



IFRS NEWS IN BRIEF

IFRS INTERPRETATIONS COMMITTEE LATEST DECISIONS SUMMARY

The following is a summarised update on some of the main provisional decisions taken by the IFRS Interpretations Committee (IC) at its meeting on 24 March 2015. The IC also discussed issues relating to the scope of IFRS 5 (loss of control, disposal group consisting of financial instruments, notion of a major line of business), summarised an analysis of the comment letters received on ED Recognition of deferred tax assets for unrealised losses, finalised explanations of previous decisions and clarifications relating to IFRS 11 (classification of joint arrangements, accounting by joint operators, accounting by the joint operation), etc.

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

<http://bit.ly/1yieWxT>

Foreign currency transactions and advance consideration (draft Interpretation of IAS 21)

The forthcoming draft Interpretation (DI) should address how to determine the date of the transaction and hence the spot exchange rate to translate foreign currency (FC) transactions in circumstances in which a prepayment asset or deferred income liability (provisional terminology) is recognised before the related asset, expense or income (the payment/receipt of consideration in advance of the recognition of the related asset, expense or income represents an entity's right to receive/obligation to transfer goods or services).

- » The DI would apply to both cash and non-cash consideration that is denominated or priced in a FC; it would not apply in circumstances in which the FC amount of the prepayment asset or deferred income liability is subsequently required to be remeasured upon initial recognition of the related asset, expense or income.
- » The DI is not an interpretation of the requirements in IFRS 15; thus, an entity first applies IFRS 15 to a revenue transaction to determine how the transaction is recognised and measured, and subsequently applies IAS 21 to determine the exchange rate(s) to apply when translating any FC amounts into the entity's functional currency.
- » The date of the transaction for IAS 21 purposes would be the earlier of the date of initial recognition of the prepayment asset/deferred income liability (i.e. generally payment/receipt of the advance consideration), and the date that the related asset, expense or income is recognised in the financial statements.
- » On initial application of the Interpretation, entities would be given the choice between a retrospective application under IAS 8, and a prospective application with specific transitional provisions.

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 17-19 March 2015, sometimes jointly with the FASB.

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

<http://bit.ly/1CppuYn>

Leases (IFRS due H2/2015)

In its first financial statements prepared under the new Leases Standard, a lessee would be required to disclose the weighted average incremental borrowing rate at the date of initial application, together with an explanation of differences between (i) the result of discounting the operating lease commitments reported under IAS 17 at the end of the annual reporting period preceding the date of initial application, and (ii) lease liabilities recognised on the balance sheet immediately after posting the cumulative catch-up adjustment on the date of initial application. Although not required, it might be relevant for an entity to provide similar disclosures in the interim financial statements following the date of initial application, in accordance with IAS 34.

Clarifications to IFRS 15 Revenue from Contracts with Customers (exposure draft due Q2/2015)

- » As a practical expedient on transition, an entity would be permitted to account for a modified contract by:
 - › identifying all the satisfied and unsatisfied performance obligations in the contract at the contract modification adjustment date (CMAD) reflecting all modifications from contract inception to the CMAD;
 - › determining the transaction price at the CMAD reflecting all modifications from inception to the CMAD; and
 - › allocating the transaction price to the performance obligations identified at the CMAD based on the historic standalone selling price of each good or service.

The beginning of the earliest period presented would be used as the CMAD.

- » As a practical expedient, an entity electing the full retrospective approach would be permitted to apply the new revenue Standard retrospectively only to contracts that are not completed contracts (i.e. contracts for which the entity has transferred all of the goods and services identified in accordance with IAS 11, IAS 18 and related Interpretations) as of the beginning of the earliest period presented.
- » The use of either of the above practical expedients should be disclosed with, to the extent reasonably possible, a qualitative assessment of their estimated effect.

Disclosure Initiative - Principles of Disclosure (discussion paper due Q4/2015)

A general disclosure Standard (IAS 1 or a replacement) should specify:

- » that the statements of financial position, profit or loss and other comprehensive income, changes in equity and cash flows are collectively the 'primary financial statements';
- » the intended location as either 'in the primary financial statements' or 'in the notes' when using the terms 'present' or 'disclose';
- » the role of primary financial statements and the implications of a particular statement forming part of them.

UPCOMING COMMENT DEADLINES

17 April 2015	ED/2014/6 - Disclosure Initiative (Proposed amendments to IAS 7)
10 June 2015	ED/2015/1 - Classification of Liabilities (Proposed amendments to IAS 1)

RSM INTERNATIONAL COMMENT LETTERS

On 25 March 2015, RSM International submitted a letter of comment to the IASB on ED/2014/5 *Classification and Measurement of Share-based Payment Transactions (Proposed amendments to IFRS 2)*

<http://bit.ly/1DOOUoe>

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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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