STAFF PAPER

June 2014

IASB Meeting

Project	**Annual Improvements project –2012-2014 Cycle**
Paper topic	Staff draft of proposed wording for final amendments–changes tracked from 2014 Bound Volume

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Introduction

1. This paper sets out a staff draft of the proposed wording for the finalisation of the annual improvements project issues for inclusion in the final *Annual Improvements to IFRSs 2012-2014 Cycle*. This wording reflects comments from the Interpretations Committee at its May 2014 meeting.

2. In this paper, changes are marked-up based on the text included in the (red) Bound Volume as of 1 January 2014. New text is underlined and deleted text is ~~struck through~~.

3. This paper is provided to assist the IASB with their discussions on staff papers 13 to 13E. [IASB members will be asked to give comments on the wording of the amendments in the balloting process.]

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Amendment to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*

Paragraphs 26–29 and their heading are amended and paragraphs 26A–26D and 44K are added. New text is underlined.

Changes to a plan of sale or to a plan of distribution

26 If an entity has classified an asset (or disposal group) as held for sale, but the criteria in paragraphs 7–9 are no longer met, the entity shall cease to classify the asset (or disposal group) as held for sale and shall follow the guidance in paragraphs 27–29 to account for this change except for the circumstances in which paragraph 26B applies.

26A If an entity has classified an asset (or a disposal group) as held for distribution in accordance with paragraph 12A, but the criteria in paragraph 12A are no longer met, the entity shall cease to classify the asset (or the disposal group) as held for distribution and shall follow the guidance in paragraphs 27–29 to account for this change except for the circumstances in which paragraph 26B applies.

26B If an entity reclassifies an asset (or a disposal group) directly from being held for sale to being held for distribution, or directly from being held for distribution to being held for sale, the entity shall not follow the guidance in paragraphs 27–29 to account for this change. The entity shall continue to apply the classification, presentation and measurement requirements in this IFRS applicable to a non-current asset (or disposal group) that is classified as held for sale or for a non-current asset (or disposal group) that is classified as held for distribution.

26C Accordingly, at the time of the change in the method of disposal the entity shall update the value of the non-current asset (or disposal group) by following the accounting requirements in paragraph 15 (for held for sale) or paragraph 15A (for held for distribution) and recognise any reduction or increase in the value of a non-current asset (or disposal group) by following the accounting requirements in paragraphs 16–25.

26D The reclassification of an asset (or disposal group) directly from being held for sale to being held for distribution (or vice versa) shall not change the date of classification in accordance with paragraphs 8 and 12A. The reclassification of an asset (or a disposal group) directly from being held for distribution to being held for sale (or vice versa) shall not be considered to be an event or circumstance that may extend the period to complete the sale in accordance with paragraph 9.

27 The entity shall measure a non-current asset that ceases to be classified as held for sale or as held for distribution (or ceases to be included in a disposal group classified as held for sale or as held for distribution) at the lower of:

(a) its carrying amount before the asset (or disposal group) was classified as held for sale or as held for distribution, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset (or disposal group) not been classified as held for sale or as held for distribution, and

(b) its recoverable amount at the date of the subsequent decision not to sell or distribute.

28 The entity shall include any required adjustment to the carrying amount of a non-current asset that ceases to be classified as held for sale or as held for distribution in profit or loss[1] from continuing operations in the period in which the criteria in paragraphs 7–9 or 12A, respectively, are no longer met. Financial statements for the periods since classification as held for sale or as held for distribution shall be amended accordingly if the disposal group or non-current asset that ceases to be classified as held

1 Unless the asset is property, plant and equipment or an intangible asset that had been revalued in accordance with IAS 16 or IAS 38 before classification as held for sale, in which case the adjustment shall be treated as a revaluation increase or decrease.

for sale or as held for distribution is a subsidiary, joint operation, joint venture, associate, or a portion of an interest in a joint venture or an associate. The entity shall present that adjustment in the same caption in the statement of comprehensive income used to present a gain or loss, if any, recognised in accordance with paragraph 37.

29 If an entity removes an individual asset or liability from a disposal group classified as held for sale, the remaining assets and liabilities of the disposal group to be sold shall continue to be measured as a group only if the group meets the criteria in paragraphs 7–9. If an entity removes an individual asset or liability from a disposal group classified as held for distribution, the remaining assets and liabilities of the disposal group to be distributed shall continue to be measured as a group only if the group meets the criteria in paragraph 12A. Otherwise, the remaining non-current assets of the group that individually meet the criteria to be classified as held for sale (or as held for distribution) shall be measured individually at the lower of their carrying amounts and fair values less costs to sell (or costs to distribute) at that date. Any non-current assets that do not meet the criteria for held for sale shall cease to be classified as held for sale in accordance with paragraph 26. Any non-current assets that do not meet the criteria for held for distribution shall cease to be classified as held for distribution in accordance with paragraph 26A.

…

Effective date

…

44K *Annual Improvements to IFRSs 2012–2014 Cycle*, issued in [date], amended paragraphs 26–29 and added paragraphs 26A–26D. An entity shall apply those amendments prospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to changes in a method of disposal that occur in annual periods beginning on or after 1 January 2016. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact.

Basis for Conclusions on the amendment to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*

This Basis for Conclusions accompanies, but is not part of, the amendments.

Paragraphs BC72B–BC72M and their heading are added.

Changes to a plan of sale or to a plan of distribution

BC72B The IASB received a request to clarify the accounting for a change in a disposal plan from a plan to sell to a plan to distribute a dividend in kind to its shareholders. Paragraph 26 of IFRS 5 was interpreted by some but not all as requiring this change to be considered as a change to a plan of sale that would be accounted for in accordance with paragraphs 27–29 of IFRS 5.

BC72C In analysing this issue the IASB observed that there was no specific guidance in IFRS 5 for the discontinuation of held-for-distribution accounting, when an entity determines that the asset (or disposal group) is no longer available for immediate distribution or that the distribution is no longer *highly probable*, in accordance with paragraph 12A of IFRS 5.

BC72D The IASB observed that IFRIC 17 *Distribution of Non-cash Assets to Owners* amended IFRS 5 by adding paragraphs 5A, 12A and 15A to provide guidance for held-for-distribution classification. However, this amendment did not provide guidance for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution (or vice versa), or when held-for-distribution accounting is discontinued. The IASB noted that paragraphs 27–29 of IFRS 5 should have been considered for amendment by IFRIC 17 and the fact that they were not amended at the time was an oversight.

BC72E The IASB observed that the current guidance in IFRS 5 could be read in a way that a change from a plan to sell a non-current asset (or disposal group) to a plan to distribute a non-current asset (or disposal group) automatically results in a change to a plan of sale and that the measurement guidance in paragraphs 27–29 of IFRS 5 should be applied.

BC72F The IASB observed that, on the basis of paragraph 5A of IFRS 5 and paragraph BC60 of IFRIC 17, it is the intention of the IASB to have consistent criteria and accounting requirements for an asset (or a disposal group) classified as held for sale and for an asset (or a disposal group) classified as held for distribution. In addition:

(a) the conditions required by paragraph 8 of IFRS 5 for a sale to be considered highly probable are similar to the conditions required by paragraph 12A of IFRS 5 for a distribution to be considered highly probable, so they should be accounted for in the same way; and

(b) paragraph 5A of IFRS 5 confirms that the classification, presentation and measurement requirements in IFRS 5 that are applicable for an asset (or disposal group) that is classified as held for sale also apply to an asset (or disposal group) that is classified as held for distribution.

BC72G The IASB noted that, based on the current guidance in paragraphs 5A, 8 and paragraph 12A of IFRS 5 and the explanations in the Basis for Conclusions in IFRIC 17, the change from held for sale to held for distribution (or vice versa) when an entity reclassifies an asset (or disposal group) directly from one method of disposal to the other should not be considered a new classification, but should instead lead to the continuation of the classification, presentation and measurement requirements required for each type of disposal in IFRS 5.

BC72H Consequently, when an entity reclassifies an asset (or disposal group) directly from held for sale to held for distribution (or vice versa), the IASB decided to clarify that such a reclassification shall not be treated as a change to a plan of sale (or distribution) and an entity shall not follow the guidance in paragraphs 27–29 of IFRS 5 to account for this change.

BC72I In response to the comments received on the Exposure Draft *Annual Improvements to IFRSs 2012–2014 Cycle* published in December 2013 (the 'ED'), the IASB noted that the notion of 'direct reclassification' in paragraph 26B means that an entity moves from one method of disposal to the other without any time lag, so that there is no interruption on the application of the requirements in IFRS 5.

BC72J In response to the comments received on the ED, the IASB clarified that at the time of the change in disposal an entity would need to update the value of the non-current asset (or disposal group) in accordance with paragraphs 15 or 15A of IFRS 5, and recognise any write down in value (impairment loss) or subsequent reversal shall be recognised in accordance with paragraphs 20–25 of IFRS 5.

BC72K In response to the comments received on the ED, the IASB further clarified that a change from held for sale to held for distribution (or vice versa) does not change the requirements in IFRS 5 to determine whether a sale (or a distribution) is 'highly probable', in accordance with paragraph 8 (and 12A) of IFRS 5. Consequently, the determination of the twelve month period should not restart when such change in method of disposal occurs, but should instead continue to be the same as initially determined by management in its assessment of whether the sale and/or distribution is 'highly probable'. The IASB also clarified that a change in a disposal method should not be considered an event or circumstance that may extend the period to complete a sale in accordance with paragraph 9 (and the guidance in Appendix B) of IFRS 5 or to complete a distribution.

BC72L To address the lack of guidance in circumstances in which an entity no longer meets the criteria for held for distribution (without meeting the held-for-sale criteria), the IASB decided to clarify that an entity should cease held-for-distribution accounting in the same way as it ceases to apply the held-for-sale accounting when ceasing to meet the held-for-sale criteria.

BC72M In response to the comments received in the ED the IASB further observed that the amendments to IFRS 5 are required to be applied on a prospective basis to changes in the method of disposal that occur after the first application of the amendments. This is because this requirement is in line with the transition requirements provided by IFRIC 17 when it amended IFRS 5 (see paragraph 44D of IFRS 5). Prospective application is required to avoid the potential use of hindsight in connection with the judgement required.

Amendment to IFRS 7 *Financial Instruments: Disclosure*

Paragraphs 44R and B30 are amended and paragraphs 44Z and B30A are added. New text is underlined and deleted text is struck through.

Effective date and transition

…

44R *Disclosures—Offsetting Financial Assets and Financial Liabilities* (Amendments to IFRS 7), issued in December 2011, added paragraphs IN9, 13A–13F and B40–B53. An entity shall apply those amendments for annual periods beginning on or after 1 January 2013 ~~and interim periods within those annual periods~~. An entity shall provide the disclosures required by those amendments retrospectively.

…

44Z *Annual Improvements to IFRSs 2012–2014 Cycle*, issued in [date], amended paragraphs 44R and B30 and added paragraph B30A. An entity shall apply the amendment retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Error*s for annual periods beginning on or after 1 January 2016. However, an entity need not apply the amendment of paragraph B30 and the addition of paragraph B30A for any period presented that begins before the annual period for which the entity first applies those amendments. Earlier application is permitted. If an entity applies that amendment for an earlier period it shall disclose that fact.

…

Continuing involvement (paragraph 42C)

…

B30 An entity does not have a continuing involvement in a transferred financial asset if, as part of the transfer, it neither retains any of the contractual rights or obligations inherent in the transferred financial asset nor acquires any new contractual rights or obligations relating to the transferred financial asset. An entity does not have continuing involvement in a transferred financial asset if it has neither an interest in the future performance of the transferred financial asset nor a responsibility under any circumstances to make payments in respect of the transferred financial asset in the future. The term ‘payment’ in this context does not include cash flows of the transferred financial asset that an entity collects and is required to remit to the transferee.

B30A When an entity transfers a financial asset the entity may retain the right to service that financial asset for a fee that is included in, for example, a servicing contract. The entity must assess the servicing contract in accordance with the guidance in paragraphs 42C and B30 to decide whether the entity has continuing involvement as a result of the servicing contract for the purposes of the disclosure requirements. For example, a servicer will have continuing involvement in the transferred financial asset for the purposes of the disclosure requirements if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset. Similarly, a fixed fee that is not paid in full because of non-performance of the transferred financial asset will also lead to the conclusion that the servicer has continuing involvement for the purposes of the disclosure requirements. In these examples, the servicer has an interest in the future performance of the transferred financial asset. This assessment is independent of whether the fee to be received is expected to compensate the entity adequately for performing the servicing.

Consequential amendment to IFRS 1 *First-Time Adoption of International Financial Reporting Standards*

Paragraph 39V is added.

Effective date

…

39V *Annual Improvements to IFRSs 2012–2014 Cycle*, issued in [date], added paragraph E4A. An entity shall apply that amendment for annual periods beginning on or after 1 January 2016. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact.

In Appendix E, paragraph E4A and a footnote are added.

Disclosures about financial instruments

…

E4A A first-time adopter may apply the transition provisions in paragraph 44Z of IFRS 7.*

* Paragraph E4A was added as a consequence of *Annual Improvements to IFRSs 2012–2014 Cycle* issued in [date]. To avoid the potential use of hindsight and to ensure that first-time adopters are not disadvantaged as compared with current IFRS preparers, the IASB decided that first-time adopters should be permitted to use the same transition provisions permitted for existing preparers of financial statements prepared in accordance with IFRSs that are included in *Annual Improvements to IFRSs 2012–2014 Cycle*.

Basis for Conclusions on the amendment to IFRS 7 *Financial Instruments: Disclosure*

This Basis for Conclusions accompanies, but is not part of, the proposed amendments.

Paragraphs BC65O–BC65S and BC72A-BC72C and their headings are added.

Application of the transfer disclosure requirements to a servicing contract

Transferred financial assets that are derecognised in their entirety

…

Application of the disclosure requirements to a servicing contract

BC65O Paragraphs 42A–42H to IFRS 7 require an entity to provide disclosures for all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset, existing at the reporting date, irrespective of when the related transfer transaction occurred

BC65P The IASB received a request to clarify whether servicing contracts constitute continuing involvement for the purposes of applying the disclosure requirements in paragraphs 42E–42H of IFRS 7. More specifically, the question was raised as to whether paragraph 42C(c) excludes servicing contracts from the scope of those disclosure requirements.

BC65Q The IASB observed that paragraph 42C(c) discusses arrangements whereby an entity retains the contractual rights to receive the cash flows of a financial asset but assumes a contractual obligation to pay the cash flows to one or more entities; ie a 'pass-through arrangement'. Paragraph 42C(c) confirms that the cash flows collected to be passed through are not themselves continuing involvement for the purposes of the transfer disclosure requirements. Consequently, the IASB observed that the servicer's obligation to pass through to one or more entities the cash flows that it collects from the transferred financial asset is not in itself continuing involvement for the purposes of the disclosure requirements, because the activity of passing through cash flows does not in itself constitute an interest in the future performance of the transferred financial asset. The IASB observed, however, that a servicing contract is generally continuing involvement for the purposes of the transfer disclosure requirements because, in most cases, the servicer has an interest in the future performance of the transferred financial assets as a result of that contract. That would be the case if the amount and/or timing of the servicing fee depend on the amount and/or timing of the cash flows collected from the transferred financial asset. This would be true irrespective of how the servicer receives its servicing fee; ie whether the servicer retains a portion of the cash flows collected from the transferred financial asset as its fee or it passes through all of the cash flows collected and receives its fee separately from the transferee or another entity.

BC65R On the basis of these observations, the IASB noted that paragraphs 42C and B30 need to be considered to determine whether a servicing contract is continuing involvement for the purposes of the transfer disclosure requirements. The IASB decided to add additional guidance to the Application Guidance of IFRS 7 to make clear how the guidance in paragraph 42C is applied to servicing contracts.

BC65S During its discussions on this issue, the IASB noted that for the purposes of applying the disclosure requirements in paragraphs 42E-42H of IFRS 7, continuing involvement as described in paragraph 42C of IFRS 7 has a different meaning from that used in paragraphs 3.2.6(c)(ii) and 3.2.16 of IFRS 9. The IASB considered, but decided against, making a clarification in respect of this point because it thought that this difference was already clear from the description of continuing involvement in the two Standards.

Effective date and transition (paragraphs 43 and 44)

…

BC72A *Annual Improvements to IFRSs 2012-2014 Cycle*, issue in [date], amended paragraph B30 and added paragraph B30A. The IASB considered whether the amendment should apply to any period presented that begins before the annual period for which the entity first applies the amendment. The IASB noted that paragraph 42E(b) of IFRS 7 requires disclosure of the fair value of the assets and liabilities that represent the entity's continuing involvement in the derecognised financial assets. Application of the amendment to such a period might therefore require an entity to determine the fair value as at the end of the period for a servicing asset or servicing liability, which the entity might not have previously determined. It might be impracticable for an entity to determine the fair value of such a servicing asset or servicing liability without using hindsight. The IASB also noted that paragraph 44M provides transition relief by which the entity need not apply the transfer disclosure requirements to comparative periods. Consequently, to avoid the risk of hindsight being applied, the IASB decided to require the application of the amendment only to annual periods beginning on or after the beginning of the annual period for which the amendment is applied for the first time. Furthermore, for the same reason, the IASB observed that those transition provisions should be available to first-time adopters. Accordingly, the IASB decided to amend IFRS 1 *First-Time Adoption of International Financial Reporting*

Standards to ensure that first-time adopters are not disadvantaged as compared with current IFRS preparers.

Applicability of the amendments to IFRS 7 to condensed interim financial statements

BC72B The IASB was asked to clarify the applicability of the amendments to IFRS 7 *Disclosure–Offsetting Financial Assets and Financial Liabilities* issued in December 2011 ('Amendments to IFRS 7') to condensed interim financial statements. In particular, it was asked to clarify the meaning of "interim periods within those annual periods", as used in paragraph 44R of IFRS 7. There was uncertainty about whether the disclosures required by paragraphs 13A–13F and B40–B53 of IFRS 7 should be included in condensed interim financial statements prepared in accordance with IFRS and, if so, whether those disclosures should be presented in every set of condensed interim financial statements, or only in those interim financial statements presented in the first year in which the disclosure requirements are effective or for which disclosure would be required under the principles in IAS 34 *Interim Financial Reporting*.

BC72C The IASB noted that IAS 34 was not consequentially amended upon issue of the Amendments to IFRS 7 and that when the IASB wants to explicitly require an entity to provide a disclosure in condensed interim financial statements in all circumstances it amends IAS 34. Consequently, the IASB decided to amend paragraph 44R of IFRS 7 in order to clarify that the additional disclosure required by the Amendments to IFRS 7 is not specifically required for all interim periods. However, when considering this amendment, the IASB noted that the additional disclosure is required to be given in condensed interim financial statements prepared in accordance with IAS 34 when its inclusion would be required in accordance with the requirements of IAS 34. IAS 34 requires the disclosure of information in condensed interim financial statements when its omission would make the condensed interim financial statements misleading. The IASB noted that an interim financial report should include an explanation of events and transactions that are significant for understanding the changes in financial position and performance of the entity since the end of the last annual reporting period.

Amendment to IAS 19 *Employee Benefits*

Paragraph 83 is amended and paragraph 175 is added. New text is underlined and deleted text is struck through.

Actuarial assumptions: discount rate

83 **The rate used to discount post-employment benefit obligations (both funded and unfunded) shall be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. In ~~countries~~ <u>currencies</u> ~~where~~ <u>for which</u> there is no deep market in such high quality corporate bonds, the market yields (at the end of the reporting period) on government bonds <u>denominated in that currency</u> shall be used. The currency and term of the corporate bonds or government bonds shall be consistent with the currency and estimated term of the post-employment benefit obligations.**

…

Transition and effective date

…

<u>176</u> <u>*Annual Improvements to IFRSs 2012–2014 Cycle*, issued in [date], amended paragraph 83. An entity shall apply that amendment from the beginning of the earliest comparative period presented in the first financial statements in which the entity applies the amendment, with any cumulative catch-up adjustment recognised in opening retained earnings. The mandatory effective date of the amendment is 1 January 2016. Earlier application is permitted. If an entity applies that amendment for an earlier period it shall disclose that fact.</u>

Basis for Conclusions on the amendment to IAS 19 *Employee Benefits*

This Basis for Conclusions accompanies, but is not part of, the proposed amendments.

The footnotes to paragraphs BC143(b) and BC150(a) are amended. Deleted text is struck through and new text is underlined.

Defined Benefit Plans: Employee Contributions, issued in November 2013, clarified the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service. See paragraphs <u>BC150D–BC150M</u> ~~BC150A–BC150K~~.

Paragraphs BC150A–BC150K are renumbered to paragraphs BC150D–BC150M. After paragraph BC150 a heading and paragraphs BC150A–BC150C are added. Paragraph BC271C and its related heading are also added. New text is underlined.

<u>Actuarial assumptions—discount rate: regional market issue</u>

<u>BC150A</u> <u>The IASB was asked to clarify the requirements of IAS 19 *Employee Benefits* to determine the discount rate in a regional market sharing the same currency (for example, the Eurozone). The issue</u>

arose because some think that the basket of high quality corporate bonds should be determined at a country level, and not at a currency level, because paragraph 83 of IAS 19 states that in countries in which there is no deep market in such bonds, the market yields at the end of the reporting period on government bonds shall be used.

BC150B The IASB noted that paragraph 83 of IAS 19 states that the currency and term of the corporate bonds or government bonds shall be consistent with the currency and estimated term of the post-employment benefit obligations.

BC150C The IASB decided to amend paragraph 83 of IAS 19 through the Annual Improvements process in order to clarify that the depth of the market for high quality corporate bonds should be assessed at a currency level.

…

Transition

Annual Improvements to IFRSs 2012–2014 Cycle

BC271C *Annual Improvements to IFRSs 2012–2014 Cycle*, issued in [date], amended paragraph 83. It considered the provisions for transition and the effective date of the amendment. The IASB noted that for some entities a full retrospective application of the amendment can be burdensome. Consequently, it decided that the amendment should be applied from the beginning of the earliest comparative period presented in the first financial statements in which an entity applies the amendment, with any cumulative catch-up adjustment recognised in opening retained earnings.

Amendment to IAS 34 *Interim Financial Reporting*

Paragraph 16A is amended and paragraph 55 is added. Deleted text is struck through and new text is underlined.

Other disclosures

16A **In addition to disclosing significant events and transactions in accordance with paragraphs 15–15C, an entity shall include the following information, in the notes to its interim financial statements~~, if not disclosed~~ or elsewhere in the interim financial report. The following disclosures shall be given either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other statement (such as management commentary or risk report), that is available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the information incorporated by cross-reference, the interim financial report is incomplete. The information shall normally be reported on a financial year-to-date basis.**

(a) …

Effective date

...

55 *Annual Improvements to IFRSs 2012–2014 Cycle*, issued in [date], amended paragraph 16A. An entity shall apply those amendments retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* for annual periods beginning on or after 1 January 2016. Earlier application is permitted. If an entity applies those amendments for an earlier period it shall disclose that fact.

Basis for Conclusions on the proposed amendment to IAS 34 *Interim Financial Reporting*

This Basis for Conclusions accompanies, but is not part of, the proposed amendments.

Paragraphs BC7–BC11 and their heading are added.

Other disclosures incorporated by cross-reference to other information outside the interim financial statements

BC7 The IASB received a request to clarify the meaning of disclosure of information 'elsewhere in the interim financial report' as defined in IAS 34 *Interim Financial Reporting*. The submitter noted that the definition of 'interim financial report' in paragraph 4 of IAS 34 was not sufficiently clear with respect to whether the interim financial report covers only the information reported under IFRS (meaning the IFRS interim financial statements) or whether it also more generally includes management reports or other elements in addition to IFRS interim financial statements.

BC8 The IASB observed that presenting information 'elsewhere in the interim financial report' in accordance with paragraph 16A of IAS 34 is unclear, because it may either suggest that the required information should be provided in the notes to the interim financial statements or that it may be presented elsewhere.

BC9 In the Exposure Draft *Annual Improvements to IFRSs 2012–2014 Cycle* (the 'ED') published in December 2013, the IASB proposed to clarify that an entity discloses information 'elsewhere in the interim financial report' when it incorporates disclosures by cross-reference to other information in another statement. This information should be available to users of the interim financial statements on the same terms as the interim financial statements and at the same time.

BC10 In response to the comments received on the ED, the IASB observed that on the basis of the definition of interim financial report in paragraph 4 of IAS 34, along with the guidance in paragraph 8 of IAS 34, an interim financial report includes a set of condensed financial statements and selected explanatory notes. The IASB decided to further clarify that that the proposed amendment is not extending the scope of the interim financial report, because the disclosures required in paragraph 16A(a)–(k) of IAS 34 are part of the selected explanatory notes (and consequently part of the interim financial report) despite being presented in another statement, such as management commentary or risk report otherwise the interim financial report would be considered incomplete.

BC11 In response to the comments received on the ED the IASB further observed that disclosures incorporated by cross-reference should be made available "on the same terms" as the financial statements. This means that users should have access to the referenced material on the same basis as they have for accessing the financial statements where the reference is made from.