments are reclassified as available-for-sale (category 4 below) and any financial assets shall not be classified as held to maturity for the current and next two financial reporting periods.
 3. Financial assets measured at fair value through profit or loss (FVTPL), which includes those held for trading (short-term profit-taking) and any other financial asset that the entity designates (the 'fair value option'). Derivative assets are always in this category unless they are designated in an effective hedging relationship.
 4. Available-for-sale financial assets (AFS) – all financial assets that do not fall into one of the other three categories. This includes all investments in equity instruments that are not measured at FVTPL. Additionally, an entity may designate any loans and receivables as AFS.
- The use of the 'fair value option' (category 3 above) is restricted to those financial instruments designated on initial recognition that meet at least one of the following criteria:
 - where the fair value option eliminates an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on different bases;

- those that are part of a group of financial assets, financial liabilities, or both that are managed, and their performance is evaluated by management on a fair value basis in accordance with a documented risk management or investment strategy; and
 - those that contain one or more embedded derivatives, except if the embedded derivative does not modify significantly the associated cash flows or it is clear with little or no analysis that separation is prohibited.
- In certain circumstances, embedded derivatives must be separated from the host contract. If the fair value of the embedded derivative cannot be measured reliably, the entire hybrid contract must be designated as at FVTPL.
 - Non-derivative financial assets can be reclassified out of FVTPL or AFS categories in rare circumstances except for non-derivative financial assets that have been designated at FVTPL.
 - Subsequent to initial recognition:
 - all financial assets in categories 1 and 2 above are carried at amortised cost, subject to a test for impairment;
 - all financial assets in category 3 above are carried at fair value, with value changes recognised in profit or loss; and
 - all financial assets in category 4 above (AFS) are measured at fair value in the statement of financial position, with value changes recognised in other comprehensive income apart from impairment, interest recognised using the effective interest method and for monetary items, foreign exchange gains and losses. If the fair value of an AFS asset cannot be measured reliably, the asset is carried at cost subject to impairment.
 - After acquisition, most financial liabilities are measured at amortised cost. The following types of financial liabilities are measured at fair value with value changes recognised in profit or loss:
 - derivative liabilities (unless designated as a hedging instrument in an effective hedge);
 - liabilities held for trading (e.g. short sales); and

- any liabilities that the entity designates, at issuance, to be measured at FVTPL (the ‘fair value option’ – see above).
- Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction. The IAS 39 fair value hierarchy is as follows:
 - the best evidence of fair value is quoted prices in an active market;
 - if not available an entity uses a valuation technique that makes maximum use of market inputs and includes recent arm’s length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, or option pricing models.
- IAS 39 establishes conditions for determining when a financial asset or liability should be removed from the statement of financial position (derecognised). Derecognition of a financial asset is not permitted to the extent to which the transferor has retained (1) substantially all risks and rewards of the transferred asset or part of the asset, or (2) control of an asset or part of an asset for which it has neither retained nor transferred substantially all risks and rewards.
- Hedge accounting (recognising the offsetting effects of both the hedging instrument and the hedged item in the same period’s profit or loss) is permitted in certain circumstances, provided that the hedging relationship is clearly designated and documented, measurable, and actually effective. IAS 39 provides for three types of hedges:
 - fair value hedge: if an entity hedges a change in fair value of a recognised asset or liability or firm commitment, the change in fair values of both the hedging instrument and the hedged item for the designated risk are recognised in profit or loss when they occur;

- cash flow hedge: if an entity hedges changes in the future cash flows relating to a recognised asset or liability or a highly probable forecast transaction that involves a party external to the entity, or a firm commitment in some cases then the change in fair value of the hedging instrument is recognised in other comprehensive income to the extent that the hedge is effective until such time as the hedged future cash flows occur; and
- hedge of a net investment in a foreign entity: this is treated like a cash flow hedge.
- A hedge of foreign currency risk in a firm commitment may be accounted for as a fair value hedge or as a cash flow hedge.
- The foreign currency risk of a highly probable forecast intragroup transaction is permitted to qualify as the hedged item in a cash flow hedge in the consolidated financial statements, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and the foreign currency risk will affect the consolidated profit or loss. Also, the foreign currency risk of a highly probable intragroup monetary item may qualify as a hedged item in the consolidated financial statements if it results in an exposure to foreign exchange rate gains or losses that are not fully eliminated on consolidation.
- If the hedge of a forecast intragroup transaction qualifies for hedge accounting, any gain or loss that is recognised in other comprehensive income in accordance with the hedging rules in IAS 39 is reclassified from equity to profit or loss in the same period or periods in which the foreign currency risk of the hedged transaction affects profit or loss.
- A portfolio hedge of interest rate risk (hedging an amount rather than a specific asset or liability) can qualify as a fair value hedge if specified conditions are met.

IFRIC 9 Reassessment of Embedded Derivatives

Generally, determination as to whether to account for an embedded derivative separately from the host contract is made when the entity first becomes a party to the contract, and is not subsequently reassessed.

A first-time adopter of IFRSs makes its assessment based on conditions existing at a later of the date it first becomes a party to the contract and the date a reassessment is required (see below), not when it adopts IFRSs.

An entity only revisits its assessment if the terms of the contract change, and the expected future cash flows of the embedded derivative, the host contract, or both, change significantly relative to the previously expected cash flows on the contract.

On reclassification of a financial asset out of the fair value through profit and loss category (as permitted by IAS 39, see above), the instrument reclassified must be reassessed for separation of embedded derivatives.

In addition to business combinations, derivatives in contracts acquired in the formation of a joint venture or in a combination of entities under common control are outside the scope of IFRIC 9.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

The presentation currency does not create an exposure to which an entity may apply hedge accounting. Consequently, a parent entity may designate as a hedged risk only the foreign exchange differences arising from a difference between its own functional currency and that of its foreign operation.

The hedging instrument(s) for the hedge of a net investment in a foreign operation may be held by any entity or entities within the group as long as the designation, effectiveness and documentation requirements for a hedge of a net investment are satisfied.

The April 2009 amendments removed the previous restriction that prevented the hedging instrument from being held by the foreign operation being hedged.

On derecognition of a foreign operation, IAS 39 must be applied to determine the amount that needs to be reclassified to profit or loss from the foreign currency translation reserve in respect of the hedging instrument, while IAS 21 must be applied in respect of the hedged item.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

A borrower may enter into an agreement with a lender to issue equity instruments to the lender in order to extinguish a financial liability owed to the lender.

The issue of equity instruments to extinguish all or part of a financial liability constitutes consideration paid. An entity shall measure the equity instruments issued as extinguishment of the financial liability at their fair value on the date of extinguishment of the liability, unless that fair value is not reliably measurable. (In this case the equity instruments should be measured to reflect the fair value of the liability extinguished.)

Any difference between the carrying amount of the liability (or the part of the liability) extinguished and the fair value of equity instruments issued is recognised in profit or loss. When consideration is partly allocated to the portion of a liability which remains outstanding (i.e., when the entity determines that part of the consideration relates to modification of the remaining liability), the part allocated to this portion forms part of the assessment as to whether there has been an extinguishment or a modification of that portion of the liability. If the remaining liability has been substantially modified, the entity should account for the modification as the extinguishment of the original liability and the recognition of a new liability as required by IAS 39.

Implementation guidance is provided in the IASB's annual bound volume of IFRSs.

IAS 39 guidance

Guidance on how to apply these complex Standards, including illustrative examples and interpretations. Information at www.iasplus.com/igaap



Refer also to the 'under construction' entry that follows IFRS 9.

IAS 40 Investment Property

Effective date

Annual periods beginning on or after 1 January 2005.

Objective

To prescribe the accounting treatment for investment property and related disclosures.

Summary

- Investment property is land or buildings (or part thereof) or both held (whether by the owner or by a lessee under a finance lease) to earn rentals or for capital appreciation or both.
- IAS 40 does not apply to owner-occupied property or property that is being constructed or developed on behalf of third parties or property held for sale in the ordinary course of business, or property that is leased to another entity under a finance lease.
- Mixed-use property (partly used by the owner and partly held for rental or appreciation) must be split with components accounted for separately if these portions could sold separately.
- An investment property is measured initially at cost. Transaction costs are included in the initial measurement.

- An entity chooses either the fair value model or the cost model after initial recognition;
 - fair value model: investment property is measured at fair value, and changes in fair value are recognised in profit or loss; or
 - cost model: investment property is measured at depreciated cost less any accumulated impairment losses unless it is classified as a non-current asset held for sale under IFRS 5. Fair value of the investment property is disclosed.
- The chosen measurement model is applied to all of the entity's investment property.
- If an entity using the fair value model acquires a particular property for which there is clear evidence that the entity will not be able to determine fair value on a continuing basis, the cost model is used for that property – and it must continue to be used until disposal of the property.
- Change from one model to the other is permitted if it will result in a more appropriate presentation (highly unlikely for change from fair value to cost model).
- A property interest held by a lessee under an operating lease can qualify as investment property provided that the lessee uses the fair value model of IAS 40. In this case, the lessee accounts for the lease as if it were a finance lease.

Interpretations

None.

Effective date	Periods beginning on or after 1 January 2003.
Objective	To prescribe accounting for agricultural activity – the management of the biological transformation of biological assets (living plants and animals) into agricultural produce.
Summary	<ul style="list-style-type: none">• All biological assets are measured at fair value less costs to sell, unless fair value cannot be measured reliably.• Agricultural produce is measured at fair value less costs to sell at the point of harvest. Because harvested produce is a marketable commodity, there is no ‘measurement reliability’ exception for produce.• Any change in the fair value of biological assets during a period is reported in profit or loss.• Exception to fair value model for biological assets: if there is no active market at the time of recognition in the financial statements, and no other reliable measurement method, then the cost model is used for the specific biological asset only. The biological asset is measured at depreciated cost less any accumulated impairment losses.• Quoted market price in an active market generally represents the best measure of the fair value of a biological asset or agricultural produce. If an active market does not exist, IAS 41 provides guidance for choosing one of other market-determined prices or values.• If such market-determined prices or values are not available the present value of expected net discounted cash flows is used in determining fair value. Additional biological transformations are taken into consideration when calculating the fair value.• Fair value measurement stops at harvest. IAS 2 applies after harvest.
Interpretations	None.

IFRIC 12 Service Concession Arrangements

Note: This Interpretation draws from several Standards and is included separately due to its complexity and significance.

Effective date

Periods beginning on or after 1 January 2008.

Objective

To address the accounting by private sector operators involved in the provision of public sector infrastructure assets and services. The Interpretation does not address the accounting for the government (grantor) side of such arrangements.

Summary

- For all arrangements falling within the scope of the Interpretation (essentially those where the infrastructure assets are not controlled by the operator), the infrastructure assets are not recognised as property, plant and equipment of the operator. Rather, depending on the terms of the arrangement, the operator recognises:
 - a financial asset – where the operator has an unconditional right to receive a specified amount of cash or other financial asset over the life of the arrangement; or
 - an intangible asset – where the operator's future cash flows are not specified (e.g. where they will vary according to usage of the infrastructure asset); or
 - both a financial asset and an intangible asset where the operator's return is provided partially by a financial asset and partially by an intangible asset.

Other interpretations

SIC 29 Service Concession Arrangements: Disclosures

Disclosure requirements for service concession arrangements.

Useful Deloitte publication

IFRIC 12 Service concession arrangements – A pocket practical guide

Illustrative tool in the application of IFRIC 12, providing analysis of the requirements of IFRIC 12 and practical guidance with examples that address some of the more complex issues around service concession arrangements.

Available for download at www.iasplus.com/guides

IFRIC 17 Distributions of Non-cash Assets to Owners

Note: This Interpretation draws from several Standards and is included separately due to its complexity and significance.

Effective date

Annual periods beginning on or after 1 July 2009.

Objective

To address the accounting when non-cash assets are distributed to owners.

Summary

- A dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity.
- An entity should measure the non-cash dividend payable at the fair value of the assets to be distributed. The liability should be remeasured at each reporting date with changes recognised directly in equity.
- The difference between the dividend paid and the carrying amount of the assets distributed should be recognised in profit or loss.

Current IASB agenda projects

Our www.iasplus.com website has the latest information about the IASB and IFRS Interpretations Committee agenda projects and research topics, including summaries of decisions reached at each IASB and IFRS Interpretations Committee meeting.

The following is a summary of the IASB's agenda projects at 30 June 2013.

* Convergence or joint project with FASB

Topic	Major IFRSs	Status
Financial instruments: comprehensive project*	The review of IAS 39 focuses on improving, simplifying, and ultimately replacing the standard with IFRS 9 in multiple steps.	Classification and Measurement of Financial Assets – Final IFRS originally issued in November 2009 Subsequent limited amendments ED issued in November 2012 Classification and Measurement of Financial Liabilities – Final IFRS issued in October 2010 Impairment – Second ED issued in March 2013 General Hedge Accounting – Final IFRS expected fourth quarter 2013 Macro Hedge Accounting – DP expected fourth quarter 2013 Final comprehensive IFRS – IASB has not yet determined

Topic	Major IFRSs	Status
Insurance contracts* Phase II	The objective of the project is to develop a comprehensive standard on accounting for insurance contracts.	Second ED issued June 2013
Leases*	The objective of the project is to improve the accounting for leases by developing an approach that is more consistent with the conceptual framework definitions of assets and liabilities.	Second ED issued May 2013
Rate-regulated activities	<p>The objective of this interim standard is to allow entities that currently recognise regulatory assets and liabilities in accordance with their previous GAAP to continue to recognise the effects of rate regulation under IFRSs until the longer term rate-regulated activities project is completed.</p> <p>The fact patterns identified through the RFI consultation process will be used in research for the development of the DP that will analyse the common features of rate regulation.</p>	<p>ED issued April 2013</p> <p>RFI issued in March 2013. DP expected fourth quarter 2013</p>
Revenue recognition*	The objective of the project is to develop general principles for determining when revenue should be recognised in the financial statements.	Final IFRS expected third quarter 2013

Topic	Implementation – narrow scope amendments to existing standards	Status
Annual improvements	Minor amendments to IFRSs: 2010-2012	ED issued in May 2012. Final IFRS expected fourth quarter 2013
Annual improvements	Minor amendments to IFRSs: 2011-2013	ED issued in December 2012. Final IFRS expected fourth quarter 2013
Annual improvements	Minor amendments to IFRSs: 2012-2014	ED expected fourth quarter 2013
IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	Final IFRS expected fourth quarter 2013
IFRS 11	Acquisition of an interest in a joint operation	Final IFRS expected fourth quarter 2013
IFRS 13	Fair value measurement: unit of account	ED expected fourth quarter 2013
IAS 1	Disclosure requirements about assessment of going concern	ED expected fourth quarter 2013
IAS 12	Recognition of deferred tax assets for unrealised losses	ED expected fourth quarter 2013
IAS 16 & IAS 38	Clarification of acceptable methods of depreciation and amortisation	Final IFRS expected fourth quarter 2013
IAS 19	Actuarial assumptions: discount rate	ED expected fourth quarter 2013
IAS 19	Defined benefit plans: employee contributions	Final IFRS expected fourth quarter 2013
IAS 27	Separate financial statements (equity method)	ED expected fourth quarter 2013
IAS 28	Equity method: share of other net asset changes	Final IFRS expected fourth quarter 2013
IAS 32	Put options written on non-controlling interests	ED expected fourth quarter 2013
IAS 41	Bearer plants	ED issued June 2013. Final IFRS expected in 2014

Agenda Consultation

In July 2011, the IASB launched its first formal public consultation on its future work plan. The comment period closed in November 2011 and the IASB began its deliberations on its future agenda at its May 2012 meeting. A feedback statement was issued in December 2012.

In response to the comments received from constituents, the Board has been giving priority to the development of its Conceptual Framework (including a disclosure framework). The Discussion Paper was issued in July 2013.

Post-implementation reviews

The IASB has commenced its post-implementation review of IFRS 8 *Operating Segments*. In July 2012 it published for comment a Request for Information (RFI) on the effect of implementing the standard. The staff of the IASB are currently preparing a report on the post-implementation review which is expected to be issued in the third quarter of 2013.

The IASB has commenced the first phase of its review of IFRS 3 *Business Combinations*. An RFI is expected to be issued in the fourth quarter of 2013.

Management Commentary

In December 2010 the IASB issued the IFRS Practice Statement Management Commentary. The Practice Statement provides a broad, non-binding framework for the presentation of management commentary that relates to financial statements prepared in accordance with IFRS. The Practice Statement is not an IFRS. Consequently, entities are not required to comply with the Practice Statement, unless specifically required by their jurisdiction.

IFRS Foundation project

Topic	Status
IFRS XBRL Taxonomy	• Refer to http://www.iasb.org/XBRL/XBRL.htm

Interpretations

Interpretations of IASs and IFRSs are developed by the IFRS Interpretations Committee, which replaced the Standing Interpretations Committee (SIC) in 2002. Interpretations are part of IASB's authoritative literature. Therefore, financial statements may not be described as complying with International Financial Reporting Standards unless they comply with all the requirements of each applicable Standard and each applicable Interpretation.

Interpretations

The following Interpretations have been issued by the IFRS Interpretations Committee starting in 2004 through 30 June 2013.

- IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*
- IFRIC 2 *Members' Shares in Co-operative Entities and Similar Instruments*
- IFRIC 3 – withdrawn
- IFRIC 4 *Determining whether an Arrangement contains a Lease*
- IFRIC 5 *Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*
- IFRIC 6 *Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment*
- IFRIC 7 *Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies*
- IFRIC 8 – withdrawn
- IFRIC 9 – withdrawn
- IFRIC 10 *Interim Financial Reporting and Impairment*
- IFRIC 11 – withdrawn
- IFRIC 12 *Service Concession Arrangements*
- IFRIC 13 *Customer Loyalty Programmes*
- IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*
- IFRIC 15 *Agreements for the Construction of Real Estate*
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*
- IFRIC 17 *Distributions of Non-cash Assets to Owners*
- IFRIC 18 *Transfers of Assets from Customers*
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*

- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*
- IFRIC 21 *Levies*

SIC Interpretations

The following Interpretations, issued by the Standing Interpretations Committee (SIC) from 1997-2001, remain in effect. All other SIC Interpretations have been superseded by amendments to IASs or new IFRSs issued by the IASB:

- SIC 7 *Introduction of the Euro*
- SIC 10 *Government Assistance – No Specific Relation to Operating Activities*
- SIC 15 *Operating Leases – Incentives*
- SIC 25 *Income Taxes – Changes in the Tax Status of an Entity or its Shareholders*
- SIC 27 *Evaluating the Substance of Transactions in the Legal Form of a Lease*
- SIC 29 *Service Concession Arrangements: Disclosures*
- SIC 31 *Revenue – Barter Transactions Involving Advertising Services*
- SIC 32 *Intangible Assets – Web Site Costs*

Items not added to IFRS Interpretations Committee agenda

We maintain on www.iasplus.com a list of issues that the IFRS Interpretations Committee (formerly known as IFRIC) considered adding to its agenda but decided not to do so. In each case, the Committee announces its reason for not taking the issue onto its agenda. By their nature, those announcements provide helpful guidance in applying IFRSs. You will find the list at www.iasplus.com/ifricnotadded

Due process for IFRS Interpretations Committee

The IFRS Interpretations Committee approves draft and final Interpretations if not more than four of the fourteen members vote against. Final Interpretations must then be approved by the IASB (at least nine votes in favour).

The Due Process Handbook (February 2013) provides further details of the due process for the IFRS Interpretation Committee and can be downloaded from IFRS Foundation's website at www.ifrs.org

IFRS Interpretation Committee current agenda issues

The following is a summary of the IFRS Interpretation Committee's agenda projects at 30 June 2013.

Standard	Topic	Status
IAS 12 <i>Income Taxes</i>	Recognition of deferred tax for a single asset in a corporate wrapper	Active
IAS 16 <i>Property, Plant and Equipment</i> & IAS 38 <i>Intangible Assets</i>	Variable payments for separate acquisition of property, plant and equipment and intangible assets	Active
IAS 19 <i>Employee Benefits</i>	(a) Employee benefits plans with a guaranteed return on contributions or notional contributions (b) Actuarial assumptions: determination of the discount rate	Active
IAS 40 <i>Investment Property</i>	Accounting for a structure that appears to lack the physical characteristics of a building	Active
IFRS 2 <i>Share-based Payment</i>	Accounting for share-based payment transactions in which the manner of settlement is contingent on future events	Active

There are a number of current issues being considered by the IFRS Interpretation Committee and details of the current issues being considered can be found on our www.iasplus.com website.

Deloitte IFRS resources

In addition to this publication, Deloitte Touche Tohmatsu has a range of tools and publications to assist in implementing and reporting under IFRSs. These include:

www.iasplus.com Updated daily, [iasplus.com](http://www.iasplus.com) is your one-stop shop for information on IFRSs.

iGAAP Deloitte iGAAP publications set out comprehensive guidance for entities reporting under IFRSs and for entities considering whether to move to IFRSs in the near future. Deloitte iGAAP books are available from Lexis-Nexis here: <http://www1.lexisnexis.co.uk/deloitte/>

Model financial statements and checklists Model IFRS financial statements, IFRS presentation and disclosure checklists, and IFRS compliance checklists are available in English and a number of other languages here: www.iasplus.com/models

Translated material This *IFRSs in your pocket* guide is available in a number of languages here: www.iasplus.com/pocket. You will also find other Deloitte IFRS resources in various languages here: www.iasplus.com/translations

Deloitte IFRS e-learning

Deloitte is pleased to make available, in the public interest and without charge, our e-learning training materials for IFRSs. Modules are available for virtually all IASs/IFRSs. They are kept up to date regularly.

Each module involves downloading a 4mb to 6mb zip file and extracting the enclosed files and directory structure into a directory on your computer.

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To download, go to www.iasplus.com and click on the Deloitte IFRS eLearning button on the home page.

Website addresses

Deloitte Touche Tohmatsu

www.deloitte.com

www.iasplus.com

IASB

www.ifrs.org

Some national standard-setting bodies

Australian Accounting Standards Board	www.aasb.gov.au
Canadian Accounting Standards Board	www.frascanada.ca
China Accounting Standards Committee	www.casc.gov.cn
Autorité des Normes Comptables (France)	www.anc.gouv.fr
German Accounting Standards Board	www.drsc.de
Accounting Standards Board of Japan	www.asb.or.jp
Korea Accounting Standards Board	eng.kasb.or.kr
New Zealand External Reporting Board	www.xrb.govt.nz
Financial Reporting Council, Accounting Council (United Kingdom)	www.frc.org.uk
Financial Accounting Standards Board (USA)	www.fasb.org

International Auditing and Assurance Standards Board

www.ifac.org/iaasb

International Federation of Accountants

www.ifac.org

International Organization of Securities Commissions

www.iosco.org

Subscribe to our IFRS publications

Deloitte publishes various IFRS related publications, including:

- *IFRS in Focus* – published at the time of release of new and revised Standards and Interpretations, Exposure Drafts and discussion documents, including summaries of the documents and consideration of the principal amendments/proposals.
- *IFRS Project Insights* – a quick overview of the key projects of the IASB, with a summary of the current status, key decisions and proposals, key considerations for entities given the status of the project and the next steps in the project.
- *IFRS Industry Insights* – these concise and informative publications provide insights into the potential impacts of recent pronouncements in particular industries, focusing on the key practical implications to be considered.
- *IFRS on Point* – highlights the month's critical financial reporting developments.

Electronic editions of our IFRS related publications are available at www.iasplus.com/pubs

Our IAS Plus website also allows visitors to register and subscribe to various publications, to receive emails as new editions are released. Simply visit www.iasplus.com and select the 'login or register' option at the top of the screen.

You can also keep up-to-date with the latest publications, and financial reporting developments in general, through RSS (links are available on www.iasplus.com) and Twitter (twitter.com/iasplus).

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