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RSM
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IFRS NEWS IN BRIEF

Publications & Announcements

Proposal for amendments to IAS 36 open for comment until 19 March 2013

On 18 January 2013, the IASB published an exposure draft with a view to narrowing and clarifying the disclosures in IAS 36 Impairment of Assets for the measurement of impaired assets' recoverable amount that were introduced by IFRS 13 Fair Value Measurement, mainly to better represent the original intention for those disclosure requirements.

For more information: http://www.ifrs.org/Alerts/ProjectUpdate/Pages/ED-Recoverable-Amount-Disclosures-for-Non-Financial-Assets.aspx

Proposed IFRS Taxonomy 2013 open for comment until 18 March 2013

On 18 January 2013, the IFRS Foundation published an exposure draft of an updated IFRS Taxonomy that is a translation of IFRS (standards and interpretations, including the IFRS for SMEs) as issued at 1 January 2013 into XBRL (eXtensible Business Reporting Language). In addition to consolidating all 2012 interim releases, the proposed IFRS Taxonomy 2013 includes concepts that reflect some industry practices (banking, insurance, mining and energy).

For more information: http://www.ifrs.org/Alerts/XBRL/Pages/Exposure-Draft-of-the-IFRS-Taxonomy-2013.aspx

IFRS Interpretations Committee Latest Decisions Summary

The following is a summarised update on the main provisional decisions taken by the Committee at its meeting on 22 – 23 January 2013. The Committee also discussed other issues, however with no provisional decisions being taken on forthcoming interpretations (IAS 1 disclosures about going concern, variable payments for the separate acquisition of PPE and intangible assets, annual improvements to IFRSs, etc.).

For more information: http://media.ifrs.org/2013/IFRIC/January/IFRICUpdateJan2013.pdf

Put options written on non-controlling interests (Interpretation of IAS 32)

Based on an analysis of the comments received on the May 2012 draft, the final Interpretation would apply retrospectively, in the parent's consolidated financial statements, to NCI puts and NCI forwards, ie to put options and forward contracts that obligate any entity in the group to purchase shares of a subsidiary that are held by a non-controlling-interest shareholder for cash or another financial asset.

Levies charged by public authorities on entities that operate in a specific market (Interpretation of IAS 37)

- Levies would be defined as transfers of resources imposed by governments on entities in accordance with laws and/or regulations, other than levies that are within the scope of other Standards (eg income taxes in the scope of IAS 12) and fines or other penalties for breaches of the laws and/or regulations.
- Recognition of levy costs as assets or expenses (ie the debit side for the liability to pay a levy) should be determined by reference to other Standards.
- For a levy that is triggered if a minimum activity threshold is achieved in the current period (eg a minimum amount of revenues, sales or outputs produced), the obligating event that gives rise to a liability to pay a levy would be the achievement of the minimum activity threshold.
- The same recognition principles should be applied in the entity's IAS 34 interim financial statements.

International Accounting Standards Board Latest Decisions Summary

The following is a summarised update on the main provisional decisions taken by the IASB at its meeting on 29 -31 January 2013, sometimes jointly with the FASB.

For more information: http://media.ifrs.org/2013/IFRIC/January/IFRICUpdateJan2013.pdf

Revenue Recognition (IFRS due Q2/2013)

- The final Standard should clarify that a collaborative arrangement is not limited to the development and commercialisation of a product; it would apply to a contract with a collaborator or a partner if the counterparty meets the definition of a customer.
- A sale-leaseback transaction that includes a put option, with a repurchase price that is less than the original sales price and for which the customer has a significant economic incentive to exercise, would be accounted for as a financing contract.
- In a product financing arrangement (ie an entity sells a product and repurchases it as part of a larger component for a higher price), the processing costs would be excluded from the repurchase price in determining the amount of interest.
- The requirements for determining whether a contract exists should also apply to transfers of non-financial assets that are not an output of an entity's ordinary activities.

Leases (re-exposure due Q2/2013)

- Each lease component within a contract should be identified and accounted for as a separate lease (similar to separating performance obligations under the Revenue project).
- If one lease component contains the right to use more than one asset, the nature of the underlying asset for classification purposes should be determined based on the nature of the primary asset within the lease component.
- For the classification of a property lease component that contains both land and building, an entity would not be required to allocate lease payments between the land and the building, and would assess whether the lease term is for a major part of the remaining economic life of the building.

Financial instruments: hedge accounting (IFRS due Q2/2013)

- A hypothetical derivative should be used to represent the hedged item (not the perfect hedge).
- On transition, an entity should make the election of accounting as at fair value through profit or loss for all own use contracts that already exist on an all-or-none basis.

Novation of OTC derivatives and continued designation for hedge accounting (exposure draft due Q1/2013)

- This limited-scope amendment to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 9 Financial Instruments would require a continuation of the existing hedging relationship in circumstances where an over-the-counter (OTC) derivative, designated as a hedging instrument, is novated from one counterparty to a central counterparty following the introduction of new regulations.

Insurance contracts (re-exposure due H1/2013)

- Upon a change in the pattern of expected claims, the remaining insurance contract revenue should be reallocated prospectively to reflect the latest estimates of that pattern.
- On transition, the amount of revenue to be recognised in future periods would be determined by estimating the residual margin or initial loss included in the liability for remaining coverage, assuming that the risk adjustment at inception is equal to the risk adjustment on transition. If retrospective application is impracticable, an insurer should estimate the residual margin by maximising the use of objective data (ie the residual margin should not be calibrated to the insurance liability as under previous GAAP).
- For deferred annuities, the recognition point would be the earlier of the start of the coverage period or the date on which the first premium becomes due; in the absence of a contractual due date, the premium is deemed to be due when received.
- Unfavourable adjustments against the positive residual margin on reinsurance contracts held by a cedant would not be limited.
- For contracts accounted for using the premium allocation approach, the requirements to reduce the liability for remaining coverage would be aligned to the requirements for releasing the residual margin in the building block approach; an insurer would be relieved from disclosing a maturity analysis of cash flows for remaining coverage.

Rate-regulated activities (exposure draft of interim IFRS due H1/2013)

- The interim Standard would deal only with regulatory items that are not in the scope of other Standards, and be applied only by first-time adopters of IFRS (retrospectively subject to the deemed cost exemption in IFRS 1).
- Regulatory items should be shown separately in the statements of financial position and of profit or loss and other comprehensive income, with disclosure in the notes of an analysis of the amounts reported.

Upcoming Comment Deadlines

18 February 2013	ED/2012/2 - Annual Improvements to IFRSs 2011–2013 Cycle
18 March 2013	ED IFRS Taxonomy 2013
19 March 2013	ED/2013/1 - Recoverable Amount Disclosures for Non-Financial Assets (proposed amendments to IAS 36)
22 March 2013	ED/2012/3 - Equity Method: Share of Other Net Asset Changes (proposed amendments to IAS 28)
28 March 2013	ED/2012/4 - Classification and Measurement: Limited Amendments to IFRS 9 (proposed amendments to IFRS 9 (2010))
2 April 2013	ED/2012/5 - Clarification of Acceptable Methods of Depreciation and Amortisation (proposed amendments to IAS 16 and IAS 38)
23 April 2013	ED/2012/6 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (proposed amendments to IFRS 10 and IAS 28)
23 April 2013	ED/2012/7 - Acquisition of an Interest in a Joint Operation (proposed amendment to IFRS 11)

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We have member firms in North and South America, across Europe, in Africa and the Middle East and throughout the Asia Pacific region. For a full list of member firms visit www.rsmi.com.

RSM member firms will work in partnership with clients to address the impact of IFRS developments on their business. They bring knowledge of local markets, an understanding of the business issues to be addressed when expanding internationally and excellence in the application of IFRS.

Please contact Ellen Costa in the RSM Executive Office for more information on IFRS services provided by RSM member firms:

Ellen Costa
E ellen.costa@rsmi.com
T +44 (0)20 7601 1080