

# IFRS on point.

## IFRS Accounting Developments and Information: June 2012

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## International headlines

### **IASB amends transition guidance in IFRS 10, IFRS 11 and IFRS 12**

The International Accounting Standards Board (IASB) issued *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance* (Amendments to IFRS 10, IFRS 11 and IFRS 12). The amendments clarify the transition guidance in IFRS 10 *Consolidated Financial Statements*, while providing additional transition relief in IFRS 10, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*. The amendments also modify the disclosure requirements related to unconsolidated structured entities. The amendments are effective for the annual periods for which those standards are applied for the first time. Click [here](#) to access the IASB press release.

### **IASB publishes a request for information on the IFRS for SMEs**

The IASB issued a request for information (RFI) as the first step in its initial comprehensive review of the *IFRS for SMEs* (International Financial Reporting Standard for Small and Medium-sized Entities). The IASB developed the RFI to assess entities' experiences implementing the *IFRS for SMEs*, seek views of those applying, using or otherwise interested in the *IFRS for SMEs* and consider whether there is a need to amend any existing guidance as a result of feedback received. The consultation period for the RFI ends on 30 November 2012. Click [here](#) to access the RFI.

### **IFRS Foundation Monitoring Board reappoints Trustee**

The Monitoring Board of the IFRS Foundation approved the reappointment of Harvey Goldschmid as Trustee of the IFRS Foundation. Mr. Goldschmid currently serves as Dwight Professor of Law at Columbia University. He has also served as the Commissioner of the US Securities and Exchange Commission (SEC) from 2002-2005. His second term as Trustee will expire on 31 December 2015. Click [here](#) to access the IFRS Foundation press release. Click [here](#) for the full list of IFRS Foundation Trustees.

### **IASB Chairman discusses financial stability and the role of standard setters**

In a recent address during the 3rd ECB Conference on Accounting, Financial Reporting and Corporate Governance for Central Banks in Frankfurt, IASB Chairman Hans Hoogervorst discussed the role of standard setters in protecting financial stability. Mr. Hoogervorst noted that standard setters cannot develop standards to ensure stability but they can contribute to increased transparency which in turn gives prudential regulators and central banks the opportunity to react with the instruments available to them. Mr. Hoogervorst noted three aspects of transparency that have been especially important in connection with the recent financial crises: tightening of consolidation requirements to prevent undesirable off-balance sheet financing, judicious use of fair value accounting to show inherent volatility in business models and markets and providing a well-functioning impairment model for reliable and credible amortised cost measurements. Click [here](#) for a transcript of Mr. Hoogervorst's speech.

For more useful information please see the following websites:

[www.iasplus.com](http://www.iasplus.com)

[www.deloitte.com](http://www.deloitte.com)

### **IASB Chairman discusses the imprecise world of accounting**

In a recent address during the International Association for Accounting Education & Research (IAAER) conference in Amsterdam, IASB Chairman Hans Hoogervorst defended accounting against unreasonable expectations by declaring that accounting must not be taken as an exact science and that the expectation that it can keep capitalism honest and prevent financial crises has put accounting under a lot of pressure. He went on to note that IFRSs as global standards have already contributed a great deal to transparency and international comparability and stressed that this improvement should follow sensible lines that take into account what accounting can do and what it cannot. Click [here](#) for a transcript of Mr. Hoogervorst's speech.

### **IFRS Foundation Chairman speaks at IFRS Foundation Conference in Frankfurt**

In a recent address during the IFRS Foundation Conference in Frankfurt, Chairman of the IFRS Foundation Trustees Michel Prada discussed the past, present and future of international standard setting. Mr. Prada spoke of the many countries around the world that require or permit the use of IFRSs, the acceptance of IFRSs among the Group of 20 (G20) members and the use of IFRSs by almost half of Global Fortune 500 companies. However, Mr. Prada noted three major areas for improvement in standard setting following reviews conducted by the Monitoring Board and the Trustees:

- Standard setting in co-operation with national and regional bodies with an interest in accounting standard setting will increase the effectiveness of the work of the IASB.
- A stronger focus on the implementation of the standards, in part in co-operation with international organisations, will ensure that standards are endorsed and enforced on a globally consistent basis.
- Enhancements to the IASB's due process will enhance confidence in the standard setting process and will improve the robustness of the standards.

Click [here](#) for a transcript of Mr. Prada's speech.

### **IFRS Foundation Education Initiative publishes briefing for chief executives**

The IFRS Foundation Education Initiative published the 2012 edition of *International Financial Reporting Standards – A Briefing for Chief Executives, Audit Committees and Boards of Directors* to the eIFRS site. These briefing notes provide summaries of all IFRSs issued at 1 January 2012 at a high level and in non-technical language. It is specially prepared for chief executives, members of audit committees, company directors and others who want a broad overview of IFRSs and of the business implications of implementing them. Click [here](#) for the briefing notes (available to Comprehensive and eIFRS subscribers only).

### **IASB publishes updated work plan**

The IASB published an updated work plan outlining a revised timeline for its projects and the addition of two projects. Projects affected by the revised timeline include leases, limited reconsideration of IFRS 9 *Financial Instruments* (classification and measurement), macro hedge accounting, *Annual Improvements to IFRSs: 2010-2012 Cycle* and investment entities. New projects added to the work plan include IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* effective dates and transition methods and a comprehensive review of the *IFRS for SMEs*. Click [here](#) for the updated IASB work plan.

### **IFAC calls for G20 to adopt global standards and support integrated reporting**

In a letter to the G20, the International Federation of Accountants (IFAC) recommended global adoption of IFRSs and International Standards on Auditing (ISAs), increased resources for regulators and standard setters and support for the International Integrated Reporting Council's (IIRC) proposed integrated reporting framework. The IFAC also expressed support for the adoption of the auditor independence requirements set out in the Code of Ethics for Professional Accountants, issued by the International Ethics Standards Board for Accountants (IESBA). Click [here](#) to access the IFAC's letter.

### **G20 continues push for convergence push**

The G20 released a Leaders Declaration and supporting documents from the G20 Leaders Summit held in Los Cabos, Mexico. The declaration expresses support for continued work to achieve convergence of accounting standards and reaffirms a commitment to sustainable development at the 2012 United Nations Conference on Sustainable Development (Rio+20). Click [here](#) for the Leaders Declaration.

### **Rio+20 'encourages' sustainability reporting**

The Rio+20 issued an outcome document from the United Nations Conference on Sustainable Development held in Rio de Janeiro. The outcome document acknowledges the importance of sustainability reporting and encourages companies to integrate sustainability information into their reporting cycle. It also encourages industry, interested governments and relevant stakeholders with the support of the United Nations system, as appropriate, to develop models for best practice and facilitate action for the integration of sustainability reporting, taking into account experiences from already existing frameworks and paying particular attention to the needs of developing countries, including for capacity-building. Click [here](#) to access the Rio+20 outcome document.

### **Rio+20 Corporate Sustainability Forum continues push toward sustainability reporting**

The Rio+20 issued an executive summary from its Corporate Sustainability Forum which expresses a commitment to sustainability reporting and individual actions. At the forum, the following sustainability reporting initiatives were announced:

- A commitment by five stock exchanges – NASDAQ OMX, BM&FBOVESPA, the Johannesburg Stock Exchange (JSE), the Istanbul Stock Exchange (ISE) and The Egyptian Exchange (EGX) – to promote sustainable investment. Click [here](#) for the press release.
- Chief executives of 37 banks, investment funds and insurance companies submitted a Natural Capital Declaration (NCD) aimed towards integrating natural capital considerations into their products and services. Click [here](#) for further details.
- A commitment by over 60 major business schools and universities around the world, through the release of a Declaration for Higher Education Institutions, to incorporate sustainability issues into teaching, research and their own management and organisational activities. Click [here](#) for details.

Click [here](#) for the Rio+20 executive summary.

### **IFASS issues summary of its March meeting**

The International Forum of Accounting Standards Setters (IFASS) issued a summary of its March 2012 meeting held in Kuala Lumpur, outlining discussions on numerous topics such as the relationship between standard setters and the IASB, the IASB's work programme and processes and the possible incorporation of IFRSs into the US financial reporting system. Click [here](#) to access the IFASS summary.

### **IIRC publishes feedback summary and commits to integrated reporting framework by the end of 2013**

The IIRC released a summary of feedback received on its 2011 Discussion Paper *Towards Integrated Reporting—Communicating Value in the 21st Century* and committed to publishing its 'Integrated Reporting Framework' by the end of 2013. Feedback received on the 2011 Discussion Paper revealed strong stakeholder support for the IIRC to begin the next phase of its framework development which includes specific work streams on several topics including materiality, the concept of value and business models. Other significant areas to be explored in development of the framework include the basic concepts underlying Integrated Reporting, the target audience for Integrated Reporting and value achievable to the organisation, investors and other stakeholders. Click [here](#) for additional information.

### **EEG issues communiqué from May meeting**

The Emerging Economies Group (EEG) of the IASB issued a communiqué from its 28-29 May 2012 meeting in Buenos Aires. The meeting reconfirmed the role of the EEG as the voice of the emerging economies in the process of IFRS standard setting. Other topics discussed included agriculture accounting, accounting for telecommunication towers, clarification of terms in IFRSs and translation issues. Click [here](#) for the communiqué and [here](#) for general information about the EEG.

### **IAASB seeks comment on the future of audit reports**

The International Auditing and Assurance Standards Board (IAASB) released an Invitation to Comment *Improving the Auditor's Report*, which sets out the direction of the IAASB's future standard-setting proposals to improve how and what auditors report in accordance with ISAs. The Invitation to Comment asserts that there is clear demand for auditors to provide greater transparency about significant matters in the financial statements, as well as the conduct of the individual audit. It includes key proposals related to auditor commentary, going concern and assessment of material inconsistencies between the audited financial statements and other information identified and considered by the auditor, while also providing suggestions to improve clarity and transparency about audits performed in accordance with ISAs. Comments on the Invitation to Comment are due by 8 October 2012. Click [here](#) for the IAASB press release.

### **IAASB releases strategic priorities and work plan**

The IAASB released its strategies and work plan for the next three years. The plan reveals an emphasis on supporting global financial stability, adapting audit and assurance to current global conditions and the global adoption and implementation of standards. Click [here](#) for the IAASB press release.

### **FEE seeks improved financial reporting through audit committee improvements**

The Federation of European Accountants (Fédération des Experts-comptables Européens, FEE) published a discussion paper calling for improvements to the functioning of audit committees which are considered "essential for the quality of financial information provided by companies". The discussion paper explores the role of audit committees in corporate governance and divergence in audit committee functions and composition across Europe. The paper recommends numerous legislative and other responses designed to enhance the role of audit committees, such as requiring the audit committee to be a subcommittee of the board of directors with an independent chair. Comments on the discussion paper are due by 28 September 2012. Click [here](#) for the FEE press release.

### **EU formally adopts amendments to IAS 1 and IAS 19**

The European Union (EU) published Commission Regulation (EC) No 475/2012 endorsing the amendments to IAS 1 *Presentation of Financial Statements* and IAS 19 *Employee Benefits* as published by the IASB on 16 June 2011. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2012, while the amendments to IAS 19 are effective for annual periods beginning on or after 1 January 2013. Click [here](#) for the EC.

### **ESMA publishes activity report on IFRS enforcement**

The European Securities and Markets Authority (ESMA) published the third annual activity report on monitoring enforcement of IFRSs in Europe. The activity report, which is focused on the importance of consistent application of recognition and measurement principles in IFRSs and the need for enhanced transparency in relation to issuers' exposure to sovereign debt as a result of the Eurozone crisis, highlights the following examples of areas in which additional efforts should be taken: disclosures related to fair value hierarchy of financial instruments, disclosures of assumptions used as part of impairment tests, presentation of risk factors and going concern uncertainties and various aspects related to consolidation of entities. Click [here](#) for the activity report.

### **EFRAG issues supplementary study on the consolidation of SPEs under IFRS 10**

The European Financial Reporting Advisory Group (EFRAG) issued a supplementary study on the impact of IFRS 10, as compared to IAS 27 *Consolidated and Separate Financial Statements/SIC-12 Consolidation – Special Purpose Entities*, on the consolidation of special purpose entities (SPEs). Findings from the study include:

- The overall quantitative impact from adopting IFRS 10 on the scope of consolidation, compared to current requirements for SPEs, is likely to be relatively limited for total assets and total consolidated SPEs.
- Although IFRS 10 will not necessarily result in consolidation of considerably more or less SPEs, the standard should not be considered in isolation but should be assessed in conjunction with the disclosure requirements in IFRS 12.
- Even if certain SPEs are deconsolidated, some participants acknowledged that they would still be required to continue to recognise the assets of those SPEs because of the risks and rewards model underlying criteria in IAS 39 *Financial Instruments: Recognition and Measurement*.

Click [here](#) to view the supplementary study.

### **EFRAG publishes endorsement advice and effects study report on amendments to IFRS 1**

The EFRAG submitted to the European Commission its endorsement advice letter and effects study report on *Government Loans* (Amendments to IFRS 1). In its report, EFRAG recommends the amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* for endorsement. Click [here](#) for the EFRAG press release.

### **EFRAG issues update considering endorsement advices and outstanding comment letters**

The EFRAG released the June 2012 issue of its *EFRAG Update* newsletter, which included discussion of its endorsement advices on the amendments to IFRS 1 regarding government loans and *Annual Improvements to IFRSs: 2009-2011 Cycle* and its comment letters on the IASB's exposure draft *Annual Improvements to IFRSs: 2010-2012 Cycle* and the IFRS Interpretations Committee's rejection notice on Greek Government Bonds. Click [here](#) to access the *EFRAG Update* newsletter.

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## Deloitte IFRS communications and publications

Issuance Date	Description
20 June 2012	<b>Global Insurance Webcast – ‘Direction is getting clearer but major concerns remain on the table’:</b> Deloitte’s most recent global insurance webcast provides an update of progress and key developments on the insurance project following the joint IASB and US Financial Accounting Standards Board June 2012 meeting.
19 June 2012	<b>IFRS in Focus:</b> IFRS Interpretations Committee issues Draft Interpretation on Put Option Written on Non-controlling Interests.
19 June 2012	<b>New and amended pronouncements:</b> Summary of new and amended pronouncements to consider for financial reporting periods ending on or after 30 June 2012.
15 June 2012	<b>Insurance Accounting Newsletter – ‘Convergence on insurance still at risk despite progress made in recent months’:</b> The latest edition of Deloitte’s Insurance Accounting Newsletter provides an update of progress and key developments on the insurance project between February and April 2012.
7 June 2012	<b>IFRS in Focus:</b> IFRS Interpretations Committee issues Draft Interpretation on the Accounting for Levies.

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## IASB meeting

Description	
IASB meeting	Click <a href="#">here</a> for the 12 – 14 June 2012 meeting notes.

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## Comment letters

	Description	Receiving party	Comment deadline
Comment letters issued	Discussion Paper, <b><i>Improving the Financial Reporting of Income Tax</i></b>	EFRAG and the UK Accounting Standards Board	29 June 2012
Comment letters pending	IFRS Interpretations Committee tentative agenda decisions: <i>IAS 16 Property, Plant and Equipment, IAS 38 Intangible Assets and IAS 17 Leases – Purchase of right to use land</i>  <i>IAS 19 Employee Benefits – Accounting for contribution-based promises – Impact of the 2011 amendments to IAS 19</i>  <i>IAS 39 Financial Instruments: Recognition and Measurement – Accounting for different aspects of restructuring Greek Government Bonds</i>	IFRS Interpretations Committee	26 July 2012
	Exposure Draft/2012/1, <i>Annual Improvements to IFRSs: 2010 – 2012 Cycle</i>	IASB	5 September 2012
	Invitation to Comment, <i>IASB and IFRS Interpretations Committee Due Process Handbook</i>	IFRS Foundation	5 September 2012
	Draft IFRIC Interpretation/2012/1, <i>Levies Charged by Public Authorities on Entities that Operate in a Specific Market</i>	IFRS Interpretations Committee	5 September 2012
	Draft IFRIC Interpretation/2012/2, <i>Put Options Written on Non-controlling Interests</i>	IFRS Interpretations Committee	1 October 2012
	Request for Information, <i>Comprehensive Review of the IFRS for SMEs</i>	IASB	30 November 2012

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