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| Project | <i>Annual Improvements Project – 2008-2010 cycle</i> |
| Topic | Pre-ballot draft for <i>Improvements to IFRS</i> – marked to the latest version of the standards |

IMPROVEMENTS TO IFRSs

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IASC Foundation Publications Department,

1st Floor, 30 Cannon Street, London EC4M 6XH, United Kingdom.

Tel: +44 (0)20 7332 2730 Fax: +44 (0)20 7332 2749

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APRIL 2010

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Improvements to IFRSs

Introduction

This document sets out amendments to International Financial Reporting Standards (IFRSs) and the related Bases for Conclusions and guidance made in the International Accounting Standards Board's annual improvements process.

The amendments result from proposals that were contained in the exposure draft of proposed amendments to IFRSs published in August 2009.

The annual improvements process provides a vehicle for making non-urgent but necessary amendments to IFRSs.

Some amendments involve consequential amendments to other IFRSs. Those consequential amendments are set out in the IFRSs affected.

The effective date of each amendment is included in the IFRSs affected.

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IFRSs addressed

The following table shows the topics addressed by these amendments.

| IFRS | Subject of amendment |
|--|--|
| IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i> | Accounting policy changes in the year of adoption |
| | Revaluation basis as deemed cost |
| | Use of deemed cost for operations subject to rate regulation |
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| IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> | Change in terminology to the qualitative characteristics* |
| IAS 27 <i>Consolidated and Separate Financial Statements</i> | Transition requirements for amendments made as a result of IAS 27 (as amended in 2008) to IAS 21, IAS 28 and IAS 31 |
| IAS 34 <i>Interim Financial Reporting</i> | Significant events and transactions |
| IFRIC 13 <i>Customer Loyalty Programmes</i> | Fair value of award credit |

* Subject to the publication of the relevant chapters of the forthcoming conceptual framework

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

Paragraphs 27 and 32 are amended (new text is underlined and deleted text is struck through). Paragraphs 27A and 39C are added.

Presentation and disclosure

- 27 IAS 8 does not ~~deal with~~ apply to the changes in accounting policies ~~that occur when an entity makes when it first adopts IFRSs or to changes in those policies until after it presents its first IFRS financial statements.~~ Therefore, IAS 8's requirements ~~for disclosures~~ about changes in accounting policies do not apply in an entity's first IFRS financial statements.
- 27A If during the period covered by its first IFRS financial statements an entity changes its accounting policies or its use of the exemptions contained in this IFRS, it shall explain the changes between its first IFRS interim financial report and its first IFRS financial statements, in accordance with paragraph 23, and it shall update the reconciliations required by paragraph 24(a) and (b).
- 32 To comply with paragraph 23, if an entity presents an interim financial report in accordance with IAS 34 for part of the period covered by its first IFRS financial statements, the entity shall satisfy the following requirements in addition to the requirements of IAS 34:
- (a) Each such interim financial report shall, if the entity presented an interim financial report for the comparable interim period of the immediately preceding financial year, include:
 - (i) a reconciliation of its equity in accordance with previous GAAP at the end of that comparable interim period to its equity under IFRSs at that date; and
 - (ii) a reconciliation to its total comprehensive income in accordance with IFRSs for that comparable interim period (current and year to date). The starting point for that reconciliation shall be total comprehensive income in accordance with previous GAAP for that period or, if an entity did not report such a total, profit or loss in accordance with previous GAAP.
 - (b) In addition to the reconciliations required by (a), an entity's first interim financial report in accordance with IAS 34 for part of the period covered by its first IFRS financial statements shall include the reconciliations described in paragraph 24(a) and (b) (supplemented by the details required by paragraphs 25 and 26) or a cross-reference to another published document that includes these reconciliations.
 - (c) If an entity changes its accounting policies or its use of the exemptions contained in this IFRS, it shall explain the changes in each such interim report in accordance with paragraph 23 and update the reconciliations required by (a) and (b).

Effective date

- 39C *Improvements to IFRSs* issued in April 2010 added paragraphs 27A, 31B and D8B and amended paragraphs 27, 32, D1(c) and D8. An entity shall apply those amendments for annual periods beginning on or after 1 January 2011. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact. Entities that adopted IFRSs in periods before the effective date of IFRS 1 or applied IFRS 1 in a previous period are permitted to apply the amendment to paragraph D8 retrospectively in the first annual period after the amendment is effective. An entity applying paragraph D8 retrospectively shall disclose that fact.

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Amendment to Appendix D of IFRS 1 *First-time Adoption of International Financial Reporting Standards*

In Appendix D, paragraphs D1(c) and D8 are amended (new text is underlined and deleted text is struck through) and paragraph D8B is added.

D1 An entity may elect to use one or more of the following exemptions:

...

(c) deemed cost (paragraphs D5–D8A–B);

...

Deemed cost

D8 A first-time adopter may have established a deemed cost in accordance with previous GAAP for some or all of its assets and liabilities by measuring them at their fair value at one particular date because of an event such as a privatisation or initial public offering. ~~It~~

(a) If the measurement date is at or before the date of transition to IFRSs, the entity may use such event-driven fair value measurements as deemed cost for IFRSs at the date of that measurement.

(b) If the measurement date is after the date of transition to IFRSs, but during the period covered by the first IFRS financial statements, the event-driven fair value measurements may be used as deemed cost when the event occurs. An entity shall recognise the resulting adjustments directly in retained earnings (or if appropriate, another category of equity) at the measurement date. At the date of transition to IFRSs, the entity shall either establish the deemed cost by applying the criteria in paragraphs D5–D7 or measure assets and liabilities in accordance with the other requirements in this IFRS.

D8B Some entities hold items of property, plant and equipment or intangible assets that are used, or were previously used, in operations subject to rate regulation. The carrying amount of such items might include amounts that were determined under previous GAAP but do not qualify for capitalisation in accordance with IFRSs. If this is the case, a first-time adopter may elect to use the previous GAAP carrying amount of such an item at the date of transition to IFRSs as deemed cost. An entity shall apply this exemption item by item. At the date of transition to IFRSs, an entity shall test for impairment in accordance with IAS 36 each item for which this exemption is used. For the purposes of this paragraph, operations are subject to rate regulation if they provide goods or services to customers at prices (ie rates) established by an authorised body empowered to establish rates that bind the customers and that are designed to recover the specific costs the entity incurs in providing the regulated goods or services and to earn a specified return. The specified return could be a minimum or range and need not be a fixed or guaranteed return.

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Amendments to Basis for Conclusions on IFRS 1

First-time Adoption of International Financial Reporting Standards

In the Basis for Conclusions on IFRS 1, paragraphs BC46A, BC46B, BC47F–BC47K, a heading after paragraph BC96 and paragraph BC97 are added.

Opening IFRS balance sheet

Exemptions from other IFRSs

Deemed cost

- BC46A In *Improvements to IFRSs*, issued in April 2010, the Board extended the scope of paragraph D8 for the use of the deemed cost exemption for an event-driven fair value. In some jurisdictions, local law requires an entity to revalue its assets and liabilities to fair value for a privatisation or initial public offering (IPO) and to treat the revalued amounts as deemed cost for the entity's previous GAAP. Before the amendment made in April 2010, if that revaluation occurred after the entity's date of transition to IFRSs, the entity could not have used that revaluation as deemed cost for IFRSs. Therefore, the entity would have had to prepare two sets of measurements for its assets and liabilities – one to comply with IFRSs, and one to comply with local law. The Board considered this unduly onerous. Therefore, the Board amended paragraph D8 to allow an entity to recognise an event-driven fair value measurement as deemed cost when the event occurs, provided that this is during the periods covered by its first IFRS financial statements. In addition, the Board concluded that the same relief should apply to an entity that adopted IFRSs in periods before the effective date of IFRS 1 or applied IFRS 1 in a previous period, provided the measurement date is within the period covered by its first IFRS financial statements.
- BC46B The Board also decided to require the entity to present historical costs or other amounts already permitted by IFRS 1 for the periods before that date. In this regard, the Board considered an approach where an entity could 'work back' to the deemed cost on the date of transition, using the revaluation amounts obtained on measurement date, adjusted to exclude any depreciation, amortisation or impairment between the two dates. Although some believed that this presentation would have provided greater comparability throughout the first IFRS reporting period, the Board rejected it because making such adjustments would require hindsight and the computed carrying amounts on the date of transition to IFRSs would be neither the revalued assets' historical costs nor their fair values on that date.
- BC47F In *Improvements to IFRSs* issued in April 2010, the Board extended the use of the deemed cost exemption to entities with operations subject to rate regulation. An entity might have items of property, plant and equipment or intangible assets that it holds for use in operations subject to rate regulation, or that it once used for this purpose and now holds for other purposes. Under previous GAAP, an entity might have capitalised, as part of the carrying amount of items of property, plant and equipment or intangible assets held for use in operations subject to rate regulation, amounts that do not qualify for capitalisation under IFRSs. For example, when setting rates regulators often permit entities to capitalise, as part of the cost of property, plant and equipment or intangible assets acquired, constructed or produced over time, an allowance for the cost of financing the asset's acquisition, construction or production. This allowance typically includes an imputed cost of equity. An imputed cost of equity is not permitted to be capitalised in accordance with IFRSs.
- BC47G To comply with this Standard before this amendment, an entity with such items whose carrying amounts include amounts that do not qualify for capitalisation under IFRSs must either restate those items retrospectively to remove the non-qualifying amounts, or use the exemption in paragraph D5 (fair value as deemed cost). Both of those alternatives pose significant practical challenges, the cost of which can often outweigh the benefit.
- BC47H Typically, once amounts are included in the total cost of an item of property, plant and equipment, they are no longer tracked separately. The restatement of property, plant and equipment to remove amounts not in compliance with IFRSs would require historical information that, given the typical age of some of the assets involved, is probably no longer available and would be difficult to estimate. Obtaining the fair value information necessary to use the exemption in paragraph D5 may not be a practical alternative, given the lack of

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readily available fair value information for those assets and the difficulty in valuing the required number of assets in such capital-intensive operations all at one time.

- BC47I The Board decided it would permit entities with operations subject to rate regulation to use as deemed cost at the date of transition to IFRSs the carrying amount of the items of property, plant and equipment or intangible assets determined under the entity's previous GAAP. The Board views this exemption as consistent with the exemptions already included in IFRS 1 in that it avoids excessive costs while meeting the objectives of the IFRS.
- BC47J The Board understands that most first-time adopters with operations subject to rate regulation have previously accounted for property, plant and equipment largely in accordance with a historical cost model consistent with IAS 16. The Board concluded that the cost and effort required to achieve total compliance in this area for the purposes of preparing an entity's first IFRS financial statements is not warranted to meet the objective of providing a suitable starting point for accounting under IFRSs. The Standard requires that each item for which the exemption is used is tested for impairment, either individually or at the cash-generating unit to which the item belongs in accordance with IAS 36, at the date of transition. This requirement provides further assurance that this objective is met.
- BC47K Consistent with the Board's rationale for the use of fair value as deemed cost in BC43 and BC44, this exemption means that an entity will report the same cost data as if it had acquired an asset with the same remaining service potential at the date of transition to IFRSs. An entity's use of this exemption results in a new cost basis for the item and previous GAAP depreciation methods and capitalisation policies are not relevant. Thus, an entity that uses this exemption for items of property, plant and equipment or intangible assets does not also apply the exemption for borrowing costs provided in paragraph D23,.

Presentation and disclosure

Interim financial reports

Accounting policy changes in the year of adoption

- BC97 In *Improvements to IFRSs*, issued in April 2010, the Board clarified unclear wording concerning how changes in accounting policies should be addressed by a first-time adopter when those changes occur after the publication of the entity's first interim financial report. The Board decided that a first-time adopter is exempt from all the requirements of IAS 8 for the interim financial report it presents in accordance with IAS 34 for part of the period covered by its first IFRS financial statements and for its first IFRS financial statements. The Board concluded that to comply with IFRS 1's requirement to explain its transition to IFRS, an entity should be required to explain any changes in its accounting policies or the IFRS 1 exemptions it applied between its first IFRS interim financial report and its first IFRS financial statements. The Board decided that the most useful information it could require was updated reconciliations between previous GAAP and IFRSs.

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Amendment to the guidance on implementing IFRS 1

First-time Adoption of International Financial Reporting Standards

Paragraphs IG8(c), IG8(d) and IG51 are amended and paragraph IG8(e) is added (new text is underlined and deleted text is struck through).

- IG8 An entity may elect to use one of the following amounts as the deemed cost of an item of property, plant and equipment:
- (a) ...
 - (c) fair value at the date of an event such as a privatisation or initial public offering (paragraph D8 of the IFRS); ~~or~~
 - (d) an allocation of an amount determined under previous GAAP that meets the criteria in paragraph D8A of the IFRS; or
 - (e) the carrying amount of an item of property, plant and equipment that is used, or was previously used, in operations subject to rate regulation (paragraph D8B of the IFRS).
- IG51 If an entity's amortisation methods and rates in accordance with previous GAAP would be acceptable in accordance with IFRSs, the entity does not restate the accumulated amortisation in its opening IFRS statement of financial position. Instead, the entity accounts for any change in estimated useful life or amortisation pattern prospectively from the period when it makes that change in estimate (paragraph 14 of the IFRS and paragraph 104 of IAS 38). However, in some cases, an entity's amortisation methods and rates in accordance with previous GAAP may differ from those that would be acceptable in accordance with IFRSs (for example, if they were adopted solely for tax purposes and do not reflect a reasonable estimate of the asset's useful life). If those differences have a material effect on the financial statements, the entity adjusts the accumulated amortisation in its opening IFRS statement of financial position retrospectively so that it complies with IFRSs (paragraph 14 of the IFRS). However, if an entity uses the exemption in paragraph D8B, it shall use the carrying amount of the intangible asset at the date of transition to IFRSs as deemed cost as if it had acquired an intangible asset with the same remaining service potential at the date of transition to IFRSs. Subsequent amortisation is based on that deemed cost and starts from the date of transition to IFRSs.

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Amendments to IFRS 3 *Business Combinations*

Paragraph 19, the heading before paragraph 30 and paragraph 30 are amended (new text is underlined and deleted text is struck through). Paragraphs 64B, 64C and 65A-65E are added.

The acquisition method

Measurement principle

- 19 For each business combination, the acquirer shall measure at the acquisition date components of ~~any non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at either: at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets~~

(a) fair value; or

(b) the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets.

All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by IFRSs.

Exceptions to the recognition or measurement principles

Exceptions to the measurement principle

Share-based payment ~~awards~~ transactions

- 30 The acquirer shall measure a liability or an equity instrument related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment ~~awards~~ transactions with share-based payment ~~awards~~ transactions of the acquirer in accordance with the method in IFRS 2 *Share-based Payment* at the acquisition date. (This IFRS refers to the result of that method as the 'market-based measure' of the ~~award~~ share-based payment transaction.)

Effective date and transition

Effective date

- 64B *Improvements to IFRSs* issued in April 2010 amended paragraphs 19, 30 and B56 and added paragraphs B62A and B62B. An entity shall apply that amendment for annual periods beginning on or after 1 July 2010. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact. Application should be prospective from the date the entity first applied IFRS 3 (revised 2008).
- 64C Paragraphs 65A-65E were added by *Improvements to IFRSs* issued in April 2010. An entity shall apply those amendments for annual periods beginning on or after 1 July 2010. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact. The amendments shall be applied to contingent consideration balances arising from business combinations with an acquisition date prior to the application of IFRS 3 (as revised in 2008).

Transition

- 65A Contingent consideration balances arising from business combinations whose acquisition dates preceded the date an entity first applied IFRS 3 (as revised in 2008) shall not be adjusted upon first application of IFRS 3

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(revised 2008). Paragraphs 65B-65E shall be applied in the subsequent accounting for those balances. Paragraphs 65B-65E shall not apply to the accounting for contingent consideration balances arising from business combinations with acquisition dates on or after the date the entity first applied IFRS 3 (revised 2008).

- 65B If a business combination* agreement provides for an adjustment to the cost of the combination contingent on future events, the acquirer shall include the amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably.
- 65C A business combination agreement may allow for adjustments to the cost of the combination that are contingent on one or more future events. The adjustment might, for example, be contingent on a specified level of profit being maintained or achieved in future periods, or on the market price of the instruments issued being maintained. It is usually possible to estimate the amount of any such adjustment at the time of initially accounting for the combination without impairing the reliability of the information, even though some uncertainty exists. If the future events do not occur or the estimate needs to be revised, the cost of the business combination shall be adjusted accordingly.
- 65D However, when a business combination agreement provides for such an adjustment, that adjustment is not included in the cost of the combination at the time of initially accounting for the combination if it either is not probable or cannot be measured reliably. If that adjustment subsequently becomes probable and can be measured reliably, the additional consideration shall be treated as an adjustment to the cost of the combination.
- 65E In some circumstances, the acquirer may be required to make a subsequent payment to the seller as compensation for a reduction in the value of the assets given, equity instruments issued or liabilities incurred or assumed by the acquirer in exchange for control of the acquiree. This is the case, for example, when the acquirer guarantees the market price of equity or debt instruments issued as part of the cost of the business combination and is required to issue additional equity or debt instruments to restore the originally determined cost. In such cases, no increase in the cost of the business combination is recognised. In the case of equity instruments, the fair value of the additional payment is offset by an equal reduction in the value attributed to the instruments initially issued. In the case of debt instruments, the additional payment is regarded as a reduction in the premium or an increase in the discount on the initial issue.

* In paragraphs 65A-65E business combination refers exclusively to business combinations whose acquisition date preceded the application of IFRS 3 (revised 2008).

Amendments to Application Guidance on IFRS 3 *Business Combinations*

In Appendix B, paragraph B56 is amended (new text is underlined and deleted text is struck through) and a footnote to paragraph B56, a heading after paragraph B62 and paragraphs B62A and B62B are added.

Determining what is part of the business combination transaction (application of paragraphs 51 and 52)

Acquirer share-based payment awards exchanged for awards held by the acquiree's employees (application of paragraph 52(b))

B56 An acquirer may exchange its share-based payment awards* (replacement awards) for awards held by employees of the acquiree. Exchanges of share options or other share-based payment awards in conjunction with a business combination are accounted for as modifications of share-based payment awards in accordance with IFRS 2 *Share-based Payment*. If the acquirer ~~is obliged to replace~~ the acquiree awards, either all or a portion of the market-based measure of the acquirer's replacement awards shall be included in measuring the consideration transferred in the business combination. Paragraphs B57-B62 provide guidance on how to allocate the market-based measure. The acquirer is obliged to replace the acquiree awards if the acquiree or its employees have the ability to enforce replacement. For example, for the purposes of applying this requirement, the acquirer is obliged to replace the acquiree's awards if replacement is required by:

- (a) ~~the terms of the acquisition agreement;~~
- (b) ~~the terms of the acquiree's awards; or~~
- (c) ~~applicable laws or regulations.~~

However, in some situations, in which acquiree awards may would expire as a consequence of a business combination and, if the acquirer replaces those awards when even though it is not obliged to do so, all of the market-based measure of the replacement awards shall be recognised as remuneration cost in the post-combination financial statements in accordance with IFRS 2. That is to say, none of the market-based measure of those awards shall be included in measuring the consideration transferred in the business combination. The acquirer is obliged to replace the acquiree awards if the acquiree or its employees have the ability to enforce replacement. For example, for the purposes of applying this guidance, the acquirer is obliged to replace the acquiree's awards if replacement is required by:

- (a) the terms of the acquisition agreement;
- (b) the terms of the acquiree's awards; or
- (c) applicable laws or regulations.

Equity-settled share-based payment transactions of the acquiree

B62A The acquiree may have outstanding share-based payment transactions that the acquirer does not exchange for its share-based payment transactions. If vested, those acquiree share-based payment transactions are part of the non-controlling interest in the acquiree and are measured at their market-based measure. If unvested, they are measured at their market-based measure as if the acquisition date were the grant date in accordance with paragraphs 19 and 30.

B62B The market-based measure of unvested share-based payment transactions is allocated to the non-controlling interest on the basis of the ratio of the portion of the vesting period completed to the greater of the total vesting period or the original vesting period of the share-based payment transaction. The balance is allocated to post-combination service.

* In paragraphs B56-B62 the term 'share-based payment awards' refers to vested or unvested share-based payment transactions.

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Appendix to amendments to IFRS 3 Amendments to other IFRSs

IFRS 7 *Financial Instruments: Disclosures*

Paragraph 44B is amended (new text is underlined) and paragraph 44K is added.

Effective date and transition

- 44B IFRS 3 (as revised in 2008) deleted paragraph 3(c). An entity shall apply that amendment for annual periods beginning on or after 1 July 2009. If an entity applies IFRS 3 (revised 2008) for an earlier period, the amendment shall also be applied for that earlier period. The amendment does not apply to contingent consideration that arose from a business combination for which the acquisition date preceded the application of IFRS 3 (revised 2008). Instead, an entity shall account for such consideration in accordance with paragraphs 65A-65E of IFRS 3 (as amended in 2010).
- 44K Paragraph 44B was amended by *Improvements to IFRSs* issued in April 2010. An entity shall apply that amendment for annual periods beginning on or after 1 July 2010. Earlier application is permitted.

IAS 32 *Financial Instruments: Presentation*

Paragraph 97B is amended (new text is underlined) and paragraph 97G is added.

Effective date and transition

- 97B IFRS 3 (as revised in 2008) deleted paragraph 4(c). An entity shall apply that amendment for annual periods beginning on or after 1 July 2009. If an entity applies IFRS 3 (revised 2008) for an earlier period, the amendment shall also be applied for that earlier period. The amendment does not apply to contingent consideration that arose from a business combination for which the acquisition date preceded the application of IFRS 3 (revised 2008). Instead, an entity shall account for such consideration in accordance with paragraphs 65A-65E of IFRS 3 (as amended in 2010).
- 97G Paragraph 97B was amended by *Improvements to IFRSs* issued in April 2010. An entity shall apply that amendment for annual periods beginning on or after 1 July 2010. Earlier application is permitted.

IAS 39 *Financial Instruments: Recognition and Measurement*

Paragraph 103D is amended (new text is underlined) and paragraph 103N is added.

Effective date and transition

- 103D IFRS 3 (as revised in 2008) deleted paragraph 2(f). An entity shall apply that amendment for annual periods beginning on or after 1 July 2009. If an entity applies IFRS 3 (revised 2008) for an earlier period, the amendment shall also be applied for that earlier period. The amendment does not apply to contingent consideration that arose from a business combination for which the acquisition date preceded the application of IFRS 3 (revised 2008). Instead, an entity shall account for such consideration in accordance with paragraphs 65A-65E of IFRS 3 (as amended in 2010).
- 103N Paragraph 103D was amended by *Improvements to IFRSs* issued in April 2010. An entity shall apply that amendment for annual periods beginning on or after 1 July 2010. Earlier application is permitted.

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Amendments to Basis for Conclusions on IFRS 3 *Business Combinations*

In the Basis for Conclusions on IFRS 3, headings after paragraphs BC221, BC311 and BC434 and paragraphs BC221A, BC311A, BC311B and BC434A-BC434C are added.

Applying the acquisition method

Subsequent improvements to IFRS 3

BC221A In *Improvements to IFRSs*, issued in April 2010, the Board addressed a concern that permitting the measurement choice for certain components of non-controlling interests might result in inappropriate measurement of those components in some circumstances. The Board decided to limit the choice to non-controlling interests that are present ownership instruments and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. The amendment requires the acquirer to measure all other components of non-controlling interest at the acquisition date fair value, unless IFRSs require another measurement basis. For example, if a share-based payment transaction is classified as equity, an entity measures it in accordance with IFRS 2 *Share-based Payment*. Without this amendment, if the acquirer chose to measure non-controlling interests at its proportionate share of the acquiree's identifiable net assets, the acquirer might have measured some equity instruments at nil. In the Board's view, this would result in not recognising economic interests that other parties have in the acquiree. Therefore, the Board amended IFRS 3 to limit the scope of the measurement choice.

Un-replaced and voluntarily replaced share-based payment transactions

BC311A In *Improvements to IFRSs* issued in April 2010, the Board addressed a concern that there was insufficient application guidance for share-based payment transactions that are replaced in the context of a business combination. After the revised IFRS 3 was issued, some constituents raised concerns about the lack of explicit guidance with respect to share-based payment transactions of the acquiree that the acquirer chooses to replace, even though either they are unaffected by the business combination or vesting is accelerated as a consequence of the business combination. In addition, some were concerned that the measurement guidance for share-based payment transactions applies only to replacement awards but not to acquiree awards that the acquirer chooses not to replace. In response to those concerns, the Board added explicit guidance in paragraphs B56 and B62A to clarify that those awards should be accounted for in the same way as acquiree awards that the acquirer is obliged to replace.

BC311B Employee share-based payment awards might expire in the event of a business combination. When this occurs, the acquirer may choose to voluntarily grant a new award to those employees. The new award granted in such circumstances can only be for future services, because the acquirer has no obligation to the employee in respect of past services that they provided to the acquiree. Accordingly paragraph B56 requires the whole of the market-based value of the new award to be accounted for as a post-combination expense, which is recognised in accordance with IFRS 2. This accounting treatment is different from that required in circumstances when the employee share-based payment award does not expire in the event of a business combination. When an unexpired award is replaced by the acquirer, part of the market-based value of the replacement award reflects the acquiree's obligation that remains outstanding at the date of the business combination, and is accounted for as part of the consideration transferred in the business combination. The balance of the market-based value of the replacement award is accounted for as a post-combination expense for the services to be received over the period to when the replacement award vests, in accordance with IFRS 2. The accounting for the replacement of unexpired awards is the same for awards that are replaced voluntarily by the acquirer and those that the acquirer is obliged to replace because the substance is the same in both circumstances.

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Effective date and transition

Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS

- BC434A In *Improvements to IFRSs* issued in April 2010, the Board addressed a perceived conflict in the guidance on accounting for contingent consideration in a business combination. The perceived conflict related to the transition guidance for contingent consideration arising from business combinations that had been accounted for in accordance with IFRS 3 (as issued in 2004). Before their amendment in January 2008, paragraph 3(c) of IFRS 7 *Financial Instruments: Disclosures*, paragraph 4(c) of IAS 32 *Financial Instruments: Presentation* and paragraph 2(f) of IAS 39 *Financial Instruments: Recognition and Measurement* excluded contingent consideration arrangements from the scope of those IFRSs. To allow the acquirer to account for contingent consideration as required by the revised IFRS 3, the Board deleted those scope exceptions in the second phase of its project on business combinations.
- BC434B Some interpreted the deletion of the scope exception as meaning that IAS 39 would apply to all contingent consideration, including contingent consideration from business combinations with an acquisition date earlier than the application date of the revised IFRS 3. However, this interpretation is inconsistent with the transition guidance in paragraph 65 of IFRS 3 (as revised in 2008).
- BC434C Therefore, the Board reproduced paragraphs 32-35 of IFRS 3 (as issued in 2004) as paragraphs 65B-65E in IFRS 3 (revised 2008) and made the conforming changes to IFRS 7, IAS 32 and IAS 39. The Board did this to clarify that the requirements in IAS 39 do not apply to contingent consideration that arose from a business combination whose acquisition date preceded the application of the revised IFRS 3 (revised 2008) and to provide guidance on how to account for such balances. The Board believes that the amendments will not cause IFRS 3 to diverge from SFAS 141(R).

Amendment to illustrative examples accompanying IFRS 3 *Business Combinations*

In the illustrative examples accompanying IFRS 3, a heading is added after IE44 and paragraphs IE44A-IE44K are added.

Measurement of non-controlling interest (NCI)

Illustrating the consequences of applying paragraph 19 of IFRS 3.

IE44A The following examples illustrate the measurement components of NCI at the acquisition date in a business combination.

Measurement of NCI including preference shares

IE44B TC has issued 100 preference shares, which are classified as equity. The preference shares have a nominal value of CU1 each. The preference shares give their holders a right to a preferential dividend in priority to the payment of any dividend to the holders of ordinary shares. Upon liquidation of TC, the holders of the preference shares are entitled to receive out of the assets available for distribution the amount of CU1 per share in priority to the holders of ordinary shares. The holders of the preference shares do not have any further rights on liquidation.

IE44C AC acquires all ordinary shares of TC. The acquisition gives AC control of TC. The acquisition-date fair value of a preference share is CU1.2.

IE44D Paragraph 19 of IFRS 3 states that for each business combination, the acquirer shall measure at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the acquiree's recognised amounts of the identifiable net assets. All other components of non-controlling interests must be measured at their acquisition-date fair value, unless another measurement basis is required by IFRSs.

IE44E The non-controlling interests that relate to TC's preference shares do not qualify for the measurement choice in paragraph 19 of IFRS 3 because they do not entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. The acquirer measures the preference shares at their acquisition-date fair value of CU120 (100 preference shares x CU1.2).

First variation

IE44F Suppose that upon liquidation of TC, the preference shares entitle their holders to receive a proportionate share of the assets available for distribution. The holders of the preference shares have equal right and ranking to the holders of ordinary shares in the event of liquidation. Assume that because of those rights the acquisition-date fair value of a preference share is now CU1.6. Assume also that the proportionate share of TC's recognised amounts of the identifiable net assets that is attributable to the preference shares is CU140.

IE44G The preference shares qualify for the measurement choice in paragraph 19 of IFRS 3. AC can choose to measure the preference shares either at their acquisition-date fair value of CU160 (CU1.6 x 100 preference shares) or at their proportionate share in the acquiree's recognised amounts of the identifiable net assets of CU140.

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Second variation

- IE44H Suppose also that TC has issued share options as remuneration to its employees. The share options are classified as equity and are vested at the acquisition date. The market-based measure of the share options in accordance with IFRS 2 *Share-based Payment* at the acquisition date is CU200. The share options do not expire on the acquisition date and AC does not replace them.
- IE44I Paragraph 19 of IFRS 3 requires share options that do not represent present ownership interest and do not entitle their holders to a proportionate share of TC's net assets in the event of liquidation to be measured at their acquisition-date fair value, unless another measurement basis is required by IFRSs. Paragraph 30 of IFRS 3 states that the acquirer shall measure an equity instrument related to share-based payment transactions of the acquiree in accordance with the method in IFRS 2.
- IE44J The acquirer measures the non-controlling interests that are related to the share options at their market-based measure of CU200.

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Amendments to IFRS 7 *Financial Instruments: Disclosures*

Paragraph 32A is added. Paragraphs 34 and 36–38 are amended (new text is underlined and deleted text is struck through). Paragraph 44K is added.

- 32A Providing qualitative disclosures in the context of quantitative disclosures enables users to link related disclosures and hence form an overall picture of the nature and extent of risks arising from financial instruments. The interaction between qualitative and quantitative disclosures contributes to disclosure of information in a way that better enables users to evaluate an entity's exposure to risks.

Quantitative disclosures

- 34 For each type of risk arising from financial instruments, an entity shall disclose:
- (a) summary quantitative data about its exposure to that risk at the end of the reporting period. This disclosure shall be based on the information provided internally to key management personnel of the entity (as defined in IAS 24 *Related Party Disclosures*), for example the entity's board of directors or chief executive officer.
 - (b) the disclosures required by paragraphs 36–42, to the extent not provided in accordance with (a); ~~unless the risk is not material (see paragraphs 29–31 of IAS 1 for a discussion of materiality).~~
 - (c) concentrations of risk if not apparent from the disclosures made in accordance with (a) and (b).

Credit risk

- 36 An entity shall disclose by class of financial instrument:
- (a) the amount that best represents its maximum exposure to credit risk at the end of the reporting period without taking account of any collateral held or other credit enhancements (eg netting agreements that do not qualify for offset in accordance with IAS 32); this disclosure is not required for financial instruments whose carrying amount best represents the maximum exposure to credit risk;
 - (b) ~~in respect of the amount disclosed in (a),~~ a description of collateral held as security and of other credit enhancements, and their financial effect (eg a quantification of the extent to which collateral and other credit enhancements mitigate credit risk) in respect of the amount that best represents the maximum exposure to credit risk (whether disclosed in accordance with (a) or represented by the carrying amount of a financial instrument);
 - (c) information about the credit quality of financial assets that are neither *past due* nor impaired; ~~and~~
 - (d) ~~[deleted] the carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated.~~
- 37 An entity shall disclose by class of financial asset:
- (a) an analysis of the age of financial assets that are past due as at the end of the reporting period but not impaired; and
 - (b) an analysis of financial assets that are individually determined to be impaired as at the end of the reporting period, including the factors the entity considered in determining that they are impaired; ~~and~~
 - (c) ~~[deleted] for the amounts disclosed in (a) and (b), a description of collateral held by the entity as security and other credit enhancements and, unless impracticable, an estimate of their fair value.~~

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Collateral and other credit enhancements obtained

- 38 When an entity obtains financial or non-financial assets during the period by taking possession of collateral it holds as security or calling on other credit enhancements (eg guarantees), and such assets meet the recognition criteria in other Standards, an entity shall disclose for such assets held at the reporting date:
- (a) the nature and carrying amount of the assets ~~obtained~~; and
 - (b) when the assets are not readily convertible into cash, its policies for disposing of such assets or for using them in its operations.

Effective date and transition

- 44K *Improvements to IFRSs* issued in April 2010 added paragraph 32A and amended paragraphs 34 and 36–38. An entity shall apply those amendments for annual periods beginning on or after 1 January 2011. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact.

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Amendment to Basis for Conclusions on IFRS 7

Financial Instruments: Disclosures

In the Basis for Conclusions on IFRS 7, after paragraph BC42, a heading and paragraph BC42A are added. Paragraphs BC47A and BC49A are added. After paragraph BC54, a heading and paragraph BC54A are added. Paragraphs BC55A and BC56A are added.

Interaction between qualitative and quantitative disclosures (paragraph 32A)

- BC42A In *Improvements to IFRSs* issued in April 2010, the Board addressed a perceived lack of clarity in the intended interaction between the qualitative and quantitative disclosures of the nature and extent of risks arising from financial instruments. The Board emphasised the interaction between qualitative and quantitative disclosures about the nature and extent of risks arising from financial instruments. This enables users to link related disclosures and hence form an overall picture of the nature and extent of risks arising from financial instruments. The Board concluded that an explicit emphasis on the interaction between qualitative and quantitative disclosures will contribute to disclosure of information in a way that better enables users to evaluate an entity's exposure.
- BC47A In *Improvements to IFRSs* issued in April 2010, the Board removed the reference to materiality from paragraph 34(b) of IFRS 7. The Board noted that the reference could imply that disclosures in IFRS 7 are required even if those disclosures are not material, which was not the Board's intention.

Credit risk (paragraphs 36–38, B9 and B10)

Maximum exposure to credit risk (paragraphs 36(a), B9 and B10)

- BC49A In *Improvements to IFRSs* issued in April 2010, the Board enhanced consistency within IFRS 7 by clarifying that the disclosure requirement in paragraph 36(a) applies only to financial assets whose carrying amounts do not show the reporting entity's maximum exposure to credit risk. Such an approach is consistent with the approach taken in paragraph 29(a), which states that disclosure of fair value is not required when the carrying amount is a reasonable approximation of fair value. Moreover, the Board concluded that the requirement might be duplicative for assets that are presented in the statement of financial position because the carrying amount of these assets often represents the maximum exposure to credit risk. In the Board's view, the disclosure requirement should focus on the entity's exposure to credit risk that is not already reflected in the statement of financial position.

Financial assets with renegotiated terms (paragraph 36(d))

- BC54A In *Improvements to IFRSs* issued in April 2010, the Board addressed a practical concern relating to the disclosure requirements for renegotiated financial assets. The Board deleted the requirement in paragraph 36(d) to disclose the carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated. The Board considered the difficulty in identifying financial assets whose terms have been renegotiated to avoid becoming past due or impaired (rather than for other commercial reasons). The Board noted that the original requirement was unclear about whether the requirement applies only to financial assets that were renegotiated in the current reporting period or whether past negotiations of those assets should be considered. Moreover, the Board was informed that commercial terms of loans are often renegotiated regularly for reasons that are not related to impairment. In practice it is difficult, especially for a large portfolio of loans, to ascertain which loans were renegotiated to avoid becoming past due or impaired.

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Financial assets that are either past due or impaired (paragraph 37)

- BC55A In *Improvements to IFRSs* issued in April 2010, the Board addressed a concern that the disclosure of the fair value of collateral was potentially misleading. The Board considered the usefulness of disclosure of the fair value of collateral and other credit enhancements required in paragraph 37(c). The Board considered that within a class of assets some might be over-collateralised while others might be under-collateralised. Hence, aggregate disclosure of the fair value might be misleading. Therefore, the Board removed from paragraph 37(c) the requirement to disclose the fair value of collateral and other credit enhancements. However, the Board believes that information on the financial effect of such assets is useful to users. Hence, the Board included in paragraph 36(b) a requirement to disclose a description of collateral held as security and of other credit enhancements and to disclose their financial effect.

Collateral and other credit enhancements obtained (paragraph 38)

- BC56A In *Improvements to IFRSs* issued in April 2010, the Board enhanced consistency within IFRS 7 by clarifying that paragraph 38 requires entities to disclose the amount of foreclosed collateral held at the reporting date. This is consistent with the objective in IFRS 7 to disclose information that enables users to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the end of the reporting period.

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Amendment to Implementation Guidance on IFRS 7 *Financial Instruments: Disclosures*

A heading and paragraphs IG3 and IG4 are deleted (new text is underlined and deleted text is struck through).

Introduction

Materiality

~~IG3–IG4~~ ~~[Deleted] IAS 1 *Presentation of Financial Statements* notes that a specific disclosure requirement in an IFRS need not be satisfied if the information is not material. IAS 1 defines materiality as follows:~~

~~Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.~~

~~IG4~~ ~~IAS 1 also explains that definition as follows:~~

~~Assessing whether an omission or misstatement could influence economic decisions of users, and so be material, requires consideration of the characteristics of those users. The *Framework for the Preparation and Presentation of Financial Statements* states in paragraph 25 that ‘users are assumed to have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information with reasonable diligence.’ Therefore, the assessment needs to take into account how users with such attributes could reasonably be expected to be influenced in making economic decisions.~~

Amendment to IAS 1 *Presentation of Financial Statements*

Paragraphs 106 and 107 are amended (new text is underlined and deleted text is struck through). Headings before and after paragraph 106 and paragraphs 106A and 139D are added.

Structure and content

Statement of changes in equity

Information to be presented in the statement of changes in equity

106 An entity shall present a statement of changes in equity as required by paragraph 10. The statement of changes in equity includes the following information showing in the statement:

- (a) total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to non-controlling interests;
- (b) for each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with IAS 8; and
- (c) [deleted]
- (d) for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from:
 - (i) profit or loss;
 - (ii) ~~each item of~~ other comprehensive income; and
 - (iii) transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control.

Information to be presented in the statement of changes in equity or in the notes

106A For each component of equity an entity shall present, either in the statement of changes in equity or in the notes, an analysis of other comprehensive income by item (see paragraph 106(d)(ii)).

107 An entity shall present, either in the statement of changes in equity or in the notes, the amounts of dividends recognised as distributions to owners during the period, and the related amount of dividends per share.

Transition and effective date

139D Paragraphs 106 and 107 were amended and paragraph 106A was added by *Improvements to IFRSs* issued in April 2010. An entity shall apply that amendment for annual periods beginning on or after 1 January 2011. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact.

Amendment to Basis for Conclusions on IAS 1 *Presentation of Financial Statements*

In the Basis for Conclusions on IAS 1, after paragraph BC74 a heading and paragraph BC74A are added.

Statement of changes in equity

Reconciliation for each component of other comprehensive income (paragraphs 106(d)(ii) and 106A)

- BC74A In *Improvements to IFRSs* issued in April 2010, the Board addressed an unclear requirement concerning the presentation of other comprehensive income in the statement of changes in equity. Paragraph 106(d) requires a reconciliation between the carrying amount (beginning and ending balances) for each component of equity. The Board confirmed its intention to allow flexibility of display of the reconciliation requirements for items of other comprehensive income. Therefore, the Board clarified that entities are permitted to present the analysis of other comprehensive income that is part of the reconciliation either in the statement of changes in equity or in the notes to the financial statements.

Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*^{*}

Paragraphs 10, 14 and 29 are amended (new text is underlined and deleted text is struck through). A footnote is added to paragraph 10. Paragraph 54A is added.

Accounting policies

Selection and application of accounting policies

- 10 In the absence of an IFRS that specifically applies to a transaction, other event or condition, management shall use its judgement in developing and applying an accounting policy that results in financial information that is useful to existing and potential equity investors, lenders and other creditors in making decisions. To be useful, information must:
- (a) be relevant to the economic decision-making needs of users; and
 - (b) faithfully represent the transaction, other event or condition. Faithful representation of an economic phenomenon is attained when the depiction is complete, neutral and free from error[†], reliable, in that the financial statements:
 - (i) ~~represent faithfully the financial position, financial performance and cash flows of the entity;~~
 - (ii) ~~reflect the economic substance of transactions, other events and conditions, and not merely the legal form;~~
 - (iii) ~~are neutral, ie free from bias;~~
 - (iv) ~~are prudent; and~~
 - (v) ~~are complete in all material respects.~~

Changes in accounting policies

- 14 An entity shall change an accounting policy only if the change:
- (a) is required by an IFRS; or
 - (b) results in the financial statements providing ~~reliable and~~ more relevant information ~~about that faithfully represents~~ the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows.

Disclosure

- 29 When a voluntary change in accounting policy has an effect on the current period or any prior period, would have an effect on that period except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods, an entity shall disclose:
- (a) the nature of the change in accounting policy;
 - (b) the reasons why applying the new accounting policy provides ~~reliable and~~ more relevant information that faithfully represents the effects of the transactions, other events or conditions on the entity's financial position, financial performance or cash flows;
 - (c) ...

^{*} Subject to the publication of the relevant chapters of the forthcoming conceptual framework

[†] In April 2010 the Board amended the terminology in this paragraph to be consistent with the terminology used in the chapters on Objective and Qualitative Characteristics of the *Framework* issued in 2010.

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Effective date and transition

- 54A *Improvements to IFRSs* issued in April 2010 amended paragraphs 10, 14 and 29 and added a footnote to paragraph 10. An entity shall apply the amendment for annual periods beginning on or after 1 January 2011. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact.

Amendment to Basis for Conclusions on IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

| |
|---|
| In the Basis for Conclusions on IAS 8, after paragraph BC33 a heading and paragraph BC34 are added. |
|---|

Change in terminology to the qualitative characteristics

- BC34 In *Improvements to IFRSs* issued in April 2010, the Board considered the effect of changes in terminology introduced in the revised conceptual framework on the terminology used within IAS 8. The Board and the US Financial Accounting Standards Board are jointly developing a new conceptual framework on financial reporting. As part of that project, the boards adopted in April 2010 new terminology for some of the qualitative characteristics of financial reporting. IAS 8 provides guidance to preparers of financial reports in developing and applying accounting policies when there are no specifically applicable IFRSs. That guidance is based on the qualitative characteristics in the *Framework*. Because this guidance is essential to the application of IAS 8, the Board decided, in *Improvements to IFRSs* issued in April 2010, that the paragraphs that refer to the qualitative characteristics should be updated to use the new terminology.

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Transition requirements for amendments arising as a result of IAS 27 *Consolidated and Separate Financial Statements*

Amendments to IFRSs

IAS 21 *The Effects of Foreign Exchange Rates*

Paragraph 60B is amended (new text is underlined) and paragraph 60D is added.

Effective date and transition

- 60B IAS 27 (as amended in 2008) added paragraphs 48A–48D and amended paragraph 49. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 July 2009. If an entity applies IAS 27 (amended 2008) for an earlier period, the amendments shall be applied for that earlier period.
- 60D Paragraph 60B was amended by *Improvements to IFRSs* issued in April 2010. An entity shall apply that amendment for annual periods beginning on or after 1 July 2010. Earlier application is permitted.

IAS 28 *Investments in Associates*

Paragraph 41B is amended (new text is underlined) and paragraph 41E is added.

Effective date and transition

- 41B IAS 27 (as amended in 2008) amended paragraphs 18, 19 and 35 and added paragraph 19A. An entity shall apply the amendment to paragraph 35 retrospectively and the ~~these~~ amendments to paragraphs 18 and 19 and paragraph 19A prospectively for annual periods beginning on or after 1 July 2009. If an entity applies IAS 27 (amended 2008) for an earlier period, the amendments shall be applied for that earlier period.
- 41E Paragraph 41B was amended by *Improvements to IFRSs* issued in April 2010. An entity shall apply that amendment for annual periods beginning on or after 1 July 2010. Earlier application is permitted. If an entity applies the amendment before 1 July 2010 it shall disclose that fact.

IAS 31 *Interests in Joint Ventures*

Paragraph 58A is amended (new text is underlined) and paragraph 58D is added.

Effective date and transition

- 58A IAS 27 (as amended in 2008) amended paragraphs 45 and 46 and added paragraphs 45A and 45B. An entity shall apply the amendment to paragraph 46 retrospectively and the ~~these~~ amendment to paragraph 45 and paragraphs 45A and 45B prospectively for annual periods beginning on or after 1 July 2009. If an entity applies IAS 27 (amended 2008) for an earlier period, the amendments shall be applied for that earlier period.
- 58D Paragraph 58A was amended by *Improvements to IFRSs* issued in April 2010. An entity shall apply that amendment for annual periods beginning on or after 1 July 2010. Earlier application is permitted. If an entity applies the amendment before 1 July 2010 it shall disclose that fact.

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Amendments to IAS 34 *Interim Financial Reporting*

In the rubric, 'paragraphs 1–48' is amended to 'paragraphs 1–49'. A heading and paragraph 15 are amended (new text is underlined and deleted text is struck through). Paragraphs 15A, 15B and 15C are added. Paragraphs 16–18 are deleted. A heading and paragraph 16A are added. Paragraph 49 is added. Paragraphs 15B and 16A were previously paragraph 17 and 16, respectively, and have been marked up solely to show changes from the pre-existing text.

Content of an interim financial report

Selected explanatory notes Significant events and transactions

- 15 ~~A user of an entity's interim financial report will also have access to the most recent annual financial report of that entity. It is unnecessary, therefore, for the notes to an interim financial report to provide relatively insignificant updates to the information that was already reported in the notes in the most recent annual report. At an interim date, An entity shall include in its interim report an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period is more useful. Information disclosed in relation to those events and transactions shall update the relevant information presented in the most recent annual report.~~
- 15A A user of an entity's interim financial report will have access to the most recent annual financial report of that entity. Therefore, it is unnecessary for the notes to an interim financial report to provide relatively insignificant updates to the information that was reported in the notes in the most recent annual report.
- 15B ~~Examples of the kinds of disclosures that are required by paragraph 16 are set out below. Individual IFRSs provide guidance regarding disclosures for many of these items. The following is not an exhaustive list of events and transactions for which disclosures would be required if they are significant:~~
- (a) the write-down of inventories to net realisable value and the reversal of such a write-down;
 - (b) recognition of a loss from the impairment of financial assets, property, plant and equipment, intangible assets, or other assets, and the reversal of such an impairment loss;
 - (c) the reversal of any provisions for the costs of restructuring;
 - (d) acquisitions and disposals of items of property, plant and equipment;
 - (e) commitments for the purchase of property, plant and equipment;
 - (f) litigation settlements;
 - (g) corrections of prior period errors;
 - (h) ~~[deleted]~~ changes in the business or economic circumstances that affect the fair value of the entity's financial assets and financial liabilities, whether those assets or liabilities are recognised at fair value or amortised cost;
 - (i) any loan default or breach of a loan agreement that has not been remedied on or before the end of the reporting period; ~~and~~
 - (j) related party transactions;
 - (k) transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments;
 - (l) changes in the classification of financial assets as a result of a change in the purpose or use of those assets; and
 - (m) changes in contingent liabilities or contingent assets.
- [contains text from pre-existing paragraph 17 marked up for amendments]
- 15C Individual IFRSs provide guidance regarding disclosure requirements for many of the items listed in paragraph 15B. When an event or transaction is significant to an understanding of the changes in an entity's financial position or performance since the last annual financial period, its interim financial report should provide an

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explanation of and an update to the relevant information included in the financial statements of the last annual financial period.

16-18 [Deleted]

Other disclosures

16A In addition to disclosing significant events and transactions in accordance with paragraphs 15–15C, A an entity shall include the following information, ~~as a minimum,~~ in the notes to its interim financial statements, ~~if material and if not disclosed elsewhere in the interim financial report. The information shall normally be reported on a financial year-to-date basis. However, the entity shall also disclose any events or transactions that are material necessary to an understanding of the current interim period:~~

- (a) a statement that the same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements or, if those policies or methods have been changed, a description of the nature and effect of the change. ~~;~~
- (b) explanatory comments about the seasonality or cyclicity of interim operations. ~~;~~
- (c) the nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidence. ~~;~~
- (d) the nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years, ~~if those changes have a material effect in the current interim period.;~~
- (e) issuances, repurchases and repayments of debt and equity securities. ~~;~~
- (f) dividends paid (aggregate or per share) separately for ordinary shares and other shares. ~~;~~
- (g) the following segment information (disclosure of segment information is required in an entity's interim financial report only if IFRS 8 *Operating Segments* requires that entity to disclose segment information in its annual financial statements):
 - (i) revenues from external customers, if included in the measure of segment profit or loss reviewed by the chief operating decision maker or otherwise regularly provided to the chief operating decision maker. ~~;~~
 - (ii) intersegment revenues, if included in the measure of segment profit or loss reviewed by the chief operating decision maker or otherwise regularly provided to the chief operating decision maker. ~~;~~
 - (iii) a measure of segment profit or loss. ~~;~~
 - (iv) total assets for which there has been a material change from the amount disclosed in the last annual financial statements. ~~;~~
 - (v) a description of differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss. ~~;~~
 - (vi) a reconciliation of the total of the reportable segments' measures of profit or loss to the entity's profit or loss before tax expense (tax income) and discontinued operations. However, if an entity allocates to reportable segments items such as tax expense (tax income), the entity may reconcile the total of the segments' measures of profit or loss to profit or loss after those items. Material reconciling items shall be separately identified and described in that reconciliation. ~~;~~
- (h) ~~material events subsequent to the end of~~ after the interim period that have not been reflected in the financial statements for the interim period. ~~;~~
- (i) the effect of changes in the composition of the entity during the interim period, including business combinations, obtaining or losing control of subsidiaries and long term investments, restructurings, and discontinued operations. In the case of business combinations, the entity shall disclose the information required by IFRS 3 *Business Combinations*. ~~;~~ and
- (j) ~~changes in contingent liabilities or contingent assets since the end of the last annual reporting period.~~

[contains text from pre-existing paragraph 16 marked up for amendments]

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Effective date and transition

- 49 Paragraph 15 was amended, paragraphs 15A–15C and 16A were added and paragraphs 16–18 were deleted by *Improvements to IFRSs* issued in April 2010. An entity shall apply the amendment for annual periods beginning on or after 1 January 2011. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact.

Addition of Basis for Conclusions on IAS 34 *Interim Financial Reporting*

A Basis for Conclusions on IAS 34 containing paragraphs BC1-BC4 is added.

Basis for Conclusions on IAS 34 *Interim Financial Reporting*

This Basis for Conclusions accompanies, but is not part of, IAS 34.

- BC1 This Basis for Conclusions summarises the International Accounting Standards Board's considerations in amending paragraphs 15-19 of IAS 34 *Interim Financial Reporting* as part of *Improvements to IFRSs* issued in April 2010. Those changes aim to emphasise the disclosures principles in IAS 34 and to add further guidance to illustrate how to apply these principles.
- BC2 IAS 34 was developed by the International Accounting Standards Committee (IASC) in 1998 and did not include a Basis for Conclusions.

Significant events and transactions

- BC3 In *Improvements to IFRSs* issued in April 2010, the Board addressed requests for clarification of the disclosures required by IAS 34 when considered against changes in the disclosure requirements of other IFRSs. IAS 34 was issued by the Board's predecessor body, IASC, in 1998. In the light of recent improvements to disclosure requirements, many users of financial statements asked the Board to consider whether particular disclosures required by IFRS 7 *Financial Instruments: Disclosures* for annual financial statements should also be required in interim financial statements. IAS 34 sets out disclosure principles to determine what information should be disclosed in an interim financial report. The Board concluded that amending IAS 34 to place greater emphasis on those principles and the inclusion of additional examples relating to more recent disclosure requirements, ie fair value measurements, would improve interim financial reporting.
- BC4 As part of *Improvements to IFRSs* issued in April 2010, the Board deleted paragraph 18 of IAS 34 because it repeats paragraph 10 of IAS 34 and to emphasise those disclosures that are required rather than those that are not required.

IASB Staff paper

Amendment to IFRIC 13 *Customer Loyalty Programmes*

Paragraph 10A is added.

Effective date and transition

- 10A Paragraph AG2 was amended by *Improvements to IFRSs* issued in April 2010. An entity shall apply that amendment for annual periods beginning on or after 1 January 2011. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact.

Amendment to Appendix of IFRIC 13 *Customer Loyalty Programmes*

In the Appendix, paragraph AG2 is amended (new text is underlined and deleted text is struck through).

- AG2 An entity may estimate the fair value of award credits by reference to the fair value of the awards for which they could be redeemed. The fair value of ~~these awards would be reduced to take~~ the award credits takes into account:

- (a) for example the amount of the discounts or incentives ~~fair value of awards~~ that would otherwise be offered to customers who have not earned award credits from an initial sale; and
- (b) the proportion of award credits that are not expected to be redeemed by customers.

If customers can choose from a range of different awards, the fair value of the award credits will reflect the fair values of the range of available awards, weighted in proportion to the frequency with which each award is expected to be selected.

IASB Staff paper

Amendment to Basis for Conclusions on IFRIC 13 *Customer Loyalty Programmes*

In the Basis for Conclusions on IFRIC 13, a heading is added after paragraph BC14 and paragraph BC14A is added.

Measuring the fair value of award credits

BC14A In *Improvements to IFRSs* issued in April 2010, the Board addressed unclear wording that could lead to divergent interpretations of the term ‘fair value’ in the application guidance for IFRIC 13. The Board was made aware that paragraph AG2 could be interpreted to mean that the fair value of redemption awards is equal to the fair value of award credits because the term ‘fair value’ is used to refer to both the value of the award credits and the value of the awards for which the credits could be redeemed. To address this, the Board amended paragraph AG2 and Example 1 in the illustrative examples. The amendment clarifies that when the fair value of award credits is measured on the basis of 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 as well as the discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale.

Amendment to illustrative examples accompanying IFRIC 13 *Customer Loyalty Programmes*

In the illustrative examples accompanying IFRIC 13, paragraph IE1 is amended (new text is underlined and deleted text is struck through).

Example 1 – Awards supplied by the entity

IE1 A grocery retailer operates a customer loyalty programme. It grants programme members loyalty points when they spend a specified amount on groceries. Programme members can redeem the points for further groceries. The points have no expiry date. In one period, the entity grants 100 points. Management estimates the fair value of groceries for which each loyalty point can be redeemed to be 1.25 currency units (CU1.25). This amount takes into account an estimate of the discount that management expects would otherwise be offered to customers who have not earned award credits from an initial sale. In addition, ~~m~~Management expects only 80 of these points to be redeemed. Therefore, the fair value of each point is CU1, being the value of each loyalty point granted of CU1.25 reduced to take into account points not expected to be redeemed ((80 points/100 points) × CU1.25 = CU1). Accordingly, ~~m~~Management estimates the fair value of each loyalty point to be one currency unit (CU1), and defers recognition of revenue of CU100.