Issue 29 | July 2013

RSM
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IFRS NEWS IN BRIEF

Publications & Announcements

Discussion paper for a new conceptual framework open for comment until 14 January 2014

As a first step towards issuing a revised Conceptual Framework for Financial Reporting, on 18 July 2013 the IASB published a discussion paper aimed at obtaining initial views on important issues such as definition of assets and liabilities, recognition and derecognition, distinction between equity and liabilities, measurement, presentation and disclosure, and other comprehensive income.

For more information: http://www.ifrs.org/Alerts/ProjectUpdate/Pages/IASB-publishes-a-Discussion-Paper-on-the-Conceptual-Framework.aspx

IFRS Interpretations Committee Latest Decisions Summary

During the Interpretations Committee's (IC) meeting on 16 – 17 July 2013, no decisions were taken on forthcoming interpretations.

However, the IC reviewed a certain number of matters and tentatively decided that neither an Interpretation nor an amendment to a Standard was necessary, having determined that sufficient guidance already exists or that the subject is too broad; such discussions included the following:

- Determination of the rate used to discount post-employment benefit obligations, in particular whether corporate bonds with a rating lower than 'AA' can be considered to be HQCB (ie high quality corporate bonds).
- Transitional provisions of IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements in respect of impairment (IAS 36), foreign exchange (IAS 21) and borrowing costs (IAS 23).
- Classification, in the consolidated financial statements of a group, of puttable instruments that are issued by a subsidiary but that are not held, directly or indirectly, by the parent (ie that are non-controlling interests).
- Classification, under IAS 32, of particular financial instruments that are mandatorily convertible into a variable number of shares: with early settlement options or upon a contingent "non-viability" event.

In addition and in response to a query, the IC clarified that the discount rate used to calculate a defined benefit obligation under IAS 19 Employee Benefits should be a pre-tax discount rate.

Finally, the following would be recommended for consideration by the IASB under the Annual Improvements project:

- Amend IAS 19 to clarify that in determining the discount rate, the depth of the market for HQCB should be assessed at the currency level (eg in the Eurozone) and not at the country level (ie include HQCB issued by entities operating in other countries, provided that these bonds are issued in the currency in which the benefits are to be paid).

- Amend IAS 1 to clarify that an entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented in aggregate as a single line item and classified between whether those items will or will not be subsequently reclassified to profit or loss.
- Amend IFRS 7 to clarify that the additional disclosure introduced by the amendments issued in December 2011 (Disclosure–Offsetting Financial Assets and Financial Liabilities) is not required in condensed interim financial statements for all interim periods, unless its inclusion would be required in accordance with the requirements of IAS 34.

For more information: http://media.ifrs.org/2013/IFRIC/July/IFRIC-Update-July-2013.html

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 23 – 25 July 2013, sometimes jointly with the FASB.

For more information: http://media.ifrs.org/2013/IASB/July/IASB-Update-July-2013.html

Revenue Recognition (IFRS due Q3/2013)

- Additional guidance would clarify determination of the transaction price by helping an entity to distinguish doubts about collectability arising from customer credit risk that should be accounted for as variable consideration (i.e. a price concession or discount) from those to be accounted for as an impairment loss (under financial instruments Standards).
- To assess the criteria for identifying the contract with a customer (i.e. Step 1 of the revenue model), an entity should make an overall qualitative assessment of the facts and circumstances of the contract, with the following clarifications in the final Standard:
    - A contract could be substantive even if the entity does not intend to enforce all of its contractual rights
    - The amount of consideration to which the entity expects to be entitled would be considered only when determining the transaction price (i.e. Step 3 of the revenue model)
    - If the Step 1 criteria are not met, consideration received by the entity should not be recognised as revenue until the entity's performance is complete and either all of the consideration in the arrangement has been collected and is non-refundable, or the contract is cancelled and the consideration received is non-refundable
    - The Step 1 criteria should be reassessed if they are initially not met.
- For all contracts (no exception for sales-based royalties on licences of intellectual property), a minimum amount of variable consideration, that would not result in a significant revenue reversal, should be included in the estimate of the transaction price.

Financial Instruments (redeliberations H2/2013)

The mandatory effective date of IFRS 9 would be deferred pending the finalisation of the impairment and classification and measurement phases, with early application available. In addition, the own credit requirements would be made available for early application before the completed version of IFRS 9 is issued.

IFRS for SMEs - Comprehensive Review (exposure draft due September 2013)

The forthcoming amendments to the IFRS for SMEs would be applied retrospectively, effective one year after the final amendments are issued and early adoption would be permitted.

Upcoming Comment Deadlines

4 September 2013	ED/2013/5 - Regulatory Deferral Accounts
13 September 2013	ED/2013/6 - Leases
25 October 2013	ED/2013/7 - Insurance Contracts
28 October 2013	ED/2013/8 - Agriculture: Bearer Plants (proposed amendments to IAS 16 and IAS 41)
14 January 2014	DP/2013/1 - A review of the Conceptual Framework for Financial Reporting

RSM International Comment Letters

- On 4 July 2013, RSM International submitted a letter of comment to the IASB on ED/2013/3 Financial Instruments: Expected Credit Losses http://bit.ly/1epD1CY
- On 19 July 2013, RSM International submitted a letter of comment to the IASB on ED/2013/4 Defined Benefit Plans: Employee Contributions (Proposed amendments to IAS 19) http://bit.ly/16wSArv

As the IASB and IFRS Interpretations Committee will next meet in September with no significant activity expected in August, our next IFRS News in Brief will be issued beginning of October 2013

About RSM

RSM is a global network of independently owned and managed professional service firms, united by a common desire to provide the highest quality of services to their clients. High standards, common work ethic and clear focus make our members valuable partners for a varied client base worldwide. RSM spans the globe, with more than 700 member and correspondent firm offices, in 100 countries worldwide and more than 32,500 people on hand to serve clients.

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.

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