**Published on:**

September 30, 2014

# IASB issues Annual Improvements to IFRSs: 2012-2014 Cycle

## Why have the amendments been issued?

The Annual Improvements to IFRS: 2012-2014 Cycle issued by the International Accounting Standards Board is the seventh collection of amendments issued under the annual improvement process, which is designed to make necessary, but nonurgent, amendments to IFRSs.

## When do the new requirements apply?

The amendments apply for annual periods beginning on or after 1 January 2016 with earlier application permitted. Any specific transitional requirements are included in the relevant sections below.

Entities are permitted to early adopt any individual amendment within the Annual Improvements to IFRS: 2012-2014 Cycle without early adopting all other amendments.

## What are the changes introduced by the amendments?

| IFRS | Topic | Amendment |
|---|---|---|
| **IFRS 5 Non-current Assets Held for Sale and Discontinued Operations** | **Changes in methods of disposal** | The amendments introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments state that:<br>• such reclassifications should not be considered changes to a plan of sale or a plan of distribution to owners and that the classification, presentation and measurement requirements applicable to the new method of disposal should be applied; and<br>• assets that no longer meet the criteria for held for distribution to owners (and do not meet the criteria for held for sale) should be treated in the same way as assets that cease to be classified as held for sale.<br>The amendments apply prospectively. |
| **IFRS 7 Financial Instruments: Disclosure** | **Servicing contracts** | The amendments provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purposes of the disclosures required in relation to transferred assets. Paragraph 42C(c) of IFRS 7 states that a pass through arrangement under a servicing contract does not, in itself, constitute a continuing involvement for the purposes of the transfer disclosure requirements. However, in practice, most service contracts have additional features that lead to a continuing volvement in the asset, for example, when the amount and/or timing of the servicing fee depend on the amount and/or the timing of the cash flows collected. The amendments add guidance to this effect.<br>The amendments apply retrospectively but, to avoid the risk of hindsight being applied in determining the fair value disclosures required, an entity is not required to apply the amendments to any period beginning before the annual period in which the amendments are first applied. A consequential amendment to IFRS 1 First-time Adoption of nternational Financial Reporting Standards is also included in the amendments to avoid first-time adopters being disadvantaged. |
| | **Applicability of the amendments to IFRS 7 on offsetting disclosure to condensed interim financial statements** | Amendments to IFRS 7 were made to remove uncertainty as to whether the disclosure requirements on offsetting financial assets and financial liabilities (introduced in December 2011 and effective for periods beginning on or after 1 January 2013) should be included in condensed interim financial statements, and if so, whether in all condensed interim financial statements after 1 January 2013 or only in the first year.<br>The amendments clarify that the offsetting disclosures are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with IAS 34 Interim Financial Reporting. The amendments apply retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. |
| **IAS 19 Employee Benefits** | **Discount rate: regional market issue** | The amendments to IAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same urrency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. |

| IFRS | Topic | Amendment |
|---|---|---|
| | | The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in retained earnings at the beginning of that period. |
| **IAS 34 Interim Financial Reporting** | **Disclosure of information 'elsewhere in the interim report'** | The amendments clarify the requirements relating to information required by IAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements. The amendments apply retrospectively in ccordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. |