



IFRS NEWS IN BRIEF

Publications & Announcements

Proposals for limited amendments to the IFRS for SMEs open for comment until 3 March 2014

Based on its initial comprehensive review of the IFRS for SMEs, the IASB published, on 3 October 2013, an exposure draft for limited amendments to the standard, with a view to clarifying existing requirements or adding supporting guidance. For most SMEs, the vast majority of the proposals would not have a significant effect on their financial reporting.

For more information: <http://www.ifrs.org/Alerts/SME/Pages/IASB-issues-limited-amendments-to-the-IFRS-for-SMEs-October-2013.aspx>

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 28 October - 1 November 2013, sometimes jointly with the FASB.

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

Revenue Recognition (IFRS due Q1/2014)

- An estimate of variable consideration should be included in the transaction price to the extent it is highly probable that a significant revenue reversal will not occur (ie there would be no significant downward adjustment on the amount of cumulative revenue recognised from that contract with that customer).
- The transaction price should be updated at each reporting date to represent faithfully the circumstances present at the reporting date and the changes in circumstances during the reporting period.
- For licences of intellectual property, an estimate of sales/usage-based royalties should be included in the transaction price only when the uncertainty has been resolved (ie when the subsequent sales or usage occur).
- The implementation guidance for licences and the criteria for distinguishing between the two types of licences (licences that provide access to the entity's intellectual property v/s licences that provide a right to use the entity's intellectual property) would be enhanced in the final standard.
- Whereas the transaction price and revenue should be measured at the amount of consideration to which the entity is entitled (ie with no adjustment for customer credit risk), an entity would be required to meet a collectability threshold before applying the revenue model: the entity must assess (considering only customer credit risk and not other uncertainties that would be accounted for in the timing of recognition and measurement of revenue) and conclude that it is probable that it will collect the consideration to which it will be ultimately entitled to in exchange for the goods or services that will be transferred to the customer.

Financial Instruments: Impairment (IFRS due H1/2014)

Although the Board has not decided yet whether to proceed to finalise its exposure draft Financial Instruments: Expected Credit Losses, redeliberations continued on clarifications and enhancements to the proposals in the ED, mostly to be addressed in examples (eg for the assessment of significant increases in credit risk), application guidance and in the Basis for Conclusions. In particular:

- As an operational simplification in assessing when to recognise lifetime expected credit losses, an entity could assume that a financial instrument has not significantly increased in credit risk if it is low credit risk at the reporting date, with added clarifications on the low credit risk notion.
- Expected credit losses should be discounted at the effective interest rate or an approximation thereof.

Joint Arrangements, Associates and the Equity Method

- The amendments to IFRS 10 and IAS 28 under Sale or Contribution of Assets between an Investor and its Associate or Joint Venture would be finalised (in Q1/2014) as proposed with some additional clarifications and permission for early application.
- The amendments to IFRS 11 under Acquisition of an Interest in a Joint Operation would be finalised (in Q1/2014) as proposed with some additional clarifications.
- The proposed amendments to IAS 28 under Equity Method: Share of Other Net Assets Changes would not be retained (as departing from current IFRS literature). However, because of the need to address existing diversity in practice, the project would not be aborted but necessitates further analysis.

Rate-regulated Activities: Interim IFRS (IFRS due Q1/2014)

The proposals for an interim standard - with scope restricted to first-time adopters of IFRS that recognised regulatory deferral account balances in their financial statements in accordance with their previous GAAP - would be retained with a few amendments, such as:

- Clarifying that the scope excludes self-regulated entities but permits some flexibility in the prices to be charged, within a range of prices established by the rate regulator.
- Deleting the requirement that the price established by regulation is designed to recover the entity's allowable costs of providing the regulated goods or services.
- Adding application guidance to clarify some group accounting issues.
- Introducing a limited exception to IFRS 3 to permit continuation of the previous GAAP accounting policy for the recognition and measurement of regulatory account balances acquired in a business combination.
- Specifying that an entity should continue to apply its previous GAAP policies for the derecognition of regulatory account balances.
- Clarifying that an entity is not prohibited from recognising new regulatory balances that are created as a consequence of a change in an accounting policy for other items required by IFRS.
- Splitting the net movement in regulatory balances presented in the statement of profit or loss and other comprehensive income between amounts related to items reported in profit or loss and those reported in OCI.
- Deleting the specific reference to materiality as a factor to consider in deciding the level of detail to disclose.

Annual Improvements 2012-2014 Cycle (exposure draft due Q4/2013)

- IFRS 5 would be amended so that an entity that reclassifies an asset (or disposal group) from being held for sale to being held for distribution should continue to apply held-for-disposal accounting, instead of applying the guidance on discontinuation of held-for-sale. Also, guidance would be added to IFRS 5 for circumstances in which an asset (or disposal group) ceases to be classified as held-for-distribution. The amendments would apply prospectively.
- IAS 19 would be amended to clarify that in determining the discount rate, the depth of the market for high quality corporate bonds (HQCBS) 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).
- IFRS 7 would be amended 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, unless its inclusion would be required in accordance with the existing requirements of IAS 34.
- IFRS 7 would be amended to clarify whether a servicing contract is continuing involvement for the purposes of the transfer disclosure requirements.

Amendments to IAS 1 (exposure draft due Q1/2014)

- Classification of a liability as non-current would depend on whether there is a contractual arrangement in existence at the reporting date whereby the entity will not be required to settle the liability within the next 12 months.
- For current/non-current classification of liabilities, the existing requirements relating to an entity's discretion to refinance or rollover an obligation (IAS 1.73) should refer to the 'right' to refinance or rollover an obligation 'with the same lender on the same or similar terms'. financial statements for all interim periods, unless its inclusion would be required in accordance with the requirements of IAS 34.

Upcoming Comment Deadlines

14 January 2014	DP/2013/1 - A review of the Conceptual Framework for Financial Reporting
3 March 2014	ED/2013/9 - IFRS for SMEs: Proposed amendments to the International Financial Reporting Standard for Small and Medium-sized Entities

RSM International Comment Letters

- On 23 October 2013, RSM International submitted a letter of comment to the IASB on ED/2013/8 Agriculture: Bearer Plants (proposed amendments to IAS 16 and IAS 41) <http://www.ifrs.org/Current-Projects/IASB-Projects/Bearer-biological-assets/Exposure-Draft-June-2013/Pages/Comment-letters.aspx>

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