



# IFRS NEWS IN BRIEF

## IFRS Interpretations Committee (IC) Latest Decisions Summary

During its meeting on 10 - 11 September 2013, the IC decided to pursue the approach of IFRIC Draft Interpretation D9 (issued in 2004) for the measurement of employee benefit plans with a guaranteed return on contributions or notional contributions (IAS 19). No other decisions were made on forthcoming interpretations.

Also, the IC tentatively decided that sufficient guidance already exists or that significant diversity in practice is not expected on the following topics:

- Application of IFRS 5 guidance for the classification of a non-current asset / disposal group as held for sale in case of a planned initial public offering where the prospectus has not yet been approved by the securities regulator.
- Reassessment of control under IFRS 10 when facts and circumstances change in such a way that rights, initially determined to be protective, become exercisable (eg upon the breach of a covenant).
- Classification under IAS 32 of financial instruments that give the issuer the contractual right to choose to settle the instrument in cash or a fixed number of its own equity instruments.

Finally, the following would be recommended for consideration by the IASB:

- Amend the Application Guidance of IFRS 7 to clarify how the 'continuing involvement' principle (IFRS 7.42C) is applied to a servicing contract for purposes of the transfer disclosure requirements.
- Add guidance in IFRS 2 for the accounting of share-based payment transactions in which the manner of settlement is contingent on a future event that is outside the control of both the entity and the counterparty.

For more information: <http://media.ifrs.org/2013/IFRIC/September/IFRIC-Update-September-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 13 – 18 September 2013, sometimes jointly with the FASB.

For more information: <http://media.ifrs.org/2013/IASB/September/IASB-Update-September-2013.html>

### **Financial Instruments: Classification and Measurement (amendments to IFRS 9 due H1/2014)**

The meaning of 'principal and interest' should be clarified in the context of its application under the contractual cash flows test for financial assets (in order to avoid different classification outcomes for particular instruments). In particular:

- Principal would designate the amount transferred by the holder for the financial asset on initial recognition.
- Although time value of money and credit risk are the most significant components of interest, other components might include liquidity risk, profit margin or servicing costs.
- The meaning of time value of money would be further clarified; also, under certain conditions, regulated interest rates could be accepted as a proxy for the consideration for the time value of money.
- Guidance should be provided on how the quantitative assessment of a financial asset with a modified time value of money component should be performed.
- For financial assets with contingent features, no distinction should be made between contingent prepayment and extension features and other types of contingent features; also, the nature of the contingent trigger event in itself should not determine the asset's classification.

### **Financial Instruments: Impairment (IFRS due H1/2014)**

- The proposed general impairment model's objective should be clarified (with additional illustrative examples) as being to recognise lifetime expected credit losses on all financial instruments for which there has been a significant increase in credit risk (on an individual or portfolio basis), based on all reasonable and supportable (including forward-looking) information that is available without undue cost or effort.
- The 12-month expected credit loss measurement objective for financial assets in Stage 1 of the proposed model would be retained.
- Default should be defined consistently with an entity's credit risk management practices, including qualitative indicators. However, as a rebuttable presumption, default should not occur later than 90 days past due.

### **Defined Benefit Plans: Employee Contributions (amendments to IAS 19 due November 2013)**

The amendments proposed to accounting for defined benefit plans under IAS 19 in March 2013 (see Issue 25 of IFRS News in Brief) are confirmed for issue (after some changes to the wording) and would be effective on 1 July 2014, with earlier application permitted.

**Disclosure Initiative - Narrow-scope amendments to IAS 1 (exposure draft due Q1/2014)**

- Additional guidance would clarify that the concept of materiality should be applied to the specific disclosure requirements of a pronouncement (ie materiality should be assessed both for primary financial statements and for the notes), and emphasise that disclosing immaterial information could obscure useful information.
- The minimum required line items in the statement of financial position (IAS 1.54) and in the profit or loss section or statement (IAS 1.82) should be disaggregated if doing so would provide relevant information.
- It would be emphasised that no specific order of the notes is required; the order should be determined based on understandability and comparability (IAS 1.114).
- Items of other comprehensive income arising from equity-accounted investments (i.e. associates and joint ventures) should be presented in aggregate as a single line item, classified by whether they will or will not be reclassified subsequently to profit or loss (IAS 1.82A).

**Equity Method - Amendment to IAS 27 (exposure draft due Q4/2013)**

In its separate financial statements, an entity would be allowed to use the equity method for measuring its investments in subsidiaries, associates or joint ventures.

## Upcoming Comment Deadlines

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 13 September 2013, RSM International submitted a letter of comment to the IASB on ED/2013/6 Leases

<http://tinyurl.com/pt5jqce>

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

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