

IFRS on point.

Financial Reporting Developments and Information: December 2013

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International headlines

IASB updates its work plan

The International Accounting Standards Board (IASB) has updated its work plan following its recent meeting. Some smaller adjustments were made but mainly the new work plan provides a consolidated view of the current status with finalised projects removed and redeliberation dates added for projects where exposure drafts have been published. Click [here](#) for the updated work plan.

IFRS Foundation updates jurisdiction profiles for Hong Kong and South Korea

The IFRS Foundation (IFRSF) has updated its jurisdiction profiles on the use of IFRS for Hong Kong and South Korea. On Hong Kong, the profile has been updated to clarify the application of the HKFRS equivalent of IFRS 1 and on South Korea, the profile has been updated to reflect expiry of a disclosure that had been added to IAS 34 and adoption of accounting standards for unlisted companies that are not subject to external audit. Click [here](#) for more information.

IFRS Foundation appoints new Chair of the IFRS Advisory Council

The Trustees of the IFRSF have announced that Joanna Perry has been appointed as new Chair of the IFRS Advisory Council. Joanna Perry follows Paul Cherry whose term ended in December 2013. She previously served as Chairman of the New Zealand Financial Reporting Standards Board (FRSB), leading the evolution of financial reporting standards in New Zealand, including the adoption of IFRSs from 2005. Joanna Perry also represented New Zealand as a member of the Asia-Oceania Standard-Setting Group (AOSSG). Currently, Joanna Perry is a member of the IFRS Interpretations Committee. She will resign this position upon taking up the Chair of the Advisory Council. Click [here](#) for the press release.

IASB appoints Executive Technical Director

The IASB has appointed Hugh Shields as Executive Technical Director. Hugh Shields will lead the IASB's technical staff and be responsible for the efficient delivery of all technical activities. Hugh Shields follows Sue Lloyd who is currently Senior Director of Technical Activities for the IASB and has been appointed as IASB member beginning 1 January 2014. The change in title to 'Executive Technical Director' suggests that Hugh Shields' portfolio of tasks will differ slightly from Sue Lloyd's. Hugh Shields currently serves as a Managing Director for Credit Suisse in the Europe, Middle East and Africa region and is responsible for both financial and regulatory reporting across the bank. He will begin his work at the IASB in March 2014. Click [here](#) for the overview of the changes in the IASB's technical staff.

For more useful information please see the following websites:

www.iasplus.com

www.deloitte.com

IASB concludes the 2011-2013 Annual Improvements cycle

The IASB issued 'Annual Improvements to IFRSs 2011–2013 Cycle', a collection of amendments to IFRSs, in response to issues addressed during the 2011–2013 cycle. Four standards are affected by the amendments. These are IFRS 1 *First-time Adoption of International Financial Reporting Standards* (changes to the Basis for Conclusions only), IFRS 3 *Business Combinations*, IFRS 13 *Fair Value Measurement* and IAS 40 *Investment Property*. The amendments are effective for annual periods beginning on or after 1 July 2014, but can be applied earlier. Click [here](#) for more information on the annual improvements and [here](#) for the press release.

IASB concludes the 2010-2012 Annual Improvements cycle

The IASB issued 'Annual Improvements to IFRSs 2010–2012 Cycle', a collection of amendments to IFRSs, in response to issues addressed during the 2010–2012 cycle. Seven standards are affected by the amendments. These are IFRS 2 *Share-based Payment*, IFRS 3 *Business Combinations* (with consequential amendments to other standards), IFRS 8 *Operating Segments*, IFRS 13 *Fair Value Measurement* (amendments to the Basis for Conclusions only, with consequential amendments to the bases for conclusions of other standards), IAS 16 *Property, Plant and Equipment*, IAS 24 *Related Party Disclosures* and IAS 38 *Intangible Assets*. The amendments are effective for annual periods beginning on or after 1 July 2014, but can be applied earlier. Click [here](#) for more information on the annual improvements and [here](#) for the press release.

IASB publishes proposals for amendments under its annual improvements project (cycle 2012-2014)

The IASB has published an exposure draft (ED) of proposed amendments to four International Financial Reporting Standards (IFRSs) under its annual improvements project. The ED proposes the following amendments:

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* – To add specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued;
- IFRS 7 *Financial Instruments: Disclosures* – To add additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required and to clarify the applicability of the amendments to IFRS 7 on offsetting disclosures to condensed interim financial statements;
- IAS 19 *Employee Benefits* – To clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (thus, the depth of the market for high quality corporate bonds should be assessed at currency level); and
- IAS 34 *Interim Financial Reporting* – To clarify the meaning of 'elsewhere in the interim report' and to require a cross-reference.

The ED proposes that all of the amendments will be effective for annual periods beginning on or after 1 January 2016 and that entities are permitted to early adopt all the proposed amendments. Click [here](#) for more information on the annual improvements and [here](#) for the press release.

IASB chairman calls 2013 'a very productive year for the IASB'

At the 2013 AICPA National Conference on Current SEC and PCAOB Developments, the IASB Chairman Hans Hoogervorst measured the IASB's achievements against the SEC Staff Report published in July 2012. In his speech, Hans Hoogervorst looked over 2013 and concluded that it had been very productive and noted the many steps towards accomplishing the IASB's mission of bringing transparency to accounting around the world. To support his personal assessment, Hans Hoogervorst used the conclusions of the SEC's 2012 Staff Report on IFRS as measure. He discussed the SEC's staff conclusion that the IASB needed to deepen its cooperation with national standard-setters. Hans Hoogervorst pointed at the formation of the Accounting Standards Advisory Forum (ASAF) in February 2013, with the Financial Accounting Standards Board (FASB) being a member. Click [here](#) for more information and [here](#) for the full text of Hans Hoogervorst's speech.

41 additional jurisdiction profiles added on the use of IFRS

The IFRSF has added 41 new jurisdiction profiles on the use of IFRS to bring the total of profiles completed to 122 jurisdictions. With the addition of the new profiles, the IFRSF completes the third phase of its initiative to assess the progress of jurisdictions using IFRSs. Click [here](#) for more information and [here](#) for the profiles analyses.

Why the financial industry is different

Hans Hoogervorst, Chairman of the IASB, spoke at the joint ICAEW and IFRSF Financial Institutions IFRS Conference held in London recently. In his speech, he observed that the inherent complexity of the topic and the fact that the financial industry is extremely sensitive to changes in accounting rules have made it very difficult for the IASB and the FASB to come to the right solution regarding the accounting for financial instruments but that IFRS 9 will be finished very soon. In explaining why the financial industry is a case apart from other sectors of the economy when it comes to accounting, he contrasted non-financial entities and banks and insurance companies with respect to the focus on the balance sheet and current value. Hans Hoogervorst pointed at the fact that banks and insurance companies have huge balance sheets where even relatively small changes can have an enormous impact on earnings and future cash flows depend very much on the financial instruments on the balance sheets. Click [here](#) for more information and [here](#) for the full text of the speech.

IASB proposes reinstating the equity method in separate financial statements

The IASB has published an ED of proposed amendments to IAS 27. With the 2003 revision of IAS 27 *Consolidated and Separate Financial Statements*, the equity method was removed as an accounting option for investments in subsidiaries and associates in an entity's separate financial statements and the decision was carried forward to IAS 27 *Separate Financial Statements* in 2011. Constituent feedback to the Agenda consultation 2011 led the IASB to reconsider the option and to publish ED/2013/10 'Equity Method in Separate Financial Statements (Amendments to IAS 27)' with the proposal to reinstate the option. Comments are requested by 3 February 2014. Click [here](#) for more information and [here](#) for the press release.

FASB issues standard to determine which entities are within the scope of the new PCC Decision-Making Framework

The FASB and the Private Company Council (PCC) have issued the "Private Company Decision-Making Framework: A Guide for Evaluating Financial Accounting and Reporting for Private Companies". The FASB also issued FASB Accounting Standards Update (ASU) No. 2013-12, "Definition of a Public Business Entity: An Addition to the Master Glossary". The Guide provides considerations for the PCC and the Board in making user-relevance and cost-benefit evaluations for private companies under the existing conceptual framework. The Guide is intended to be a tool to help the Board and the PCC identify differential information needs of users of public company financial statements and users of private company financial statements and to identify opportunities to reduce the complexity and costs of preparing financial statements in accordance with U.S. GAAP. Click [here](#) for more information and [here](#) for the press release.

FASB decision diverges classification and measurement guidance

At its meeting in the month of December, the FASB decided to abandon the "SPPI test" that would have been required as part of the proposed contractual cash flow assessment for determining the classification and measurement of financial assets. In joint deliberations at an earlier meeting, the FASB and the IASB had proposed classifying and measuring financial assets on the basis of their contractual cash flow characteristics and the business model in which those assets are managed. Under the proposals issued by both boards previously, a financial asset would meet the requirements of the contractual cash flow characteristics assessment if the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest [SPPI] on the principal amount outstanding. During the meeting held in the month of December, the FASB discussed the complexity associated with the proposed contractual cash flow test and decided to reject the SPPI assessment. At the same meeting, the FASB elected to proceed with its Current Expected Credit Loss (CECL) model for impairments, choosing not to pursue the IASB's expected credit loss model. Click [here](#) for more information and [here](#) for the summary of the board's decision on FASB's website.

Literature review on the use of information by capital providers

The European Financial Reporting Advisory Group (EFRAG) and the Institute of Chartered Accountants of Scotland (ICAS) have both launched projects aimed at understanding how capital providers use financial statements. In the context of these projects, EFRAG and ICAS have identified the need to take stock of the existing knowledge accumulated through academic research and have joined forces to commission an international team of academics to undertake a comprehensive literature review. EFRAG and ICAS believe that the IASB standard-setting process must be supported by a sound analysis and understanding of how the information that results from IFRS application is used. Click [here](#) for more information and [here](#) to access the full report.

EFRAG's recent activities

EFRAG has released a new issue of its *EFRAG Update* newsletter, summarising the discussions held at the 28 November EFRAG CFSS meeting and at the 17 to 18 December EFRAG TEG meeting. Click [here](#) for more information on the EFRAG update.

EFRAG updates endorsement status report for recent releases and expected timings

EFRAG has updated its Endorsement Status Report to reflect the publication of draft endorsement advice on 'Defined Benefit Plans: Employee Contributions' (Amendments to IAS 19 'Employee Benefits'), the release by the IASB of annual improvements to IFRSs for the 2010–2012 and 2011–2013 cycles, the general hedge accounting amendments to IFRS 9, and to reflect changes in the expected timing of the Accounting Regulatory Committee's opinion on IFRIC 21. Click [here](#) to access the most updated EFRAG endorsement status report.

Research paper by EFRAG, ANC and FRC on the role of the business model in financial statements

EFRAG, the French Autorité des Normes Comptables (ANC), and the UK Financial Reporting Council (FRC) have published a research paper on 'The Role of the Business Model in Financial Statements'. The paper is the result of one of the projects on EFRAG's proactive agenda. The Research Paper argues that the business model should play a role in financial reporting and be part of the revised Conceptual Framework. Therefore, all standards must be capable of representing faithfully the business model, and, where applicable, the business model should explicitly be incorporated on a standard-by-standard basis. Its consequences for recognition, measurement, and presentation and disclosures should be assessed, and decisions should be taken whether and how the business model should affect financial reporting. Click [here](#) for EFRAG's press release and [here](#) to access the research paper.

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Deloitte IFRS communications and publications

Issuance Date	Description
18 December 2013	IFRS in Focus: Closing out 2013.
12 December 2013	IFRS in Focus: IASB issues Annual Improvements (2011-2013 Cycle).
12 December 2013	IFRS in Focus: IASB issues Annual Improvements (2010-2012 Cycle).
11 December 2013	IFRS in Focus: IASB issues exposure draft on Annual Improvements to IFRSs (2012-2014 Cycle).
02 December 2013	IFRS in Focus: IASB proposes amendments to IAS 27 to allow the use of the equity method in separate financial statements.
03 December 2013	Global IFRS Insurance Survey 2013.

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IASB and IFRS Interpretations Committee meetings

Description	
IASB meeting	Click here for the 12 December meeting notes.

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Hot topics on IFRS

Topic	
Use of IFRS by jurisdiction	Click here for more information on use of IFRS within different jurisdictions.
IFRS in Europe	Click here for more information on IFRS in Europe.
Global financial crisis	Click here for more information on global financial crisis.
Research and education matters	Click here for more information on research and education matters.
eXtensible Business Reporting Language (XBRL)	Click here for more information on XBRL.

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Comment letters

	Description	Receiving party	Date issues/ Comment deadline
Comment letters issued	None	N/A	N/A
Comment letters pending	Exposure Draft ED/2013/11: Annual Improvements to IFRSs 2012-2014 Cycle	IASB	13 March 2014
	Exposure Draft ED/2013/9: Proposed amendments to the IFRS for SMEs	IASB	03 March 2014
	Exposure Draft ED/2013/10: Equity Method in Separate Financial Statements (Proposed amendments to IAS 27)	IASB	03 February 2014
	Six tentative agenda decisions from the November IFRIC Update	IFRS Interpretations Committee	20 January 2014
	The Discussion Paper: A review of the Conceptual Framework for the Financial Reporting.	IASB	14 January 2014

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