

IFRS ALERT 2011/03

JUNE 2011

IMPROVEMENTS TO IFRSs



On 22 June 2011, the IASB published an Exposure Draft of Improvements to IFRSs (the ED) as part of their 2009-2011 improvements cycle (the project cycle for this group of annual improvements began in 2009) with a request for comments by 21 October 2011.

The ED proposes amendments to five IFRSs

| Standard | Topic/Proposed amendments |
|--|---|
| IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i> | <p>Repeat application of IFRS 1 - an entity would be required to apply IFRS 1 when its most recent previous annual financial statements did not contain an explicit and unreserved statement of compliance with IFRSs. This would apply even if the entity applied IFRS 1 in an earlier reporting period (being a period before the one reported in the most recent previous annual financial statements).</p> <p>Borrowing costs relating to qualifying assets for which the commencement date for capitalisation is before the date of transition to IFRSs - an entity that capitalised borrowing costs in accordance with its previous GAAP before the date of transition to IFRSs would be permitted to carry forward without adjustment the amount previously capitalised in the opening statement of financial position at the date of transition. Borrowing costs incurred after the date of transition that relate to qualifying assets under construction at the date of transition would be accounted for in accordance with IAS 23 <i>Borrowing Costs</i>.</p> |
| IAS 1 <i>Presentation of Financial Statements</i> | <p>Clarification of requirements for comparative information - when an entity provides comparative information that goes beyond the minimum requirements in the current period, it would be clarified that comparative information is required for all amounts reported, with comparatives for narrative and descriptive information being included where this is relevant to understanding the current period financial statements. Where an entity changes accounting policies, or makes retrospective restatements or reclassifications, an opening statement of financial position would be required as at the beginning of the required comparative period but related notes would not be required.</p> <p>Consistency with the updated Conceptual Framework – it is proposed that the objective of financial statements be updated to be consistent with the 2010 Conceptual Framework.</p> |

STATUS

Exposure Draft

EFFECTIVE DATE

Annual periods beginning on or after 1 January 2013

ACCOUNTING IMPACT

May be significant.

| Standard | Topic/Proposed amendments |
|---|--|
| IAS 16 <i>Property, Plant and Equipment</i> | Classification of servicing equipment – it would be clarified that servicing equipment should be classified as property, plant and equipment when it is used during more than one period. Otherwise it should be classified as inventory. |
| IAS 32 <i>Financial Instruments: Presentation</i> | Income tax relating to distributions to holders of an equity instrument, and of transaction costs of an equity transaction – it is proposed that these should be accounted for in accordance with IAS 12 <i>Income Taxes</i> . |
| IAS 34 <i>Interim Financial Reporting</i> | Interim financial reporting and segment information for total assets – the amendment would mean that total assets for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. |

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