

# IAS Plus Update.

## IASB releases omnibus exposure draft of annual improvements

On 26 August 2009, the International Accounting Standards Board (IASB) published for public comment an omnibus exposure draft (ED) ED/2009/11 *Improvements to IFRSs (Proposed amendments to International Financial Reporting Standards)*. The IASB has requested comments on the proposals by 24 November 2009.

The IASB's annual improvements process is designed to deal with non-urgent but necessary amendments to Standards, focussing on areas of inconsistency in Standards and where clarification of wording is required.

The ED includes proposals for 15 separate amendments which would affect 10 different Standards and one IFRIC Interpretation, as summarised in the table on the next page.

The most significant proposals address:

- measurement of non-controlling interests that are not currently entitled to a proportionate share of the acquiree's net assets;
- impairment of investments in subsidiaries, associates and jointly controlled entities in the separate financial statements of the parent/investor/joint venturer;
- the disclosure principles for interim reporting; and
- the classification of investment property held for sale.

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## Detail of proposed amendments

The following table provides a summary of each of the amendments proposed in the ED.

Standard	Topic	Proposed amendment
IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i>	Accounting policy changes in the year of adoption	Clarifies that, if a first-time adopter changes its accounting policies or its use of the exemptions in IFRS 1 after it has published an interim financial report in accordance with IAS 34 <i>Interim Financial Reporting</i> , it should explain those changes and update the reconciliations between previous GAAP and IFRSs.  Proposed effective date: 1 January 2011.
	Revaluation basis as deemed cost	Clarifies that first-time adopters are permitted to use a revaluation basis as 'deemed cost' for revaluations that occurred after the date of transition to IFRSs but during the period covered by the first IFRS financial statements.  Proposed effective date: 1 January 2011.
IFRS 3 <i>Business Combinations (2008)</i>	Measurement of non-controlling interests	Clarifies that the option to measure non-controlling interests either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets under IFRS 3(2008) applies only to instruments that are currently entitled to a proportionate share of the acquiree's net assets. Other instruments that meet the definition of non-controlling interests should be measured at fair value or in accordance with applicable IFRSs.  Proposed effective date: 1 July 2010.
	Un-replaced and voluntary replaced share-based payment awards	Introduces specific guidance clarifying that share-based payment awards of the acquiree that the acquirer chooses to replace (although not part of the business combination arrangements) or for which vesting is accelerated as a consequence of the business combination should be accounted for in the same way as awards that the acquirer is obliged to replace as part of the business combination arrangements.  Proposed effective date: 1 July 2010.
	Transitional requirements for contingent consideration from a business combination that occurred before the effective date of IFRS 3(2008)	Clarifies that IAS 32 <i>Financial Instruments: Presentation</i> , IAS 39 <i>Financial Instruments: Recognition and Measurement</i> and IFRS 7 <i>Financial Instruments: Disclosures</i> do not apply to contingent consideration that arose from business combinations whose acquisition dates preceded the application of IFRS 3(2008).  Proposed effective date: 1 July 2010.
IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	Application of IFRS 5 to loss of significant influence over an associate or loss of joint control in a jointly controlled entity	Clarifies that an interest in an associate or a jointly controlled entity should be classified as held for sale under IFRS 5 when an entity is committed to a sale plan involving a loss of significant influence or joint control.  Proposed effective date: 1 January 2010.
IFRS 7 <i>Financial Instruments: Disclosures</i>	Disclosures about the nature and extent of risks arising from financial instruments	Clarifies the required level of disclosure for financial instruments.  Proposed effective date: 1 January 2011.
IAS 1 <i>Presentation of Financial Statements</i>	Clarification of statement of changes in equity	States explicitly that an entity may present the components of changes in equity either in the statement of changes in equity or in the notes to the financial statements.  Proposed effective date: 1 January 2011.
IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	Change in terminology to the qualitative characteristics	Aligns terminology with the changes made in the forthcoming chapter on qualitative characteristics of the conceptual framework that will replace the equivalent section in the <i>Framework for the Preparation and Presentation of Financial Statements</i> .  Proposed effective date: 1 January 2011.
IAS 27 <i>Consolidated and Separate Financial Statements (2008)</i>	Impairment of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements of the investor	Clarifies that in its separate financial statements the parent/investor/ joint venturer should apply the requirements of IAS 39 <i>Financial Instruments: Recognition and Measurement</i> (and not IAS 36 <i>Impairment of Assets</i> ) to test its investments in subsidiaries, jointly controlled entities and associates for impairment, regardless of whether they are carried at cost or in accordance with IAS 39.  Proposed effective date: 1 January 2011 (prospective application).
	Transitional requirements for consequential amendments as a result of the 2008 revision of IAS 27	Clarifies that the amendments made to IAS 21 <i>The Effects of Changes in Foreign Rates</i> , IAS 28 <i>Investments in Associates</i> and IAS 31 <i>Interests in Joint Ventures</i> as a result of IAS 27(2008) should be applied prospectively (with the exception of paragraph 35 of IAS 28 and paragraph 46 of IAS 31, which should be applied retrospectively).  Proposed effective date: 1 July 2010.
IAS 28 <i>Investments in Associates</i>	Partial use of fair value for measurement of associates	Clarifies that different measurement bases can be applied in consolidated financial statements to portions of an investment in an associate when part of the investment is designated at initial recognition as at fair value through profit or loss in accordance with the scope exception in paragraph 1 of IAS 28.  Proposed effective date: 1 January 2011.

Standard	Topic	Proposed amendment
IAS 34 <i>Interim Financial Reporting</i>	Significant events and transactions	Emphasises the disclosure principles in IAS 34 and adds further guidance regarding how to apply these principles, particularly in respect of financial instruments and their fair values.  Proposed effective date: 1 January 2011.
IAS 40 <i>Investment Property</i>	Change from fair value model to cost model	Removes the requirement to transfer investment property to inventories when it will be developed for sale and brings investment property meeting IFRS 5's held-for-sale criteria within the scope of that Standard.  Proposed effective date: 1 January 2011 (prospective application).
IFRIC 13 <i>Customer Loyalty Programmes</i>	Determination of fair value	Clarifies the meaning of the term 'fair value' by illustrating that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the value of the awards for which they could be redeemed must be adjusted to reflect expected forfeitures.  Proposed effective date: 1 January 2011.

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