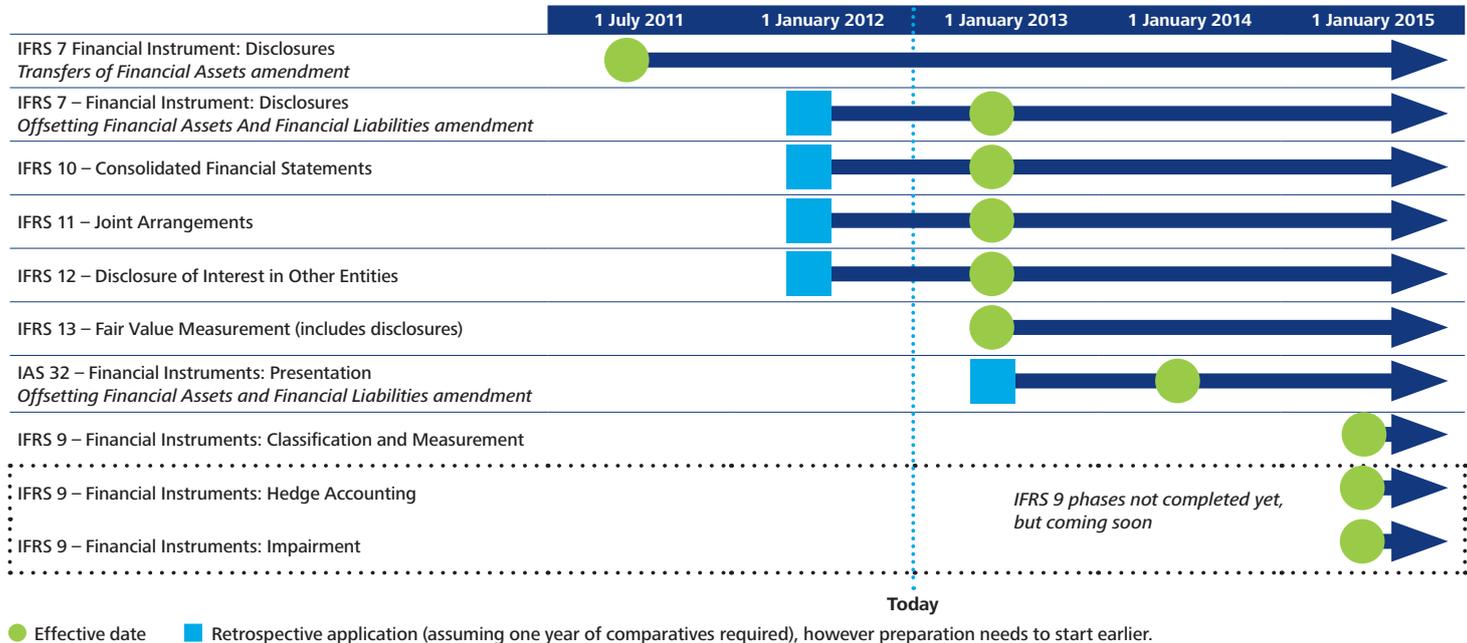


## What is heading your way?

### Effective dates that you need to think about

Over the last two years, the International Accounting Standards Board (IASB) has completed a range of significant projects resulting in new accounting and disclosure requirements. The effective dates for these requirements are fast approaching and now is the time to plan for implementation. The chart below details these dates and whether or not the requirements apply retrospectively.



The following tables provide a summary on each amendment or new IFRS, what the requirements are and the key things to think about when preparing to implement the changes. Whilst this is not intended as a comprehensive planning toolkit, it may help you think about the revised accounting implications and kick start your planning process if you have not already started.

| Amendments and new standards                                   | Effective date   | What is this about?  | Things to think about   |
|--|--|--|---|
| IFRS 7 – Transfer of Financial Assets                          | 1 July 2011<br><i>No comparative disclosure required</i>   | <ul style="list-style-type: none"> <li>Disclosures about financial assets that are transferred but not derecognised</li> <li>Disclosures about continuing involvement in transferred financial assets that have been derecognised</li> <li>Note that the scope of ‘continuing involvement’ disclosures are broader than continuing involvement accounting used for measuring certain derecognition transactions</li> </ul> | <ul style="list-style-type: none"> <li>Consider arrangements for collecting information required and controls around completeness</li> <li>Consider how information will be aggregated and presented in the financial statements and the overall messaging to users of the accounts</li> <li>Consider how historic information can be collated for transactions that led to full derecognition in the past</li> </ul>   |
| IFRS 7 – Offsetting Financial Assets and Financial Liabilities | 1 January 2013<br><i>Comparative disclosures are required</i>  | <ul style="list-style-type: none"> <li>Disclosures about the rights of set-off and related arrangements on an entity's financial position</li> </ul>   | <ul style="list-style-type: none"> <li>Consider arrangements for collecting information required on first time adoption and on-going</li> <li>Consider how information will be aggregated and presented in the financial statements and the overall messaging to users of the accounts</li> </ul>   |
| IFRS 10 – Consolidated Financial Statements                    | 1 January 2013<br><i>The new standard applies retrospectively</i>                                    | <ul style="list-style-type: none"> <li>Replaces IAS 27 <i>Consolidation and Separate Financial Statements</i> and SIC 12 <i>Consolidation – Special Purpose Entities</i></li> <li>A single model for consolidation based on a control model (as opposed to a risk and reward model such as SIC-12)</li> </ul>  | <ul style="list-style-type: none"> <li>Consider the process for determining whether entities currently consolidated should continue to be consolidated under the new control model</li> <li>Consider the process for identifying and assessing whether entities not currently consolidated should be consolidated under the new control model</li> </ul>  |
| IFRS 11 – Joint Arrangements                                   | 1 January 2013<br><i>The new standard applies retrospectively</i>                                    | <ul style="list-style-type: none"> <li>Replaces IAS 31 <i>Interests in Joint Ventures</i> and SIC 13 <i>Jointly Controlled Entities – Non-Monetary Contributions by Venturers</i></li> <li>Establishes principles applicable to all jointly controlled entities</li> </ul>   | <ul style="list-style-type: none"> <li>Perform assessments to determine classification of any jointly controlled entities</li> <li>Consider joint arrangements that were accounted for using proportionate consolidation that must now apply equity accounting and prepare journals for first time adoption</li> <li>Consider knock-on effects of using equity accounting over proportional consolidation (e.g. effect on ratios, KPIs, hedge accounting, etc)</li> </ul> |
| IFRS 12 – Disclosure of Interest In Other Entities             | 1 January 2013<br><i>The new standard applies retrospectively (comparative disclosures required)</i> | <ul style="list-style-type: none"> <li>Disclosures about interests in: <ul style="list-style-type: none"> <li>Subsidiaries</li> <li>Joint ventures and associates</li> <li>Unconsolidated structured entities</li> </ul> </li> </ul>   | <ul style="list-style-type: none"> <li>Collecting information to prepare the disclosures as required for first time adoption and on-going arrangements for collecting information</li> <li>Consider controls for completeness of the disclosures of interests in other entities</li> <li>Consider how information will be aggregated and presented in the financial statements and the overall messaging to users of the accounts</li> </ul>                              |

| Amendments and new standards                                   | Effective date   | What is this about?   | Things to think about  |
|--|--|---|--|
| IFRS 13 – Fair Value Measurements                              | 1 January 2013<br><i>The new standard applies prospectively</i>                | <ul style="list-style-type: none"> <li>Defining fair value measurements</li> <li>Provides guidance on how to apply a fair value measurement concept where IFRSs use the term 'fair value'</li> <li>Provides a measurement exception for items managed on a portfolio level as well as permitting mid-market pricing more generally</li> <li>Disclosure requirements related to fair value and assumptions used when measuring fair value</li> </ul> | <ul style="list-style-type: none"> <li>Consider whether the new guidance changes current valuation inputs, assumptions and methodologies</li> <li>Consider knock-on effects of changes in valuation (e.g. effect hedge accounting, regulatory reporting, etc)</li> <li>Consider how disclosures will be aggregated and presented in the financial statements and the overall messaging to users of the accounts</li> </ul> |
| IAS 32 – Offsetting Financial Assets and Financial Liabilities | 1 January 2014<br><i>Amendment applies retrospectively</i>                     | <ul style="list-style-type: none"> <li>Clarify the meaning of "currently has a legal enforceable right of set-off"</li> <li>Clarify that some gross settlement systems would be considered equivalent to net settlement if they eliminate or result in insignificant credit and liquidity risk and process receivables and payables in a single settlement process cycle</li> </ul>   | <ul style="list-style-type: none"> <li>Consider accounting policies and whether amendments change the application of offsetting under IAS 32 (e.g. for transactions with clearing houses)</li> </ul>   |
| IFRS 9 – Classification and Measurement                        | 1 January 2015<br><i>The new standard applies retrospectively</i>              | <ul style="list-style-type: none"> <li>Classification and measurement requirements for financial instruments based on a combined business model and contractual cash flow test</li> <li>Derecognition requirements for financial instruments</li> </ul>   | <ul style="list-style-type: none"> <li>Consider classification and measurement of financial instruments in terms of the business model within which they sit and the contractual terms of their cash flows (for example, consider the appropriate classification of liquidity portfolios between amortised cost or FVTOCI)</li> <li>Determine accounting policy choices and process for decision making</li> </ul>         |
| IFRS 9 – Hedge Accounting <sup>1</sup>                         | 1 January 2015<br><i>The new standard will be applied prospectively</i>        | <ul style="list-style-type: none"> <li>New hedge accounting model (does not include portfolio hedge accounting)</li> <li>Increases items eligible for designation as hedged items</li> <li>New hedge effectiveness testing requirements (no more 80-125% effectiveness test)</li> </ul>   | <ul style="list-style-type: none"> <li>Evaluate risk management practice to consider wider application of hedge accounting</li> <li>Prepare hedge accounting documentation and designations ahead of application date</li> <li>Evaluate new systems requirements to run hedge accounting modules alongside accounting application software (or integrated)</li> </ul>  |
| IFRS 9 – Impairment <sup>2</sup>                               | 1 January 2015<br><i>As yet unclear what transitional provisions may apply</i> | <ul style="list-style-type: none"> <li>Change from an incurred loss model to expected loss model</li> </ul>   | <ul style="list-style-type: none"> <li>Consider system requirements to measure, track and account for expected losses</li> <li>Consider integration with other regulatory change projects</li> </ul>   |

1 The IASB is expected to publish a staff draft in August 2012 with expectations that the final standard will be published in December 2012.

2 The IASB plans to publish an new exposure draft on impairment later this year. The expectation is that the exposure draft will be published in October 2012. Even though this is just an exposure draft, the IASB plans to finalise the requirements so that IFRS 9 (including all phases) will be ready for application for periods beginning 1 January 2015. Consequently, this is also something to plan for.

If you would like to discuss any aspect of this please do not hesitate to get in touch with one of the contacts below:

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