



On the Horizon for IFRS

May 19, 2010

IASB issues Annual Improvements 2010

Background to the 2010 Improvements

Effective date

IFRS and Interpretation affected

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On May 6, 2010, the IASB issued *Improvements to IFRSs* (2010 Improvements), which makes minor amendments to eight IFRS and one Interpretation. This publication completes the IASB's third round of annual improvements.

Background to the 2010 Improvements

The annual improvements process has been developed to address non-urgent, but necessary, minor amendments to IFRS. Issues dealt with in this process arise from matters raised by the IFRS Interpretations Committee (IFRIC) and suggestions from staff or practitioners, and focus on areas of inconsistency in IFRS or where clarification of wording is required. Rather than making a series of piecemeal changes during the year, the process streamlines the IASB's improvement activity by presenting the changes in a single document each year.

The 2010 Improvements reflect issues that were included in an exposure draft of proposed amendments to IFRS published in August 2009. It also includes an amendment to IFRS 1, *First-time Adoption of International Financial Reporting Standards*, applicable to entities with operations subject to rate regulation,

which was included in the Exposure Draft, *Rate-regulated Activities*, published in July 2009.

Effective date

The effective date for each amendment has been included in the amended text of each of the IFRS and Interpretation affected. The transitional rules vary, with some amendments requiring prospective application, while others are to be applied retrospectively. Earlier application is permitted in all cases. For a proper understanding of the effective date and transition requirements, reference should be made to the 2010 Improvements.

IFRS and Interpretation affected

The following table sets out the eight IFRS and one Interpretation that are affected by the amendments, the issue addressed, a brief description of the change, and a reference to the effective date and transition requirements. References in the issue column are to certain paragraphs that have been revised or added. References in the effective date and transition column are to the relevant paragraphs in the text of each of the IFRS and Interpretation as amended by the 2010 Improvements. Refer to the 2010 Improvements for more details

| Standard affected | Issue | Summary of change | Effective date and transition |
|---|---|---|--|
| IFRS 1, <i>First-time Adoption of International Financial Reporting Standards</i> | Accounting policy changes in the year of adoption IFRS 1.27, .27A, .32, and BC97 | Clarifies that a first-time adopter of IFRS does not apply IAS 8 to changes in accounting policies that it makes when it first adopts IFRS or changes to those policies made during the periods covered by its first IFRS financial statements. Requires a first-time adopter to disclose and explain any changes made in its accounting policies or its use of the exemptions contained in IFRS 1 between its first IFRS interim financial report and its first IFRS financial statements. | Annual periods beginning on or after January 1, 2011 IFRS 1.39E |
| | Revaluation basis as deemed cost IFRS 1.D8, D8B, and BC46A | The amendment extends the scope for the use of event-driven fair value. In its first IFRS 1 financial statements, a first-time adopter may recognize an event-driven fair value measurement as deemed cost, with the revaluation adjustment recognized in retained earnings. This applies even when the event occurs after the date of transition, provided that this is during the period covered by its first IFRS financial statements. The normal IFRS 1 rules will still apply at the transition date. | Annual periods beginning on or after January 1, 2011 IFRS 1.39E |
| | Use of deemed cost for operations subject to rate regulation IFRS 1.31B and D8B | Permits entities with operations subject to rate regulation to use the carrying amount of the items of property, plant and equipment or intangible assets determined under the entity's previous GAAP as deemed cost (subject to an impairment test) at the date of transition to IFRS. If an entity applies this exemption to an item, it need not apply it to all items. | Annual periods beginning on or after January 1, 2011 IFRS 1.39E |

| Standard affected | Issue | Summary of change | Effective date and transition |
|---|---|--|---|
| IFRS 3, <i>Business Combinations</i> | <p>Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS</p> <p>IFRS 3.65A-.65E and BC434A to 434C</p> | <p>Clarifies that contingent consideration balances arising from business combinations that occurred before an entity's date of adoption of IFRS 3 (Revised 2008) shall not be adjusted on the adoption date. Also provides guidance on the subsequent accounting for such contingent consideration balances.</p> | <p>Annual periods beginning on or after July 1, 2010</p> <p>IFRS 3.64C</p> |
| | <p>Measurement of non-controlling interests (NCI)</p> <p>IFRS 3.19 and BC221A</p> | <p>The choice of measuring NCI either at fair value or at the proportionate share in the recognized amounts of an acquiree's identifiable net assets, is now limited to NCI that are present ownership instruments and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation.</p> <p>Clarifies that all other components of NCI shall be measured at their acquisition-date fair values, unless another measurement basis is required by IFRS.</p> | <p>Annual periods beginning on or after July 1, 2010</p> <p>IFRS 3.64B</p> |
| | <p>Un-replaced and voluntarily replaced share-based payment awards</p> <p>IFRS 3.30, B56, B62A, and BC311A</p> | <p>Clarifies the guidance for the accounting of share-based payment transactions of the acquiree that were voluntarily replaced by the acquirer and acquiree awards that the acquirer chooses not to replace. Those awards should be accounted for in the same way as acquiree awards that the acquirer is obliged to replace.</p> | <p>Annual periods beginning on or after July 1, 2010</p> <p>IFRS 3.64B</p> |
| IFRS 7, <i>Financial Instruments: Disclosures</i> | <p>Clarification of disclosures</p> <p>IFRS 7.32A, .34, .36-.38</p> | <p>Clarifies the disclosure requirements of the standard to remove inconsistencies, duplicative disclosure requirements, and specific disclosures that may be misleading.</p> | <p>Annual periods beginning on or after January 1, 2011</p> <p>IFRS 7.44L</p> |

| Standard affected | Issue | Summary of change | Effective date and transition |
|---|--|---|---|
| IAS 1, <i>Presentation of Financial Statements</i> | Clarification of statement of changes in equity IAS 1.106A | Clarifies that entities may present the required reconciliations for each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements | Annual periods beginning on or after January 1, 2011 IAS 1.139F |
| IAS 21, <i>The Effects of Changes in Foreign Exchange Rates</i> IAS 28, <i>Investments in Associates</i> IAS 31, <i>Investments in Joint Ventures</i> | Transition requirements for amendments arising as a result of IAS 27, <i>Consolidated and Separate Financial Statements</i> (Revised 2008) IAS 21.60B IAS 28.41B IAS 31.58A | Amends the transition requirements to apply certain consequential amendments arising from the 2008 IAS 27 amendments prospectively, to be consistent with the related IAS 27 transition requirements. | Annual periods beginning on or after July 1, 2010 IAS 21.60D IAS 28.41E IAS 31.58D |
| IAS 34, <i>Interim Financial Reporting</i> | Significant events and transactions IAS 34.15, .15C, .16A, and BC3 | Aims to improve interim financial reporting by clarifying disclosures required for significant events and transactions, including the interaction with recent improvements to the requirements of IFRS 7, <i>Financial Instruments: Disclosures</i> . See IAS 34.15B for a list of events and transactions for which disclosures would be required. | Annual periods beginning on or after January 1, 2011 IAS 34.49 |
| IFRIC 13, <i>Customer Loyalty Programmes</i> | Fair value of award credits IFRIC 13.AG2 and BC14A | Clarifies that when the fair value of award credits is measured on the basis of the value of the awards for which they could be redeemed, the fair value of the award credits should take account of expected forfeitures as well as the discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale. | Annual periods beginning on or after January 1, 2011 IFRIC 13.10A |

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