



# IFRS NEWS IN BRIEF

## 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 October 2014, sometimes jointly with the FASB.

For more detailed and comprehensive information on the Board's discussions:

<http://media.ifrs.org/2014/IASB/October/IASB-Update-October-2014.html>

### **Leases (IFRS due H2/2015)**

A lease would be defined as 'a contract that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. A contract contains a lease if the use of an identified asset is specified (explicitly or implicitly) and the customer controls the use of the identified asset.

- A contract would not involve the use of an identified asset if a supplier has the substantive right to substitute the asset used to fulfill the contract, ie the supplier has the practical ability to substitute the asset and can benefit from exercising that right of substitution.
- A contract conveys the right to control the use of an identified asset if, throughout the period of use, the customer has the right to direct the use of the identified asset and obtain substantially all of the economic benefits.
  - A customer has the right to direct the use of an identified asset whenever it has the right to direct how and for what purpose the asset is used throughout the period of use. If neither the customer nor the supplier controls how and for what purpose the asset is used, the customer is considered to have the right to direct the use of the identified asset if he either has the right to operate (or to direct others to operate) the asset in a manner that he determines (with the supplier having no right to change those operating instructions), or designed the asset (or caused it to be designed) in a way that predetermines during the period of use how and for what purpose the asset will be used or how it will be operated.
  - A supplier's protective rights over the identified asset typically define the scope of the customer's use of the asset but do not, in isolation, prevent the customer from having the right to direct the use of the asset.

### **Insurance Contracts (redeliberations on the 2013 ED)**

- The forthcoming Standard should be applied retrospectively at the beginning of the earliest period presented unless impracticable, in which case a simplified approach would apply. If the simplified approach is also impracticable, an entity should apply a 'fair value approach' in which the contractual service margin is determined as the difference between the fair value of the insurance contract at the beginning of the earliest period presented and the fulfilment cash flows measured at that date.

- If retrospective application is impracticable, specific disclosures should be provided separately for contracts measured using the simplified approach and for those measured using the fair value approach.

#### **Conceptual Framework (exposure draft due Q1/2015)**

The forthcoming ED's Basis for Conclusions would describe potential inconsistencies between the existing Standards and the Conceptual Framework (CF) and explain that the CF does not override existing Standards that will not necessarily be changed accordingly.

#### **Investment Entities: Applying the Consolidation Exception (amendments to IFRS 10 and IAS 28 due Q4/2014)**

- The exemption from preparing consolidated financial statements in IFRS 10 (paragraph 4(a)) would be available to a parent entity that is a subsidiary of an investment entity that measures its subsidiaries at fair value.
- An investment entity should measure at fair value all of its subsidiaries that are themselves investment entities.
- An investor would be permitted, when applying the equity method under IAS 28, to retain the fair value measurement applied by an investment entity associate or joint venture.

#### **Disclosure Initiative (amendments to IAS 1 due December 2014)**

- An entity should order its notes in a systematic manner, with no imposed particular way of ordering them.
- The amendments proposed in the ED relating to subtotals, materiality, disaggregation, accounting policies, and the presentation of items of OCI of equity-accounted investments are confirmed.

#### **Comprehensive review of the IFRS for SMEs (redeliberations on the 2013 ED)**

- An option to use the revaluation model for property, plant and equipment would be added.
- The definition of a related party would be amended to include a management entity providing key management personnel services.
- An SME would be permitted to account for investments in subsidiaries, associates and jointly controlled entities in its separate financial statements using the equity method.

#### **Research Projects**

- Foreign Currency Translation (IAS 21): retained in the IASB's Research Programme, but as a longer-term project.
- Financial Instruments with Characteristics of Equity (IAS 32): potential improvements to the classification of liabilities and equity and to their presentation and disclosures.

## UPCOMING COMMENT DEADLINES

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 29 October 2014, RSM International submitted comments to the European Commission on its public consultation for the 'Effects of using International Financial Reporting Standards (IFRS) in the EU' <http://ec.europa.eu/eusurvey/pdf/answer/5597dfbb-b08c-400d-a533-55491dbb61c8/>

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