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IAS Plus Update.

Improvements to IFRSs 2010

On 6 May 2010, the International Accounting Standards Board (IASB) issued *Improvements to IFRSs 2010* – incorporating amendments to seven International Financial Reporting Standards (IFRSs). This is the third collection of amendments issued under the annual improvements process, which is designed to make necessary, but non-urgent, amendments to IFRSs.

The table on the following pages sets out all of the amendments made to Standards and Interpretations. The effective dates vary – see the table for details.

Changes from the exposure draft

The final amendments do not differ significantly in content from those proposed in the exposure draft, though five proposed amendments did not get finalised and one was added to the package. The added amendment, *Use of deemed cost for operations subject to rate regulation*, was separately exposed in September 2008.

The five proposed amendments not finalised will be dealt with as follows:

- proposed amendment to IFRS 5 regarding loss of significant influence over an associate or a jointly controlled entity and proposed amendment to IAS 28 regarding partial use of fair value for measurement of associates will be incorporated into the new Joint Arrangements IFRS expected to be published in June 2010;

- proposed amendment to IAS 8 regarding the change in terminology to the qualitative characteristics will be finalised following the publication of the Qualitative Characteristics chapter of the new Framework; and

- proposed amendment to IAS 27 regarding impairment of investments in associates in the separate financial statements of the investor and proposed amendment to IAS 40 regarding change from fair value model to cost model have been postponed pending further analysis.

Amendments likely to significantly change current practice

Most of the improvements address matters of detail and are not expected to have a significant impact in practice. There are, however, two amendments that could result in significant changes in accounting in specific circumstances.

- **Measurement of non-controlling interests:** Currently, a choice of measurement for all components of non-controlling interests at either fair value or the non-controlling interests' proportionate share of the acquiree's net identifiable assets can result in some equity instruments being measured at nil. The measurement principle in IFRS 3 was amended to limit the measurement choice to non-controlling interests that are present ownership instruments and entitle their holders to a proportionate share of entity's net assets in the event of liquidation. All other components of non-controlling interest should be measured at their acquisition date fair value, unless another measurement basis is required by IFRSs.

- **Use of deemed cost for operations subject to rate regulation:** This amendment extends the use of the deemed cost exemption to entities with operations subject to rate regulation. Under previous GAAP, an entity might have capitalised, as part of the carrying amount of items of property, plant and equipment or as an intangible asset, amounts that do not qualify for capitalisation under IFRSs (e.g. imputed cost of equity). Currently, an entity with such items removes, by way of retrospective adjustment, the non-qualifying amounts or uses fair value as deemed cost. Both of these alternatives pose significant practical challenges as amounts included in the total cost of an item of property, plant and equipment are often not tracked separately. The amendment permits entities with operations subject to rate regulation to use the previous GAAP carrying amount as deemed cost at the date of transition to IFRSs, subject to a test for impairment in accordance with IAS 36 at the date of transition.

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Detail of amendments

Standard	Topic	Amendment	Effective date and transition
IFRS 1 *First-time Adoption of International Financial Reporting Standards*	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 *Interim Financial Reporting* but before its first IFRS financial statements are issued, it should explain those changes and update the reconciliations between previous GAAP and IFRSs. The requirements in IAS 8 do not apply to such changes.	Effective for annual periods beginning on or after 1 January 2011. Earlier application permitted.
	Revaluation basis as deemed cost	Clarifies that a first-time adopter is permitted to use an event-driven fair value as 'deemed cost' at the measurement date for measurement events that occurred after the date of transition to IFRSs but during the period covered by the first IFRS financial statements. Any resulting adjustment shall be recognised directly in equity at the measurement date.	Effective for annual periods beginning on or after 1 January 2011. Earlier application permitted.
	Use of deemed cost for operations subject to rate regulation	Specifies that a first time adopter may elect to use the previous GAAP carrying amount of items of property plan and equipment or intangibles that are, or were, used in operations subject to rate regulations. This election is available on an item by item basis.	Effective for annual periods beginning on or after 1 January 2011. Earlier application permitted.
IFRS 3 *Business Combinations (2008)*	Measurement of non-controlling interests	Specifies that the option to measure non-controlling interests either at fair value or at the proportionate share of the acquiree's net identifiable assets at the acquisition date under IFRS 3(2008) applies only to non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. All other components of non-controlling interests should be measured at their acquisition date fair value, unless another measurement basis is required by IFRSs.	Effective for annual periods beginning on or after 1 July 2010. To be applied prospectively from the date the entity first applied IFRS 3(2008). Earlier application permitted.
	Un-replaced and voluntary replaced share-based payment awards	Specifies that the current requirement to measure awards of the acquirer that replace acquiree share-based payment transactions in accordance with IFRS 2 at the acquisition date ('market-based measure') applies also to share-based payment transactions of the acquiree that are not replaced. Specifies that the current requirement to allocate the market-based measure of replacement awards between the consideration transferred for the business combination and post-combination remuneration applies to all replacement awards regardless of whether the acquirer is obliged to replace the awards or does so voluntarily.	Effective for annual periods beginning on or after 1 July 2010. To be applied prospectively from the date the entity first applied IFRS 3(2008). Earlier application permitted.
	Transitional requirements for contingent consideration from a business combination that occurred before the effective date of IFRS 3(2008)	Clarifies that IAS 32 *Financial Instruments: Presentation*, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures* do not apply to contingent consideration that arose from business combinations whose acquisition dates preceded the application of IFRS 3(2008).	Effective for annual periods beginning on or after 1 July 2010. Earlier application permitted.
IFRS 7 *Financial Instruments: Disclosures*	Clarifications of disclosures	Encourages qualitative disclosures in the context of the quantitative disclosure required to help users to form an overall picture of the nature and extent of risks arising from financial instruments. Clarifies the required level of disclosure around credit risk and collateral held and provides relief from disclosure of renegotiated loans.	Effective for annual periods beginning on or after 1 January 2011. Earlier application permitted.
IAS 1 *Presentation of Financial Statements*	Clarification of statement of changes in equity	Clarifies that an entity may present the analysis of other comprehensive income by item either in the statement of changes in equity or in the notes to the financial statements.	Effective for annual periods beginning on or after 1 January 2011. Earlier application permitted.
IAS 27 *Consolidated and Separate Financial Statements (2008)*	Transitional requirements for consequential amendments as a result IAS 27 (2008)	Clarifies that the amendments made to IAS 21 *The Effects of Changes in Foreign Rates*, IAS 28 *Investments in Associates* and IAS 31 *Interests in Joint Ventures* 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).	Effective for annual periods beginning on or after 1 July 2010. Earlier application permitted.

Standard	Topic	Amendment	Effective date and transition
IAS 34 *Interim Financial Reporting*	Significant events and transactions	Emphasises the principle in IAS 34 that the disclosure about significant events and transactions in interim periods should update the relevant information presented in the most recent annual financial report. Clarifies how to apply this principle in respect of financial instruments and their fair values.	Effective for annual periods beginning on or after 1 January 2011. Earlier application permitted.
IFRIC 13 *Customer Loyalty Programmes*	Fair value of award credit	Clarifies that the 'fair value' of award credits should take into account: • the amount of discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale; and • any expected forfeitures.	Effective for annual periods beginning on or after 1 January 2011. Earlier application permitted.

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