

# IFRS on point.

## Financial Reporting Developments and Information: January 2014

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## International headlines

### **IASB issues interim standard on rate regulation**

The International Accounting Standards Board (IASB) has published IFRS 14 'Regulatory Deferral Accounts'. This Standard allows entities that are first-time adopters of IFRSs, and that currently recognise regulatory deferral accounts in accordance with their previous GAAP, to continue to do so upon transition to IFRS. The Standard is intended to be a short-term, interim solution while the longer term rate-regulated activities project is undertaken by the IASB. The IASB has stated that by publishing this Standard, they are not anticipating the outcome of the comprehensive rate-regulated activities project which is in its early stages. The Standard can be applied in an entity's first annual IFRS financial statements for periods beginning on or after 1 January 2016. Earlier application is permitted. Application of the standard is voluntary. However, an entity that elects to apply the Standard in its first IFRS financial statements continues to apply it in all its subsequent financial statements. Click [here](#) for more information and [here](#) for the project summary and feedback statement.

### **IASB publishes Request for Information on the post-implementation review of IFRS 3**

The IASB has issued a Request for Information (RFI) seeking comments from stakeholders to identify whether IFRS 3 'Business Combinations' provides information that is useful to users of financial statements; whether there are areas of IFRS 3 that are difficult to implement and may prevent the consistent implementation of the Standard; and whether unexpected costs have arisen in connection with applying or enforcing the Standard. Comment deadline is 30 May 2014. After the comment period ends, the IASB will consider the comments received along with information gathered through other consultation activities and findings from research on the topic. The final conclusions of the IASB will be presented in a report and a feedback statement which will also set out the steps the IASB believes should be taken as a result of the review. Click [here](#) for the IASB press release and [here](#) for the RFI.

### **IASB work plan update for January 2014**

The IASB has updated its work plan following its recent meeting. The target date for publication of the impairment and limited classification and measurement amendments to IFRS 9 have been clarified as being expected in the second quarter of 2014, the release of a Request for Information on the post-implementation review of IFRS 3 updated, and expected redeliberation periods in a number of projects clarified. The work plan also reflects the commencement of preliminary work on the research project on the equity method of accounting. Click [here](#) for the updated work plan.

For more useful information please see the following websites:

[www.iasplus.com](http://www.iasplus.com)

[www.deloitte.com](http://www.deloitte.com)

### **IASB user survey on debt disclosures**

The IASB has released a survey of investors and analysts to gather information about the usefulness of disclosures regarding debt, including changes in an entity's debt position. The survey results will assist the IASB in deciding whether to undertake a project on debt disclosures. The possible need for a disclosure requirement for net debt reconciliation arose from the feedback from the disclosure forum and had earlier been considered in the financial statement presentation project. In the Feedback Statement from the disclosure forum, the IASB noted that over the last five years investors have consistently asked the IASB to introduce a requirement that entities must disclose and explain their net debt reconciliation. This is an example where users think that adding a requirement might reduce clutter by specifying how debt information should be disclosed. The survey closes on 21 February 2014. Click [here](#) for more information.

### **Paul Pacter reports on the adoption of IFRSs**

Former IASB Board member Paul Pacter has issued an assessment of the global adoption of IFRSs. Based on the assessment, he believes that IFRS is the 'de facto' language for financial reporting. He stated that of the 122 jurisdictions profiled by the IASB, 115 have made public statements in support of a single set of global accounting standards. Many of the jurisdictions believe that IFRS should be the global accounting standard. In addition, 101 of the 122 jurisdictions require use of IFRS for most or all domestically listed companies with most of the remaining 21 jurisdictions using IFRS to some extent. Further, 57 of the 122 jurisdictions require or permit the use of the IFRS for SMEs. Click [here](#) to access Paul Pacter's article.

### **IFRS Foundation publishes additional teaching material**

The IFRS Foundation has published the second part of its Education Initiative's comprehensive Framework-based IFRS teaching material. The free-to-download teaching material was designed to assist educators in teaching IFRS more effectively and, more particularly, to support them to progressively develop students' abilities to make the necessary estimates and judgements when applying IFRS and IFRS for SMEs. Click [here](#) for the press release.

### **IASB publishes second proposal for IFRS Taxonomy 2013**

The IFRS Foundation has published for public comment an exposure draft of the IFRS Taxonomy 2013 Interim Release Package 2. The proposed interim release contains additional taxonomy concepts that reflect new IFRSs and improvements to IFRSs published by the IASB and technical updates and corrections. It includes amendments made by IFRS 9; Annual Improvements to IFRSs 2010-2012 Cycle; and the 2013 empirical analysis of IFRS financial statements of real estate and telecommunications entities. The exposure draft is open for comment until 14 February 2014. Click [here](#) for the press release.

### **IFRS Advisory Council membership update**

The Trustees of the IFRS Foundation have announced the appointments of three new members to the IFRS Advisory Council. The new Advisory Council members are Olav Jones from the Insurance sector in Europe, Anne Simpson from the Council of Institutional Investors and Surya Subramanian from Emirates NBD. This is the second wave of appointments for 2014 which leaves two remaining appointments to be made. Click [here](#) for the press release.

### **FASB abandons converged approach to business model assessment**

At its January meeting to discuss the classification and measurement of financial instruments, the US Financial Accounting Standards Board (FASB) tentatively decided not to pursue the converged approach jointly developed by the FASB and IASB for assessing the business model in which a financial asset is managed. Click [here](#) for more details of the discussion.

### **FASB issues guidance on service concession arrangements**

The FASB has issued Accounting Standards Update (ASU) No. 2014-05, "Service Concession Arrangements," which prohibits an operating entity from accounting for a service concession arrangement as a lease. In addition, the ASU states that infrastructure used in a service concession arrangement should not be recognised as property, plant and equipment of the operating entity. This ASU affects operating entities that enter into service concession contracts with a public-sector entity grantor to operate the grantor's infrastructure to provide a public service. It is effective for public business entities with fiscal years beginning after 15 December 2014, and interim periods therein. For entities that are not public business entities, the guidance becomes effective for annual periods beginning after 15 December 2014, and interim periods beginning after 15 December 2015. Early adoption is permitted. Click [here](#) to access the ASU.

### **EFRAG updates endorsement status report for draft endorsement advice on annual improvement cycles**

The European Financial Reporting Advisory Group (EFRAG) has updated its Endorsement Status Report to reflect the fact that draft endorsement advice has been published on 'Annual Improvements to IFRSs 2010–2012 Cycle' and 'Annual Improvements to IFRSs 2011–2013 Cycle'. Annual Improvements to IFRSs 2010–2012 Cycle affects seven standards (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38), Annual Improvements to IFRSs 2011–2013 Cycle affects four standards (IFRS 1, IFRS 3, IFRS 13, IAS 40). EFRAG's initial assessment is that all of the amendments satisfy the technical criteria for EU endorsement and EFRAG should therefore recommend their endorsement. Click [here](#) for the latest endorsement status report.

### **EFRAG issues final endorsement advice and effects study report on the amendments to IAS 19**

The EFRAG has submitted to the European Commission its endorsement advice letter and effects study report on the amendments to IAS 19 regarding employee contributions to defined benefit plans. EFRAG supports the amendments to IAS 19, which clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service and permit a practical expedient if the amount of the contributions is independent of the number of years of service. The EFRAG's assessment is that benefits for preparers and users implementing the amendments to IAS 19 outweigh the costs and therefore EFRAG recommends that the European Commission endorses the amendments. Click [here](#) for the press release and [here](#) to access the endorsement advice letter.

### **Latest edition of EFRAG Insider**

The EFRAG has published a new edition of the newsletter 'EFRAG Insider'. In this edition, the EFRAG discusses their support for the business model to play a role in financial reporting; a view which is contained within their draft comment letter on the IASB's discussion paper on Conceptual Framework and their other comment letters on the Insurance and Financial Instrument projects of the IASB. It also addresses the exposure drafts on leases and insurance contracts, particularly the field tests carried out with the National Standard Setters from UK, France, Germany and Italy which were used by the EFRAG to formulate their final comment letters to the IASB. Additionally, this edition covers initial input gathered from European analysts on the post-implementation review of IFRS 3 'Business Combinations' and the IASB's Rate-Regulated Activities project and it provides a spotlight on the recommendations of the Maystadt Review. Click [here](#) for the latest edition of EFRAG Insider.

### **EFRAG and ASBJ hold joint meeting**

Representatives of the EFRAG and the Accounting Standards Board of Japan (ASBJ) held a bilateral meeting in Tokyo on 21 and 22 January 2014. The EFRAG and ASBJ provided updates on their respective projects and exchanged views on the development of accounting standards. EFRAG and ASBJ discussed the topics on conceptual framework, financial instruments, leases, insurance contracts and other research activities. The next meeting between the EFRAG and ASBJ will be held in Brussels. Click [here](#) for the press release on EFRAG's website.

### **EFRAG launches 'Short Discussion Series'**

The EFRAG has issued two 'Short Discussion Series' (SDS) papers. The first paper deals with the equity method and especially considers to what extent the equity method in IAS 28 is a measurement basis, a one-line consolidation or a combination of both. EFRAG seeks to initiate a discussion on this topic and asks for constituents' comments. The second paper builds on a literature review that was presented in late December 2013 on how capital providers use information and reflects on implications of this literature review for standard setting. EFRAG has initiated the SDS in order to promote debates that address topical and problematic issues in financial reporting among European and other constituents. Click [here](#) for the press release and [here](#) for the SDS paper.

### **EFRAG field-test results on the revised IASB ED Insurance Contracts**

The EFRAG has issued a report containing the results of the field test conducted by the EFRAG and National Standard Setters from France, Germany, Italy and the UK, on whether the new requirements in the revised exposure draft on Insurance Contracts are operational, what their impact would be and the costs and benefits associated with introducing them. According to the field test results, the most commonly stated areas of concern related to the application of the 'mirroring approach' to contracts that specify a link to the returns on underlying items, application of the revenue proposals to life insurance contracts and the mandatory requirement to use other comprehensive income for presenting the effects of changes in the discount rate on insurance. Click [here](#) to access the results of the field test.

### EFRAG draft comment letter on equity method

The EFRAG has issued a draft comment letter on the IASB's Exposure Draft ED/2013/10 'Equity Method in Separate Financial Statements (proposed amendments to IAS 27)' that was published on 2 December 2013. The EFRAG supports the IASB's proposed amendments, stating in its draft comment letter that the amendments better align the accounting principles applicable to different sets of financial statements. However, the EFRAG encourages the IASB to better explain why the consequential amendments to IAS 28 are necessary in the Basis for Conclusions. In addition, the EFRAG thinks that relief should be provided from full retrospective application to entities that opt to use the equity method to account for subsidiaries in their separate financial statements and lastly, the EFRAG would like the IASB to clarify the objective of separate financial statements in this project and in the future. Comments on the EFRAG draft comment letter are invited by 30 January 2014. Click [here](#) for the press release on EFRAG's website and [here](#) for the draft comment letter.

### EFRAG issues draft comment letter on IASB's Exposure Draft ED/2013/11 Annual Improvements to IFRSs 2012–2014 Cycle

The EFRAG has issued a draft comment letter on the IASB's Exposure Draft ED/2013/11 'Annual Improvements to IFRSs 2012–2014 Cycle' which was published on 11 December 2013. The EFRAG agrees with most of the proposals in the exposure draft but has expressed concern about the proposed amendments to IAS 19 'Employee Benefits' that clarifies 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. EFRAG identifies a number of implementation issues with the proposed amendments such as in the case of jurisdictions adopting stronger currencies of other countries. Comments on the EFRAG draft comment letter are invited by 7 February 2014. Click [here](#) for the press release on EFRAG's website and [here](#) to access the draft comment letter.

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## Deloitte IFRS communications and publications

Issuance Date	Description
30 January 2014	<b>IFRS in Focus:</b> IASB publishes IFRS 14 'Regulatory Deferral Accounts'
16 January 2014	<b>iGAAP 2014:</b> A guide to IFRS reporting

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## IASB and IFRS Interpretations Committee meetings

Description	
IASB meeting	Click <a href="#">here</a> for the 21 – 23 January 2014 meeting notes
IFRS Interpretations Committee	Click <a href="#">here</a> for the 29 – 30 January 2014 meeting notes
IFRS Foundation Trustees	Click <a href="#">here</a> for the 27 – 28 January 2014 meeting notes

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## Hot topics on IFRS

Topic	
Use of IFRS by jurisdiction	Click <a href="#">here</a> for more information on use of IFRS within different jurisdictions
IFRS in Europe	Click <a href="#">here</a> for more information on IFRS in Europe
Global financial crisis	Click <a href="#">here</a> for more information on global financial crisis
Research and education matters	Click <a href="#">here</a> for more information on research and education matters
eXtensible Business Reporting Language (XBRL)	Click <a href="#">here</a> for more information on XBRL

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## Comment letters

	Description	Receiving party	Date issues/ Comment deadline
Comment letters issued	The Discussion Paper: <b>A review of the Conceptual Framework for the Financial Reporting.</b>	IASB	14 January 2014
	Tentative agenda decision on IAS 8: <b>Distinction between a change in an accounting policy and a change in an accounting estimate</b>	IFRS Interpretations Committee	20 January 2014
	Tentative agenda decision on IAS 17: <b>Meaning of 'incremental costs'</b>	IFRS Interpretations Committee	20 January 2014
	Tentative agenda decision on IAS 39: <b>Accounting for term-structured repo transaction</b>	IFRS Interpretations Committee	20 January 2014
	Tentative agenda decision on IFRIC 21: <b>Identification of a present obligation to pay a levy that is subject to a pro rata activity threshold as well as an annual activity threshold</b>	IFRS Interpretations Committee	20 January 2014
	Tentative agenda decision on IFRS 2: <b>Price difference between the institutional offer price and the retail offer price for shares in an initial public offering</b>	IFRS Interpretations Committee	20 January 2014
	Tentative agenda decision on IFRS 10: <b>Definition of investment-related services or activities</b>	IFRS Interpretations Committee	20 January 2014
Comment letters pending	Request for Information: <b>Post Implementation Review on IFRS 3 Business Combinations</b>	IASB	30 May 2014
	Exposure Draft ED/2013/11: <b>Annual Improvements to IFRSs 2012-2014 Cycle</b>	IASB	13 March 2014
	Exposure Draft ED/2013/9: <b>Proposed amendments to the IFRS for SMEs</b>	IASB	03 March 2014
	Exposure Draft ED/2013/10: <b>Equity Method in Separate Financial Statements (Proposed amendments to IAS 27)</b>	IASB	03 February 2014

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## Key contacts

**IFRS global office**  
*Global IFRS Leader*  
Veronica Poole  
ifrsglobalofficeuk@deloitte.co.uk

### IFRS centres of excellence

#### Americas

<i>Canada</i>	Karen Higgins	ifrs@deloitte.ca
<i>LATCO</i>	Fermin del Valle	ifrs-LATCO@deloitte.com
<i>United States</i>	Robert Uhl	iasplusamericas@deloitte.com

#### Asia-Pacific

<i>Australia</i>	Anna Crawford	ifrs@deloitte.com.au
<i>China</i>	Stephen Taylor	ifrs@deloitte.com.cn
<i>Japan</i>	Shinya Iwasaki	ifrs@tohatsu.co.jp
<i>Singapore</i>	Shariq Barmaky	ifrs-sg@deloitte.com

#### Europe-Africa

<i>Belgium</i>	Thomas Carlier	ifrs-belgium@deloitte.com
<i>Denmark</i>	Jan Peter Larsen	ifrs@deloitte.dk
<i>France</i>	Laurence Rivat	ifrs@deloitte.fr
<i>Germany</i>	Andreas Barckow	ifrs@deloitte.de
<i>Italy</i>	Franco Riccomagno	friccomagno@deloitte.it
<i>Luxembourg</i>	Eddy Termaten	ifrs@deloitte.lu
<i>Netherlands</i>	Ralph Ter Hoeven	ifrs@deloitte.nl
<i>Russia</i>	Michael Raikhman	ifrs@deloitte.ru
<i>South Africa</i>	Nita Ranchod	ifrs@deloitte.co.za
<i>Spain</i>	Cleber Custodio	ifrs@deloitte.es
<i>United Kingdom</i>	Elizabeth Chrispin	deloitteifrs@deloitte.co.uk

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