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IFRS Global office
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IFRS in Focus
IASB issues exposure draft on Annual Improvements to IFRSs: 2011-2013 Cycle

Contents

The Bottom Line

- The exposure draft proposes amendments to the following standards:
  - IFRS 1 *First-time Adoption of International Financial Reporting Standards*
  - IFRS 3 *Business Combinations*
  - IFRS 13 *Fair Value Measurement*
  - IAS 40 *Investment Property*
- The proposed amendments, if finalised, would be effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.
- The comment period for the proposals ends on 18 February 2013.

Introduction

In November 2012, as part of its annual improvements project, the International Accounting Standards Board (IASB) issued for public comment exposure draft ED/2012/2 *Annual Improvements to IFRSs: 2011-2013 Cycle* ('the ED'), which proposes amendments to four International Financial Reporting Standards (IFRSs). The annual improvements process is designed to make necessary, but non-urgent, amendments to IFRSs.

The proposed effective date for the amendments is for annual periods beginning on or after 1 January 2014. Early adoption is proposed to be permitted for all of the amendments.

The comment period for the ED ends on 18 February 2013.

For more information please see the following websites:

www.iasplus.com

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The proposed amendments

IFRS	Topic	Proposed amendment
IFRS 1 *First-time Adoption of International Financial Reporting Standards*	Meaning of effective IFRSs	Clarifies that an entity, in its first IFRS financial statements, has the choice between applying an existing and currently effective IFRS or applying early a new or revised IFRS that is not yet mandatorily effective, provided that the new or revised IFRS permits early application. An entity is required to apply the same version of the IFRS throughout the periods covered by those first IFRS financial statements.
IFRS 3 *Business Combinations*	Scope of exception for joint ventures	Amends IFRS 3 to exclude from its scope the accounting for the formation of all types of joint arrangements as defined in IFRS 11 *Joint Arrangements*, including those involving the contribution of a business to a joint arrangement, and clarifies that the scope exclusion in paragraph 2(a) of IFRS 3 only addresses the accounting in the financial statements of the joint venture or the joint operation itself, and not the accounting by the parties to the joint arrangement for their interests in the joint arrangement.
IFRS 13 *Fair Value Measurement*	Scope of paragraph 52 (portfolio exception)	Clarifies that the portfolio exception in paragraph 52 of IFRS 13 applies to all contracts accounted for within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* or IFRS 9 *Financial Instruments*, even if they do not meet the definition of financial assets or financial liabilities as defined in IAS 32 *Financial Instruments: Presentation*, such as certain contracts to buy or sell non-financial items that can be settled net in cash or another financial instrument.
IAS 40 *Investment Property*	Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property	Clarifies that IFRS 3 and IAS 40 are not mutually exclusive. Determining whether a specific transaction meets the definition of a business combination as defined in IFRS 3 requires judgement based on the guidance in IFRS 3. Determining whether or not property is owner-occupied property or investment property requires application of paragraphs 7-15 of IAS 40.

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