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Deloitte's digest

An overview of standard-setting activities

July 31, 2014

At a time when it has become a difficult task to keep up to date with the recent developments in standard-setting activities, the Deloitte Digest presents a useful single source of reference for current financial reporting developments.

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Summary by standard

From time to time, standard-setters and regulators issue new rules and standards that affect your financial reporting. This document briefly describes these pronouncements and other regulatory and professional developments and indicates their effective date, transition application and entities affected.

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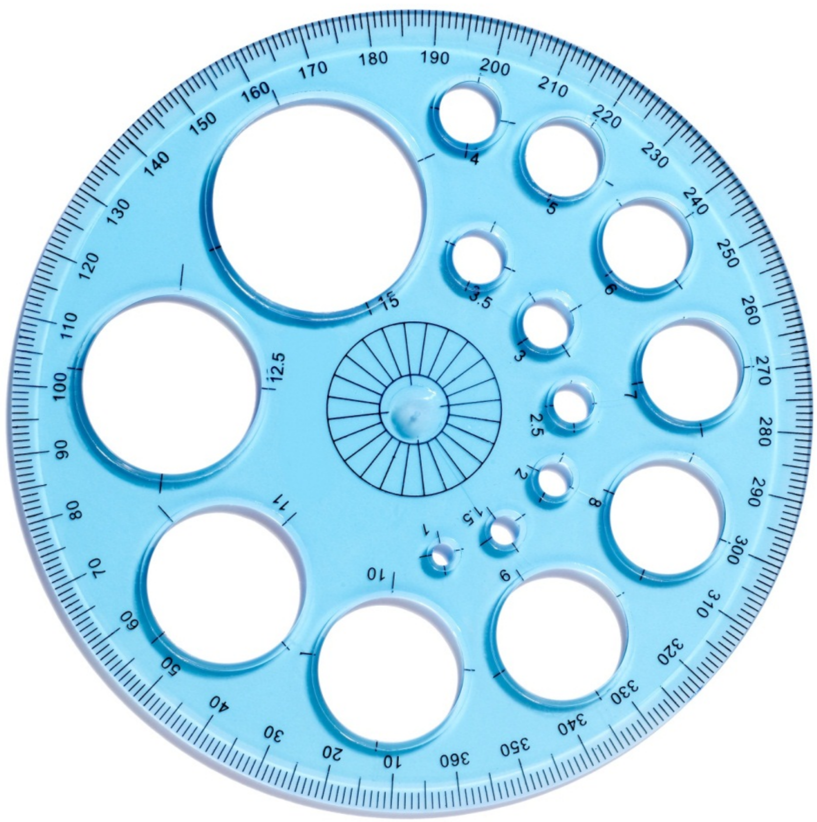
Final standards



AcSB Due Process and Oversight re Part I of the CPA Canada Handbook – Accounting

Effective date: July 2013

Standard:	Amendments to the Preface to the CPA Canada Handbook - Accounting and the Introduction to Part I - International Financial Reporting
Transitional provisions:	N/A
Published by:	AcSB
Last updated:	June 2014
Applicable to:	Entities reporting in accordance with IFRS

Recent activities

At its meeting on June 17, 2014, the AcSB adopted the new Charter "The IASB and other national standard-setters – Working together to develop and maintain global financial reporting standards," which sets out the basis of the AcSB's working relationship with the IASB. The AcSB also adopted the new Charter of the International Forum of Accounting Standard Setters.

On May 21, 2014, the AcSB issued an updated version of its Due Process Handbook.

On July 2013, the Preface to the CPA Canada Handbook – Accounting and the Introduction to Part I - International Financial Reporting Standards were amended to clarify the authority for financial reporting requirements in Canada and the basis for adopting IFRSs into Canadian generally accepted accounting principles, including issues related to early adopting new and amended IFRSs.

In summary

Overview

The amendments clarify the authority for financial reporting requirements in Canada and the basis for adopting IFRSs into Canadian generally accepted accounting principles, including issues related to early adopting new and amended IFRSs.

Of note in this regard: (i) Newly issued IFRSs are not part of Canadian GAAP until the AcSB has issued them into Part I of the CPA Canada Handbook – Accounting.[Note: the AcSB's necessary due process, translation and publication processes can take two to five months to complete following the issuance of a new or amended IFRS by the IASB.] (ii) Adoption (including any early adoption permitted by the IASB) of a new or amended IFRS in published financial statements would not be in accordance with Canadian GAAP and securities regulations (in particular, National Instrument 52-107, *Acceptable Accounting Principles and Auditing Standards*) until the standard is issued into the CPA Canada Handbook - Accounting. (iii) Paragraph 30 of IAS 8, which is part of Canadian GAAP, requires advance disclosures about newly issued IFRSs even when the standards have not yet been included in Canadian GAAP (i.e. issued into the CPA Canada Handbook – Accounting). These disclosures can be provided before the standards are adopted into Canadian GAAP (i.e. issued into the CPA Canada Handbook – Accounting) and may be necessary for compliance with regulatory requirements. Additional details of the basis for these conclusions is provided in the AcSB Staff Commentary, *Newly Issued IFRSs: Early Adoption and Advance Disclosure Issues*

Available resources and links

- Charter - The IASB and other accounting standard-setters, Working together to develop and maintain global financial reporting standards
- AcSB Due Process Handbook (May 2014)

- Preface to the CPA Canada Handbook – Accounting and the Introduction to Part I - International Financial Reporting Standards
- AcSB Decision Summary (October 2012)
- AcSB Staff Commentary, Newly Issued IFRSs: Early Adoption and Advance Disclosure Issues

IASB /AcSB Amendments (2013) to IFRS 9, Financial Instruments
UPDATED

Effective date: Annual periods beginning on or after January 1, 2018 with early adoption permitted	
Standard:	IFRS 9, Financial Instruments (2013)
Transitional provisions:	These 2013 amendments, will come into effect for annual periods beginning on or after January 1, 2018 with early adoption permitted.
Published by:	IASB and AcSB
Last updated:	July 2014
Applicable to:	All publicly accountable entities (and those other entities that choose to adopt IFRS)

Recent activities

Most recently, on July 24, 2014, the IASB completed the final elements (classification/measurement and impairment) of its comprehensive response to the financial crisis by issuing a final version of IFRS 9, *Financial Instruments*. The new Standard, including these 2013 amendments, will come into effect for annual periods beginning on or after January 1, 2018 with early adoption permitted.

At its meeting on February 19-20, 2014, the IASB tentatively decided to require an entity to apply IFRS 9 for annual periods beginning on or after January 1, 2018.

At its meeting on December 3, 2013, the AcSB decided, subject to a written ballot, to incorporate into Part I of the CPA Canada Handbook these amendments to the accounting for financial instruments issued by the IASB. As a result, the amended guidance on hedge accounting and the other amendments to IFRS 9 set out below are expected to be issued and become part of Canadian GAAP in the first quarter of 2014.

On November 19, 2013, the IASB announced the completion of a package of amendments to the accounting requirements for financial instruments set out in IFRS 9, *Financial Instruments.*

In summary

Overview

The November 2013 amendments:(i) bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements; (ii) allow the changes to address the so-called ‘own credit’ issue that were already included in IFRS 9 to be applied in isolation without the need to change any other accounting for financial instruments; and (iii) remove the January 1, 2015 mandatory effective date of IFRS 9, to provide sufficient time for preparers of financial statements to make the transition to the new requirements. For details of these changes, refer to the Project Summary (November 2013) below, which has been prepared by the IASB staff.

Following these amendments, IFRS 9 continues to be available if entities choose to apply it and entities currently have a choice about which parts of IFRS 9 they apply. Entities can choose to apply: only the own credit requirements; only the classification and measurement requirements for financial assets; the classification and measurement requirements for financial assets and financial liabilities; or the classification and measurement requirements for financial assets and financial liabilities and the hedge accounting requirements.

The IASB is currently discussing some limited amendments to the classification and measurement requirements in IFRS 9 and is also discussing the expected credit loss impairment model to be included in IFRS 9. (It also has an active project related to Macro Hedging) See separate items. Once those deliberations are complete the IASB expects to publish a final version of IFRS 9 that will include all of the phases: Classification and Measurement; Impairment and Hedge Accounting. That version of IFRS 9 will include a new mandatory effective date which will be no earlier than for annual periods beginning on or after January 1, 2017.

Available resources and links

- IASB Press Release (November 2013)
- Project Summary (November 2013)
- Deloitte IFRS in Focus – Hedge Accounting Reforms (November 2013)

IASB/AcSB Amendments (2014) to IFRS 9, Financial Instruments NEW

Effective date: Annual periods beginning on or after January 1, 2018. Earlier adoption permitted

Standard:	Amendments (2014) to IFRS 9, *Financial Instruments*
Transitional provisions:	Annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.
Published by:	IASB and AcSB
Last updated:	July 2014
Applicable to:	All publicly accountable entities (and those other entities that choose to adopt IFRS)

Recent activities

On July 25, 2014, the IASB completed the final elements of its comprehensive response to the financial crisis by issuing further amendments to IFRS 9, *Financial Instruments*, in respect of (i) revisions to its classification and measurement model and (ii) a single, forward-looking 'expected loss' impairment model.

In summary

Overview

IFRS 9, as amended, introduces a logical approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces existing rule-based requirements that are generally considered to be overly complex and difficult to apply. The new model also results in a single impairment model being applied to all financial instruments, thereby removing a source of complexity associated with previous accounting requirements.

IFRS 9, as amended, introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

Available resources and links

- IASB Press Release (July 2014)
- IFRS 9, Financial Instruments (as amended, July 2014)
- IASB Project Summary (July 2014)
- IASB Article: IFRS 9: A Complete Package for Investors

IASB/AcSB Amendments to IFRS 11, Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations

Effective date: Annual periods beginning on or after January 1, 2016. Earlier adoption permitted

Standard:	Amendments to IFRS 11*, Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations*
Transitional provisions:	To be applied prospectively, effective for annual periods beginning on or after January 1, 2016. Earlier adoption is permitted
Published by:	IASB and AcSB
Last updated:	May 2014
Applicable to:	All publicly accountable entities (and those other entities that choose to adopt IFRS)

Recent activities

On May 6, 2014, the IASB issued *Amendments to IFRS 11, Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations*.

In summary

Overview

Previously IFRS 11 did not give explicit guidance on the accounting for acquisitions of interests in joint operations. The objective of the amendments is to add new guidance to IFRS 11 on accounting for the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in IFRS 3, *Business Combinations*. Acquirers of such interests are to apply the relevant principles on business combination accounting in IFRS 3 and other standards, as well as disclosing the relevant information specified in these standards for business combinations.

The most significant impacts will be the recognition of goodwill (when there is an excess of consideration transferred over the identifiable net assets acquired) and the recognition of deferred tax assets and liabilities. Of note, the amendments apply not only to acquisitions of interests in joint operations but also when a business is contributed to a joint operation on its formation.

Available resources and links

- IASB Press Release (May 2014)
- IFRS 11 (as amended, May 2014)
- IASB Project Summary
- Deloitte IFRS in Focus (May 2014)

IASB/AcSB Amendments to IAS 16, Property, Plant and Equipment, and IAS 38, Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation

Effective date: Annual periods beginning on or after January 1, 2016. Earlier adoption permitted

Standard:	Amendments to IAS 16, *Property, Plant and Equipment,* and IAS 38*, Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation*
Transitional provisions:	To be applied prospectively, effective for annual periods beginning on or after January 1, 2016. Earlier adoption is permitted
Published by:	IASB and AcSB
Last updated:	May 2014
Applicable to:	All publicly accountable entities (and those other entities that choose to adopt IFRS)

Recent activities

On May 12, 2014, the IASB issued *Amendments to IAS 16, Property, Plant and Equipment, and IAS 38, Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation*.

In summary

Overview

In issuing the amendments, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption can only be rebutted in two limited circumstances: (a) the intangible asset is expressed as a measure of revenue and (b) the revenue and consumption of the intangible asset are highly correlated.

Available resources and links

- IASB Press Release (May 2014)
- IAS 16 and IAS 38 (as amended, May 2014)
- IASB Project Summary
- Deloitte IFRS in Focus (May 2014)

IASB/AcSB Amendments to IAS 16 and IAS 41: Bearer Plants

Effective date:	**Annual periods beginning on or after January 1, 2016. Earlier adoption permitted**
Standard:	Amendments to IAS 16 and IAS 41: *Bearer Plants*
Transitional provisions:	Annual periods beginning on or after January 1, 2016. Earlier adoption is permitted
Published by:	IASB and AcSB
Last updated:	June 2014
Applicable to:	All publicly accountable entities (and those other entities that choose to adopt IFRS)

Recent activities

On June 30, 2014, the IASB published amendments that change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms.

In summary

Overview

IAS 41, *Agriculture*, previously required all biological assets related to agricultural activity to be measured at fair value less costs to sell. This is based on the principle that the biological transformation that these assets undergo during their lifespan is best reflected by fair value measurement. However, there is a subset of biological assets, known as bearer plants, which are used solely to grow produce over several periods. At the end of their productive lives they are usually scrapped. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates.

The IASB decided that bearer plants should be accounted for in the same way as property, plant and equipment in IAS 16, *Property, Plant and Equipment*, because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41.

Available resources and links

- IASB Press Release (June 2014)
- IAS 16 and IAS 41 (As amended)
- Deloitte IFRS in Focus (June 2014)
- IASB Project Summary and Feedback Statement (June 2014)

IASB/AcSB IFRS 9, Financial Instruments UPDATED

Effective date: Annual periods beginning on or after January 1, 2018 with early adoption permitted.

Standard:	IFRS 9, *Financial Instruments*
Transitional provisions:	The new Standard will come into effect for annual periods beginning on or after January 1, 2018 with early adoption permitted.
Published by:	IASB and AcSB
Last updated:	July 2014
Applicable to:	All publicly accountable entities (and those other entities that choose to adopt IFRS)

Recent activities

Most recently, on July 24, 2014, the IASB completed the final elements (classification/measurement and impairment) of its comprehensive response to the financial crisis by issuing a final version of IFRS 9, *Financial Instruments*. The new Standard will come into effect for annual periods beginning on or after January 1, 2018 with early adoption permitted.

At its meeting on February 19-20, 2014, the IASB tentatively decided to require an entity to apply IFRS 9 for annual periods beginning on or after January 1, 2018.

On November 19, 2013, the IASB approved three 2013 amendments to IFRS 9, including removing its mandatory effective date. See separate item.

At its meeting on July 24, 2013, the IASB decided that the mandatory adoption date of IFRS 9 should be left open pending the finalization of the impairment and classification and measurement requirements. IFRS 9 continues to be available for early application.

At its meeting on December 13-15, 2011, the IASB approved the deferral by two years of the effective date of IFRS 9 to fiscal years beginning on or after January 1, 2015. Early adoption continues to be permitted. The amendments approved at the meeting in December 2011 also provide relief from the requirement to restate comparative financial statements for the effect of applying IFRS 9. Instead, additional transition disclosures will be required.

In summary

Overview

This new standard replaces the requirements in IAS 39, *Financial Instruments: Recognition and Measurement* for classification and measurement of financial assets and liabilities.

IFRS 9 is the first part of a multi-phase project to replace IAS 39.

Key Features

Business model approach

- A financial asset will be: (i) classified on the basis of the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset; (ii) initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs; and (iii) subsequently measured at amortized cost or fair value.
- Reclassification is required when the business model under which the assets are managed changes.

Two measurement categories

The four IAS 39 classification categories are replaced with only two measurement categories – fair value and amortized cost. The classification approach to determine which financial assets are accounted for at amortized cost uses two criteria that the IASB believes will ensure that amortized cost provides decision-useful information about the amounts, timing and uncertainty of future cash flows:

- Does the financial instrument have basic loan features? (Basic loan features are contractual terms that give rise to cash flows that are payments of principal and interest on the principal outstanding.)
- Is the instrument managed on a contractual yield basis? (Instruments are managed on a contractual yield basis if the business model is to pay and receive the contractual cash flows that are generated when held or issued.)

Fair value option

A fair value option is provided for financial instruments otherwise measured at amortized cost. A financial instrument is eligible to be measured at fair value through profit or loss if such designation eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch').

Characteristics of a debt instrument drive its measurement

Debt instruments (including debt instruments that are in security form and quoted in a market that were classified as 'available for sale' under IAS 39 and measured at fair value) must now be measured using amortized cost, if both of the two criteria described above are met. This is required unless the entity is eligible for and designates the instrument using the fair value option.

Elimination of tainting rules

The 'tainting' requirements in IAS 39 for held-to-maturity assets have been eliminated.

Separate presentation of gains and losses arising on the derecognition of items measured at amortized cost before maturity is now required with additional information and this enables users to understand the effects of such transactions within the context of a business model based on the payment or receipt of contractual cash flows.

A single impairment method

A single impairment method is to be applied to all financial assets measured at amortized cost – a major simplification compared with IAS 39's requirements, which requires different impairment approaches.

A single classification approach

A single classification approach is used for all types of financial instruments. This includes financial contracts that have derivative features embedded in them. This significantly reduces complexity.

All equity investments at fair value

All equity instruments are measured at fair value and there is an irrevocable option for an entity to present gains or losses for designated equity investments (other than items held for trading) in other comprehensive income. Only dividend income from such designated equity instruments is to be recognized in net income. There are no impairment requirements for equity investments because they are all carried at fair value.

Embedded derivatives

There is no separation required for derivatives embedded in host debt instruments. The whole instrument is accounted for at amortized cost if it meets both of the two criteria specified and the fair value option is not made. Otherwise the whole instrument must be accounted for at fair value.

New requirements for financial liabilities

The new requirements for financial liabilities address the problem of volatility in profit or loss arising from an issuer choosing to measure its own debt at fair value. The IASB decided to maintain the existing amortized cost measurement for most liabilities, limiting change to that required to address the own credit problem. With the new requirements, an entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in the other comprehensive income (OCI) section of the income statement, rather than within profit or loss.

Available resources and links

- IFRS 9, Financial Instruments

- Deloitte IAS Plus Commentary on IFRS 9 (November 2009)
- IASB's Press Release (October 2010)
- Deloitte IFRS in Focus – Deferral of IFRS 9 (December 2011)

IASB/AcSB IFRS 15, Revenue from Contracts with Customers

Effective date: Reporting periods beginning on or after January 1, 2017. Earlier adoption permitted

Standard:	IFRS 15*, Revenue from Contracts with Customers*
Transitional provisions:	The new Standard is effective for annual reporting periods beginning on or after January 1, 2017 with earlier adoption permitted. For comparative amounts, entities have the option of using either retrospective application (with certain practical expedients) or a modified approach that is set out in the new Standard.
Published by:	IASB and AcSB
Last updated:	May 2014
Applicable to:	All publicly accountable entities (and those other entities that choose to adopt IFRS)

Recent activities

On May 28, 2014, the IASB and the FASB jointly issued a converged Standard on the recognition of revenue from contracts with customers.

In summary

Overview

The new Standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It supersedes the IASB's current revenue recognition guidance including IAS 18, *Revenue*, IAS 11, *Construction Contracts,* and related Interpretations.

The core principle is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The new Standard introduces far more prescriptive guidance than was included in IAS 18, IAS 11 and the related Interpretations and the majority of entities are likely to be affected by this, at least to some extent. Furthermore, the new Standard may result in substantial changes to the timing of revenue recognition for some entities.

Entities will need to consider the extent to which changes, in some cases substantial, may be required to processes, IT systems and internal controls as a result both of the new model and of the increased disclosure requirements.

For further details of the new Standard, refer to the Deloitte IFRS in Focus (May 2014) as per the link below.

Available resources and links

- IASB Press Release (May 2014)
- IFRS 15, Revenue from Contracts with Customers
- IASB Project Summary and Feedback Statement (May 2014)
- Deloitte IFRS in Focus (May 2014)

IFRS Foundation: IFRS Taxonomy 2014

Effective date: Immediately

Standard:	IFRS Taxonomy 2014
Transitional provisions:	N/A
Published by:	IFRS Foundation
Last updated:	May 2014
Applicable to:	All entities required to file XBRL exhibits with the SEC

Recent activities

On May 15, 2014, the IFRS Foundation issued Interim Release 1 to the IFRS Taxonomy 2014. The Interim Release includes IFRS 14, Regulatory Deferral Accounts, which was issued by the IASB on January 30, 2014.

On March 5, 2014, the IFRS Foundation published the IFRS Taxonomy 2014.

In summary

Overview

The IFRS Taxonomy is a translation of International Financial Reporting Standards (IFRS) into eXtensible Business Reporting Language (XBRL). The IFRS Taxonomy 2014 is consistent with IFRS as issued by the IASB at January 1, 2014, including standards published but not yet effective at that date.

The IFRS Taxonomy 2014 consolidates all IFRS Taxonomy Proposed Interim Releases issued since the publication of the IFRS Taxonomy 2013. These releases mainly related to IFRS 9, *Financial Instruments* (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39), *Recoverable Amount Disclosures for Non-Financial Assets* (Amendments to IAS 36), and two sets of *Annual Improvements to IFRSs* (2009–2011 and 2010–2012 Cycles). It also includes new concepts that reflect certain industry practices. These common practice concepts have been derived from an analysis of IFRS financial statements prepared by companies engaged in real estate and telecommunication activities.

The IFRS Taxonomy 2014 follows a different architecture to the IFRS Taxonomy 2013, with separated modules for full Standards, IFRS for SMEs and IFRS Practice Statement Management Commentary.

Available resources and links

- Press Release (May 2014)
- Press Release (March 2014)
- IFRS Taxonomy 2014 and related materials (March 2014)

Proposed standards

IASB/AcSB Amendments to IAS 27: Equity Method in Separate Financial Statements

Comment period ends February 3, 2014

Proposed standard:	Amendments to IAS 27, *Separate Financial Statements*
Proposed effective date:	The IASB expects to issue the final amendments in Q3/2014 and that they will be effective January 1, 2016
Published by:	IASB and AcSB
Last updated:	June 2014
Applicable to:	Publicly accountable enterprises (and those other entities that choose to adopt IFRS)

Recent activities

Most recently, the IASB met on April 23, 2014 to continue its redeliberations on the proposals in the ED. The IASB did the following: (a) discussed transition requirements and comments from respondents on other matters and decided to finalise the amendments as originally proposed; (b) decided that re-exposure of the proposed amendments was not required; (c) decided that the mandatory effective date of the final amendments should be January 1, 2016; and (d) confirmed that it was satisfied that it has completed all of the necessary due process steps on the project to date and therefore instructed the staff to commence the ballot process for the amendments to IAS 27.

On December 23, 2013, the AcSB issued an ED that corresponds to the IASB's ED on this topic.

On December 2, 2013, the IASB issued for public comment an ED entitled *Equity Method in Separate Financial Statements (Proposed amendments to IAS 27).*

In summary

Overview

Prior to the revision in 2003 of IAS 27, *Consolidated and Separate Financial Statements*, and IAS 28 *Investments in Associates*, the equity method was one of the options available to an entity to account for investments in subsidiaries and associates in the entity's separate financial statements. In 2003, the equity method was removed from the options. IAS 27, *Separate Financial Statements*, currently allows an entity to account for investments in subsidiaries, joint ventures and associates either at cost or in accordance with IFRS 9, *Financial Instruments*, in the entity's separate financial statements. The IASB has published this ED of proposed amendments to IAS 27 to restore the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in the entity's separate financial statements.

Available resources and links

- IASB Press Release (December 2013)
- IASB ED (December 2013)
- IASB Project Summary
- Deloitte IFRS in Focus (December 2013)
- AcSB ED (December 2013)

IASB/AcSB Amendments to IFRS 10 and IAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Comment period ends April 23, 2013

Proposed standard:	Proposed narrow-scope amendments to IFRS 10, *Consolidated Financial Statements*, and IAS 28, *Investments in Associates and Joint Ventures*.
Proposed effective date:	The IASB expects to issue these final amendments, which will be effective January 1, 2016, in Q3/2014.
Published by:	IASB and AcSB
Last updated:	June 2014
Applicable to:	Publicly accountable enterprises (and those other entities that choose to adopt IFRS)

Recent activities

Most recently, at its meeting on June 17-19, 2014, the IASB members were asked whether they intended to dissent from the publication of the narrow-scope amendments to IFRS 10 and IAS 28. Only four IASB members indicated that they intend to dissent from the publication of the amendments and, accordingly, the IASB staff was asked to commence the ballot process.

On January 30, 2013, the AcSB issued an ED that corresponds to the IASB's ED.

On December 13, 2012, the IASB published an ED of proposed narrow-scope amendments to IFRS 10, *Consolidated Financial Statements*, and IAS 28, *Investments in Associates and Joint Ventures.*

In summary

Overview

At its meeting in July 2013, the IFRIC was presented with a summary and analysis of the 65 comment letters received on the ED. The IFRIC decided that it should recommend that the IASB proceed with the amendments to IFRS 10 and IAS 28, subject to certain wording changes. It thinks that the proposed amendments would reduce diversity even if judgement will still be required in some cases to determine whether the assets sold or contributed constitute a business.

The objective of the proposed amendments is to address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of a subsidiary. The main consequence of the proposed amendments is that a full gain or loss would be recognised on the loss of control of a business (whether it is housed in a subsidiary or not), including cases in which the investor retains joint control of, or significant influence over, the investee.

Available resources and links

- Deloitte Project Insights Summary
- Deloitte IFRS in Focus (February 2013)
- IASB Press Release (December 2012)
- IASB ED (December 2012)
- AcSB ED (January 2013)

IASB/AcSB Annual Improvements Cycle 2012- 2014 UPDATED

Comment period ends March 13, 2014

Proposed standard:	Annual Improvements Cycle 2012- 2014
Proposed effective date:	The final IFRS amendments are expected to be issued in Q3/2014. They will be effective for annual periods beginning on or after January 1, 2016; early application is expected to be permitted
Published by:	IASB and AcSB
Last updated:	July 2014
Applicable to:	Publicly accountable enterprises (and those other entities that choose to adopt IFRS)

Recent activities

Most recently, at its meeting on July 23, 2014, the IASB met to discuss this item, as follows: all of the IASB members (i) confirmed that they are satisfied that the IASB has completed all of the necessary due process steps on the project to date; (ii) agreed with the mandatory effective date of January 1, 2016; and (iii) do not intend to dissent from the publication of *Annual Improvements to IFRSs 2012-2014 Cycle*.

On December 11, 2013, the IASB issued for public comment an ED entitled *Annual Improvements Cycle 2012- 2014*. The ED provides details of five proposed amendments to four IFRSs under the IASB's annual improvements project, namely IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, IFRS 7, *Financial Instruments: Disclosure*, IAS 19, *Employee Benefits*, and IAS 34, *Interim Financial Reporting.*

In summary

Overview

A summary of the proposed amendments is as follows:

IFRS 5, Non-current Assets Held for Sale and Discontinued Operations

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, it 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.

IFRS 7, Financial Instruments: Disclosure

(A) 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.

(B) 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.

IAS 19, Employee Benefits

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.

IAS 34, Interim Financial Reporting

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.

Available resources and links

- IASB Press Release (December 2013)
- IASB ED (December 2013)
- AcSB ED (January 2014)
- IASB Project Summary
- Deloitte IFRS in Focus (December 2013)

IASB/AcSB Conceptual Framework UPDATED

Comment period ends on January 14, 2014

Proposed standard:	The DP is the first step towards the IASB revising its *Conceptual Framework for Financial Reporting.*
Proposed effective date:	The IASB plans to issue an ED in Q1/2015
Published by:	IASB and AcSB
Last updated:	July 2014
Applicable to:	Publicly accountable enterprises (and those other entities that choose to adopt IFRS)

Recent activities

Most recently, at its meetings on July 23 and 24, 2014, the IASB (i) started its discussion on measurement. In particular, the IASB discussed the objective of measurement and the effect of the qualitative characteristics on measurement and measurement categories; and (ii) discussed various issues including cash flow-based measurements, profit or loss and other comprehensive income, additional guidance on the definition of a liability, control, derecognition, elements for the statement of cash flows and statement of changes in equity, business model, presentation and disclosure, and transition and effective date.

On July 18, 2013, the IASB published for public comment a DP exploring possible changes to the IASB's *Conceptual Framework for Financial Reporting.*

In summary

Overview

The DP is designed to obtain initial views and comments on important issues that the IASB will consider as it develops an ED of a revised Conceptual Framework. The issues include: (i) definitions of assets and liabilities; (ii) recognition and derecognition; (iii) the distinction between equity and liabilities; (iv) measurement; (v) presentation and disclosure; and (vi) other comprehensive income.

Commenting on the publication of the DP, Hans Hoogervorst, Chairman of the IASB said: "The Conceptual Framework underpins the work of the IASB and affects all IFRS that we develop. This Discussion Paper gives people the opportunity to help us to shape the future of financial reporting by discussing the concepts that drive our work."

Available resources and links

- Deloitte Project Insights Summary
- IASB Press Release (July 2013)
- IASB DP (July 2013)
- IASB Snapshot (July 2013)
- IASB Project Summary

IASB/AcSB Insurance Contracts UPDATED

Comment period ends: To the IASB on October 25, 2013; To the AcSB on January 6, 2014

Proposed standard:	A new IASB standard on accounting for insurance contracts
Proposed effective date:	Not yet determined
Published by:	IASB and AcSB
Last updated:	July 2014
Applicable to:	Publicly accountable enterprises (and those other entities that choose to adopt IFRS)

Recent activities

Most recently, at its meeting on July 22, 2014, the IASB continued its discussions on insurance contracts. In particular, the IASB considered (i) a second approach for determining interest expense in profit or loss for participating contracts, (ii) the rate used to accrete interest and calculate the present value of cash flows that offset the contractual service margin, and (iii) the restrictions on changes in accounting policy relating to the presentation of the effect of changes in discount rates.

At its meeting on February 19, 2014, the FASB tentatively decided to: (i) generally limit the scope of insurance accounting to insurance entities; (ii) retain the existing recognition and measurement model for short-duration contracts under U.S. GAAP and make targeted improvements to enhance the disclosures for such contracts; and (iii) make targeted improvements to the recognition, measurement, and disclosure model for long-duration contracts. These tentative decisions represent a significant change in the direction of the FASB's Insurance Contracts project and would result in a U.S. insurance accounting model that significantly diverges from the insurance accounting model proposed by the IASB.

On September 25, 2013 the AcSB issued an ED that corresponds to the IASB's 2013 ED on this topic. Canadian stakeholders are encouraged to provide their comments to the AcSB by January 6, 2014.

On June 20, 2013, the IASB published for public comment a revised ED (the 2013 ED) of proposals for the accounting for insurance contracts. At its September 20-28, 2012 meeting, the IASB had decided that a re-exposure draft should be issued. Comments to the IASB are due by October 25, 2013.

On July 30, 2010, the IASB published for public comment an ED, *Insurance Contracts*, (the 2010 ED) with a request for comments by November 30, 2010. On September 29, 2010, the AcSB issued an ED that corresponded to the IASB's ED.

In summary

Overview

When the IASB began its work in 2001, International Accounting Standards had no standard on insurance contracts. In anticipation of adoption of IFRS by a number of jurisdictions, including the European Union, the IASB published IFRS 4, *Insurance Contracts*. That Standard enabled existing practices to be maintained and was intended as a stopgap measure pending a more fundamental reassessment of the accounting for insurance contracts. As a result, IFRS today has little guidance for entities that issue insurance contracts.

The IASB's 2010 ED, *Insurance Contracts*, represented an important milestone in Phase II of the IASB's project to revise fundamentally IFRS 4. Specifically, the ED required insurance liabilities to be measured using a transparent 'building blocks' accounting model based on a discounted probability weighted estimate of future cash flows. The proposed 'building block' approach for recognition of the insurance contract obligation is very different to the approaches and methods used currently; it includes three building blocks: (i) a current probability-weighted estimate of the future cash flows; (ii) a discount rate and a risk adjustment; (iii) a residual margin for uncertainty and future profits.

While the model presented in the 2010 ED was broadly supported, certain specific issues were raised by stakeholders that the IASB has sought to address in its revised 2013 ED. The revised proposals respond to these issues by introducing important changes in three main areas, namely:

i) to refine *the measurement approach* to propose that: (a) an entity should recognize any change in estimates relating to future profits to be earned for insurance coverage under an insurance contract over the period in which that profit is earned; and (b) a measurement and presentation exception to reflect situations in which there can be no economic mismatch between the insurance contract and assets backing that contract.

ii) to develop *the presentation approach* to propose that an entity should (a) align the presentation of revenue with that required for other contracts with customers by other IFRSs; and (b) present interest expense from insurance contracts in a way that enables an amortized cost-based expense to be presented in profit or loss and a current value-based balance sheet to be presented.

iii) to amend the transition approach to propose simplifications that maximize the use of objective data and to improve comparability for contracts originated before and after application of the proposals

The revised 2013 ED sets out in full the proposals for the accounting for insurance contracts. However, respondents are asked for comments on the key areas that the IASB has changed as a result of the responses it received to the 2010 ED.

Available resources and links

- Deloitte Project Insights Summary
- Deloitte IFRS in Focus (June 2013)
- IASB Project Summary
- IASB Press Release (June 2013)
- IASB ED (June 2013)
- AcSB ED (September 2013)
- IASB Snapshot (June 2013)
- IASB ED (July 2010)

IASB Investment Entities–Applying the Consolidation Exception (Proposed Amendments to IFRS 10 and IAS 28)

Comment period ends September 15, 2014

Proposed standard:	Investment Entities–Applying the Consolidation Exception (Proposed Amendments to IFRS 10 and IAS 28)
Proposed effective date:	Not specified
Published by:	IASB and AcSB
Last updated:	June 2014
Applicable to:	Publicly accountable enterprises (and those other entities that choose to adopt IFRS)

Recent activities

On June 11, 2014, the IASB published for public comment an ED entitled *Investment Entities–Applying the Consolidation Exception (Proposed amendments to IFRS 10 and IAS 28).* On June 27, 2014, the AcSB issued an ED that corresponds to the IASB's ED on this topic.

In summary

Overview

The proposed amendments are designed to clarify three issues about the application of the requirement for investment entities to measure subsidiaries at fair value instead of consolidating them. The proposed amendments: (i) confirm that the exemption from presenting consolidated financial statements continues to apply to subsidiaries of an investment entity that are themselves parent entities; (ii) clarify when an investment entity parent should consolidate a subsidiary that provides investment-related services instead of measuring that subsidiary at fair value; and (iii) simplify the application of the equity method for an entity that is not itself an investment entity but that has an interest in an associate that is an investment entity.

For further details refer to the Deloitte IFRS in Focus per the link below.

Available resources and links

- IASB Press Release (June 2014)
- IASB ED (June 2014)
- AcSB ED (June 2014)
- IASB Project Summary
- Deloitte IFRS in Focus (June 2014)

IASB/AcSB Leases UPDATED

Comment period end: the 2010 ED - December 15, 2010; the 2013 ED - September 13, 2013

Proposed standard:	A new accounting standard in respect of leases for both lessees and lessors
Next steps:	The expected effective date of the new standard is not yet specified
Published by:	IASB and AcSB
Last updated:	July 2014
Applicable to:	Publicly accountable enterprises (and those other entities that choose to adopt IFRSs)

Recent activities

Most recently, at their meeting on July 22-14, 2014, the IASB and the FASB continued redeliberating the proposals in the 2013 ED, specifically discussing the following topics: (i) sale and leaseback transactions; and (ii) lessor disclosure requirements.

At their meeting on March 18-19, 2014, the FASB decided on a dual approach for lessee accounting, with lease classification being determined in accordance with the principle in existing lease requirements. Under this approach, a lessee would account for most existing capital/finance leases as Type A leases (that is, recognising amortisation of the right-of-use (ROU) asset separately from interest on the lease liability), and accounting for most existing operating leases as Type B leases (that is, recognising a single total lease expense). The IASB decided on a single approach for lessee accounting. Under that approach, a lessee would account for all leases as Type A leases (that is, recognising amortisation of the ROU asset separately from interest on the lease liability).

On August 8, 2013, the AcSB issued a revised ED that corresponds to the IASB's 2013 ED.

On May 16, 2013, the IASB and the FASB published for public comment a re-exposure draft (the 2013 ED) of joint proposals to improve the reporting of lease contracts.

On July 2011, the Boards unanimously agreed to re-expose the revised proposals for a common Leases standard. The main areas of change include the lessee accounting model-specifically, how the lessee recognises lease expense in its statement of comprehensive income for some leases; the lessor accounting model; the accounting for variable lease payments and renewal options; and the definition of a lease.

In October 2010, the AcSB issued an ED that corresponds to the IASB's 2010 ED.

On August 17, 2010, the IASB and the FASB published for public comment an ED of joint proposals to improve the reporting of lease contracts (the 2010 ED).

Summary of project to date

For a summary of these proposed accounting changes, including the tentative decisions reached to date, refer to the attached link to the Deloitte IFRS Project Insights Summary.

In summary

Overview

The 2013 ED, similar to the 2010 ED reflects the decision of the Boards to develop a new approach to lease accounting that would require a lessee to recognise assets and liabilities for the rights and obligations created by leases. The model reflects that, at the start of a lease, the lessee obtains a right to use the underlying asset for a period of time, and the lessor has provided or delivered that right. Consequently, the Boards have referred to the model as a *'right-of-use'* model. A lessee is required to would recognise a right-of-use asset and a lease liability for all leases of more than 12 months.

Different from the 2010 ED, the 2013 ED recognises that there are a wide variety of lease transactions with different economics. To better reflect these differences, the 2013 ED proposes a dual approach to the recognition, measurement and presentation of expenses and cash flows arising from a lease. The principle for determining which approach to apply is based on the amount of consumption of the underlying leased asset.

A lessee typically consumes a part of any equipment or vehicle that it leases (such as aircraft, ships, mining equipment, cars and trucks). That is because equipment and vehicles are depreciating assets, whose value not only declines over their economic lives but generally declines faster in the early years of their lives than in the later years. In such leases (Type A Leases), the lessor prices the lease to recover the value of the part of the asset consumed as well as obtaining a return on its investment in the asset.

In other leases (Type B Leases), the lessee merely uses the underlying asset without consuming more than an insignificant part of it. This is typically the case for most leases of real estate, i.e. leases of land and/or a building ('property'). Property typically has a relatively long life, and a large proportion of the lease payments for some property leases relates to the land element inherent in those leases. Land has an indefinite life and the value of the land would not be expected to be consumed by a lessee. In such leases, the lessor prices the lease to obtain a return on its investment in the underlying asset (without requiring recovery of the investment itself).

Under the 2013 ED, a lessee is required to determine whether it has entered into a Type A or a Type B Lease. A lessee that enters into a Type A Lease, in effect, acquires the part of the underlying asset that it consumes, which is typically paid for over time in the form of lease payments. Accordingly, a lessee would present amortisation of the right-of-use asset in the same line item as other similar expenses (for example, depreciation of property, plant, and equipment) and interest on the lease liability in the same line item as interest on other, similar financial liabilities. In contrast, the lease payments made in a Type B lease would represent amounts paid to provide the lessor with a return on its investment in the underlying asset, i.e. a charge for the use of the asset. That return or charge would be expected to be relatively even over the lease term. Accordingly, those payments for use are presented as one amount in a lessee's income statement and recognised on a straight-line basis. The presentation of cash outflows in the cash flow statement is consistent with the presentation of expenses in the income statement. For Type A Leases, the principal portion of cash payments is presented within financing activities and the interest portion within operating or financing activities. Cash payments for Type B Leases are presented as one amount within operating activities.

With respect to lessors, for all practical purposes, there are few changes proposed to the accounting currently applied by lessors of finance leases. For operating leases, the extent of change would depend on whether the underlying asset is property or equipment. A lessor would distinguish between most property (Type B Leases) and most equipment leases (Type A Leases) in the same way that a lessee would under the proposals. For operating leases of property, the accounting applied by the lessor is essentially unchanged. For operating leases of equipment or vehicles, however, the changes proposed are significant since a lessor of most equipment or vehicles leases would: (a) recognise a lease receivable and a retained interest in the underlying asset (the residual asset), and derecognise the underlying asset; and (b) recognise interest income on both the lease receivable and the residual asset over the lease term. The 2013 ED proposes disclosure to enable the user to determine the financial impacts of leases in the financial statements of both lessees and lessors.

Available resources and links

- Deloitte IFRS Project Insights Summary
- Deloitte IFRS in Focus (May 2013)
- IASB Press Release (May 2013)
- IASB Revised ED (May 2013)
- IASB Snapshot (May 2013)
- AcSB Revised ED (August 2013)
- Deloitte IFRS in Focus (April 2014)
- Deloitte IFRS in Focus (October 2012)
- AcSB's exposure draft (www.acsbcanada.org)
- IASB Project Summary
- IASB ED (August 2010)

- IASB Basis for Conclusions of the ED (August 2010)
- IASB SnapShot (August 2010)
- DTT IFRS in Focus: IASB issues Exposure Draft on Lease Accounting (www.iasplus.com)
- Deloitte USA Heads Up (August 2010)
- IAS Plus Commentary (August 2010)

IASB Limited Amendments to the IFRS for SMEs

Comment period ends March 3, 2014

Proposed standard:	Limited Amendments to the IFRS for SMEs
Proposed effective date:	The IASB expects to issue the final revisions to the IFRS for SMEs during the first half of 2015.
Published by:	IASB
Last updated:	May 2014
Applicable to:	Entities that account in accordance with IFRS for SMEs

Recent activities

Most recently, at its meeting on May 20, 2014, the IASB discussed a summary of the feedback received on the ED, No decisions were made.

On October 3, 2013, the IASB issued for public comment an ED entitled, *Proposed amendments to the International Financial Reporting Standard (IFRS) for Small and Medium-sized Entities (SMEs).*

In summary

Overview

The ED contains the IASB's proposals for amendments to the IFRS for SMEs that resulted from the IASB's initial comprehensive review of this Standard. More than 30% of the 57 proposed amendments relate to minor clarifications to existing requirements of IFRS for SMEs. The amendments, which are listed in a table in the ED following the Introduction, are focused on simplification, additional guidance and alignment to IFRS.

IFRS for SMEs does not form part of Canadian GAAP. Instead the AcSB has issued Part II of the CPA Canada Handbook – Accounting.

Available resources and links

- Press Release (October 2013)
- IASB ED (October 2013)
- IASB Snapshot (October 2013)
- Deloitte IFRS in Focus (October 2013)

IASB/AcSB Rate-regulated Activities UPDATED

Comment period ended: May 30, 2013

Standard:	Comprehensive IFRS standard for entities that have Rate-regulated Activities
Next steps:	The IASB currently expects to issue its Comprehensive DP for comment in Q3/2014
Published by:	IASB and AcSB
Last updated:	July 2014
Applicable to:	Publicly accountable enterprises with rate-regulated activities

Recent activities

Most recently, at its meeting on July 22-24, 2014, the IASB (i) confirmed that they are satisfied that the IASB has completed all of the necessary due process steps to date and therefore instructed the staff to commence the balloting process; and (ii) tentatively decided that there should be a comment period for the DP of 120 days.

On January 30, 2014, the IASB issued IFRS 14, *Regulatory Deferral Accounts*. (See separate item.) The aim of this interim Standard is to enhance the comparability of financial reporting by entities that are engaged in rate-regulated activities, pending the completion of the IASB's comprehensive project.

On March 28, 2013, the IASB issued a RFI, which asks specific questions about the objectives of rate regulation and how those objectives are reflected in the rate-setting mechanisms employed by rate regulators. The fact patterns identified through this RFI and other research will be used to develop the comprehensive DP.

At their meeting on September 20-28, 2012, the IASB decided to restart this project with the development of a comprehensive DP. Responses to the 2009 ED highlighted a diversity of strongly held views which demonstrated differences of interpretation of the Conceptual Framework. Developing such a DP will provide the opportunity for a broader debate on the circumstances in which rate-regulated activities may give rise to assets or liabilities.

In July 2009, the IASB issued an ED proposing an IFRS on rate-regulated activities In September 2009, the AcSB issued an ED that corresponds to the IASB's ED.

In summary

Overview

Rate regulation is a restriction in the setting of prices that can be charged to customers for services or products. Generally, it is imposed by regulatory bodies or governments when an entity has a monopoly or a dominant market position that gives it excessive market power.

The objective of the IASB's Rate-regulated Activities research project is to develop a DP to consider whether rate regulation creates assets or liabilities, in addition to those already recognised in accordance with IFRS for non-rate-regulated activities. If so, the project will also consider how such assets and liabilities should be accounted for, and whether (or how) IFRSs should consequently be amended.

Implications for Canada

Similar to IFRSs, Canadian GAAP does not currently include a comprehensive standard on accounting for rate-regulated activities. However, several Sections in the CPA Canada Handbook – Accounting prescribe the recognition and measurement requirements for such activities. These Sections permit or require the recognition of regulatory assets and regulatory liabilities, when certain criteria are met, and produce the same results in each area as would result by applying U.S. Statement of Financial Accounting Standards No. 71, *Accounting for the Effects of Certain Types of Regulation* (or Accounting

Standards Codification Topic 980). When dealing with issues outside these Sections, Canadian entities with regulated operating activities have often analogized from the requirements of these Sections or looked to Section 1000, Financial Statement Concepts, or US GAAP for guidance. The IASB's project would make this unnecessary by establishing a core principle for the recognition, measurement and disclosure of regulatory assets and regulatory liabilities that would apply in all circumstances for operations meeting the scope criteria.

Available resources and links

- IASB RFI (March 2013)
- IASB ED (July 2009)
- AcSB ED (September 2009)
- IASB Project Summary
- Deloitte IFRS in Focus (September 2009)

AcSB 2014 Annual Improvements UPDATED

Comment period ends on June 2, 2014

Standard:	2014 Annual Improvements
Next steps:	The AcSB expects to issue the final Handbook amendments in respect of items (ii) and (iii) below in October 2014. The amendments will be effective for years beginning on or after January 1, 2015 with earlier application permitted. The AcSB intends that the amendments be applied retrospectively.
Published by:	AcSB
Last updated:	July 2014
Applicable to:	Private enterprises that apply Part II of the CPA Canada Handbook (and certain not-for-profit organizations applying the standards in Part III; it may also apply to certain pension plans applying the standards in Part IV).

Recent activities

At its meeting on July 16, 2014, the AcSB considered responses received from stakeholders to its ED and the recommendations from its Private Enterprise Advisory Committee on how to proceed with the proposals based on that feedback. The AcSB decided to finalize items (ii) and (iii) below, subject to drafting improvements. With respect to item (i) below, the AcSB decided to amend the proposal to provide further clarifications and will re-expose this revised proposal for public comment.

On March 3, 2014, the AcSB issued for public comment an ED proposing certain improvements to its accounting standards for private enterprises set out in Part II of the CPA Canada Handbook.

In summary

Overview

The AcSB has adopted an annual improvements process that will amend accounting standards for private enterprises to clarify guidance or wording and to correct for unintended consequences, conflicts or oversights. The proposed improvements for the 2014 cycle relate to: (i) Section 3462, *Employee Future Benefit*s, the proposed amendment clarifies that the option to use a funding valuation for unfunded defined benefit plans can only be applied by entities that have at least one funded defined benefit plan. (ii) Section 3856, *Financial Instruments*, the first proposed amendment clarifies that (re a hedge of an anticipated transaction where the hedged item occurs prior to the maturity of the hedging item) the hedging item is remeasured at the balance sheet date using the spot rate in effect at that date, with any gain or loss included in net income. (iii) Section 3856, *Financial Instruments*, the second proposed amendment clarifies that, when impairment has been determined on a group basis, only the amount of allowance for impairment of financial assets is required to be disclosed and not the carrying amount of the impaired assets.

Available resources and links

- AcSB ED (March 2014)
- AcSB Project Summary

Projects

IASB/AcSB Amendment to IAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses

Proposed changes:	A narrow-scope project to amend IAS 12
Next steps:	An ED is expected to be issued by the IASB in Q3/2014
Published by:	IASB and AcSB
Last updated:	June 2014
Applicable to:	Publicly accountable enterprises (and those other entities that choose to adopt IFRSs)

Recent activities

Most recently, at its meeting on June 17-19, 2014 the IASB continued its discussion on the proposed amendments to IAS 12 and tentatively decided on the nature and details of these amendments. All IASB members confirmed that they are satisfied that the IASB has completed all of the necessary due process steps on the project to date and therefore instructed the staff to commence the balloting process for the proposed amendments. No IASB members indicated that they intend to dissent from the publication of the proposed amendments to IAS 12

Most recently, at its meeting on May 21, 2014, the IASB discussed this issue and tentatively agreed with the recommendation of the IFRIC that the proposed amendments to IAS 12 should include an illustrative example that addresses the appropriate application of the existing principles in IAS 12. The IASB, however, tentatively decided that certain of these items should also be addressed by amending the mandatory guidance in IAS 12. In addition, the IASB tentatively agreed with the recommendation of the IFRIC that the illustrative example should explain the application of IAS 12 to debt instruments measured at fair value in accordance with IAS 39 as well as those measured at fair value in accordance with IFRS 9.

At its meeting on March 25, 2014, the IFRIC reviewed a draft amendment to IAS 12 that illustrates the appropriate application of the existing principles of IAS 12 in accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.

This is a narrow-scope project that arose out of the 2010-2012 cycle of Annual Improvements. In response to constituent feedback, the IASB decided at its December 2012 meeting that the accounting for deferred tax assets for unrealized losses on debt instruments should instead be clarified by a separate narrow-scope project to amend IAS 12.

In summary

Overview

Clarifying this issue requires addressing the question of whether an unrealized loss on a debt instrument measured at fair value gives rise to a deductible temporary difference specifically in the situation where the holder expects to recover the carrying amount of the asset by holding it to maturity and collecting all the contractual cash flows.

Available resources and links

- IASB Project Insights Summary
- IASB Project Summary

IASB/AcSB Amendments to IAS 28, Investments in Associates and Joint Ventures: Elimination of Gains arising from 'Downstream' Transactions

Proposed changes:	Amendments to IAS 28, Investments in Associates and Joint Ventures: Elimination of gains arising from 'downstream' transactions
Next steps:	Development of an ED, which is expected to be issued for comment in Q2/2014
Published by:	IASB and AcSB
Last updated:	June 2014
Applicable to:	Publicly accountable enterprises (and those other entities that choose to adopt IFRSs)

Recent activities

Most recently, at its meeting on March 21, 2014, the IASB considered whether it should amend paragraph 31 of IAS 28. That paragraph specifies how an entity recognises a gain when an investor contributes an asset to its associate or joint venture in exchange for both equity and other assets. The IASB decided (i) to propose to amend paragraph 31 of IAS 28 so that the portion of the gain or loss relating to the assets received in exchange for the contribution of an asset should be recognised only to the extent of unrelated investors' interests in the associate or joint venture; and (ii) include this amendment in the forthcoming ED on the Elimination of gains arising from "downstream" transactions.

At its meeting on January 21-23, 2014, the IASB staff explained the due process steps undertaken by the IASB in advance of publishing an ED. The IASB agreed that: (i) the ED should have a comment period of 120 days; and (ii) all of the due process requirements to date have been complied with.

At its July 2013 meeting, the IASB tentatively agreed with the recommendation from the IFRIC that an amendment to IAS 28 in respect of such situations was necessary.

In summary

Overview

The IFRIC received a request to clarify the accounting for a 'downstream' transaction between an entity and its joint venture in which the amount of the entity's share of the gain to be eliminated in accordance with paragraph 28 of IAS 28 exceeds the amount of entity's interest in the joint venture. Whether: (a) the gain from the transaction should be eliminated only to the extent that it does not exceed the carrying amount of the entity's interest in the joint venture, similarly to the requirement in paragraph 39 of IAS 28; or (b) the remaining gain in excess of the carrying amount of the entity's interest in the joint venture should also be eliminated and, if so, against what.

At its meetings in March and May of 2013, the IFRIC concluded that approach (b) was appropriate and the excess should be recorded as a "deferred gain". The IFRIC observed that IAS 28 does not provide sufficient guidance on this issue.

Available resources and links

- Deloitte Project Insights Summary
- IASB Project Summary

IASB/AcSB Amendments to IFRS 2, Share-based Payment

Proposed changes:	Narrow scope amendments to IFRS 2, *Share-based Payment*
Next steps:	The IASB expects to issue an ED for comment in Q3/2014
Published by:	IASB and AcSB
Last updated:	June 2014
Applicable to:	Publicly accountable enterprises (and those other entities that choose to adopt IFRSs)

Recent activities

Most recently, at its meeting on June 17-19, 2014, all of the IASB members confirmed that they are satisfied that the IASB has completed all of the necessary due process steps on the project to date and therefore instructed the staff to commence the balloting process for the ED amendments. No IASB members indicated that they intend to dissent to the publication of the proposed amendments to IFRS 2.

At its meeting on February 19-20, 2014, the IASB discussed four proposed amendments to IFRS 2, *Share-based Payment*, which had been recommended by the IFRIC.

In summary

Overview

These proposed amendments relate to the following: (i) accounting for cash-settled share-based payment transactions that include a performance condition; (ii) share-based payments in which the manner of settlement is contingent on future events; (iii) share-based payments settled net of tax withholdings; and (iv) modification of a share-based payment transaction from cash-settled to equity-settled.

At its meeting on February 19-20, 2014, the IASB tentatively decided to make certain amendments to IFRS 2 with respect to items (i) and (iii) and requested the staff to perform further analysis on items (ii) and (iv) based on the discussions at the meeting.

Available resources and links

- IASB Update (February 2014)
- IASB Project Summary

IASB/AcSB Amendment to IFRS 13, Fair Value Measurement: Unit of Account

Proposed changes:	A narrow-scope project to amend IFRS 13, *Fair Value Measurement*
Next steps:	An ED is expected to be issued by the IASB in Q2/2014
Published by:	IASB and AcSB
Last updated:	June 2014
Applicable to:	Publicly accountable enterprises (and those other entities that choose to adopt IFRSs)

Recent activities

Most recently, at its meeting on February 19-20, 2014, the IASB discussed the transition provisions for the proposed amendments that will be included in the ED. The IASB also agreed: (i) that it is satisfied that all the required due process steps that pertain to the publication of the proposed amendments have been complied with; (ii) with a comment period for the ED of 120 days; and (iii) to grant the staff permission to begin the balloting process for the ED.

At their meeting in March 2013, the IASB discussed this issue and tentatively decided (i) that the unit of account for investments in subsidiaries, joint ventures and associates is the investment as a whole; and (ii) that the fair value measurement of an investment composed of quoted financial instruments should be the product of the quoted price of the financial instrument multiplied by the quantity of instruments held.

In summary

Overview

This is a narrow-scope project to consider the unit of account for financial assets that are investments in subsidiaries, joint ventures and associates measured at fair value, in particular, whether the fair value of such investments should reflect the measurement of the investment as a whole or of the individual financial instruments included within that investment.

Available resources and links

- Deloitte Project Insights Summary
- IASB Project Summary

IASB/AcSB Annual Improvements 2014-2016 Cycle NEW

Proposed changes:	Annual Improvements 2014-2016 Cycle
Next steps:	The IASB plans to issue an ED in Q2/2015
Published by:	IASB and AcSB
Last updated:	July 2014
Applicable to:	Publicly accountable enterprises (and those other entities that choose to adopt IFRSs)

Recent activities

At its meeting on July 23, 2014, the IASB decided to: (i) discontinue the Annual Improvements to IFRSs 2013-2015 Cycle project, because it would otherwise include only the proposed amendment to delete some short-term exemptions from IFRS 1, *First-time Adoption of International Financial Reporting Standards*. That proposed amendment had been approved in December 2013. (ii) initiate a new cycle, the Annual Improvements to IFRSs 2014-2016 Cycle project; and (iii) carry forward the proposed amendment to IFRS 1 and include it in the Annual Improvements to IFRSs 2014-2016 Cycle project.

In summary

Overview

Changes to standards, however small, are time-consuming for the Board and burdensome for others. The IASB has adopted the Annual Improvements process to deal efficiently with a collection of narrow scope amendments to IFRSs even though the amendments are unrelated. The IFRS Interpretations Committee reviews the proposed amendments within the annual improvements process and makes recommendations to the IASB before they are issued.

At its meeting on December 12, 2013, the IASB tentatively decided to propose the deletion of the short-term exemptions in paragraphs E3-E7 of IFRS 1. It also tentatively decided to propose the deletion of the short-term exemption relating to the amendment to IFRS 7. *Financial Instruments: Disclosures*, that was proposed in the ED Annual Improvements 2012-2014 Cycle published in December 2013.

Available resources and links

- IASB Project Summary

IASB/AcSB Disclosure Initiative UPDATED

Proposed changes:	Amendments to various IFRS related to the Disclosure Initiative
Next steps:	The IASB expects to issue an ED in Q4/2014 that proposes to amend IAS 7, *Statement of Cash Flows*, to require the disclosure of changes in liabilities classified in financing activities
Published by:	IASB and AcSB
Last updated:	July 2014
Applicable to:	Publicly accountable enterprises (and those other entities that choose to adopt IFRSs)

Recent activities

Most recently, at its meeting on July 22, 2014, the IASB continued its discussions on the Disclosure Initiative. In particular, the IASB discussed (i) whether to establish a consultative group, (ii) amendments to IAS 7, *Statement of Cash Flows*, including disclosures about changes in liabilities from financing activities, (iii) the Principles of Disclosure sub-project and (iv) financial statement presentation.

On June 13, 2014, the IASB staff issued an Update in respect of the Disclosure Initiative Project.

In summary

Overview

The IASB is undertaking a broad-based initiative to explore how disclosures in IFRS financial reporting can be improved.

This initiative has been informed by a Discussion Forum on Disclosure in Financial Reporting that was held in January 2013. In conjunction with this, the IASB staff also conducted a survey. A Feedback Statement on these events was published in May 2013. The Disclosure Initiative is made up of a number of implementation and research projects, including certain narrow-focus amendments to IAS 1, *Presentation of Financial Statements*, to address some of the concerns raised at the Discussion Forum. (See separate ED item.)

On June 13, 2014, the IASB staff issued an Update in respect of the Disclosure Initiative Project.

The Update covers the following items:

Principles of Disclosure

The Principles of Disclosure (POD) project is a key sub-project of the Disclosure Initiative. The aim is to develop a disclosure Standard(s) to replace three current Standards: IAS 1, *Presentation of Financial Statements,* IAS 7, *Statement of Cash Flows,* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors.*

In April 2014, the IASB discussed the scope of the POD project, for which there was strong support. The IASB asked the staff to prioritise work on establishing principles: (a) for the notes to the financial statements, including establishing the objective and boundaries of the notes and principles for organising, placing, formatting and linking information; and (b) that apply to the information in a complete set of IFRS financial statements, including non-IFRS financial information and comparative information.

In Q3/2014 the IASB staff plan to discuss with the IASB an outline of the topics to be covered by the Discussion Paper. In addition, they will propose targeted changes to disclosure requirements if they identify improvements or simplifications that can be developed relatively quickly and are not dependent on the publication of the Discussion Paper.

Targeted improvements to disclosure requirements

(a) Amendments to IAS 1

In March 2014, the IASB published an ED of proposed amendments to IAS 1, *Presentation of Financial Statements*. See Separate ED item. The proposed amendments are intended to clarify, instead of significantly change, existing IAS 1 requirements. Although the proposed amendments are relatively modest, it is expected they will help to address some perceived barriers to exercising judgement in areas such as the application of materiality and determining the order of the notes to the financial statements. The ED is open for comment until July 23, 2014. The IASB will consider the comments received in Q3/ 2014, with a view to publishing the final amendments towards the end of 2014.

(b) Reconciliation of liabilities arising from financing activities

In another short-term project, the IASB is considering proposals to amend IAS 7, *Statement of Cash Flows*, to require the disclosure of changes in liabilities classified in financing activities. In the early part of 2014 a short survey was undertaken with investors to understand what information investors require when reviewing an entity's cash flow statement and how they use cash flow information. The results of the survey were presented to the IASB in March 2014.

The IASB's proposals respond, in part, to requests from some analysts and investors for improved disclosures about debt. The IASB staff is currently undertaking outreach on the draft proposals and will return to the IASB in Q3/2014 for further discussions.

(c) Accounting Policies

As part of the work on materiality (see below), the IASB staff are developing proposals designed to help entities determine which of their accounting policies are 'significant'. The goal is to ensure that users of financial statements understand which accounting policies are important to a particular entity, instead of being confronted with descriptions of all of the policies being applied by an entity. The IASB staff plan to bring a paper on accounting policies to the IASB in September 2014.

(d) Other

A meaningful review of the disclosure requirements in individual Standards involves assessing the related recognition and measurement requirements. The IASB staff has started systematically analysing and categorising the disclosure requirements in all Standards to identify ways to simplify the disclosure requirements without reducing the usefulness of the information available to users of the financial statements.

The IASB staff will also take steps to address specific concerns in individual Standards when they are reviewed for other reasons. For example, the Post-implementation Review of IFRS 3, *Business Combinations*, has highlighted some perceived problems with excessively prescriptive disclosure requirements, as well as some information that investors have told the IASB staff is important to an understanding of a business combination that is not being disclosed.

Materiality

The aim of the materiality thread of the Disclosure Initiative is to identify steps, if any, that the IASB can take to help preparers, auditors and regulators apply the concept of materiality to assessing what should, and what should not, be disclosed in financial statements. The IASB discussed this topic in March 2014.

The IASB staff is currently reviewing how materiality is defined, interpreted and applied in different jurisdictions and for different purposes related to financial reporting—securities law, auditing standards and local GAAP. The review includes an assessment of the academic literature and court judgements. National and regional standard-setters are also providing the IASB staff with information from their jurisdictions.

The IASB staff plan to discuss the research with the IASB in September 2014 and ultimately publish the results of this research as a paper setting out their assessment of the core issues influencing how materiality is perceived and applied. They expect this analysis to raise awareness of the main issues and help them identify possible actions that the IASB could take.

Available resources and links

- IASB Disclosure Feedback Statement (May 2013)

- IASB Update (June 2014)
- IASB Project Summary

Abbreviations, a list of most commonly used acronyms

AASB	Auditing and Assurance Standards Board
AASOC	Auditing and Assurance Standards Oversight Council
AcSOC	Accounting Standards Oversight Council
AcSB	Accounting Standards Board
ASC	Alberta Securities Commission
AMF	Autorité des marchés financiers
BCSC	British Columbia Securities Commission
CAS	Canadian Auditing Standard
CPAB	Canadian Public Accountability Board
CPRB	Canadian Performance Reporting Board
CSA	Canadian Securities Administrators
DP	Discussion Paper
DTI	Deposit-taking Institution
ED	Exposure Draft
EIC	Emerging Issues Committee
FAQ	Frequently Asked Questions
FRE	Federally Regulated Entities
FRFI	Federally Regulated Financial Institution
OSC	Ontario Securities Commission
OSFI	Office of the Superintendent of Financial Institutions Canada
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IAASB	International Auditing and Assurance Standards Board
IESBA	International Ethics Standards Board for Accountants
IFAC	International Federation of Accountants
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standard
IIROC	Investment Industry Regulatory Organization of Canada
IPSAS	International Public Sector Accounting Standard
IPSASB	International Public Sector Accounting Standards Board
ISA	International Standard on Auditing
ITC	Invitation to Comment
NFPO	Not-for-profit Organization
PSAB	Public Sector Accounting Board
RFI	Request for Information
SOP	Statement of Principles

Additional resources

The following Deloitte resources will assist you in maintaining your financial literacy throughout the year. To obtain more information about any of these resources, please communicate with your Deloitte partner or one of our contacts listed at the end of the publication.

Thought Leadership

Centre for Corporate Governance
This Web site is specifically designed to help board members with their responsibilities. It provides the latest information on regulatory and legislative developments, accounting and financial reporting, board roles and responsibilities, and best practices.
(www.CorpGov.Deloitte.ca)

Financial Reporting Assessment Tools
Comprehensive assessment tools to help management and Directors determine whether or not their organizations' financial statements and other financial filings meet all of the continuous disclosure obligations.
(http://www.corpgov.deloitte.com/site/CanEng/self-assessments-tools-and-other-resources/financial-reporting-tools/)

Periodicals

IFRS in Focus

We publish *IFRS in Focus* newsletters at the time of release of new and revised Standards and Interpretations, Exposure Drafts and discussion documents, including summaries of the documents and consideration of the principal amendments/proposals.

(http://www.iasplus.com/en/tag-types/global-publications/ifrs-in-focus-newsletters)

DeloitteLINK
A weekly e-newsletter that helps you stay on top of standard-setting initiatives.
(http://www.corpgov.deloitte.com/site/CanEng/deloitte-periodicals/deloittelink/)

Deloitte Update
Our new live webcast series featuring our professionals discussing critical issues that affect your business.
(http://www.corpgov.deloitte.com/site/CanEng/financial-reporting/deloitte-update/)

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Publication date July 31, 2014. This page does not reflect changes made by standard-setting bodies after this date.

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