Issue 45 | January 2015

RSM
Audit • Tax • Advisory

IFRS NEWS IN BRIEF

INTERNATIONAL ACCOUNTING STANDARDS BOARD (IASB) LATEST DECISIONS SUMMARY

The following is a summarised update on the main provisional decisions taken by the IASB at its meeting on 20-22 January 2015, sometimes jointly with the FASB. For more detailed and comprehensive information on the Board's discussions follow this link:

http://bit.ly/1zCHv6h

Leases (IFRS due H2/2015)

» Instead of the qualitative disclosure requirements proposed in the 2013 ED, a lessee would be required to consider the level of detail necessary to satisfy the forthcoming Standard's disclosure objective which would be to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases, supplemented with a list of specific disclosure objectives and illustrative examples.

» The 2013 ED proposals requiring a lessee to disclose reconciliations of the opening and closing balances of its lease liabilities and of its right-of-use (ROU) assets would not be retained.

» A lessee would be required to disclose the following quantitative items:

› Amortisation of ROU assets, split by class of underlying asset

› Interest on lease liabilities

› Short-term lease expense, excluding expenses relating to leases of one month or less

› Small asset lease expense

› Variable lease expense

› Income from subleasing ROU assets

› Total cash outflow for leases

› Additions to ROU assets

› Gains and losses arising from sale and leaseback transactions

› Closing carrying amount of ROU assets, split by class of underlying asset

» All lessee disclosures would have to be presented in a single note or separate section in an entity's financial statements, and in a tabular format for the quantitative disclosures (unless another format is more appropriate).

» A lessee would be required to disclose a maturity analysis of its lease liabilities (in accordance with IFRS 7), separately from the maturity analyses of other financial liabilities.

Insurance Contracts (redeliberations on the 2013 ED)

In light of the fact that the earliest possible effective date of the forthcoming Standard will be after the mandatory effective date of IFRS 9, the transition relief proposals in the 2013 ED relating to fair value option designations / de-designations for financial assets would be confirmed. Also, further transition relief might permit or require an entity to reassess the business model for financial assets at the date of initial application of the Standard.

Conceptual Framework (exposure draft due Q1/2015)

» Relevance, faithful representation and the cost benefit constraint would be described as criteria for recognition rather than as factors to consider when deciding whether to recognise an asset or a liability.

» The term 'is capable of' would be replaced with 'has the potential to' in the definition of an economic resource; thus, an economic resource would be a right that has the potential to produce economic benefits.

Remeasurement at a plan amendment, curtailment or settlement / Availability of a refund of a surplus from a defined benefit plan (ED to amend IAS 19 and IFRIC 14 due Q2/2015)

» IFRIC 14 would be amended to clarify the following:

› The amount of the surplus recognised as an asset on the basis of a future refund should not include amounts that another party (e.g. the plan trustee) has the unilateral power to use for other purposes (e.g. to enhance benefits for plan members).

› A gradual settlement of plan liabilities over time until all members have left the plan should not be assumed, if another party can unilaterally decide to wind up the plan and prevent a gradual settlement.

› Another party's unilateral power to buy annuities or make other investment decisions without changing the pension promise is a power to make investment decisions and thus is different from the power to wind up a plan by settling plan liabilities, or the power to use a surplus to enhance benefits.

› When determining the availability of a refund or a reduction in future contributions, the statutory requirements that are substantively enacted, the terms and conditions that are contractually agreed and any constructive obligations should be taken into account.

» IAS 19 would be amended to clarify the following:

› When a plan amendment, curtailment or settlement occurs, a gain or loss on settlement or past service cost should be calculated and recognised in profit or loss in accordance with paragraphs 99–112; also, the asset ceiling to be applied to the updated surplus should be reassessed with any resulting adjustment recognised in other comprehensive income (under IAS 19. 57(d)(iii)).

› An entity's legal or constructive obligation to enhance benefits that has arisen under IAS 19.61 should be reflected in the measurement of the defined benefit obligation.

› When the net defined benefit liability (asset) is remeasured under IAS 19.99, current service cost and net interest for the remaining period after the remeasurement should be determined using the assumptions applied to the remeasurement; also, net interest for the remaining period should be calculated on the remeasured net defined benefit liability (asset).

› Service cost in the current reporting period before a plan amendment or curtailment is current service cost; it should not be affected by, or be included in, past service cost.

  - The requirement to remeasure the net defined benefit liability (asset) is determined on a plan-by-plan basis.

» An entity would be required to apply the above proposed amendments retrospectively, with an exemption from retrospective adjustment of the carrying amount of assets that include employee benefits costs but that are outside the scope of IAS 19 (e.g. inventories).

Annual Improvements

» IAS 28 would be amended to clarify that the election to measure an investment in an associate or a joint venture that is held by a venture capital organisation or other qualifying entity at fair value through profit or loss (paragraph 18) is available on an investment-by-investment basis. The same would apply to the choice given to a non-investment entity to retain the fair value measurements used by its investment entity investee (associate or joint venture) when applying the equity method (paragraph 36A).

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (ED to amend IFRS 10 and IAS 28 due Q2/2015)

This is a narrow-scope amendment to the September 2014 amendments to IFRS 10 and IAS 28 because they create a conflict with the application of the equity method on acquisition of an associate or a joint venture.

» IFRS 10 would explain that in the limited circumstances where an entity retains significant influence or joint control over a former subsidiary and part of the gain arising on loss of control of the subsidiary is eliminated against the carrying amount of the retained investment, the cost on initial recognition of the retained investment is the fair value of that investment, any gains or losses eliminated being a subsequent adjustment.

» IAS 28 would clarify that for circumstances in which an associate or joint venture that does not include a business arises from the residual interest retained following the loss of control of a subsidiary, the cost on initial recognition of that associate or joint venture is the fair value of the investment at the date that control is lost and is determined before any elimination of the gains or losses required by IFRS 10.99A.

» The effective date of the September 2014 amendments to IFRS 10 and IAS 28 would be postponed to be aligned with the effective date of the above proposed amendments.

Comprehensive review of the IFRS for SMEs (amendments due H1/2015)

» The option to use the revaluation model for property, plant and equipment would have to be applied prospectively from the beginning of the period in which the entity first adopts the amended Standard.

UPCOMING COMMENT DEADLINES

25 March 2015	ED/2014/5 - Classification and Measurement of Share-based Payment Transactions (Proposed amendments to IFRS 2)
17 April 2015	ED/2014/6 - Disclosure Initiative (Proposed amendments to IAS 7)

RSM INTERNATIONAL COMMENT LETTERS

On 11 January 2015, RSM International submitted a letter of comment to the IASB on 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)

http://bit.ly/16FtdrV

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 35,000 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.

Please contact Ellen O'Sullivan in the RSM Executive Office for more information on IFRS services provided by RSM member firms:

Ellen (Costa) O'Sullivan
E ellen.osullivan@rsmi.com
T +44 (0)20 7601 1080