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Closing Out 2014

Deloitte's latest **Global Economic Outlook** notes that the global economy continues to show a few signs of strength and several signs of weakness. While the US economy is showing signs of a sustainable growth path, the Eurozone recovery has suffered several setbacks and remains highly vulnerable. The report also highlights other issues including the deceleration of growth in the Chinese economy and the effects of tax rises in Japan and falling oil prices on Russia.

Preparers of financial statements may, therefore, face a variety of challenges depending on the environment in which they operate. In addition, the implementation of accounting standards will continue to require careful consideration and the application of significant judgement.

This special edition of IFRS in Focus highlights some of the above considerations, together with potential areas of regulatory focus.

Topical issues

Consolidation and Joint Arrangements

For entities applying IFRSs as endorsed for use in the European Union, 2014 is the first year of mandatory application of the 'package of five' standards including IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities whilst elsewhere around the world they will be applied for the second time. The pervasive nature of these standards and the level of judgement required in their application means they feature prominently on the list of priorities of regulators.

The models underpinning the requirements of IFRS 10 and IFRS 11 may be summarised quite concisely. However, this conceals a number of complexities.

IFRS 10 Consolidated Financial Statements

IFRS 10 stipulates that an investee should be consolidated if, and only if, all three of the following elements of 'control' exist:

1. power over an investee;

2. exposure or rights to variable returns of the investee; and

3. the ability to use power over the investee to affect the investor's returns.

Applying the definition of 'control'

The assessment of whether control exists requires significant judgement and is likely to be an area of focus for many regulators as IFRS 10 requires entities to conclude on whether or not control exists based not on a single requirement of the Standard but after assessing all relevant factors including its application guidance.

The Standard provides additional application guidance regarding situations in which the assessment of control is difficult including those involving:

• potential voting rights (held by the investor or others);

• decision making power delegated to another party ('an agent'); and

• rights designed only to protect the interests of the investor, but not to give power over the investee.

'De facto' control

IFRS 10 spells out a concept that less than 50 per cent of voting rights can provide an investor with control if the remaining voting rights are held by a widely dispersed group that is unlikely to co-ordinate together sufficiently to block any decisions made by the investor.

Investment Entities

IFRS 10 includes an exception to the requirement for consolidation, effective for periods beginning on or after 1 January 2014, requiring that an investment entity instead measures its subsidiaries at fair value through profit or loss (other than a subsidiary that provides services relating to the investment entity's activities, such subsidiaries will still be consolidated by the investment entity).

To be considered an investment entity, an entity must:

obtain funds from one or more investors for the purpose of providing them with investment management services;
commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
measure and evaluate the performance of substantially all of its investments on a fair value basis.

IFRS 11 Joint Arrangements

IFRS 11 specifies that 'joint control' exists when two or more investors share control (as defined in IFRS 10) through a contractual arrangement requiring unanimous consent of the parties sharing control for decisions on relevant activities.

An investor in a joint arrangement must then determine whether it has rights to the assets and obligations for the liabilities of the arrangement or has rights to its net assets. In the former case, the investor must recognise its share of the assets, liabilities, income and expenses of the joint operation. In the latter, equity accounting is applied to the investment in the joint venture.

Joint venture – or joint operation?

The classification of joint arrangements, particularly in determining the 'other facts and circumstances' that might lead to a conclusion that the existence of a separate legal vehicle has been nullified such that the parties to the arrangement have direct rights to its assets and obligations for its liabilities, has proved problematic and is the subject of current activity by the IFRS Interpretations Committee.

The November IFRIC Update included tentative positions on a number of aspects of this determination.

The Interpretations Committee noted that the assessment of ‘other facts and circumstances’ should focus on whether those facts and circumstances create enforceable rights to the assets and obligations for the liabilities.

The Committee also discussed how ‘other facts and circumstances’ should be assessed in some specific fact patterns. For example, whether the existence of a specific condition on its own such as the output being sold at market price, financing from a third party, and the nature of the output, would be a determinative factor in the classification. The Committee noted that none of these factors is on its own determinative. Accordingly, an entity would need to exercise judgement to determine the classification of the arrangement.

Confirmation of these positions is expected early in 2015.

IFRS 12 Disclosure of Interests in Other Entities

A key element of IFRS 12 is the requirement to disclose significant judgements made in applying its ‘sister standards’ IFRS 10 and IFRS 11. For example, disclosure is required of the significant judgements and assumptions considered in reaching a conclusion that:

• another entity is not controlled despite the investor holding more than half of its voting rights or that is controlled despite holding less than half of its voting rights;

• a joint arrangement held in a separate legal entity is a joint operation; or

• an entity is an investment entity.

In addition, IFRS 12 requires disclosure of several pieces of information about an entity’s interests in other entities.

Disclosure of significant non-controlling interests

The IFRS Interpretations Committee tentatively concluded in September 2014 that an issuer should apply judgement in identifying the information to be disclosed to meet the objectives of IFRS 12 for disclosing interests in subsidiaries with significant non-controlling interests (NCIs).

IFRS 12 requires an entity to disclose financial information to enable users to understand the composition of the group and the interest that NCIs have in the group's activities and cash flows. To meet this objective, an entity should assess materiality in terms of its consolidated financial statements and should consider quantitative and qualitative factors (for example the nature of the subsidiary). The Interpretations Committee also noted that the assessment should be made separately for each subsidiary or subgroup that has a material non-controlling interest.

IFRS 12 also specifically requires an entity to disclose for each of its subsidiaries with NCIs that are material to the reporting entity, the profit or loss attributed to NCIs and the accumulated NCI (amongst other items). Where a reporting entity's subsidiary has an NCI and heads a subgroup, the reporting entity is required to apply judgement in determining whether to best meet the requirements of IFRS 12 by disclosing information about a partially owned subsidiary that is itself a parent in isolation or at the subgroup level.

The Committee's consideration of these issues is expected to be finalised early in 2015.

Nature of risks associated with an entity's interests in structured entities

The specific disclosure requirements with respect to the nature of, and changes in, the risks associated with interests in consolidated and unconsolidated structured entities is likely to be an area of focus for regulators. IFRS 12 requires an entity to disclose information that enables users of its consolidated financial statements to evaluate the nature of, and changes in, the risks associated with the entity's interests in consolidated structured entities.

Structured Entity

An entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

In respect of both consolidated and unconsolidated structured entities, the disclosures focus on financial or other support provided, together with any requirements or intentions to provide support in the future.

The following information is also required to be disclosed in respect of unconsolidated structured entities:

qualitative and quantitative information about the nature, purpose, size and activities of the structured entity and how the structured entity is financed;

a table of the assets and liabilities recognised in respect of interests in unconsolidated structured entities along with the maximum exposure to loss from those interests; and

any support provided to unconsolidated structured entities together with obligations or intentions to provide such support.

This information needs to be provided whether or not the structured entity has been sponsored by the entity. Additional disclosures (how the entity defines sponsored entities, income and types of income perceived by the entity and the carrying amount of assets transferred to those structured entities during the reporting period) are required for sponsored but unconsolidated structured entities in which the entity does not have an interest.

Significant restrictions over assets and liabilities

Under IFRS 12, an entity is required to disclose detail of significant restrictions (e.g. statutory, regulatory and contractual restrictions) on its ability to access or use the group's assets or settle the group's liabilities. Examples include restrictions affecting the ability to transfer cash or other assets between entities within the group, and guarantees or other requirements that may restrict the payment of dividends, the granting or repayment of intercompany loans and other capital distributions within the group.

Income Tax

Recognition and measurement of deferred tax assets

The financial crisis, followed by an extended period of low economic growth has resulted in many entities recognising tax losses. In this context, particular attention should be paid to the recognition of deferred tax assets arising from such losses, as it depends upon an assessment of whether sufficient future taxable profits will arise to realise these tax benefits.

History of recent losses

Under IAS 12 Income Taxes, a history of recent losses represents strong evidence that future taxable profits may not be available to recover deferred tax assets.

In order to recognise deferred tax assets derived from tax losses, entities need to demonstrate that there is available evidence showing that future taxable profits will be available. Examples of such evidence may include significant new contracts, increase in the level of orders or the disposal of an unprofitable segment. IAS 12 includes no specific time restriction on the 'look forward' period for determination of the availability of taxable profits (although it obviously cannot extend beyond any period until the tax losses expire under relevant legislation). The length of the period used will depends on a number of entity-specific factors including the entity's historical profitability, accuracy of budgetary controls and expected future activities.

The nature of the evidence supporting the recognition of deferred tax assets in those circumstances is required to be disclosed

Recognition of deferred tax for a single asset in a corporate wrapper

The IFRS Interpretations Committee concluded in July 2014 that when a subsidiary has only one asset and the parent expects to recover the carrying amount of that asset by selling the shares in the subsidiary, the parent will have to recognise in its consolidated financial statements, deferred tax related to both the asset and the shares if tax law attributes separate tax bases to the asset and to the shares (unless a specific exception in IAS 12 applies and subject to the recoverability of any deferred tax asset).

Uncertain tax positions

Another important topic of regulatory focus is the recognition and measurement of uncertain tax positions. The IFRS Interpretations Committee currently has this topic on its agenda. One of the issues discussed is whether IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IAS 12 should be considered in analysing the recognition and measurement of uncertain tax positions. Paragraph 12 of IAS 12 provides guidance on the recognition of current tax assets and liabilities and states that if the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess shall be recognised as an asset. Accordingly, in July 2014, the Interpretations Committee concluded that IAS 12 provides the relevant guidance on recognition of uncertain tax positions.

In November 2014, the Interpretations Committee tentatively decided to develop a draft interpretation to provide guidance for measuring income tax assets and liabilities arising from uncertain tax positions. The project would be based on the following tentative decisions:

all income tax positions would be included in the scope of the project;

an entity should make a judgement about the unit of account that provides relevant information for each uncertain tax position;

an entity should estimate the amount expected to be paid to (or recovered from) the taxation authorities by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertain tax position; and

measurement would be based on an assumption that the tax authorities would examine the amounts reported to them and have full knowledge of all relevant information (i.e., assuming full 'detection risk').

Alternative Performance Measures

The use of measures not required by IFRSs, which can take the form of additional line items within the financial statements or information provided elsewhere in the annual report or in other documents (sometime referred to as, amongst other things, 'adjusted performance measures' or 'non-GAAP measures') has been the subject of much discussion in 2014, with both the International Organisation of Securities Commissions (IOSCO) and the European Securities Markets Authority (ESMA) drafting guidance on the topic and the International Federation of Accountants (IFAC) issuing recommendations on the use of 'supplementary financial measures'.

Common themes of the guidance include that alternative performance measures should be:

- clearly defined and, when appropriate, reconciled to an equivalent 'GAAP' measure;
- used consistently from period to period; and
- balanced (e.g., in determining whether gains and losses should be excluded from an 'underlying profit' measure).

A common example of alternative performance measures in some jurisdictions is the presentation of 'exceptional items'. Applying the guidance above would mean that if, for example, an impairment is presented as an exceptional item any subsequent reversal should be presented in the same way.

The use and presentation of alternative performance measures is the subject of specific regulatory requirements in a number of jurisdictions, meaning that a practice accepted in one jurisdiction may be deemed unacceptable in another. Entities should, therefore, consider the requirements of the regulator(s) with jurisdiction over their reporting before using such measures.

Pensions Accounting

Accounting for the costs of employee benefits, particularly in respect of defined benefit plans, remains a complex area that, in part due to the large values of the assets and liabilities involved, often attracts the attention of regulators. Many issues can arise in this area, a few of which are outlined below.

Actuarial assumptions

A defined benefit obligation consists of a stream of cash flows extending for many years that may vary depending on a range of factors (for example, the lifespan of members, their salaries at the time of retirement and, in the case of medical benefits, the health problems they experience). As such, determining their present value involves significant judgement in the choice of appropriate actuarial assumptions – small variations in which can have a significant effect on the value of the liability recorded.

IAS 19 Employee Benefits requires disclosure of both the significant actuarial assumptions applied and the sensitivity of the defined benefit obligation to reasonably possible changes in those assumptions.

Actuarial assumptions including, but not limited to, the discount rate and mortality assumptions have been and are expected to remain areas of focus for regulators.

Assessment of the bond market at a currency level

An important part of determining the appropriate discount rate is the assessment of whether a deep market in high quality corporate bonds exists or whether, instead, the rate should be based on the market yields on government bonds.

In response to uncertainty over how this assessment should be made in a regional market sharing the same currency, IAS 19 was amended in September 2014 to clarify that this assessment should be made at a currency, rather than country, level.

This amendment to IAS 19 is effective for periods beginning on or after 1 January 2016 with earlier application permitted.

Recognition of an asset derived from a surplus in a defined benefit plan

The effect of the 'asset ceiling' (defined by IAS 19 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") can be challenging to determine as this requires a full understanding of the rights of the employer and the plan's trustees to determine whether any surplus assets may be used to enhance the benefits paid to members, used to purchase annuities guaranteeing the existing benefits or returned to the employer.

This understanding is not only required when a plan is in a surplus position, as IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction requires the availability of a refund or reduction in future contributions to be considered in determining whether an additional liability should be recognised for a statutory or contractual 'minimum funding requirement' to make contributions to the plan.

The IFRS Interpretations Committee currently has on its agenda the analysis of whether an entity can recognise an asset derived from the availability of refunds from a defined benefit plan managed by an independent trustee when the trustee has the discretion to increase the benefits. At its September 2014 meeting, the Interpretations

Committee decided to propose amendments to IFRIC 14 to clarify that the amount of the surplus that the entity recognises as an asset on the basis of a refund should not include amounts that a third party (for example, the plan trustees) has the unilateral right to use for other purposes, for example to enhance benefits for plan members. It is also intended that the amendments will clarify that an entity does not have an unconditional right to a refund of a surplus assuming gradual settlement if a third party can unilaterally decide to wind up the plan and thus can prevent gradual settlement.

Risk management and asset-liability matching strategies

Many entities are seeking to pursue strategies to manage the risks inherent in a large, uncertain and long-term commitment such as a defined benefit plan.

Such strategies may take a variety of forms, including:

• introducing plans (for example, target benefit or cash balance plans) that deviate from the pure defined benefit model by sharing some risks between the employer and plan members;

• acquiring assets such as insurance policies or longevity swaps that generate cash flows closely mirroring the requirements to pay benefits from the plan; and

• using assets of the entity (such as property) as security against obligations to fund a defined benefit plan.

Care should be taken in accounting for such arrangements, considering issues such as:

• whether a risk-sharing scheme should be accounted for as defined benefit or defined contribution in nature;

• the valuation of assets designed to match plan liabilities, including whether they meet the definition of a qualifying insurance policy and should, therefore, be measured at the value of the defined benefit obligation; and

• whether any security issued by the entity to a defined benefit plan meets the definition of a plan asset (noting that non-transferable financial instruments issued by the reporting entity are excluded from that definition).

In addition, it should be noted that IAS 19 includes requirements to disclose, amongst other things, the characteristics of defined benefit plans, a description of any funding arrangements and a description of any asset-liability matching strategies used by the plan or the entity, including the use of annuities and other techniques, such as longevity swaps, to manage risk.

Levies

IFRIC Interpretation 21 Levies, effective for periods beginning on or after 1 January 2014, addresses the recognition of liabilities in respect of a wide range of payments to government (those that are not fines or penalties for breaches of legislation, payments for the acquisition of assets or services or within the scope of another Standard such as IAS 12). As such, it applies items such as property taxes and levies on participants in specific industries such as banking.

The Interpretation applies a strict interpretation of IAS 37 in determining the point at which a liability should be recognised, stating that this is the point (identified by legislation) at which the entity's activity triggers the payment of the levy.

Application of these requirements requires a full understanding of the relevant legislation and could in some cases result in a change to previous practices of recognising the cost of a levy over time.

Going Concern

The going concern assumption is a fundamental principle in the preparation of financial statements. Difficult economic conditions present challenges for all of the parties involved in the preparation of annual reports and financial statements.

IAS 1 Presentation of Financial Statements requires an assessment by management of an entity's ability to continue as a going concern. When preparing this assessment management is required to take into account all available information about the future, which is at least, but is not limited to, 12 months from the date of the financial statements. When management concludes that there are material uncertainties that may cast significant doubt upon an entity's ability to continue as a going concern the entity is required to disclose those uncertainties.

Going Concern assumptions – Disclosure of significant judgements

It might sometimes be the case that management is able to conclude that there is no material uncertainty over the entity's ability to continue as a going concern only after a careful evaluation of possible means of mitigating risks that might otherwise result in such an uncertainty.

The IFRS Interpretations Committee has recently concluded that in this situation the judgements and assumptions considered in the evaluation are part of the disclosure requirement of paragraph 122 of IAS 1 which requires an entity to disclose judgements made by management in the process of applying the entity's accounting policies.

The conditions or events that individually or collectively may cast significant doubt about the going concern assumption may be mitigated by other favourable factors. For example, the effect of an entity being unable to make its normal debt repayments may be counterbalanced by management's plans to maintain adequate cash flows by alternative means, such as by disposal of assets, rescheduling of loan repayments or obtaining additional capital. Similarly the loss of a principal supplier may be mitigated by the availability of another suitable source of supply.

The strategies considered by an entity to mitigate the going concern risks need to be realistic and to have a reasonable expectation of resolving any problems foreseen and management must be likely to put the plans into place effectively.

Jurisdictional requirements on risk and going concern

The assessment of risk in general, and going concern in particular is the subject of governance (for example, on the forecast period to be assessed) and disclosure requirements in a number of jurisdictions. Any such requirements should be considered in addition to those of IAS 1 when preparing financial statements.

Entities experiencing financial difficulties should also consider any jurisdictional restrictions on for example, trading whilst insolvent.

Impairment

Regulators continue to focus on impairment of financial and non-financial assets.

Particular attention should be placed on key assumptions for impairment testing, for example those around commodity prices. Since the start of 2014, the global prices for oil and coal have fallen, which is likely to be a key consideration in impairment reviews for entities involved in the supply chain of those resources from extraction through transportation and refinement to sale. Conversely, some entities may expect to benefit from a reduction in the cost of purchasing commodities which may result in consideration of whether a reversal of impairment has occurred.

Any affected entity should ensure consistency in including the effect of any changes in expected commodity prices in both their forecast revenues and forecast costs.

Other important factors to consider are:

the appropriate identification of cash-generating units and groups of cash-generating units for the purposes of impairment testing;

consistency of cash flow projections used for different purposes (for example impairment testing of goodwill and impairment testing of deferred tax assets);

appropriate analysis of the entity's performance vs prior year forecasts. When prior period cash flow projections have not been met, careful consideration should be given to whether current assumptions are reasonable and supportable;

the currency in which cash flows will be generated, particularly if that currency has weakened against the functional currency of the reporting entity; and

supportability of cash flow projections given current market trends.

Regulators also focus on the disclosures required to explain the impairment review undertaken and, when appropriate, the sensitivity of the outcome to key assumptions.

The 2013 Edition of Closing Out includes an extensive analysis of those issues which continues to be relevant today. The publication can be found in: http://www.iasplus.com/en/publications/global/ifrs-in-focus/2013/closing-out-2013.

Other topics

Of course, the above is not an exhaustive list. Many other issues are likely to attract the attention of regulators.

The Statement of Cash Flows – ensuring that non-cash transactions (for example, conversions of convertible debt) are not erroneously included, avoiding inappropriate net presentation of cash inflows and outflows and taking care over the classification of cash flows as operating, investing or financing in nature.

Classification of financial instruments as debt or equity – this remains a challenging area, particularly when the timing or method of settlement depends upon contingent events or options available to either party. The precise terms of such an instrument should be considered carefully before determining its classification.

Legal issues and related risks – Uncertainty over exposures to liabilities for legal or regulatory issues is a reality for entities in many industries. Properly reflecting this in financial statements necessarily involves the application of judgement on whether a liability should be recognised and, if so, the value at which it should be measured. This is also another area in which proper disclosure of the judgements applied and the uncertainties that exist is important.

Changes in accounting estimates – the March 2014 IFRIC Update notes the IFRS Interpretations Committee's view that a change in the method used to develop an accounting estimate should be made only if that change "produces a reliable and equally or more relevant estimate". The Committee recommended an amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to that effect which is now being considered as part of the IASB's Disclosure Initiative.

Revenue recognition – the implementation of IFRS 15 Revenue from Contracts with Customers (effective for periods beginning on or after 1 January 2017) will require many entities to reconsider their policies for recognition of revenue. However, even under current standards entities must take care to recognise revenue only when services have been performed or control over goods has passed to the customer. When a contract covers the supply of a number of goods and/or services it is also important to appropriately allocate revenue between these components.

In respect of IFRS 15, it is also worthy of note that several regulators have highlighted the requirements of IAS 8 on standards in issue but not yet effective – stating an expectation that the likely impact of this standard be disclosed to the extent practicable in 2014 financial statements.

New accounting standards, amendments and interpretations mandatorily effective for years ending 31 December 2014

Further detail on the new and revised standards discussed below is available at:

http://www.iasplus.com/en/tag-types/global/newsletters/ifrs-in-focus

With the exception of the amendments to IFRS 2 and IFRS 3, which apply to share-based payment transactions and business combinations with a grant date and acquisition date respectively on or after 1 July 2014, each of these amendments apply for annual periods beginning on or after 1 January 2014 and apply retrospectively with, in some cases, specific transitional provisions.

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

The amendments provide an exception from consolidation of subsidiaries under IFRS 10 for entities which meet the definition of an 'investment entity', such as certain investment funds. Instead, such entities must measure their investment in particular subsidiaries at fair value through profit or loss in accordance with IFRS 9 Financial Instruments or IAS 39 Financial Instruments: Recognition and Measurement. Where applicable, application of the exemption is not optional, it is required.

The amendments define an 'investment entity' as an entity that (i) obtains funds from one or more investor for the purpose of providing those investor(s) with investment management services; (ii) commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both, and (iii) measures and evaluates the performance of substantially all of its investments on a fair value basis

The amendments also introduce new disclosure requirements related to investment entities in IFRS 12 and IAS 27 Separate Financial Statements.

Investment entities – Applying the consolidation exception

In October 2014, the IASB tentatively decided to amend IFRS 10 to confirm that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even when the investment entity measures that subsidiary at fair value.

A final amendment on this topic is expected by the end of 2014.

Investment entities – Unit of account

An investment entity is required to measure an investment in a subsidiary at fair value through profit or loss in accordance with IFRS 9 (or IAS 39). However, it was not clear whether the reference to IFRS 9 (or IAS 39) refers only to the measurement basis of the investment or if it also prescribes the unit of account for such investments which would indicate that the unit of account should be the individual financial instrument.

In September 2014, the IASB issued ED 2014/4 proposing amendments to state that the unit of account of investments in subsidiaries, joint ventures or associates is the investment as a whole but that if the investment is made up of financial instruments that are quoted in an active market (i.e. 'Level 1' investments), the fair value measurement of that investment would be based on the quoted price without adjustments (i.e. P x Q). It would be advisable for entities currently applying a different approach to follow the progress of this project closely.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 Financial Instruments: Presentation clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set off' and 'simultaneous realisation and settlement' (an issue which might be particularly relevant to transactions involving clearing houses).

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to IAS 36 Impairment of Assets remove the requirement to disclose the recoverable amount of a cash generating unit (or group of cash generating units) to which a significant amount of goodwill or intangible assets with indefinite useful lives has been allocated in periods when no impairment or reversal has been recognised (this requirement having been inadvertently introduced as part of consequential amendments on the introduction of IFRS 13 Fair Value Measurement) and introduce additional disclosure requirements in respect of assets for which an impairment has been recognised or reversed and for which the recoverable amount is determined using fair value less costs of disposal.

Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The amendments allow the continuation of hedge accounting (under IAS 39 and the IFRS 9 chapter on hedge accounting) when a derivative is novated to a clearing house counterparty and certain conditions are met.

Amendments to IFRS 2 Definition of Vesting Condition

As part of the 2010-2012 cycle of the Annual Improvements Project, the definitions of 'vesting condition' and 'market condition' in IFRS 2 Share-based Payment were amended and definitions added of 'performance condition' and 'service condition' to clarify how such conditions are reflected in the recognition and measurement of share-based payment expenses.

Amendments to IFRS 3 Accounting for Contingent Consideration in a Business Combination

As part of the same cycle, IFRS 3 Business Combinations was amended to clarify that all contingent consideration classified as an asset or liability should be measured at fair value at each reporting date.

IFRIC Interpretation 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.

New and revised IFRSs available for early application in years ending 31 December 2014

Paragraph 30 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors requires entities to consider and disclose the potential impact of new and revised IFRSs that have been issued but are not yet effective.

The list below reflects a cut-off date of 30 November 2014. The potential impact of the application of any new and revised IFRSs issued by the IASB after 30 November 2014 but before the financial statements are issued should also be considered and disclosed.

Consideration should always be given to the effect of any local endorsement or other regulatory or legal processes on an entity's ability to early adopt an IFRS.

IFRS	Effective Date
New Standards	
IFRS 9 *Financial Instruments*	1 January 2018*
IFRS 14 *Regulatory Deferral Accounts*	First time adopters whose first annual IFRS financial statements are for a period beginning on or after 1 January 2016
IFRS 15 *Revenue from Contracts with Customers*	1 January 2017
Amended Standards	
Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	1 January 2016
Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*	1 January 2016
Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*	1 July 2014
Amendments to IAS 27 *Equity Method in Separate Financial Statements*	1 January 2016
Annual Improvements 2010-2012 cycle	1 July 2014**
Annual Improvements 2011-2013 cycle	1 July 2014
Annual Improvements 2012-2014 cycle	1 January 2016

*For periods beginning before 1 January 2018, previous versions of IFRS 9 may be adopted provided the relevant date of initial application is before 1 February 2015.

**See above detail on amendments to IFRS 2 and IFRS 3 effective for transactions on or after 1 July 2014.