STAFF PAPER

12–13 March 2013

IFRS Interpretations Committee Meeting

Previous IFRIC IC meeting: Nov 2012, Jan 2013

Project	**Annual Improvements to IFRSs 2010–2012 Cycle (ED/2012/1) comment letter analysis (part 3)**
Paper topic	Cover note

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Introduction

1. The IASB published its Exposure Draft (ED) *Annual Improvements to IFRSs 2010–2012 Cycle* (ED/2012/1) in May 2012. The comment period ended on 5 September 2012 and the IASB received 84 comment letters.

2. The ED proposed a total of 11 amendments to Standards. At its meetings in November 2012 and January 2013, the IFRS Interpretations Committee (the Interpretations Committee) deliberated the comments received on nine of the 11 proposed amendments:

   (a) IFRS 2 *Share-based Payment*—Definition of ‘vesting condition’;

   (b) IFRS 3 *Business Combinations*—Accounting for contingent consideration in a business combination;

   (c) IFRS 8 *Operating Segments*—Aggregation of operating segments;

   (d) IFRS 8 *Operating Segments*—Reconciliation of the total of the reportable segments’ assets to the entity’s assets;

   (e) IFRS 13 *Fair Value Measurement*—Short-term receivables and payables;

   (f) IAS 1 *Presentation of Financial Statements*—Current/non-current classification of liabilities;

(g) IAS 12 *Income Taxes*—Recognition of deferred tax assets for unrealised losses;

(h) IAS 16 *Property, Plant and Equipment*—Revaluation method—proportionate restatement of accumulated depreciation; and

(i) IAS 24 *Related Party Disclosures*—Key management personnel.

3. The Interpretations Committee completed the discussions on all of these issues, except for the proposed amendment to IFRS 3 (see paragraph 2(b) of this agenda paper).

4. At its January 2013 meeting, the Interpretations Committee noted that the proposed amendment would require that the fair value changes, which relate to own credit risk, to be recognised in other comprehensive income for financial liability contingent consideration. However, the Interpretations Committee questioned consistency of the proposed requirements for the subsequent measurement of non-financial liability contingent consideration; the proposed requirements would not require the same presentation of the own credit risk element for the change in fair measurement.

5. The Interpretations Committee therefore requested that the staff consider how the accounting for the subsequent change in the fair value of financial and non-financial liability contingent consideration could be made more consistent.

6. At this meeting, we present our analysis and recommendation on this matter and the comment letter analysis for the remaining proposed amendment in the ED, ie the proposed amendment to IAS 7 *Statement of Cash Flows*:

(a) Agenda Paper 9A: IFRS 3 *Business* Combinations—Accounting for contingent consideration in a business combination; and

(b) Agenda Paper 9C: IAS 7 *Statement of Cash Flows*—Interest paid that is capitalised.

7. The comments received on the proposed amendment to 'IAS 36 *Impairment of Assets*—Harmonisation of disclosures for value in use and fair value less costs of disposal' will not be discussed by the Interpretations Committee because the IASB tentatively decided at its meeting in December 2012 that this issue should

be incorporated into the project ‘Recoverable Amounts Disclosures for Non-Financial Assets’.