December 2013

Exposure Draft ED/2013/11

Annual Improvements to IFRSs 2012–2014 Cycle

Comments to be received by 13 March 2014

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Exposure Draft ED/2013/11 *Annual Improvements to IFRSs 2012–2014 Cycle* is published by the International Accounting Standards Board (IASB) for comment only. The proposals may be modified in the light of the comments received before being issued in final form. Comments on the Exposure Draft and the Basis for Conclusions need to be received by **13 March 2014** and should be submitted in writing to the address below or electronically via our website www.ifrs.org using the 'Comment on a proposal' page.

All responses will be put on the public record and posted on our website unless the respondent requests confidentiality. Requests for confidentiality will not normally be granted unless supported by good reason, such as commercial confidence.

ISBN: 978-1-909704-24-4

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Introduction

The International Accounting Standards Board (IASB) has published this Exposure Draft of the proposed amendments to International Financial Standards (IFRSs) as part of its Annual Improvements project.

The project provides a streamlined process for dealing efficiently with a collection of non-urgent amendments to IFRSs. These amendments meet the criteria for the IASB's Annual Improvements process and which are included in the *IFRS Foundation Due Process Handbook* published in February 2013. The criteria were developed to help to determine whether a matter relating to the clarification or correction of IFRSs should be addressed using the Annual Improvements process.

Issues submitted for consideration within the Annual Improvements process are considered and discussed by the IFRS Interpretations Committee (the 'Interpretations Committee') and by the IASB. These discussions take place in the Interpretations Committee's and the IASB's public meetings and include an assessment against the criteria for annual improvements. Information about issues that were considered but rejected, because they did not meet the annual improvements criteria, can be found on the annual improvements web page of the IFRS Foundation website.

Reasons for issuing annual improvements

The Exposure Draft includes a chapter for each Standard for which an amendment is proposed. Each chapter includes:

(a) an explanation of the proposed amendment;

(b) when necessary, any specific additional questions that are unique to that proposed amendment;

(c) the paragraphs of the Standard or Implementation Guidance that are affected by the proposed amendment;

(d) the proposed effective date of each proposed amendment; and

(e) the basis for the IASB's conclusions in proposing the amendment.

Some proposed amendments involve consequential amendments to other Standards or Interpretations. Those consequential amendments are included in the chapter that sets out the proposed amendments to the relevant Standard from which the consequential amendment arises.

Invitation to comment

The IASB invites comments on the proposals in this Exposure Draft, particularly on the questions set out below. Comments are most helpful if they:

(a) comment on the questions as stated;

(b) indicate the specific paragraph(s) to which they relate;

(c) contain a clear rationale; and

(d) describe any alternative that the IASB should consider, if applicable.

Respondents need not comment on all of the proposed amendments or all of the questions asked about any amendment. The IASB is not requesting comments on matters in the Standards that are not addressed in this Exposure Draft.

The IASB will consider all comments received in writing by **13 March 2014**. In considering the comments, the IASB will base its conclusions on the merits of the arguments for and against each alternative, not on the number of responses supporting each alternative.

Questions for respondents (please answer individually for each proposed amendment)

Question 1—Proposed amendment
Do you agree with the IASB's proposal to amend the Standards as described in the Exposure Draft? If not, why and what alternative do you propose?

Question 2—Transition provisions and effective date
Do you agree with the proposed transition provisions and effective date for the issue as described in the Exposure Draft? If not, why and what alternative do you propose?

IFRSs addressed

The following table shows the topics addressed by these amendments.

Standard	Subject of amendment
IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*	Changes in methods of disposal.
IFRS 7 *Financial Instruments: Disclosure*	Servicing contracts.
	Applicability of the amendments to IFRS 7 to condensed interim financial statements.
IAS 19 *Employee Benefits*	Discount rate: regional market issue.
IAS 34 *Interim Financial Reporting*	Disclosure of information 'elsewhere in the interim financial report'.

Approval by the Board of the Exposure Draft *Annual Improvements to IFRSs 2012–2014 Cycle* published in December 2013

The Exposure Draft *Annual Improvements to IFRSs 2012–2014 Cycle* was approved for publication by sixteen members of the International Accounting Standards Board.

Hans Hoogervorst	Chairman
Ian Mackintosh	Vice-Chairman
Stephen Cooper	
Philippe Danjou	
Martin Edelmann	
Jan Engström	
Patrick Finnegan	
Amaro Luiz de Oliveira Gomes	
Gary Kabureck	
Prabhakar Kalavacherla	
Patricia McConnell	
Takatsugu Ochi	
Darrel Scott	
Chungwoo Suh	
Mary Tokar	
Wei-Guo Zhang	

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

Introduction

The following amendment is proposed to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Changes in methods of disposal

The IASB proposes to amend IFRS 5 by stating that in circumstances in which an entity:

(a) reclassifies an asset (or disposal group) directly from being held for distribution to being held for sale; or

(b) reclassifies an asset (or disposal group) directly from being held for sale to being held for distribution;

an entity shall not follow the guidance in paragraphs 27–29 to account for this change.

The IASB also proposes to amend IFRS 5 by stating that in circumstances in which 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 it should cease held-for-distribution accounting and apply the guidance in paragraphs 27–29 of IFRS 5.

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

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

Changes to a plan of sale <u>or to a plan of distribution</u>

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 <u>and shall follow the guidance in paragraphs 27–29 to account for this change except for the circumstances in which paragraph 26B applies</u>.

<u>26A</u> <u>If an entity has classified an asset (or 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 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.</u>

<u>26B</u> <u>If an entity reclassifies an asset (or 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.</u>

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

(a) its carrying amount before the asset (or disposal group) was classified as held for sale <u>or as held for distribution</u>, 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 <u>or as held for distribution</u>, and

(b) ...

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 <u>or as held for distribution</u> in profit or loss[1] from continuing operations in the period in which the criteria in paragraphs 7–9 are no longer met. Financial statements for the periods since classification as held for sale <u>or as held for distribution</u> shall be amended accordingly if the disposal group or non-current asset that ceases to be classified as held for sale <u>or as held for distribution</u> is a subsidiary, joint operation, joint venture, associate, or a portion of an interest in a joint venture

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.

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 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] added paragraphs 26A–26B and amended paragraphs 27–29. An entity shall apply those amendments prospectively 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 the amendment for an earlier period it shall disclose that fact.

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

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

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

BC1 The IASB received a request to clarify the accounting for a change in a disposal plan from a plan to sell a division to a plan to spin off a division and 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 26–29 of IFRS 5.

BC2 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.

BC3 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 26–29 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.

BC4 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 should be applied.

BC5 The IASB observed that paragraphs 27–29 do not provide guidance in circumstances in which a disposal group reclassifies an asset (or disposal group) directly from held-for-sale classification to held-for-distribution classification.

BC6 The IASB observed that, on the basis of paragraphs BC59–BC65 of IFRIC 17, it is the intention of the IASB to have the same criteria and the same 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.

BC7 Consequently, 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 same classification, presentation and measurement requirements required for each type of disposal in IFRS 5.

BC8 To address the lack of guidance in IFRS 5 when an entity reclassifies an asset (or disposal group) directly from held for sale to held for distribution (or vice versa) the IASB proposes to state 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 26–29 in IFRS 5 to account for this change. When an entity reclassifies an asset (or disposal group) directly from held for sale to held for distribution (or vice versa), 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 as held for distribution.

BC9 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 proposes 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.

Proposed amendments to IFRS 7 *Financial Instruments: Disclosure*

Introduction

The following amendments are proposed to IFRS 7 *Financial Instruments: Disclosure*.

Servicing contracts

The IASB proposes to add guidance that clarifies how an entity should apply the guidance in paragraph 42C of IFRS 7 to a servicing contract to decide whether a servicing contract is 'continuing involvement' for the purposes of applying the disclosure requirements in paragraphs 42E–42H of IFRS 7.

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

The IASB proposes to clarify that the additional disclosure required by the amendments to IFRS 7 *Disclosure–Offsetting Financial Assets and Financial Liabilities* is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with IAS 34 *Interim Financial Reporting* when its inclusion would be required by the requirements of IAS 34.

Proposed amendments 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.

...

<u>44Z</u> <u>*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 Errors* 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.</u>

...

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. <u>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.</u>

<u>B30A</u> <u>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 right to earn a fee for servicing the financial asset is generally continuing involvement for the purposes of applying the disclosure requirements. The entity must assess the servicing contract in accordance with the guidance in paragraphs 42C and B30 to make that determination. For example, a servicer will have continuing involvement in the transferred</u>

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.

Proposed 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 proposed amendments to IFRS 7 *Financial Instruments: Disclosure*

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

Application of the transfer disclosure requirements to a servicing contract

BC1 In October 2010, the IASB issued *Disclosures—Transfers of Financial Assets* (Amendments to IFRS 7). The amendment included the addition of paragraphs 42A–42H to IFRS 7 *Financial Instruments: Disclosures*. Those paragraphs 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.

BC2 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.

BC3 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 separately receives its fee from the transferee or another entity.

BC4 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 proposes 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.

BC5 The IASB also 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 proposes 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 proposes 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

BC6 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*.

BC7 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 proposes 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. The overriding goal of the requirements of IAS 34 is to ensure that an interim financial report includes all information that is relevant to understanding an entity's financial position and performance during the interim period.

Proposed amendment to IAS 19 *Employee Benefits*

Introduction

The following amendment is proposed to IAS 19 *Employee Benefits*.

Discount rate: regional market issue

The IASB proposes to 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. Consequently, the IASB proposes to clarify that the depth of the market for high quality corporate bonds should be assessed at the currency level.

Proposed 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~~ currencies ~~where~~ for which there is no deep market in such high quality corporate bonds, the market yields (at the end of the reporting period) on government bonds denominated in that currency 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

...

175 *Annual Improvements to IFRSs 2012–2014 Cycle*, issued in [date], amended paragraph 83. An entity shall apply that amendment 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 that amendment for an earlier period it shall disclose that fact.

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

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

Actuarial assumptions—discount rate: regional market issue

BC1 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 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.

BC2 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.

BC3 The IASB proposes to amend paragraph 83 of IAS 19 through the Annual Improvements process in order to clarify that the high quality corporate bonds used to estimate the discount rate should be issued in the same currency in which the benefits are to be paid. Consequently, the depth of the market for high quality corporate bonds should be assessed at a currency level.

Proposed amendment to IAS 34 *Interim Financial Reporting*

Introduction

The following amendment is proposed to IAS 34 *Interim Financial Reporting*.

Disclosure of information 'elsewhere in the interim financial report'

The IASB proposes to amend IAS 34 to 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.

Proposed amendment to IAS 34 *Interim Financial Reporting*

Paragraph 16A is amended and paragraph 55 is added. New text is underlined and deleted text is struck through.

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~~ <u>or</u> elsewhere in the interim financial report. <u>The disclosures below shall be given either in the interim financial statements or incorporated by cross-reference from the interim financial statements to the other part of the interim financial report that is available to users of the interim financial statements 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 statements are incomplete.</u> The information shall normally be reported on a financial year-to-date basis.**

(a) ...

Effective date

...

<u>55</u> <u>*Annual Improvements to IFRSs 2012–2014 Cycle*, issued in [date], amended paragraph 16A. An entity shall apply that amendment 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 that amendment for an earlier period it shall disclose that fact.</u>

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.

Other disclosures

BC1 The IASB received a request to clarify the meaning of 'interim financial report', as defined in IAS 34 *Interim Financial Reporting*. The issue is whether 'elsewhere in the interim financial report', as described in paragraph 16A of IAS 34, means that the required information should be provided in the notes to the interim financial statements or if it means that they may be presented elsewhere.

BC2 The IASB proposes amendments to paragraph 16A of IAS 34 to 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 disclosures required by IAS 34 are presented outside the interim financial statements, those disclosures should be available to users of the interim financial statements on the same terms as the interim financial statements and at the same time.

BC3 The IASB notes that the proposed amendments would extend the scope of the financial statements to include the disclosure presented elsewhere in the interim financial report.

