Issue 41 | September 2014

RSM
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IFRS NEWS IN BRIEF

Publications and Announcements

IAS 27 amended to reinstate the equity method option

The amendments published by the IASB on 12 August 2014 (effective from 1 January 2016 with early application permitted) allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

For more information: http://www.ifrs.org/Alerts/Publication/Pages/IASB-publishes-narrow-scope-amendments-to-IAS-27-Separate-Financial-statements-August-2014.aspx

IFRS 10 and IAS 28 amended to achieve consistency

The amendments published by the IASB on 11 September 2014 (effective from 1 January 2016 with early application permitted) address a current conflict between the two standards when dealing with the sale or contribution of assets between an investor and its associate or joint venture. Consequently, gain or loss should be recognised fully when the transaction involves a business, and partially if it involves assets that do not constitute a business.

For more information: http://www.ifrs.org/Alerts/Publication/Pages/IASB-issues-Amendments-to-IFRS-10-and-IAS-28-September-2014.aspx

Four standards amended under 'Annual Improvements to IFRSs 2012-2014 cycle'

On 25 September 2014, the IASB issued the following amendments all effective from 1 January 2016 with early application permitted:

Standard	Subject of amendment
IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*	Changes in methods of disposal
IFRS 7 *Financial Instruments: Disclosures*	Servicing contracts
	Applicability of the previous offsetting amendments to condensed interim financial statements
IAS 19 *Employee Benefits*	Discount rate: regional market issue
IAS 34 *Interim Financial Reporting*	Disclosure of information 'elsewhere in the interim financial report'

For more information: http://www.ifrs.org/Alerts/Publication/Pages/IASB-concludes-Annual-Improvements-IFRSs-2012-2014-Cycle.aspx

Proposals for amendments to IAS 12 open for comment until 18 December 2014

On 20 August 2014, the IASB published an exposure draft aimed at clarifying how to account for deferred tax assets related to debt instruments measured at fair value. In particular, unrealised losses on such instruments that are measured at cost for tax purposes would give rise to deductible temporary differences regardless of whether the debt instrument's holder expects to recover the debt instrument's carrying amount by sale or by collecting the contractual cash flows.

For more information: http://www.ifrs.org/Alerts/Publication/Pages/IASB-publishes-proposed-amendments-to-IAS-12-Income-Taxes-August-2014.aspx

Proposals for amendments to IFRS 10, IFRS 12, IFRS 13, IAS 27, IAS 28 and IAS 36 open for comment until 16 January 2015

On 16 September 2014, the IASB published an exposure draft aimed at clarifying the unit of account for fair value measurement. In particular, the fair value of quoted investments in subsidiaries, joint ventures and associates and of quoted cash-generating units should be measured as the product of the quoted price for the individual financial instruments that make up the investments and the quantity of financial instruments. Also, an Illustrative Example is added to IFRS 13 to clarify application to the 'portfolio exception'.

For more information: http://www.ifrs.org/Alerts/Publication/Pages/IASB-publishes-Exposure-Draft-Measuring-Quoted-Investments-September-2014.aspx

Discussion paper on rate regulation open for comment until 15 January 2015

On 17 September 2014, the IASB published a discussion paper (DP) aimed at exploring what information about rate-regulated activities is most useful to users of financial statements. The DP does not include any specific accounting proposals; it outlines possible approaches to consider in deciding how best to report the financial effects of rate regulation.

For more information: http://www.ifrs.org/Alerts/Publication/Pages/IASB-publishes-a-Discussion-Paper-on-reporting-the-financial-effects-of-rate-regulation-September-2014.aspx

IFRS Interpretations Committee Latest Decisions Summary

The following is a summarised update on some of the main discussions or provisional decisions taken by the IFRS Interpretations Committee (IC) at its meeting on 16-17 September 2014.

For more detailed and comprehensive information on the IC's discussions: http://media.ifrs.org/2014/IFRIC/September/IFRIC-Update-September-2014.html

Topics for further consideration by the IC and/or IASB

- In measuring tax assets and liabilities arising from uncertain tax positions, an entity should assume that the tax authorities will examine the amounts reported to them and have full knowledge of all relevant information (ie it should assume a 100% detection risk).
- IFRIC 14 would be amended to clarify that:
  - The amount of the surplus recognised as an asset on the basis of a refund should not include amounts that a third party has the unilateral right to use for other purposes.
  - The trustees' unilateral power to buy annuities or make other investment decisions without changing the pension promise is different from the power to wind up a plan by settling plan liabilities or the power to use a surplus by enhancing benefits.
  - An entity does not have an unconditional right to a refund of a surplus if a third party can unilaterally decide to wind up the plan and thus can prevent the gradual settlement described in IFRIC 14.11(b).
  - When a plan amendment or settlement occurs because of a decision by the trustees, an entity should recognise (in accordance with IAS 19) a gain or loss on settlement or past service cost in profit or loss, and any adjustment to the asset ceiling in other comprehensive income.

Explanations of existing requirements

» To meet IFRS 12's disclosure objective and requirements, judgement should be applied in determining the level of disaggregation of information on subsidiaries that have non-controlling interests (NCI) that are material to the reporting entity: either at the subgroup level (ie the subsidiary together with its investees), or at the level of individual subsidiaries that have material NCI within that subgroup.

» Summarised financial information on a joint venture or associate that is material to the reporting entity as required by IFRS 12 should be based on the consolidated financial statements for the investee (if it has subsidiaries), or on the investee's financial statements in which its own joint ventures or associates are equity-accounted.

» A fair value measurement that is based on prices provided by third parties may only be categorised within Level 1 of IFRS 13's fair value hierarchy if it relies solely on unadjusted quoted prices in an active market for an identical instrument that the entity can access at the measurement date.

» A fund manager that concludes it is an agent in accordance with IFRS 10 (ie it has no control) should assess whether it has significant influence over a fund that it manages and has a direct holding in. However, IAS 28 is silent on whether participation in financial and operating policy decisions undertaken on behalf of, and for the benefit of, others should be included in such assessment.

International Accounting Standards Board (IASB) Latest Decisions Summary

The following is a summarised update on some of the main provisional decisions taken by the IASB at its meeting on 22-24 September 2014.

For more detailed and comprehensive information on the Board's discussions (eg education sessions on insurance contracts with participation features and materiality, research projects, review of due process on forthcoming publications, etc.): http://media.ifrs.org/2014/IASB/September/IASB-Update-September-2014.html

Insurance Contracts (redeliberations on the 2013 ED)

» Under the premium-allocation approach (PPA), insurance contract revenue would be recognised in profit or loss (P/L) on the basis of either the passage of time, or expected timing of incurred claims and benefits if the expected pattern of release of risk differs significantly from the passage of time.

» Under the PPA applied to contracts for which the liability for incurred claims is discounted and the effect of changes in discount rates is presented in other comprehensive income (OCI), the interest expense in P/L for the liability for incurred claims would be determined using the discount rate that is locked in at initial recognition of the liability. The same would apply to the presentation of interest expense for any onerous contract liability recognised under the PPA.

Conceptual Framework (exposure draft due Q1/2015)

Redeliberations on the Discussion Paper in view of drafting the forthcoming ED continued covering various topics, in particular measurement bases and distinction between liabilities and equity.

Upcoming Comment Deadlines

17 October 2014	DP/2014/1 - Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging
18 December 2014	ED/2014/3 - Recognition of Deferred Tax Assets for Unrealised Losses (Proposed amendments to IAS 12)
15 January 2015	DP/2014/2 - Reporting the Financial Effects of Rate Regulation
16 January 2015	ED/2014/4 - 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)

RSM International Comment Letters

On 15 September 2014, RSM International submitted a letter of comment to the IASB on ED/2014/2 Investment Entities: Applying the Consolidation Exception (Proposed amendments to IFRS 10 and IAS 28)
http://www.ifrs.org/Current-Projects/IASB-Projects/IFRS-10-IAS-28-Investment-Entities/ED-June-2014/Pages/Comment-letters.aspx

About RSM

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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.

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