

# IFRS on point.

## Financial Reporting Developments and Information: September 2014

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### International headlines

#### **IASB issues work plan update for September**

Following its September meeting, the International Accounting Standards Board (IASB) has updated its work plan. The revised plan updates the expected redeliberation periods in the amendments to IAS 1 and recognition of deferred tax assets for unrealised losses projects, as well as noting the extension for the expected timing of the Exposure Draft in the *Conceptual Framework* and liabilities projects. The rate-regulated activities project now appears as a major project, while the principles of disclosure remained as a research project. Both the rate-regulated activities and unit of account project have their public consultation periods noted in the revised work plan. Further, the revised plan provides an expected date for a final IFRS on amendments to IAS which is Q4 2014 as well as a Discussion Paper on principles of disclosure which is Q1 2015. Lastly, it includes updates to the expected timing of board discussions for various research projects. Click [here](#) for the revised IASB work plan.

#### **IFRS Foundation adds eight new jurisdiction profiles on the use of IFRS around the world**

The IFRS Foundation has added eight new jurisdiction profiles on the use of IFRS, bringing the total number of profiles completed to 138 jurisdictions. The eight new jurisdiction profiles cover Afghanistan, Angola, Armenia, Belize, Guyana, Peru, Philippines, and Vietnam. The IFRS Foundation has been using information from various sources to develop the profiles about the use of IFRSs in individual jurisdictions. IASPlus, with the assistance of our Deloitte member firms has been able to help the IFRS Foundation with this ambitious project. This project is led by Paul Pacter, former IASB member and former webmaster of IASPlus who originally set up Deloitte's popular table on the use of IFRSs around the world which has been supplemented recently by the more detailed table on the use of IFRSs by the G20 jurisdictions. Click [here](#) to access the profiles and analyses.

#### **IASB concludes the 2012-2014 Annual Improvements cycle**

The IASB has issued '*Annual Improvements to IFRSs 2012–2014 Cycle*', a collection of amendments to IFRSs, in response to issues addressed during the 2012–2014 cycle. Four standards are affected by the amendments. These include: IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*; IFRS 7 *Financial Instruments: Disclosures* (with consequential amendments to IFRS 1); and IAS 19 *Employee Benefits*; and IAS 34 *Interim Financial Reporting*. IAS 19 is amended to clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid. The amendments are effective for annual periods beginning on or after 1 January 2016, but can be applied earlier. Click [here](#) and [here](#) for more information. Thus, the depth of the market for high quality corporate bonds should be assessed at currency level.

For more useful information please see the following websites:

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

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

### **IASB publishes editorial corrections**

The IASB has published its second batch of editorial corrections for 2014. The corrections impact a previous editorial correction, consequential amendments, stand-alone standards, and the IASB's "A Guide Through IFRS 2013", 2014 IFRS Blue Book, and 2014 IFRS Red Book. Editorial corrections do not change the meaning or application of pronouncements, but instead correct inadvertent errors. Click [here](#) for more information.

### **A Guide through IFRS 2014 ('Green Book') is now available**

The IFRS Foundation has announced that 'A Guide through IFRS 2014' is now available. This volume, nicknamed the 'Green Book', includes the full text of the Standards and Interpretations and accompanying documents, such as the Basis for Conclusions, issued by the IASB as of 1 July 2014 with extensive cross-references and other annotations. This edition does not contain documents that are being replaced or superseded but remain applicable if a reporting entity chooses not to adopt the newer versions early. Click [here](#) for more information.

### **IASB publishes Discussion Paper on rate regulation**

The IASB has published a Discussion Paper relevant to companies whose business is influenced by a rate regulation regime of some kind. The IASB notes that rate regulation is widespread and many different kinds are seen in practice, though not all forms of rate regulation cause issues in financial reporting. However, some forms can significantly affect the economic environment of rate-regulated entities, both in terms of the amount of revenue to be earned, and the timing of the cash flows associated with the rate regulation. It is these forms that the IASB is particularly interested in. The purpose of the Discussion Paper is to solicit feedback from constituents whether, and under which circumstances, financial effects arising from rate regulation should be accommodated in financial reporting. Comments are requested by 15 January 2015. Click [here](#) for more information, [here](#) for the press release and [here](#) to access the Discussion Paper.

### **IASB proposes amendments to six standards regarding the unit of account for investments in subsidiaries, joint ventures and associates**

The IASB has published an Exposure Draft of proposed amendments to IFRS 10, IFRS 12, IAS 27, IAS 28, IAS 36, and IFRS 13 to clarify the unit of account for investments in subsidiaries, joint ventures and associates. In developing IFRS 13, the IASB intended to prioritise Level 1 inputs into the fair value hierarchy but did not expressly state that Level 1 inputs should be prioritised even when those inputs do not correspond to the unit of account of the asset measured, i.e. the investment as a whole. Therefore, questions arose on the unit of account for investments in subsidiaries, joint ventures and associates and on their fair value measurement when those investments are quoted in an active market. Therefore, the IASB has now published proposed amendments that would confirm that the unit of account for investments in subsidiaries, joint ventures and associates is the investment as a whole, but that the fair value measurement of quoted investments in subsidiaries, joint ventures and associates should be the product of the quoted price multiplied by the quantity of financial instruments held, without adjustments. Comments are requested by 16 January 2015. Click [here](#) for more information, [here](#) for the press release and [here](#) for the Exposure Draft.

### **IASB finalises amendments on sales or contributions of assets between an investor and its associate/joint venture**

The IASB has published 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)'. The amendments address a conflict between the requirements of IAS 28 *Investments in Associates and Joint Ventures* and IFRS 10 *Consolidated Financial Statements* and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. According to the amendment, a full gain or loss should be recognised on the loss of control of a business, whether the business is housed in a subsidiary or not. At the same time, the gain or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 *Business Combinations* to an associate or joint venture should only be recognised to the extent of unrelated investors' interests in the associate or joint venture. The amendments are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted. Click [here](#) for more information.

### **IFRS Foundation published staff paper in connection with the consultation on the impact of IFRSs in the EU**

In August 2014, the European Commission launched a public consultation on the impact of IFRS in the EU. The IFRS Foundation has now published a staff paper that provides a perspective from the staff on some of the main issues highlighted in the consultation questionnaire. The staff paper is not a response to the consultation but is intended to contribute to the debate about the extent to which the adoption of IFRS has improved the efficiency of EU capital markets. The issues covered in the staff paper include among others, the benefits of IFRS and quality of IFRS financial statements. Click [here](#) for more information and [here](#) to access the staff paper.

### **IASB Chairman discusses Japanese modified international standards and the dangers of ignoring unrealised income**

IASB Chairman Hans Hoogervorst recently gave a speech at an IFRS Conference in Tokyo titled *'The dangers of ignoring unrealised income'*. He discussed an overview of the current use of IFRS around the world and Japan especially focusing on the recently issued Japanese Exposure Draft *'Japan's Modified International Standards (JMIS): Accounting Standards Comprising IFRSs and the ASBJ Modifications'* and connected the modifications made to the IASB's project to update its *Conceptual Framework* and the dangers of ignoring unrealised gains and losses. Hans Hoogervorst commented that the increase of the voluntary use of IFRSs in Japan was especially encouraging as Japanese companies have the choice of several sets of standards and would only choose to adopt IFRS if they thought it was a strong business case. He explained that IFRSs are a cost effective alternative for companies with subsidiaries as they can apply one single financial reporting language for both internal and external reporting. In addition, the use of IFRS would make it more attractive to foreign investors to invest in Japanese shares if the financial statements were prepared in a reporting language they understand. Concerning unrealised profits, he concluded that a systematic relegation of unrealised profits or losses to OCI is extremely problematical. Moreover, where OCI is used to capture short-term market volatility of long-term assets or liabilities, the information it contains should not be ignored. While income in OCI may be of a less certain nature than income captured in profit or loss, OCI may contain indicators of risk that may materialise sooner than one think. Therefore, ignoring unrealised elements of income would be hazardous to the financial health. Click [here](#) for more information and [here](#) for the full text of Hans Hoogervorst's speech.

### **Summary of joint outreach event on quality financial reporting**

The European Financial Reporting Advisory Group (EFRAG), the European Federation of Financial Analysts Societies (EFFAS) and the Association Belge des Analystes Financiers (ABAF), the Association of Certified International Investment Analysts (ACIIA) and the IASB have made available a report of the discussions held during their second outreach event held on 25 June 2014 to discuss what role investors and advisers can play in ensuring quality financial reporting. The topics discussed at the meeting included: current use of financial reporting by investors; interactions between financial reporting and long-term investment; giving directions for, and assessing, financial reporting standards; confidence in financial report; and influence on standard setting. Click [here](#) for more information and [here](#) to access the report.

### **EFRAG recommends public fatal flaw review of IASB pronouncements**

EFRAG has written a letter to the IASB recommending that, prior to finalisation of a Standard or a major amendment to a Standard, a public fatal flaw review should take place. EFRAG believes that this would enhance the IASB's quality control procedures. The IASB at times uses the tool of fatal flaw reviews. However, membership of the review teams is restricted. EFRAG believes that a public fatal flaw review should be included as a formal step in the IASB's due process including discussion of the fatal flaw results in a public meeting of the IASB based on a public summary report of these results before the final text of a Standard or major amendment is approved by the IASB. Click [here](#) to access the letter to the IASB.

### **EFRAG issues final endorsement advice and effects study report on bearer plants**

EFRAG has submitted to the European Commission its endorsement advice letter and effects study report on the amendments to IAS 16 and IAS 41. EFRAG supports the amendments, which bring bearer plants, which are used solely to grow produce, into the scope of IAS 16 so that they are accounted for in the same way as property, plant and equipment. EFRAG's assessment is that benefits for preparers and users implementing the amendments outweigh the costs and therefore EFRAG recommends that the European Commission endorses the amendments. Click [here](#) for the press release and [here](#) to access the Endorsement Advice Letter.

### **EFRAG draft comment letter on the proposed amendments regarding the recognition of deferred tax assets for unrealised losses**

EFRAG has issued a draft comment letter on the amendments to IAS 12 *Income Taxes* that the IASB proposed in response to diversity in practice and that are relevant in circumstances in which the entity reports tax losses. As the IASB concluded that diversity in practice around the recognition of a deferred tax asset that is related to a debt instrument measured at fair value is mainly attributable to uncertainty about the application of some of the principles in IAS 12, the proposed amendments consist of some clarifying paragraphs and an illustrating example. EFRAG in its draft comment letter agrees with most of the proposals but has some concerns or wording suggestions as EFRAG believes that some of the amendments are difficult to read or would need further clarification. Click [here](#) to access the comment letter.

### **New EFRAG 'Short Discussion Series' paper on the presentation of reversals of acquisition step-ups**

EFRAG has issued a fourth 'Short Discussion Series' paper. The series addresses topical and problematic issues with the aim of stimulating debate among European constituents and of helping the IASB to address cross-cutting dilemmas in financial reporting. The new paper discusses the presentation and disclosure of information on the reversal of step-ups recognised in a business combination. IFRS 3 generally requires identifiable assets acquired and liabilities assumed to be measured at their acquisition-date fair value, which may result in upward adjustments to the carrying amounts in the acquiree's financial statements, so-called 'step-ups'. In the paper, EFRAG discusses whether and to what degree information about the impact of a subsequent reversal of the step-ups may be relevant to users and how this information should be presented. Questions to constituents to guide the discussion are included in the paper as well. The Discussion Paper is open for comment until 31 December 2014. Click [here](#) for the press release and the Discussion Paper.

### **EFRAG's recent activities**

EFRAG has released a new issue of its *EFRAG Update* newsletter, summarising the discussions held at the EFRAG TEG conference call of 24 July 2014 and the EFRAG TEG meeting of 3 to 5 September 2014. Click [here](#) for more information and [here](#) for the new issue of *EFRAG Update* newsletter.

### **EFRAG issues feedback statement on its research paper on its 'Short Discussion Series' paper on the equity method**

In January 2014, EFRAG launched its 'Short Discussion Series' by issuing *The Equity Method: a measurement basis or one-line consolidation?* The paper was intended to assist the IASB's work and stimulate debate within Europe in relation to the equity method of accounting. It considered to what extent the equity method in IAS 28 is a measurement basis, a one-line consolidation or a combination of both. Responses to the paper revealed a diversity of views, indicating that there is no common understanding of the purpose or use of the equity method. What became clear, however, was that a view of the equity method as solely an entity perspective one-line consolidation was not considered appropriate given current conceptual thinking and developments in financial reporting. A feedback statement with a summary of the comments received from the respondents is now available. Click [here](#) for the press release and [here](#) for the feedback statement.

### **EFRAG issues feedback statement on its research paper on the role of the business model in financial statements**

In December 2013, EFRAG, the French ANC and the UK FRC published a research paper *The Role of the Business Model in Financial Statements*. The paper had concluded that the business model should continue to play a role in financial reporting, that it is time for a change to the current ad-hoc use and that the concept of the business model should be included in the *Conceptual Framework* with appropriate guidance for standard-setting. Responses to the paper revealed that there is a general support for the view that accounting standards should mandate financial reporting that faithfully represents the business model. They also showed that the ad hoc use of the business model notion is not welcomed as it is not always clear why in some cases the notion is used and in others not and as there is no consistency from standard to standard. Constituents also supported the view that the business model should be addressed in the *Conceptual Framework*. However, on all points views differed on how the intention could be achieved. EFRAG, the French ANC and the UK FRC have now released a feedback statement with a summary of the comments received from the respondents. Click [here](#) for the press release and [here](#) for the feedback statement.

### **European Discussion Paper on separate financial statements**

In a joint effort as part of EFRAG's proactive agenda, EFRAG, the Spanish Instituto de Contabilidad y Auditoría de Cuentas (ICAC), the Italian Organismo Italiano di Contabilità (OIC) and the Dutch Raad voor de Jaarverslaggeving (RJ) recently published a Discussion Paper on *Separate Financial Statements*. In June 2002, the European Union adopted the IAS Regulation requiring European companies listed in an EU securities market to prepare their consolidated financial statements in accordance with IFRSs and an option to permit or require companies to prepare separate financial statements in conformity with IFRS. As the focus of IFRS is, generally, on the preparation of consolidated financial statements, in some cases it is sometimes unclear how accounting issues in separate financial statements should be dealt with and a number of practical concerns have arisen in the application of IFRS to the separate financial statements. The Discussion Paper published aims to address these concerns by considering how separate financial statements are used in Europe for economic decision-making and analyses the technical financial reporting issues that arise under IFRS when preparing such financial statements. The paper also proposes solutions to the issues identified and suggestions on how to consider separate financial statements in the future. Comments on the Discussion Paper are requested by 31 December 2014. Click [here](#) for more information, [here](#) for the press release and [here](#) to access the Discussion Paper.

## EFRAG's updated Endorsement Status Report

EFRAG has updated its Endorsement Status Report:

- To include 'Annual Improvements to IFRSs 2012–2014 Cycle', published on 25 September 2014. The amendments respond to issues addressed during the 2012–2014 cycle and affect IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, IFRS 7 *Financial Instruments: Disclosures*, IAS 19 *Employee Benefits*, and IAS 34 *Interim Financial Reporting*. The amendments are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted. Endorsement for the use in Europe is currently expected in the third quarter of 2015.
- To include 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)', which was issued by the IASB on 11 September 2014. The amendments address a conflict between the requirements of IAS 28 *Investments in Associates and Joint Ventures* and IFRS 10 *Consolidated Financial Statements* and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. Endorsement for the use in Europe is currently expected in the third quarter of 2015.
- To reflect that the Accounting Regulatory Committee has voted in favour of the amendments from the 2010-2012 and 2011-2013 annual improvements cycles. Annual improvements – 2010-2012 cycle and 2011-2013 cycle were issued in December 2013 and have a stated effective date of annual periods beginning on or after 1 July 2014. The updated report indicates final endorsement is currently expected in the fourth quarter of 2014.

Click [here](#) to access the updated Endorsement Status Report.

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## Deloitte IFRS communications and publications

Issuance Date	Description
25 September 2014	<b>IFRS in Focus:</b> IASB issues Annual Improvements to IFRSs: 2012-2014 Cycle
18 September 2014	<b>IFRS in Focus:</b> IASB publishes Discussion Paper on rate regulation
16 September 2014	<b>IFRS in Focus:</b> IASB proposes amendments to clarify the unit of account and measurement of quoted investments in subsidiaries, joint ventures and associates at fair value
11 September 2014	<b>IFRS in Focus:</b> IASB publishes amendments to IFRS 10 and IAS 28 (2011) dealing with the sale or contribution of assets between an investor and its joint venture or associate
01 October 2014	<b>IFRS in your pocket:</b> 2014

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## IASB and IFRS Interpretations Committee meetings

Description	
IASB meeting	Click <a href="#">here</a> for the 22 – 24 September 2014 meeting notes
IFRS Interpretations Committee	Click <a href="#">here</a> for the 16 – 17 September 2014 meeting notes

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## Hot topics on IFRS

Topic	
Use of IFRS by jurisdiction	Click <a href="#">here</a> for more information on use of IFRS within different jurisdictions
IFRS in Europe	Click <a href="#">here</a> for more information on IFRS in Europe.
Global financial crisis	Click <a href="#">here</a> for more information on global financial crisis
Research and education matters	Click <a href="#">here</a> for more information on research and education matters
eXtensible Business Reporting Language (XBRL)	Click <a href="#">here</a> for more information on XBRL

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## Comment letters

	Description	Receiving party	Date issued/ Comment deadline
Comment letters issued	Tentative agenda decision on IFRS 12: <b><i>Disclosure of summarised financial information about material joint ventures and associates</i></b>	IFRS Interpretations Committee	22 September 2014
	Tentative agenda decision on IAS 39: <b><i>Holder's accounting for the exchange of equity instruments</i></b>	IFRS Interpretations Committee	22 September 2014
	Tentative agenda decision on IAS 21: <b><i>Foreign exchange restrictions and hyperinflation</i></b>	IFRS Interpretations Committee	22 September 2014
	Tentative agenda decision on IAS 16: <b><i>Accounting for proceeds and cost of testing on fixed assets</i></b>	IFRS Interpretations Committee	22 September 2014
	Tentative agenda decision on IAS 16 and IAS 2: <b><i>Core inventories</i></b>	IFRS Interpretations Committee	22 September 2014
Comment letters pending	Exposure Draft ED/2014/2: <b><i>Investment Entities: Applying the Consolidation Exception (Proposed amendments to IFRS 10 and IAS 28)</i></b>	IASB	15 September 2014
	Exposure Draft ED/2014/4: <b><i>Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value (Proposed amendments to IFRS 10, IFRS 12, IAS 27, IAS 28 and IAS 36 and Illustrative Examples for IFRS 13)</i></b>	IASB	16 January 2014
	Discussion Paper: <b><i>Reporting the Financial Effects of Rate Regulation</i></b>	IASB	15 January 2015
	Exposure Draft ED/2014/3: <b><i>Recognition of Deferred Tax Assets for Unrealised Losses (Proposed amendments to IAS 12)</i></b>	IASB	18 December 2014
	Four tentative agenda decisions from the <b><i>September IFRIC Update</i></b>	IFRS Interpretations Committee	25 November 2014
	Discussion Paper: <b><i>Accounting for Dynamic Risk Management: A Portfolio Revaluation Approach to Risk Management</i></b>	IASB	17 October 2014

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