

2013 IFRS (Blue Book)

The following changes are necessary to correct errors that had been made when compiling the 2013 Blue Book. All of these items relate to the deferral of the effective date of IFRS 9 *Financial Instruments* to 1 January 2015. Unless otherwise stated, new text is underlined and deleted text is struck through. If you have any queries please contact editorial@ifrs.org.

PART A

IFRS 7 *Financial Instruments: Disclosures*

Three references to IFRS 9 need to be replaced with references to IAS 39.

On page A263 paragraph 42C(c):

... conditions in paragraph ~~3.2.5(a)–(c) of IFRS 9~~ 19(a)–(c) of IAS 39 are met.

On page A264 paragraph 42D(f):

... (see paragraphs ~~3.2.6(e)(ii) and 3.2.16 of IFRS 9~~ 20(c)(ii) and 30 of IAS 39), ...

And on page A264 paragraph 42E:

... (see paragraph ~~3.2.6(a) and (e)(i) of IFRS 9~~ 20(a) and (c)(i) of IAS 39), ...

IAS 39 *Financial Instruments: Recognition and Measurement*

On page A1032 the original paragraph 19(a) was omitted. As a consequence paragraph 19(a), as printed, becomes 19(b) and 19(b) becomes 19(c).

(a) The entity has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset. Short-term advances by the entity with the right of full recovery of the amount lent plus accrued interest at market rates do not violate this condition.

~~(a)~~**(b)** The entity is prohibited by the terms of the transfer contract from selling or pledging ...

~~(b)~~**(c)** The entity has an obligation to remit any cash flows it collects on behalf of ...

On page A1038 in paragraph 45 the text that follows sub-paragraphs (a)–(d) was omitted.

(d) available-for-sale financial assets.

These categories apply to measurement and profit or loss recognition under this Standard. The entity may use other descriptors for these categories or other categorisations when presenting information in the financial statements. The entity shall disclose in the notes the information required by IFRS 7.

On page A1066 in paragraph AG8 the last sentence was omitted.

... in accordance with paragraph 92. The adjustment is recognised in profit or loss as income or expense. If a financial asset is reclassified in accordance with paragraph 50B, 50D or 50E, and the entity subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase shall be recognised as an adjustment to the effective interest rate from the date of the change in estimate rather than as an adjustment to the carrying amount of the asset at the date of the change in estimate.

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PART B

IFRS 1 *First-time Adoption of International Financial Reporting Standards*

On page B100 in Example 11, Note 9, two figures need to be amended.

9	Retained earnings	5,060	773 479	<u>5,833 5,539</u>
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On page B101 in Example 11, Note 8, a new line for revaluation surplus needs to be inserted and the figure for retained earnings needs to be amended.

8				CU
	<u>Revaluation surplus (note 3)</u>			<u>126</u>
	Hedging reserve (note 5)			129
	Retained earnings			334 205
	Increase in deferred tax liability			460

IAS 1 *Presentation of Financial Statements*

On page B936 paragraph IG5A should not have been printed and needs to be deleted.

~~Two sets of examples of statements of profit or loss and other comprehensive income are shown. One shows the presentation while IAS 39 *Financial Instruments: Recognition and Measurement* remains effective and is applied; the other shows presentation when IFRS 9 *Financial Instruments* is applied.~~

On pages B939 and B940 the first sentence of the introduction to the examples needs to be amended.

~~Examples of statement of profit or loss and other comprehensive income when IAS 39 *Financial Instruments: Recognition and Measurement* is applied~~

IAS 39 *Financial Instruments: Recognition and Measurement*

On page B1579 a dissenting opinion was omitted and needs to be reinstated, after the June 2005 dissenting opinion.

Dissent of James J Leisenring and John T Smith from the issue in October 2008 of *Reclassification of Financial Assets (Amendments to IAS 39 and IFRS 7)*

- DO1 Messrs Leisenring and Smith dissent from *Reclassification of Financial Assets (Amendments to IAS 39 and IFRS 7)*. The amendments to IAS 39 are asserted to level the playing field with US GAAP. It accomplishes that with respect to the reclassification of financial instruments to the held-to-maturity category of loans and receivables from other classifications. However, once reclassified, the measurement of impairment and when that measurement is required are quite different and a level playing field in accounting for these instruments is not achieved. Messrs Leisenring and Smith would have been willing to support the alternative approach considered by the Board that would have closely aligned the impairment requirements of US GAAP with IFRSs.
- DO2 As described in paragraph BC11E, in October 2008 the Board received requests to address differences between the reclassification requirements of IAS 39 and US GAAP. SFAS 115 permits a security to be reclassified out of the trading category in rare situations. SFAS 65 permits a loan to be reclassified out of the Held for Sale category if the entity has the intention to hold the loan for the foreseeable future

or until maturity. IAS 39 permitted no reclassifications for financial assets classified as held for trading. The Board was asked to consider allowing entities applying IFRSs the same ability to reclassify a financial asset out of the held-for-trading category as is permitted by SFAS 115 and SFAS 65.

DO3 Messrs Leisenring and Smith both believe that the current requirements in IFRSs for reclassification are superior to US GAAP and that the accounting for impairments in US GAAP is superior to the requirements of IAS 39.

DO4 Furthermore, Messrs Leisenring and Smith do not believe that amendments to standards should be made without any due process.

On page B1592 in Section A.2 an additional reference needs to be added at the end of the second paragraph.

XYZ's accounting ... settling net (IAS 39.5 and IAS 39.AG10).

On page B1646 in Section F.2.13 the question and answer, as printed, need to be deleted and replaced with the original question from IAS 39.

~~An entity uses what it describes as internal derivative contracts to document the transfer of responsibility for interest rate risk exposures ...?~~

~~Yes, but only to the extent the external derivative is designated as an offset of cash inflows or cash outflows on a gross basis. IAS 39.84 indicates~~

The reinstated paragraphs are:

Is fair value hedge accounting permitted for exposure to interest rate risk in fixed rate loans that are classified as loans and receivables?

Yes. Under IAS 39, loans and receivables are carried at amortised cost. Banking institutions in many countries hold the bulk of their loans and receivables until maturity. Thus, changes in the fair value of such loans and receivables that are due to changes in market interest rates will not affect profit or loss. IAS 39.86 specifies that a fair value hedge is a hedge of the exposure to changes in fair value that is attributable to a particular risk and that can affect profit or loss. Therefore, IAS 39.86 may appear to preclude fair value hedge accounting for loans and receivables. However, it follows from IAS 39.79 that loans and receivables can be hedged items with respect to interest rate risk since they are not designated as held-to-maturity investments. The entity could sell them and the change in fair values would affect profit or loss. Thus, fair value hedge accounting is permitted for loans and receivables.

IAS 40 Investment Property

On page B1715 a footnote needs to be added to paragraph B67(a)(i).

(i) ... under paragraph 69 of IAS 39.^{22A} E64 was silent on the treatment of such costs;

^{22A} Paragraph 69 was replaced by paragraph 46 when the IASB revised IAS 39 in 2003.

SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease

On page B1958 in paragraph 14 the references to IFRS 9 need to be replaced with references to IAS 39.

... are derecognised only when the requirements of paragraphs ~~3.2.1-3.2.23, 3.3.1-3.3.4, B3.2.1-B3.2.17 and B3.3.1-B3.3.7~~ of IFRS 9 ~~15-37, 39-42, AG36-AG52 and AG57-AG63~~ of IAS 39 are met.

On page B1958 in paragraph 15 the footnote (footnote 2) needs to be deleted.

15 ... are subject to IAS 39.²

² ~~In November 2009 and October 2010 the IASB amended some of the requirements of IAS 39 and relocated them to IFRS 9 Financial Instruments. IFRS 9 applies to all items within the scope of IAS 39.~~