

INTERNATIONAL FINANCIAL REPORTING BULLETIN 2011/03

IFRS(s), IFRIC(s) AND AMENDMENTS THAT ARE MANDATORY FOR THE FIRST TIME FOR 31 DECEMBER 2010 YEAR ENDS AS AT 31 JANUARY 2011



IFRSs, IFRICs and amendments that are mandatory for the first time for 31 December 2010 year ends

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19. IFRIC 16 Hedges of a Net Investment in a Foreign Operation - Improvements to IFRSs (2009)
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21. IFRIC 18 Transfers of Assets from Customers

STATUS

Final

EFFECTIVE DATE

n/a

ACCOUNTING IMPACT

Potentially significant, with a wide range of new and amended IFRSs and interpretations becoming effective for the first time.

IFRS	Mandatory IFRSs adoption for 2010 – Standards and Amendments	Effective Date
IFRS 1 First-time Adoption of International Financial Reporting Standards		
1. Revised IFRS 1 Issued: 27 November 2008	<i>IFRS 1(R) has an improved structure but does not contain any technical changes.</i>	Mandatory adoption for periods beginning on or after 1 July 2009 Early adoption permitted EU endorsement effective for 1 January 2010
2. Additional Exemptions for First-time Adopters (Amendments to IFRS 1) Issued: 23 July 2009	<i>Exemptions for First-time Adopters</i> This Amendment introduces two further transitional reliefs into IFRS 1. A first-time adopter which, under previous GAAP, accounted for exploration and development costs for oil and gas properties in the development or production phases in cost centres that include all properties in a large geographical area may, subject to certain conditions, elect to measure oil and gas assets at the date of transition to IFRSs at the amount determined under its previous GAAP. A first-time adopter is exempt from assessing existing contracts in accordance with IFRIC 4 <i>Determining Whether an Arrangement contains a Lease</i> if the application of the first-time adopter's previous GAAP produced the same result. Accounting impact: First time adopters only. For more information see IFRB 2009/08	Mandatory adoption for periods beginning on or after 1 January 2010 Early adoption permitted EU endorsement status: Endorsed on 23 June 2010
IFRS 2 Share based payments		
3. (Amendments to IFRS 2) Issued: 18 June 2009	<i>Group Cash-settled Share-based Payment Transactions (Amendments to IFRS 2)</i> This Amendment clarifies that, where a parent (or another group entity) has an obligation to make a cash-settled share-based payment to another group entity's employees or suppliers, the entity receiving the goods or services should account for the transaction as equity-settled. The Amendment also moves the IFRIC 11 requirements in respect of equity-settled share-based payment transactions among group entities, and the clarification of the scope of IFRS 2 contained within IFRIC 8, into IFRS 2 itself. Accounting impact: Group share-based payment arrangements should be analysed to assess whether these new requirements require them to be accounted for as cash-settled or equity settled in the separate accounts of the individual entities and in the consolidated accounts. This may result in existing arrangements being reclassified, with consequential revisions to the cumulative share-based payment charge and prior period adjustments. For more information see IFRB 2009/07	Mandatory adoption for periods beginning on or after 1 January 2010 Early adoption permitted EU endorsement status: Endorsed on 23 March 2010
4. Improvements to IFRSs (2009) Issued: 16 April 2009	<i>Scope of IFRS 2 and revised IFRS 3</i> Following the revised definition of a business combination in IFRS 3 it has been clarified that the contributions of a business in exchange for shares on the formation of a joint venture, and combinations under common control, are not within the scope of IFRS 2.	Mandatory adoption for periods beginning on or after 1 July 2009 Early adoption permitted On adoption, to be applied prospectively from the date on which IFRS 3 (2008) was first applied. EU endorsement status: Endorsed on 23 March 2010

IFRS	Mandatory IFRSs adoption for 2010 – Standards and Amendments	Effective Date
IFRS 3 Business Combinations		
5. Revised IFRS 3 Issued: 10 January 2008	<p><i>Summary of changes to Revised IFRS 3 Business Combinations</i></p> <p>The basic approach of IFRS 3 (2004) to apply acquisition accounting in all business combinations is retained in this revised version of the standard, together with much of the guidance for the identification and recognition of intangible assets separately from goodwill.</p> <p>However, in some respects the revised standard is likely result in significant changes, including:</p> <ul style="list-style-type: none"> – changes to the definition of a business which now includes start up activities; – a requirement to charge all acquisition costs to profit or loss instead of including them as part of the cost of the acquired business; – the initial measurement of contingent consideration at fair value at the acquisition date, with future changes in the amount (other than those that relate to conditions as at the acquisition date which are identified within 12 months of that date) being included in profit or loss; – removal of the 'reliably measurable' criterion for the recognition of an intangible asset; and – an option to gross up the balance sheet for goodwill attributable to non-controlling interest (previously 'minority interest '). <p>There are also some significant changes in the disclosure requirements.</p> <p>The revised standard does not require the restatement of previous business combinations. IFRS 3(R) must be adopted at the same time as the Amendment to IAS 27: Consolidated and Separate Financial Statements (see below).</p> <p>Accounting impact: Brings significant changes to accounting for business combinations and extends the scope of IFRS 3.</p> <p>For more information see IFRB 2008/05</p>	<p>Mandatory adoption for periods beginning on or after 1 July 2009</p> <p>EU endorsement status: Endorsed on 3 June 2009</p>
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations		
6. Improvements to IFRSs (2009) Issued: 16 April 2009	<p><i>Disclosures of non-current assets (or disposal groups) classified as held for sale or discontinued operations</i></p> <p>The scope of IFRS 5 has been clarified to make it clear that only the disclosures specified in IFRS 5 are applicable to non-current assets (or disposal groups) classified as held for sale, and to discontinued operations.</p> <p>The disclosures in other IFRSs do not apply unless those other IFRSs require:</p> <ul style="list-style-type: none"> – specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale, or discontinued operations; or – disclosures about the measurement of assets and liabilities that are included within a disposal group, where those assets and liabilities are not themselves within the scope of the measurement requirements of IFRS 5 and the additional disclosures required by those other IFRSs have not already been made elsewhere in the financial statements. <p>Additional disclosures about non-current assets (or disposal groups) classified as held for sale may be necessary to comply with the general requirements of IAS 1.</p>	<p>Mandatory adoption periods beginning on or after 1 January 2010</p> <p>Early adoption permitted</p> <p>EU endorsement status: Endorsed on 23 March 2010</p>
IFRS 8 Operating Segments		
7. Improvements to IFRSs (2009) Issued: 16 April 2009	<p><i>Disclosure of information about segment assets</i></p> <p>This amendment states that a measure of total assets does not need to be reported for each reportable segment, unless such an amount is regularly provided to the chief operating decision maker.</p> <p>This amendment was made in order that the requirements of IFRS 8 were made consistent with existing interpretations of equivalent US GAAP requirements.</p>	<p>Mandatory adoption periods beginning on or after 1 January 2010</p> <p>Early adoption permitted</p> <p>EU endorsement status: Endorsed on 23 March 2010</p>

IFRS	Mandatory IFRSs adoption for 2010 – Standards and Amendments	Effective Date
IAS 1 Presentation of Financial Statements		
8. Improvements to IFRSs (2009) Issued: 16 April 2009	<p><i>Current/non-current classification of convertible instruments</i></p> <p><i>Previous requirement:</i> The liability component of a convertible instrument that an entity could be required to settle in shares at any time was required to be classified as current, since the conversion of a liability into equity is a form of settlement. This classification was required even if the entity could not be required to settle unconverted instruments in cash or other assets until more than twelve months after the reporting period.</p> <p><i>Amendments:</i> The current/non current classification of a financial liability is not affected by the existence of contractual terms that can, at the option of the counterparty, result in the immediate settlement of the financial liability through the issue of the issuer's own equity instruments. Instead, the focus is on the point at which an entity could be required to settle the liability in cash or other assets.</p>	<p>Mandatory adoption periods beginning on or after 1 January 2010</p> <p>Early adoption permitted</p> <p>EU endorsement status: Endorsed on 23 March 2010</p>
IAS 7 Statement of Cash Flows		
9. Improvements to IFRSs (2009) Issued: 16 April 2009	<p><i>Classification of expenditures on unrecognised assets</i></p> <p><i>Previous requirement:</i> IAS 7 does not explicitly state how expenditure incurred with the objective of generating future cash flows should be presented when that expenditure does not in the recognition of an asset.</p> <p><i>Amendments:</i> Only an expenditure that results in the recognition of an asset in the statement of financial position (balance sheet) can be classified as a cash flow from investing activity.</p>	<p>Mandatory adoption periods beginning on or after 1 January 2010</p> <p>Early adoption permitted</p> <p>EU endorsement status: Endorsed on 23 March 2010</p>
IAS 17 Leases		
10. Improvements to IFRSs (2009) Issued: 16 April 2009	<p><i>Classification of leases of land and buildings</i></p> <p>The classification of the land and building elements of a lease as finance or operating should still be made separately for each element and should follow the general lease classification guidance. However in evaluating the land element, the question of whether or not it has an indefinite useful life remains an important consideration.</p> <p>Previous requirements could have led to inconsistencies in lease classification. Where title of land is not expected to pass by the end of the lease term but the lease transfers significant risks and rewards to the lessee, the amendment is likely to produce a different classification of the land element.</p> <p><i>Transitional provisions:</i> Unexpired leases that include a land element need to be reassessed on the basis of information available at the inception of those leases. Leases newly classified as finance lease are recognised retrospectively. If, however, the information necessary to apply amendments retrospectively is not available, recognition and measurement (at fair value) of any assets and liabilities will be based on the facts and circumstances prevailing at the date the amendments are adopted. Any difference between those recognised fair values (leased assets compared to lease liabilities) is recognised in retained earnings.</p>	<p>Mandatory adoption periods beginning on or after 1 January 2010</p> <p>Early adoption permitted</p> <p>EU endorsement status: Endorsed on 23 March 2010</p>
IAS 18 Revenue		
11. Improvements to IFRSs (2009) Issued: 16 April 2009	<p><i>Determining whether an entity is acting as a principal or as an agent</i></p> <p>An example was added to the non-mandatory guidance in the Appendix, which sets out features that indicate whether an entity is acting as a principal or agent.</p>	<p>Non-mandatory guidance</p> <p>EU endorsement status: Endorsed on 23 March 2010</p>

IFRS	Mandatory IFRSs adoption for 2010 – Standards and Amendments	Effective Date
IAS 27 Consolidated and Separate Financial Statements		
12. Amendments to IAS 27 Issued: 10 January 2008	<p><i>Treatment of non-wholly-owned subsidiaries</i></p> <p>This Amendment affects in particular the treatment of changes in stakes in non-wholly-owned subsidiaries, and the accounting on the gain or loss of control of subsidiaries where a non controlling interest is held before gaining, or after losing, control.</p> <p>Transactions which increase or decrease the group's interest in a subsidiary without the loss of control will no longer give rise to changes in the carrying value of the subsidiary's assets or liabilities (including its associated goodwill) and will not give rise to a gain or loss in the income statement. Any difference between the consideration paid or received, and the adjustment to the carrying value of the non-controlling interest, will be recognised directly in equity.</p> <p>If an entity holds a non controlling interest in another entity, and acquires a controlling interest (for example, an increase from a 40% holding to a 70% holding), the existing 40% holding is remeasured to fair value at the date on which control is gained. Any gain or loss is recorded in profit or loss, with this fair value then forming part of the cost of the acquired entity. This approach is consistent with the view that the existing holding has been disposed of in its entirety, with the new 70% subsidiary then having been acquired.</p> <p>Similarly, when control is lost but a non controlling interest is retained, the retained interest is remeasured to fair value with any gain or loss being recorded in profit or loss. Again, this is consistent with the view that the entire subsidiary has been disposed of and a new investment in a non controlling interest (whether an investment, associate or joint venture) has been acquired.</p> <p>In addition, total comprehensive income must now be attributed to owners of the parent and to the non-controlling interests even if this results in the non-controlling interest having a debit balance. Previously, unfunded losses in such subsidiaries would be attributed entirely to the group.</p> <p>The Amendment does not require the restatement of previous transactions. The Amendment to IAS 27 must be adopted at the same time as IFRS 3(R).</p> <p>Accounting impact: Significant changes to the accounting for acquisitions of subsidiaries achieved in stages, disposals of interests in subsidiaries that result in the loss of control, and transactions that involve changes in stakes in subsidiaries without the loss of control.</p> <p>For more information see IFRB 2008/05</p>	<p>Mandatory adoption for periods beginning on or after 1 July 2009</p> <p>EU endorsement status: Endorsed on 3 June 2009</p>
IAS 36 Impairment of assets		
13. Improvements to IFRSs (2009) Issued: 16 April 2009	<p><i>Unit of account for goodwill impairment test</i></p> <p><i>Previous requirement:</i> In IAS 36 did not specify whether the largest level of cash-generating unit to which goodwill may be allocated is before or after aggregation of operating segments.</p> <p><i>Amendment:</i> Each cash-generating unit or group of units to which goodwill is allocated shall not be larger than an operating segment before aggregation (i.e. as defined in IFRS 8 paragraph 5).</p>	<p>Mandatory adoption periods beginning on or after 1 January 2010</p> <p>Early adoption permitted</p> <p>EU endorsement status: Endorsed on 23 March 2010</p>
IAS 38 Intangible Assets		
14. Improvements to IFRSs (2009) Issued: 16 April 2009	<p><i>Additional consequential amendments arising from revised IFRS 3 in respect of measuring the fair value of an intangible asset acquired in a business</i></p> <p>IAS 38 was amended to align its guidance for the treatment of intangible assets acquired as part of a business combination with the requirements of IFRS 3(R), and to clarify the description of valuation techniques that can be used in the absence of an active market.</p>	<p>Mandatory adoption periods beginning on or after 1 July 2009</p> <p>Early adoption permitted</p> <p>EU endorsement status: Endorsed on 23 March 2010</p>

IFRS	Mandatory IFRSs adoption for 2010 – Standards and Amendments	Effective Date
IAS 39 Financial Instruments: Recognition and Measurement		
15. Amendment to IAS 39 Issued: 31 July 2008	<p><i>Eligible Hedged Items</i></p> <p>The amendment clarifies the principles that apply in determining whether a hedged risk or portion of cash flows is eligible for designation as a hedged item, including the designation of a one-sided risk in a hedged item (one sided risks are changes in the cash flows or fair value of an item above or below a specified price or other variable). The amendment also clarifies when the inflation portion of the cash flows of a recognised inflation-linked bond can be designated as a hedged item.</p> <p>Accounting impact: Changes to the designation and eligibility for hedge transactions.</p>	<p>Mandatory adoption for periods beginning on or after 1 July 2009</p> <p>Early adoption permitted</p> <p>EU endorsement status: Endorsed on 15 September 2009</p>
16. Improvements to IFRSs (2009) Issued: 16 April 2009	<p><i>Treating loan prepayment penalties as closely related embedded derivatives</i></p> <p>IAS 39 AG30(g) contains guidance on whether call, put or prepayment options embedded in a host contract are closely related or not. An apparent inconsistency was noted in relation to prepayment options and so additional guidance has been added noting that prepayment options are not closely related to the host contract unless the exercise price reimburses the lender for an amount up to the approximate present value of the lost interest for the remaining term of the host contract.</p> <p><i>Scope exemption for business combination contracts</i></p> <p>Contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date are excluded from the scope of IAS 39. The annual improvement limits the exclusion to forward contracts that will result in a business combination at a future acquisition date.</p> <p><i>Cash flow hedge accounting – timing of reclassification from equity to profit and loss</i></p> <p>It is clarified that gains or losses on the hedging instrument that have been deferred in equity should be reclassified from equity to profit or loss during the period that the hedged forecast cash flows affect profit or loss.</p>	<p>Mandatory adoption periods beginning on or after 1 January 2010</p> <p>Early adoption permitted</p> <p>EU endorsement status: Endorsed on 23 March 2010</p>
	<p><i>Cash flow hedge accounting – hedging using internal contracts</i></p> <p>References to the designation of hedging instruments at the segment level have been removed, in order to eliminate an apparent conflict between IAS 39 and IFRS 8.</p>	<p>Mandatory adoption periods beginning on or after 1 January 2009</p> <p>Early adoption permitted</p> <p>EU endorsement status: Endorsed on 23 March 2010</p>
IFRIC 9 Reassessment of Embedded Derivatives		
17. Improvements to IFRSs (2009) Issued: 16 April 2009	<p><i>Scope of IFRIC 9 and revised IFRS 3</i></p> <p>IFRIC 9 requires that, following initial recognition, there is no reassessment of embedded derivatives except where there is either a change in the contractual terms of the financial instrument that significantly modify the cash flows that would otherwise have been required, or a financial asset is classified out of the Fair Value Through Profit or Loss category, in which cases reassessment is required.</p> <p>The scope paragraph in IFRIC 9 has been amended to clarify that the IFRIC does not apply to embedded derivatives in contracts acquired in a business combination (see IFRS 3), a combination of entities or businesses under common control, or on the formation of a joint venture (see IAS 31).</p>	<p>Mandatory adoption periods beginning on or after 1 July 2009</p> <p>Early adoption permitted</p> <p>EU endorsement status: Endorsed on 23 March 2010</p>

IFRS	Mandatory IFRSs adoption for 2010 – Standards and Amendments	Effective Date
IFRIC 15 Agreements for the Construction of Real Estate		
18. IFRIC 15 Issued: 3 July 2008	<p><i>New Interpretation for agreements for the construction of real estate</i></p> <p>This Interpretation clarifies the definition of a construction contract and the interaction between IAS 11 and IAS 18, and provides guidance on how to account for revenue when the agreement for the construction of real estate falls within the scope of IAS 18.</p> <p>For some entities, the Interpretation may give rise to a shift from the recognition of revenue over the construction period using, for example, the percentage of completion method, to the recognition of revenue at a single point (e.g. at completion, or on delivery). Affected agreements will mainly be those accounted for in accordance with IAS 11 that do not meet the definition of a construction contract, and do not result in a 'continuous transfer' of ownership (these would be agreements in which the entity transfers to the buyer control and the significant risks and rewards of ownership of the work in progress in its current state as construction progresses).</p> <p>Accounting impact: May have a significant effect on the amount of revenue recognised in financial statements. Accounting in accordance with IAS 11 is unlikely, and the conditions for continuous transfer are also unlikely to be met.</p> <p>For more information see IFRB 2008 /16</p>	<p>Mandatory adoption for periods beginning on or after 1 January 2009</p> <p>Early adoption permitted</p> <p>EU endorsement status: Endorsed on 22 July 2009, IFRIC 15 effective 1 January 2010</p>
IFRIC 16 Hedges of a Net Investment in a Foreign Operation		
19. Improvements to IFRSs (2009) - Issued: 16 April 2009	<p><i>Amendment to the restriction on the entity that can hold hedging instruments</i></p> <p>Paragraph 14 of IFRIC 16 did not permit instruments held by the foreign operation, whose net investment is being hedged, to be designated as the hedging instruments. This restriction has been removed since, without hedge accounting, part of the foreign exchange difference arising from the hedging instrument would be included in consolidated profit or loss.</p>	<p>Mandatory adoption periods beginning on or after 1 July 2009</p> <p>Early adoption permitted</p> <p>EU endorsement status: Endorsed on 23 March 2010</p>
IFRIC 17 Distributions of Non-cash Assets to Owners		
20. IFRIC 17 Issued: 27 November 2008	<p><i>New Interpretation for distributions of non-cash assets to owners</i></p> <p>Prior to this Interpretation, IFRSs did not address when and how an entity should recognise and measure distributions of assets other than cash to owners. Non-cash distributions were sometimes recognised at the carrying amount of the assets to be distributed and sometimes at their fair value with inconsistent measurement dates. The Interpretation clarifies that:</p> <p>(a) a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity;</p> <p>(b) an entity should measure the dividend payable at the fair value of the net assets to be distributed; and</p> <p>(c) an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss.</p> <p>The Interpretation also requires an entity to provide additional disclosures if the net assets being held for distribution to owners meet the definition of a asset held for sale, or discontinued operations, within the scope of IFRS 5. IFRIC 17 applies to pro rata distributions of non-cash assets except for common control transactions.</p> <p>IFRIC 17 is required to be applied prospectively, with retrospective application not being permitted. If it is adopted early, disclosure of this is required; when it is adopted, IFRS 3 (revised 2008), IAS 27 (revised 2008), and the amended version of IFRS 5 are also required to be adopted.</p> <p><i>Accounting impact:</i> New measurement requirements for certain distributions to owners.</p> <p>For more information see IFRB 2009/01</p>	<p>Mandatory adoption for periods beginning on or after 1 July 2009</p> <p>Early adoption permitted</p> <p>EU endorsement status: Endorsed on 26 November 2009, IFRIC 17 effective 1 November 2009</p>

IFRS	Mandatory IFRSs adoption for 2010 – Standards and Amendments	Effective Date
IFRIC 18 Transfers of Assets from Customers		
21. IFRIC 18 Issued: 29 January 2009	<p><i>New Interpretation for Transfers of Assets from Customers</i></p> <p>IFRIC 18 clarifies the accounting treatment of agreements in which an entity receives an item of property, plant and equipment (or cash which must be used only to acquire or construct an item of property, plant and equipment) from a customer that the entity must then use either to connect the customer to a network, or provide the customer with ongoing access to a supply of goods or services. The Interpretation clarifies whether and when an asset should be recognised, and how it should be measured. It also clarifies how revenue arising from such a transaction should be recognised.</p> <p><i>Accounting impact:</i> May affect the accounting by entities, which will mainly be in the utilities industry, that receive contributions from customers.</p> <p>For more information see IFRB 2009/03</p>	<p>Mandatory adoption for periods beginning on or after 1 July 2009</p> <p>Early adoption permitted (subject to valuation and other information being obtained at the date of transfer)</p> <p>EU endorsement status: Endorsed on 27 November 2009, effective 1 November 2009</p>

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