

11 March 2014

International Financial Reporting Standards

GPF meeting, March 2014
Agenda paper 5

IFRS Interpretations Committee

GPF Meeting
11 March 2014

The views expressed in this presentation are those of the presenter,
not necessarily those of the IASB or IFRS Foundation.

Today's objective

- Overview of the activities of the IFRS Interpretations Committee
- What we've done in the last year
- Feedback from you on the effect of implementing IFRIC 21 *Levies*
 - *Discussion point*
- What next? - what we are doing now
- Where to go for more information

Trustees' strategy review 2011

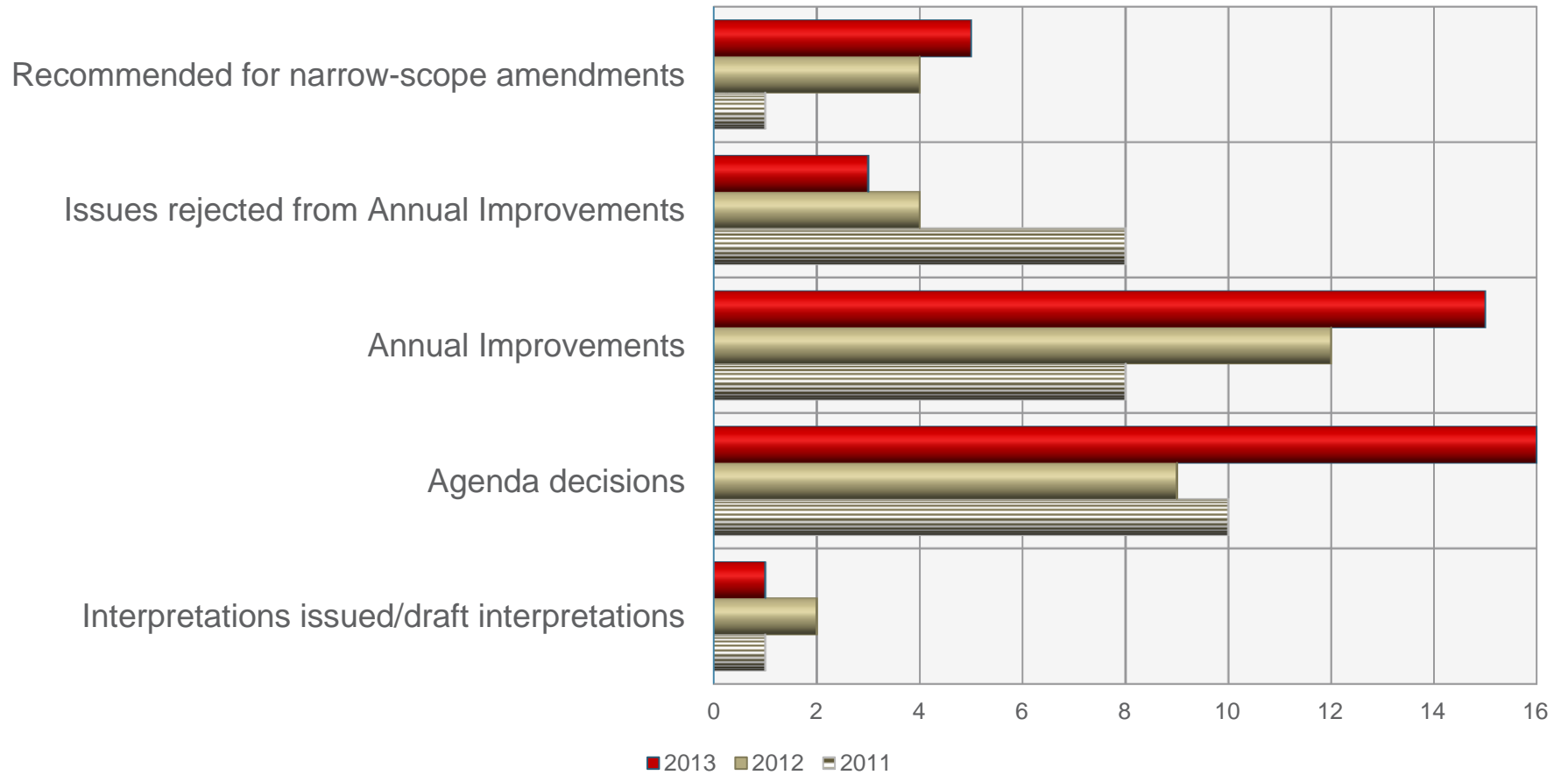
- IFRS Constitution: the success of IFRS requires consistency and faithfulness in its application
- Main findings included:
 - a broader range of 'tools' should be deployed by the Interpretations Committee
 - a single set of agenda criteria should be applied regardless of the form of our solution (eg Interpretation, Annual Improvement)
- Agenda Consultation 2011 reinforced the need for more 'maintenance' of IFRS by the Interpretations Committee
- IFRS IC is now very active



The activities of the Interpretation Committee

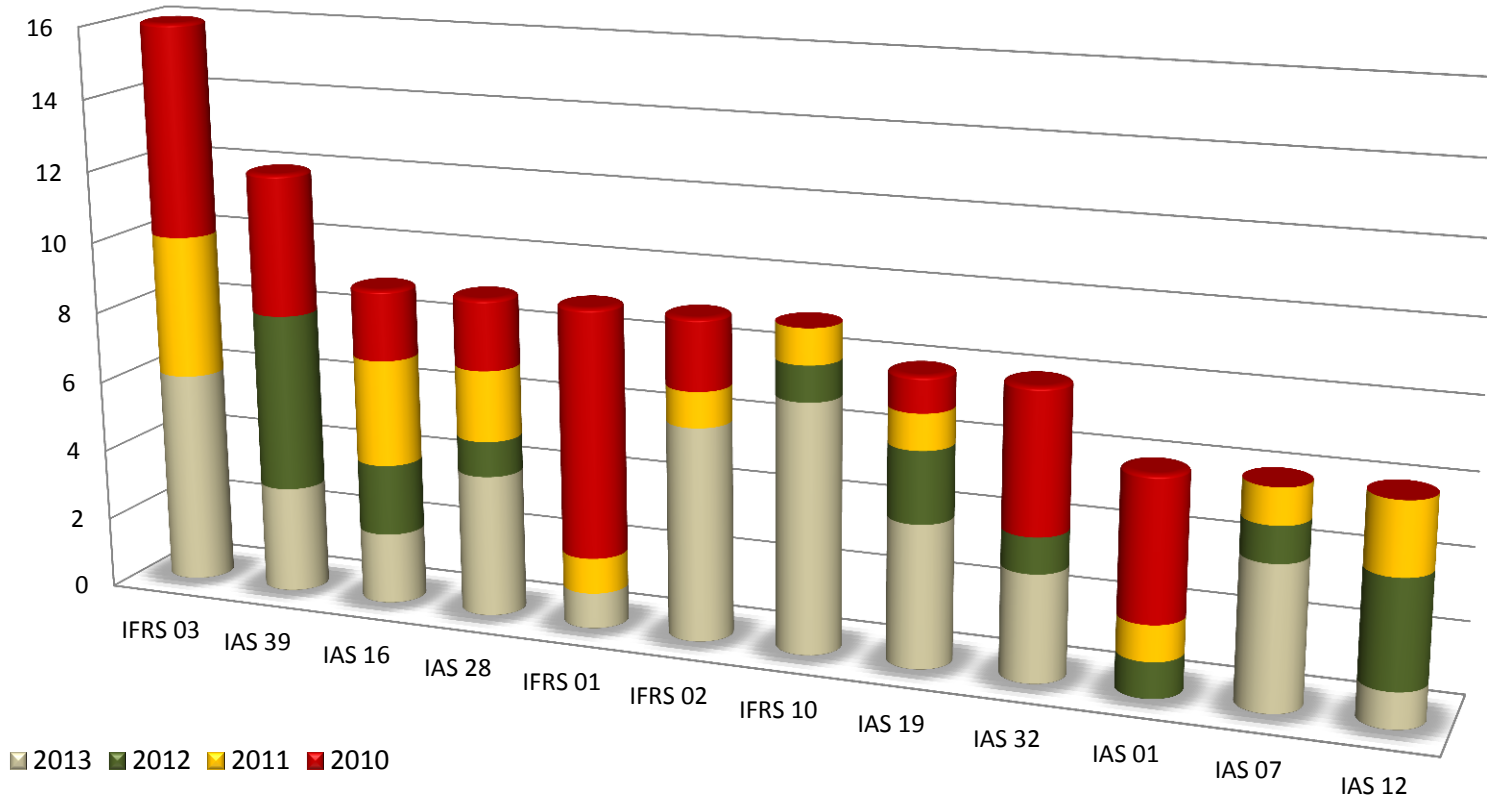
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Activity 2011-2013



Issues raised per Standard

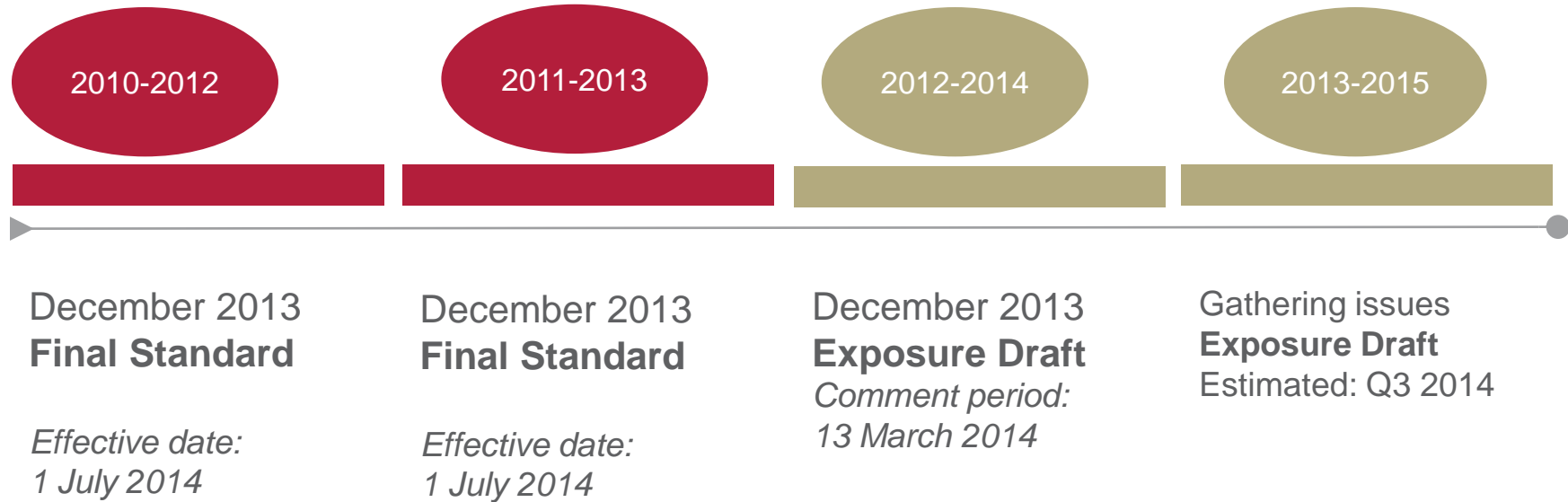
Number Of Issues Per Standard 2010-2013



2013: Output of the Interpretations Committee

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Annual Improvements cycles – where we are



What have we finalised in the last year?

Annual improvements (2010-2012 cycle)

Topic	Description
IFRS 2 definition of vesting conditions	Clarify the definition of 'vesting conditions' by separately defining 'performance condition' and 'service condition' and address some concerns about these definitions
IFRS 3 Accounting for contingent consideration	Clarify the accounting of contingent consideration arising from business combinations to ensure that contingent consideration within the scope of IFRS 3 is consistently measured at fair value (FV) and changes in FV are recognised in profit or loss.
IFRS 8 judgements made in aggregation	Include a disclosure to ensure users understand the judgements management made on how and why operating segments have been aggregated.
IAS 16 and IAS 38 Revaluation method-proportionate restatement of accumulated depreciation/amortisation	Clarify the calculation of the accumulated depreciation/amortisation, in particular when an item of property, plant and equipment has been revalued and the accumulated depreciation/amortisation cannot be restated proportionately with the change in the gross carrying amount of the asset.
IAS 24 Key Management personnel	Amend the definition of 'related party' to clarify that a management entity that provides key management services to a reporting entity is deemed to be a related party.

What have we finalised in the last year?

Annual improvements (2011-2013 cycle)

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Topic	Description
IFRS 1 Meaning of effective IFRS	Clarify that if a new IFRS is not yet mandatory but permits early application, that IFRS is permitted, but not required, to be applied in the entity's first IFRS financial statements.
IFRS 3 Scope exceptions for joint ventures	Amend the wording of the scope exclusion in IFRS 3 to exclude formations of every type of joint arrangement.
IFRS 13 Scope of paragraph 52 (portfolio exception)	Clarify that the 'portfolio exception' in paragraph 48 of IFRS 13 (ie the measurement of a group of financial assets and financial liabilities at fair value) applies to all contracts that are within the scope of IAS 39 or IFRS 9 regardless of whether they meet the definitions of financial assets or liabilities as defined in IAS 32.
IAS 40 Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property	Clarify that judgement is required to determine whether the acquisition of investment property is the acquisition of an asset, a group of assets or a business combination in the scope of IFRS 3 and that this judgement is based on the guidance in IFRS 3.

What have we finalised in the last year?

Narrow-scope amendments

Topic	Description
IAS 19 Accounting for employee contributions to a defined benefit plan	<ul style="list-style-type: none">• Simplifies the accounting for contributions that are independent of the number of years of service• <i>Effective date: July 2014</i>
IAS 36 Recoverable amount disclosures for non-financial assets	<ul style="list-style-type: none">• Amendment to IAS 36 required disclosure of recoverable amount of all cash generating units• 'Tidying up' of IFRS 13 consequential amendments• <i>Effective date: January 2014</i>
IAS 39 & IFRS 9 Novation of derivatives and continuation of hedge accounting	<ul style="list-style-type: none">• Applies when a hedging instrument is novated to a central counterparty by law• Allows hedge accounting to continue• <i>Effective date: January 2014</i>

- We've also finalised an interpretation, IFRIC 21: *Levies*
- Recognition of liabilities is based on a present obligation as a result of a past event (known as an obligating event)
- The Interpretation clarifies that the obligating event that gives rise to the liability is the activity (described in the relevant legislation) that triggers the levy
- An interpretation of IAS 37, consistent with IFRIC 6

IFRIC 21 *Levies* - Implementation

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- Effective 1 January 2014
- Broad scope:
 - includes all IAS 37 liabilities
 - includes liabilities where the timing and amount is certain
- Does not apply to:
 - purchase of assets
 - contracts for the rendering of service
 - income taxes
- IFRIC 21 does not address accounting for the debit
- Generally queries that we have received show that the Interpretation of IAS 37 is clear, but many have been caught unawares by the broad scope

What has your experience been of implementing IFRIC 21 *Levies*?



What next? Narrow-scope amendments

Topic	Description
IFRS 11 <i>Joint Arrangements</i>	<ul style="list-style-type: none">• Acquisition of interest in a joint operation
IAS 1 <i>Presentation of Financial Statements</i>	<ul style="list-style-type: none">• Classification of liabilities• Presentation of equity accounted items in OCI
IAS 12 <i>Income taxes</i>	<ul style="list-style-type: none">• Recognition of deferred tax assets for unrealised losses
IAS 16 & IAS 38 PPE and Intangibles	<ul style="list-style-type: none">• Acceptable methods of depreciation and amortisation
IAS 28 <i>Investments in Associates and Joint Ventures</i>	<ul style="list-style-type: none">• Sales or contribution of assets• Equity method –share of other net asset changes• Elimination of gains between a joint venture and its joint venturer

What next ? Annual improvements (2012-2014 cycle)

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Topic	Description
IFRS 5 Changes in methods of disposal	Clarify the accounting in circumstances where an entity reclassifies and asset (or disposal group) from held for sale (HFS) to being held for distribution (HFD) or viceversa, and when an asset (or disposal group) no longer qualifies for HFD.
IFRS 7 Servicing contracts	Clarify how to decide whether a servicing contract is continuing involvement for the purposes of the transfer disclosure requirements in IFRS 7.
IFRS 7 Applicability of the amendments to IFRS 7 to condensed interim financial statements	Clarify that the additional disclosures required by the amendments to IFRS 7 (issued in December 2011) in the offsetting of financial assets and financial liabilities are not specifically required for all interim periods.
IAS 19 Discount rate: regional market issue	Clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability.
IAS 34 Disclosure of information 'elsewhere in the interim financial report'	Clarify the meaning of disclosure of information 'elsewhere in the interim financial report' and to require the inclusion of a cross-reference from the interim financial statements to the location of this information (if presented outside the financial statements).

Where to go for more information

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- Additional information about the work of the Interpretations Committee is available at <http://www.ifrs.org/Current-Projects/IFRIC-Projects/Pages/IFRIC-activities.aspx>
- Look at the IFRS website:
 - <http://www.ifrs.org>
- Contacts:
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 - Denise Durant ddurant@ifrs.org

The screenshot shows the IFRS website homepage. At the top left is the IFRS logo, followed by the text "Welcome to the website of the IFRS Foundation and the IASB". Below this is a navigation bar with links for "Home", "About us", "IFRS", "Standards development", and "Work plan for IFRSs". A large banner image features a stadium and the text "IFRS Interpretations Committee Activities". Below the banner is a breadcrumb trail: "Projects > Interpretations Committee Activities". A dropdown menu is open under "Interpretations Committee Activities", listing: "Standard setting process", "Interpretations process", and "High level summaries". Below the dropdown are four buttons: "Proposed Changes", "Work In Progress", "Issues Rejected", and "Completed Work".