

IFRS on point.

Financial Reporting Developments and Information: February 2013

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International headlines

IASB proposes urgent amendments to hedge accounting for novated derivatives

The International Accounting Standards Board (IASB) published Exposure Draft 2013/2 *Novation of Derivatives and Continuation of Hedge Accounting* (Proposed amendments to IAS 39 and IFRS 9). The exposure draft proposes changes to IAS 39 *Financial Instruments: Recognition and Measurement* and the forthcoming hedge accounting chapter of IFRS 9 *Financial Instruments* to provide some relief to the hedge accounting requirements when novation of a derivative to a central counterparty (CCP) is required under certain circumstances. As such requirements are due to take effect imminently in certain jurisdictions, the IASB has published the exposure draft with a 30-day comment period. Accordingly, comments are due by 2 April 2013. Click [here](#) for the IASB press release.

Trustees appoint IASB member

The Trustees of the IFRS Foundation announced the appointment of Gary Kabureck as a member of the IASB from April 2013 for an initial term ending on 30 June 2017. The term is renewable for a further three years. Mr. Kabureck previously served as Corporate Vice President for Xerox Corporation. He is a member of Financial Executives International (FEI) and has served on a range of other advisory boards. Click [here](#) for the IFRS Foundation press release.

Trustees appoint Advisory Council members

The Trustees of the IFRS Foundation announced the appointment of Roger Best, Daniel McMahon, and Markus Grund as new members of the IFRS Advisory Council. Mr. Best is a former Partner of Deloitte (Hong Kong). He will be representing the Hong Kong Institute of Certified Public Accountants. Daniel McMahon is the current President and CEO of the Ordre des comptables professionnels agréés of Québec, Canada. He will be representing the Fédération Internationale des Experts-Comptables Francophones. Markus Grund is the Chief Accountant of the Federal Financial Supervisory Authority in Germany. He will be representing the International Association of Insurance Supervisors. Click [here](#) for the IFRS Foundation press release.

Trustees publish revised IFRS Foundation Constitution

The Trustees of the IFRS Foundation published a revised version of the IFRS Foundation Constitution. The document reflects changes to the Constitution regarding the separation of the role of Chairman of the IASB and Chief Executive Officer of the IFRS Foundation. The changes were approved by the IFRS Foundation Trustees on 23 January 2013 and are effectively immediately. Click [here](#) to access the IFRS Foundation press release and Constitution.

For more useful information please see the following websites:

www.iasplus.com

www.deloitte.com

Trustees publish revised IFRS *Due Process Handbook*

The Trustees of the IFRS Foundation published a revised version of the IFRS Foundation *Due Process Handbook*. The Handbook describes the steps followed by the IASB and the IFRS Interpretations Committee in developing or revising IFRSs and Interpretations. The updated Handbook includes due process enhancements recommended by the Monitoring Board's Governance Review and Trustees' Strategy Review. It also includes recommendations from the Trustees' Review of the Efficiency and Effectiveness of the IFRS Interpretations Committee. Click [here](#) for the IFRS Foundation press release and [here](#) for the revised version of the *Due Process Handbook*.

Trustees issue summary of January 2013 meeting

The Trustees of the IFRS Foundation issued a summary of their January 2013 meeting held in Hong Kong. The summary includes a report of the Trustees' Executive session which considers the Trustees' international strategy, the challenges resulting from the lack of a decision by the U.S. Securities and Exchange Commission (SEC) in regards to the adoption of IFRSs in the U.S., the G20's objective, funding of the organisation, feedback on the November 2012 proposal to create the Accounting Standards Advisory Forum (ASAF), and the strategy proposals for developing XBRL (eXtensible Business Reporting Language) for the IASB. Click [here](#) to access the Trustees' summary of the meeting.

IASB publishes updated work plan

The IASB published an updated work plan outlining a clarified or revised timeline for many of its projects, further due process steps on other projects, and the introduction of two new projects.

Projects with clarified or revised timelines	
Annual Improvements: 2010-2012 Cycle	Bearer biological assets
General hedge accounting	Insurance contracts
Leases	Rate-regulated activities
Post-implementation review of IFRS 3 <i>Business Combinations</i>	IAS 27 <i>Separate Financial Statements</i> (Equity method in separate financial statements)
Revenue recognition	

Projects in which more detail has been provided on the next due process step	
Conceptual Framework	Rate-regulated activities
IAS 36 <i>Impairment of Assets</i> (Recoverable amount disclosures for non-financial assets)	Post-implementation review of IFRS 8 <i>Operating Segments</i>

Newly introduced projects	
IAS 39/IFRS 9 (Novation of derivatives and continuation of hedge accounting)	IAS 19 <i>Employee Benefits</i> (Clarification of paragraph 93 of IAS 19)

Click [here](#) for the IASB work plan.

IFRS Foundation publishes feedback statement on its consultation regarding the creation of the ASAF

The IFRS Foundation published a feedback statement analysing comments received in response to its public consultation paper regarding the creation of the ASAF. The feedback statement acknowledges general support for the proposal to create the ASAF. However, significant feedback was expressed regarding the remit, size and composition, and membership criteria of the ASAF, among other areas. Click [here](#) to access the IFRS Foundation press release and [here](#) to access the feedback statement.

DPOC issues summary of its meeting

The IFRS Foundation Trustees' Due Process Oversight Committee (DPOC) issued a summary of its January 2013 meeting held in Hong Kong, in which it discussed the revisions to the *Due Process Handbook*, due process issues related to the IFRS Education Initiative, the technical activities of the IASB, the terms of the Small and Medium-sized Entities Implementation Group (SMEIG), and other business. Click [here](#) for the DPOC summary.

IASB and IIRC announce cooperative agreement

The IASB and International Integrated Reporting Council (IIRC) announced a Memorandum of Understanding, where both organisations will strengthen their cooperation on the development of the IIRC's integrated corporate reporting framework. The purpose of the Memorandum of Understanding is to create the basis for cooperation, coordination, and alignment in areas the two organisations share mutual interests. Click [here](#) to access the joint press release.

IFRS Foundation Education Initiative updates *IFRS for SMEs* training modules

The IFRS Foundation Education Initiative updated the *IFRS for SMEs* (International Financial Reporting Standard for Small and Medium-sized Entities) training modules to include references to all of the questions and answers (Q&As) issued by the SMEIG. The Q&As are non-mandatory guidance for implementing the *IFRS for SMEs*. Click [here](#) to access the training modules.

IASB member discusses misconceptions regarding IFRSs

The IASB published an online paper prepared by IASB member Philippe Danjou responding to recurring misconceptions about IFRSs, particularly in continental Europe. The views expressed in this paper are the personal views of Mr. Danjou and not the official views of the IASB. Click [here](#) to access the paper.

G20 Finance Ministers and Central Bank Governors remain concerned about convergence

The G20 Finance Ministers and Central Bank Governors issued a communiqué following their February 2013 meeting in Moscow. The communiqué expresses 'concern' about the delay in the convergence of accounting standards and calls for improvements in public sector reporting. Click [here](#) for the communiqué.

IVSC consults on improvements to valuation standards and the valuation of financial liabilities

The International Valuations Standards Council (IVSC) released two due process documents: an exposure draft of numerous proposed amendments to International Valuation Standards (IVS) and a discussion paper on the valuation of financial liabilities.

Amendments proposed in the exposure draft are intended to reflect recently issued IVS publications and to make minor alternations to remove ambiguity or better illustrate a principle. The exposure draft also incorporates the proposals from the IVSC's projects on valuation reviews and the valuer's reliance on information.

The discussion paper is the first stage in the IVSC's project to determine appropriate valuation practice for liabilities (other than those arising from financial instruments) and to develop, as necessary, a dedicated standard and supporting technical guidance.

Comments on both documents are due by 30 April 2013.

Click [here](#) to access the exposure draft and [here](#) to access the discussion paper.

Canada defers mandatory IFRS adoption for certain rate-regulated entities to 2015

The Accounting Standards Board of Canada (AcSB) decided to extend the existing deferral of the mandatory IFRS changeover date for entities with qualifying rate-regulated activities by an additional year to 1 January 2015. The deferral follows from the IASB's decision to add a rate-regulated activities project to its agenda, including an interim phase to the project which would allow entities adopting IFRSs to grandfather their local GAAP requirements for rate-regulated activities until the IASB's comprehensive rate-regulated activities project is completed. The AcSB's extended deferral seeks to provide first-time adopters of IFRSs adequate time to prepare comparative figures based on any new interim IFRS that results from this project. Click [here](#) for further information.

ESMA publishes feedback statement on its consultation paper on materiality

The European Securities and Markets Authority (ESMA) published a feedback statement summarising the responses to its consultation paper *Considerations of materiality in financial reporting*. The feedback statement notes that the majority of respondents believe the concept of materiality is generally understood but there is diversity in application. Diversity in application was attributed to management judgement, differing perspectives, and application challenges. A number of respondents believe that if further guidance is required, it should be addressed by the IASB rather than by ESMA, whilst respondents expressed a number of views regarding ways to improve the consistency in application of the concept of materiality. ESMA intends to provide the IASB and the International Auditing and Assurance Standards Board (IAASB) with the outcome of the consultation and encourage them to address the aspects of materiality that are seen to be problematic in practice. Click [here](#) to access the ESMA feedback statement.

EFRAG recommends adoption of investment entities amendments

The European Financial Reporting Advisory Group (EFRAG) submitted to the European Commission its endorsement advice letter and effects study report on *Investment Entities* (Amendments to IFRS 10, IFRS 12 and IAS 27). In its report, EFRAG concludes that the investment entities amendments satisfy the technical criteria for endorsement and accordingly, recommends the adoption of the amendments in the European Union. Click [here](#) for the EFRAG press release and [here](#) for EFRAG's endorsement status report.

EFRAG and FRC publish feedback statement on income tax discussion paper

The EFRAG and the UK's Financial Reporting Council (FRC) published a feedback statement on their Discussion Paper *Improving the Financial Reporting of Income Tax*. The feedback statement provides a summary of the main issues received from respondents along with the EFRAG's and FRC's responses to those issues. The feedback statement notes that the most supported proposals in the discussion paper were (a) effective tax reconciliation, (b) improved disclosure on deferred tax assets and tax losses, and (c) recognition and measurement of uncertain tax positions. The least supported proposals by respondents were (a) reconciliation of the tax paid with the current tax expense, (b) discounting of deferred tax assets and liabilities, (c) disclosure on uncertain tax positions, and (d) disclosure that involves forward-looking and 'entity-sensitive' information. The feedback provided will be used by the EFRAG and the FRC when meeting with the IASB on discussions for the improvement of IAS 12 *Income Taxes*. Click [here](#) to access the press release.

FEE publishes an analysis of combined and carve-out financial statements

The European Federation of Accountants (FEE) published a paper *Combined and Carve-out Financial Statements Analysis of Common Practices*, summarising the most common practices as well as the main issues and challenges related to the preparation of combined and carve-out financial statements in compliance with IFRS. FEE is welcoming comments and will update the paper as needed. Click [here](#) to access the paper.

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Deloitte IFRS communications and publications

Issuance Date	Description
28 February 2013	IFRS in Focus: Valuation methodologies
26 February 2013	IFRS in Focus: IASB issues exposure draft on accounting for the sale or contribution of assets between an investor and its associate or joint venture
26 February 2013	IFRS in Focus: IASB proposes limited scope amendments to IAS 36
26 February 2013	IFRS in Focus: IASB proposes limited scope amendment to IFRS 11
21 February 2013	Insurance Podcast: The operating model implications for IFRS for insurance
19 February 2013	A Closer Look: Fair value measurement of financial instruments under IFRS 13
7 February 2013	Insurance Webcast: Coming to an end of joint decisions before re-exposure

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IASB Advisory Council and IASB meeting

Description	
IASB Advisory Council meeting	Click here for the 25 – 26 February 2013 meeting notes.
IASB meeting	<p>Click here for the 18 – 22 February 2013 meeting notes.</p> <p>IFRS Project Insights summarising tentative decisions taken during the meeting:</p> <ul style="list-style-type: none">• Insurance Contracts• Leases• Rate-regulated Activities• Revenue Recognition

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Comment letters

	Description	Receiving party	Comment deadline
Comment letters issued	Exposure Draft/2012/2, <i>Annual Improvements to IFRSs 2011-2013 Cycle</i>	IASB	18 February 2013
Comment letters pending	Exposure Draft/2013/1, <i>Recoverable Amount Disclosures for Non-Financial Assets</i> (Proposed amendments to IAS 36)	IASB	19 March 2013
	Exposure Draft/2012/3, <i>Equity Method: Share of Other Net Asset Changes</i> (Proposed amendments to IAS 28)	IASB	22 March 2013
	Exposure Draft/2012/4, <i>Classification and Measurement: Limited Amendments to IFRS 9</i> (Proposed amendments to IFRS 9 (2010))	IASB	28 March 2013
	Exposure Draft/2012/5, <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> (Proposed amendments to IAS 16 and IAS 38)	IASB	2 April 2013
Comment letters pending	Exposure Draft/2013/2, <i>Novation of Derivatives and Continuation of Hedge Accounting</i> (Proposed amendments to IAS 39 and IFRS 9)	IASB	2 April 2013
	Exposure Draft/2012/6, <i>Sale or Contributions of Assets between an Investor and its Associate or Joint Venture</i> (Proposed amendments to IFRS 10 and IAS 28)	IASB	23 April 2013
	Exposure Draft/2012/7, <i>Acquisition of an Interest in a Joint Operation</i> (Proposed amendment to IFRS 11)	IASB	23 April 2013

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