

IFRS Update for financial year ending 30 June 2011

(including all standards and interpretations
issued at 31 March 2011)



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Introduction

Companies reporting under International Financial Reporting Standards (IFRS) continue to face a steady flow of new standards and interpretations. The volume of changes to IFRS is significant and is likely to continue in the foreseeable future.

The nature of the changes ranges from significant amendments to fundamental principles to some minor changes included in the annual improvements process. They will affect many different areas of accounting such as the presentation of financial statements, financial instruments and accounting for employee benefits.

Some of the changes have implications that go beyond matters of accounting, potentially also impacting the IT systems of many companies. Furthermore, these changes may impact business decisions, such as the design of group share-based payment plans or the structuring of transactions.

The challenge for preparers will be to gain an understanding of what lies ahead.

Purpose of this publication

This publication provides an overview of the upcoming changes in standards and interpretations, focusing on those entities that have a June year-end. It does not attempt to provide an in-depth analysis or discussion of the topics. Rather, the objective is to highlight key aspects of these changes. Reference should be made to the text of the standards and interpretations before taking any decisions or actions.

As many of the changes will come into effect in the future, this publication focuses, in particular, on June 2011 reporting, but also considers the effect on June 2012 reporting and beyond.

All changes that were finalised by 31 March 2011 have been included here. The Table of Contents contains the list of all such changes, which are presented in the following order:

Section 1: New pronouncements that apply to financial years ending June 2011.

Section 2: New pronouncements that apply to financial years ending June 2012, although entities may elect to apply some of these in an earlier period.

Section 3: New pronouncements that will be effective subsequent to June 2012 year-ends, although entities may elect to apply some of these in an earlier period.

Section 4: Items not taken onto the International Financial Reporting Standards Interpretations Committee (Interpretations Committee) agenda, when the reason for the rejection provides some accounting guidance that assists with the interpretation and application of IFRS.

Section 5: Exposure drafts of new pronouncements that are expected to be issued as standards and interpretations in 2011.

Sections 1, 2 and 3 provide a high-level overview of the key requirements of each new pronouncements issued by the International Accounting Standards Board (IASB) and interpretations issued by the Interpretations Committee. This overview provides a summary of the transitional requirements and a brief discussion of the impacts that the changes may have on an entity's financial statements. These sections are presented in a numerical order affecting 30 June 2011, June 2012 year-ends and post June 2012 year-ends, based on the effective dates contained within the standards (although there may be provisions that allow entities to adopt in earlier periods).

Where a standard or interpretation has been issued, but an entity has yet to apply it, IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* requires the entity to disclose any known or reasonably estimable information relevant to understanding the possible impact that the new pronouncement will have on the financial statements when it is initially applied. Therefore, management must disclose, in the June 2011 report, the impact of the pronouncements noted in Sections 2 and 3, or indicate the reason for not doing so.

Section 4 provides a summary of the reasons the Interpretations Committee felt that existing IFRS or IFRIC Interpretations included adequate guidance and, therefore, selected issues for which the Interpretations Committee was requested to provide an interpretation were not added to the agenda (as published in the *IFRIC Update*). While these decisions are not authoritative, they provide a view about the application of the standards.

Section 5 considers exposure drafts that have been issued and are expected to be issued in standards and interpretations in 2011. Generally these will only be applicable to reporting periods post June 2011 based on the expected lead periods before these pronouncements will become effective.



IFRS Core Tools

Frequent changes to IFRS add to the complexity you face when approaching your financial reporting cycle. Our IFRS Core Tools provide the starting point for assessing the impact of changes to IFRS.

These tools include a number of practical building blocks that can help you to navigate the changing landscape of IFRS. They include this publication, *IFRS Update*, and the following:

International GAAP Disclosure Checklist

Our *2011 International GAAP Disclosure Checklist* assists with the preparation of financial statements in accordance with IFRS.

Good Group (International) Limited

Our publication *Good Group (International) Limited*, is an illustrative set of financial statements (both interim and annual), incorporating all of the new disclosures that arise from the changes required by standards effective for June 2011 and December 2011 year-ends. It can also assist in understanding the impact on the financial statements. This publication is supplemented by illustrative financial statements that are aimed at specific sectors and industries. These now include:

- ▶ Good Bank (International) Limited
- ▶ Good Construction (International) Limited
- ▶ Good Insurance (International) Limited
- ▶ Good Investment Fund Limited
- ▶ Good Petroleum (International) Limited
- ▶ Good Mining (International) Limited
- ▶ Good Real Estate Group (International) Limited

Also available from Ernst & Young:

International GAAP 2011

Our publication *International GAAP 2011* is a comprehensive analysis of all standards and interpretations, including those mentioned in this publication that were issued prior to September 2010, and it provides examples that illustrate how the requirements are applied.

Ernst & Young IFRS Change Reporter 2010

Ernst & Young has developed a computer-based tool called *IFRS Change Reporter 2010*, to include all IFRS issued prior to 30 September 2011. This tool is designed to be used by Ernst & Young engagement teams to support companies, reporting under IFRS, in making an assessment of the relevance to them of the upcoming changes described in this publication. This publication is also intended to facilitate the impact assessment carried out with the help of that tool.

Other Ernst & Young publications

References to other Ernst & Young publications that contain further details and discussion on these topics have also been included, all of which can be downloaded from our website www.ey.com/ifrs.

Section 1: New pronouncements applicable to the June 2011 year-ends

Conceptual Framework for Financial Reporting – Objectives and Qualitative Characteristics

The IASB is currently in the process of updating its *Conceptual Framework*. The conceptual framework project is being conducted in phases. The current version of the *Conceptual Framework* was revised in 2010 (effective from 28 September 2010) and includes the first two chapters the IASB has published as a result of the first phase of the conceptual framework project – *Chapter 1 The objective of financial reporting* and *Chapter 3 Qualitative characteristics of useful information*.

Key requirements

The *Conceptual Framework* is not an IFRS statement. However, it is used when developing an accounting policy in the absence of a standard, and is applicable to all preparers of IFRS general purpose financial statements. The revision to the *Conceptual Framework* is an ongoing project at the IASB. These revised chapters deal with the objectives and qualitative characteristics of financial statements and are now converged with US GAAP guidance.

Key changes that are included in this revision are:

- ▶ The revision limits the range of users of general purpose financial reporting. It now lists the primary users of financial statements as existing or potential investors, lenders and other creditors.
- ▶ The revision also introduces more general terms to the financial information that must be provided to meet the user's needs.
- ▶ The qualitative characteristics of financial statements have also been reconsidered and are now presented in a more structured and comprehensive manner. These are now ordered as either fundamental or enhancing characteristics.

Transition

There are no specific transition requirements. The revised chapters replace existing elements of the existing *Conceptual Framework* with immediate effect from the publication date.

Impact

These changes are unlikely to result in an immediate impact on the preparation of financial statements. However, as this project progresses, accounting policies not covered by existing standards may need to be reconsidered.

Other Ernst & Young publications

Further information about this Practice Statement can be found in Ernst & Young's publication *Supplement to IFRS Outlook Issue 86: Conceptual Framework: Objectives and qualitative characteristics* (October 2010).

IFRS 1 First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters (Amendments)

Effective for annual periods beginning on or after 1 January 2010.

Key requirements

IFRS 1 has been amended to provide additional exemptions from full retrospective application of IFRS for the measurement of oil & gas assets and leases as follows:

- ▶ Entities that have measured exploration and evaluation assets, and assets in the development or production phases using 'full cost accounting', can measure these assets at the amounts determined under previous GAAP at the date of transition. Where an entity uses this exemption, it must test all such assets for impairment at the date of transition to IFRS.
- ▶ Where an entity uses the above deemed cost exemption for oil and gas assets, the related decommissioning and restoration liabilities are measured at the date of transition in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. Any adjustment of the carrying amount as recognised under previous GAAP is recognised in retained earnings.
- ▶ Where an entity has, under previous GAAP, made the same determination of whether an arrangement contains a lease as required by IFRIC 4 *Determining whether an Arrangement contains a Lease*, but that assessment was made at a date other than that required by IFRIC 4, the entity does not need to reassess that determination.

Transition

The amendments may be applied earlier than the effective date and this fact must be disclosed.

Impact

The amendments will provide relief to entities with oil and gas assets and leases that are first-time adopters, by reducing the cost of transition to IFRS.

Other Ernst & Young publications

Further information about this amendment can be found in Ernst & Young's publication *Supplement to IFRS Outlook Issue 52: Amendments to IFRS 1* (July 2009).



IFRS 1 *First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*

Effective for annual periods beginning on or after 1 July 2010.

Key requirements

IFRS 1 has been amended to allow first-time adopters to utilise the transitional provisions of IFRS 7 *Financial Instruments: Disclosures* as they relate to the March 2009 amendments to the standard. These provisions give relief from providing comparative information in the disclosures required by the amendments in the first year of application.

To achieve this, the transitional provisions in IFRS 7 were amended to clarify that the disclosures need not be provided for:

- ▶ Annual or interim periods, including any statement of financial position, presented with an annual comparative period ending before 31 December 2009

And

- ▶ Any statement of financial position as at the beginning of the earliest comparative period as at a date before 31 December 2009

Transition

The amendments may be applied earlier than the effective date. This fact must be disclosed.

Impact

The amendments can provide relief to first-time adopters, by reducing the cost and resources required to provide certain comparative disclosures.

Other Ernst & Young publications

Further information about this amendment can be found in Ernst & Young's publication *Supplement to IFRS Outlook Issue 66: Amendments to financial instruments disclosure exemptions* (February 2010).

IFRS 2 *Group Cash-settled Share-based Payment Arrangements*

Effective for annual periods beginning on or after 1 January 2010.

Key requirements

IFRS 2 has been amended to clarify the accounting for group cash-settled share-based payment transactions, where a subsidiary receives goods or services from employees or suppliers, but the parent or another entity in the group pays for those goods or services. The amendments clarify that the scope of IFRS 2 includes such transactions. The amendment incorporates the guidance from IFRIC 8 *Scope of IFRS 2* and IFRIC 11 *Group and Treasury Share Transactions* and hence both IFRIC 8 and IFRIC 11 have been withdrawn.

Transition

This amendment is applied retrospectively, in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* in respect of changes in accounting policy. Earlier application is permitted and must be disclosed.

Impact

For group reporting and consolidated financial statements, the amendment clarifies that if an entity receives goods or services that are cash settled by shareholders not within the group, they are outside the scope of IFRS 2. Management will need to consider whether there were any such past transactions.

The amendment may have a significant effect on the costs recognised in separate financial statements of an entity that has material share-based payment awards that have not previously been accounted for in accordance with IFRS 2.

Other Ernst & Young publications

Further information about this amendment can be found in Ernst & Young's publication *Supplement to IFRS Outlook Issue 45: Group cash-settled share-based payment transactions* (June 2009).



IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* (Amendment)

Effective for annual periods beginning on or after 1 February 2010.

Key requirements

The definition of a financial liability has been amended to classify rights issues (and certain options or warrants) as equity instruments if:

- ▶ The rights are given *pro rata* to all of the existing owners of the same class of an entity's non-derivative equity instruments
- ▶ The rights are to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency

Transition

This amendment is applied retrospectively, in accordance with requirements of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* for changes in accounting policy. Earlier application is permitted and must be disclosed.

Impact

The amendment will provide relief to entities that issue rights (fixed in a currency other than their functional currency), and then treat the rights as derivatives with fair value changes recorded in profit or loss. Rights issued in foreign currencies that were previously accounted for as derivatives will now be classified as equity instruments.

A retrospective application of the change will result in the reversal of profits or losses previously recognised. This impact on previously reported results would be a reclassification in equity.

Other Ernst & Young publications

Further information about this amendment can be found in Ernst & Young's publication *Supplement to IFRS Outlook Issue 58: Classification of rights issues denominated in a foreign currency* (October 2009).

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*

Effective for annual periods beginning on or after 1 July 2010.

Key requirements

IFRIC 19 clarifies that equity instruments issued to a creditor to extinguish a financial liability are consideration paid in accordance with paragraph 41 of IAS 39 *Financial Instruments: Recognition and Measurement*. The equity instruments issued are measured at their fair value, unless this cannot be reliably measured, in which case they are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss.

If only part of a financial liability is extinguished, the entity needs to determine whether part of the consideration paid relates to a modification of the liability outstanding. If so, the consideration paid is allocated between the two parts.

The interpretation does not apply where the creditor is acting in the capacity of a shareholder, common control transactions, and where the issue of equity shares was part of the original terms of the liability.

Transition

This is applied retrospectively, in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* from the beginning of the earliest comparative period presented if the amendment results in a change in accounting policy. Earlier application is permitted and must be disclosed.

Impact

In many cases, the modifications will result in a gain recognised in profit or loss as the fair value of the equity issued will often be less than the carrying value of the liability. Determining the fair value of the equity may be difficult if the shares are not actively traded. As the interpretation is applied retrospectively, determining past fair values may be particularly difficult.

Where these transactions occur within the same group, entities will need to develop an appropriate accounting policy as they are scoped out of the interpretation.

Other Ernst & Young publications

Further information about this Interpretation can be found in Ernst & Young's publication *Supplement to IFRS Outlook Issue 62: Extinguishing financial liabilities with equity instruments* (November 2009).



Improvements to International Financial Reporting Standards (issued 2009)

Key requirements

The Improvements to IFRS project is an annual process that the IASB has adopted to deal with non-urgent but necessary amendments to IFRS (the 'annual improvements process').

In the second omnibus edition, 15 amendments to 12 standards are dealt with by the IASB. The following summarises only those amendments that will be effective for June 2011 year ends.

| | |
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| IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> | <p>Disclosures</p> <ul style="list-style-type: none"> Clarifies that the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations are only those set out in IFRS 5. Effective prospectively for annual periods beginning on or after 1 January 2010. |
| IFRS 8 <i>Operating Segments</i> | <p>Disclosure of information about segment assets</p> <ul style="list-style-type: none"> Segment assets and liabilities need only be reported when those assets and liabilities are included in measures used by the chief operating decision maker. Effective for annual periods beginning on or after 1 January 2010. |
| IAS 1 <i>Presentation of Financial Statements</i> | <p>Current/non-current classification of convertible instruments</p> <ul style="list-style-type: none"> The terms of a liability that could at anytime result in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification. Effective for annual periods beginning on or after 1 January 2010. |
| IAS 7 <i>Statement of Cash Flows</i> | <p>Classification of expenditures on unrecognised assets</p> <ul style="list-style-type: none"> Only expenditure that results in a recognised asset can be classified as a cash flow from investing activities. Effective for annual periods beginning on or after 1 January 2010. |
| IAS 17 <i>Leases</i> | <p>Classification of land and buildings</p> <ul style="list-style-type: none"> The specific guidance on classifying land as a lease has been removed so that only the general guidance remains. Effective for annual periods beginning on or after 1 January 2010. |
| IAS 36 <i>Impairment of Assets</i> | <p>Unit of accounting for goodwill impairment testing</p> <ul style="list-style-type: none"> The largest unit permitted for allocating goodwill acquired in a business combination is the operating segment defined in IFRS 8 before aggregation for reporting purposes (See Section 2). Effective prospectively for annual periods beginning on or after 1 January 2010. |
| IAS 39 <i>Financial Instruments: Recognition and Measurement</i> | <p>Assessment of loan prepayment penalties as embedded derivatives</p> <ul style="list-style-type: none"> A prepayment option is considered closely related to the host contract when the exercise price reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract. Effective for annual periods beginning on or after 1 January 2010. <p>Scope exemption for business combination contract</p> <ul style="list-style-type: none"> The scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date applies only to binding forward contracts, not derivative contracts where further actions are still to be taken. Effective prospectively to all unexpired contracts for annual periods beginning on or after 1 January 2010. <p>Cash flow hedge accounting</p> <ul style="list-style-type: none"> Gains or losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges or recognised financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss. Effective prospectively to all unexpired contracts for annual periods beginning on or after 1 January 2010. |

Other Ernst & Young publications

More information about the annual improvements can be found in Ernst & Young's *Supplement to IFRS Outlook Issue 40: Improvements to IFRSs* (April 2009).



Improvements to International Financial Reporting Standards (issued 2010)

Key requirements

In this third omnibus edition, the IASB issued eleven amendments to six standards and one interpretation. The following summarises the five amendments that will be effective

for June 2011 year-ends. Refer to Section 2 for a summary of all remaining amendments from the annual improvements process issued in 2010.

| | |
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| 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> <ul style="list-style-type: none"> ▶ The amendment clarifies that the amendments to IFRS 7 <i>Financial Instruments: Disclosures</i>, IAS 32 <i>Financial Instruments: Presentation</i> and IAS 39 <i>Financial Instruments: Recognition and Measurement</i>, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008). ▶ The amendment is applicable to annual periods beginning on or after 1 July 2010. The amendment is applied retrospectively. |
| IFRS 3 <i>Business Combinations</i> | <p>Measurement of non-controlling interests (NCI)</p> <ul style="list-style-type: none"> ▶ The amendment limits the scope of the measurement choices that only the components of NCI that are present ownership interests which entitle their holders to a proportionate share of the entity's net assets, in the event of liquidation, shall be measured either: <ul style="list-style-type: none"> ▶ At fair value, or ▶ At the present ownership instruments' proportionate share of the acquiree's identifiable net assets. Other components of NCI are measured at their acquisition date fair value, unless another measurement basis is required by another IFRS, e.g., IFRS 2 ▶ Applicable to annual periods beginning on or after 1 July 2010. The amendment is applied prospectively from the date the entity applies IFRS 3 (Revised). |
| IFRS 3 <i>Business Combinations</i> | <p>Un-replaced and voluntarily replaced share-based payment awards</p> <ul style="list-style-type: none"> ▶ The amendment requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether by obligation or voluntarily), i.e., split between consideration and post-combination expenses. However, if the entity replaces the acquiree's awards that expire as a consequence of the business combination, these are recognised as post-combination expenses. The amendment also specifies the accounting for share-based payment transactions that the acquirer does not exchange for its own awards: if vested – they are part of NCI and measured at their market-based measure; if unvested – they are measured at market based value as if granted at acquisition date, and allocated between NCI and post-combination expense. ▶ The amendment is applicable to annual periods beginning on or after 1 July 2010. The amendment is applied prospectively. |
| IAS 27 <i>Consolidated and Separate Financial Statements</i> | <p>Transition requirements for amendments made as a result of IAS 27 <i>Consolidated and Separate Financial Statements</i></p> <ul style="list-style-type: none"> ▶ The amendment clarifies that the consequential amendments from IAS 27 made to IAS 21 <i>The Effect of Changes in Foreign Exchange Rates</i>, IAS 28 <i>Investments in Associates</i> and IAS 31 <i>Interests in Joint Ventures</i> apply prospectively for annual periods beginning on or after 1 July 2009 or earlier when IAS 27 is applied earlier. ▶ The amendment is applicable to annual periods beginning on or after 1 July 2010; it is applied retrospectively. |

Other Ernst & Young publications

More information about the annual improvements can be found in Ernst & Young's *Supplement to IFRS Outlook* Issue 71: *Improvements to IFRSs 2010* (May 2010).



IFRS Practice Statement: *Management Commentary*

Issued 8 December 2010.

Key features

The Practice Statement is not an IFRS standard. Consequently, an entity need not comply with the Practice Statement to comply with IFRS. However, this qualifies as guidance on 'other financial reporting' in accordance with the Conceptual Framework. The Practice Statement provides a broad, non-binding framework for the presentation of narrative reporting to accompany financial statements prepared in accordance with IFRS and is directed at preparers and jurisdictions where no regulatory requirements regarding management commentary exist, but users still request meaningful information.

The Practice Statement permits entities to adapt the information provided to particular circumstances of their business, including the legal and economic circumstances of individual jurisdictions. This approach enables preparers to provide meaningful disclosures about the most important resources, risks and relationships that can affect an entity's value and how they are managed. It also explains the main trends and factors that might affect its future performance, financial position and progress (i.e., how an entity has and expects to grow or change in current and future periods). Hence, management commentary combines information about the past, present and future.

Transition

The Practice Statement may be applied to management commentary presented prospectively from 8 December 2010.

Impact

Entities in jurisdictions with no existing regulatory requirements for management commentary disclosures, and who voluntarily wish to apply the Practice Statement, will need to evaluate their systems and processes to gather the necessary and pertinent information for reporting purposes.

Other Ernst & Young publications

Further information about this Practice Statement can be found in Ernst & Young's publication *Supplement to IFRS Outlook Issue 48: Proposed guidance for management commentary* (July 2009).

Section 2: New pronouncements applicable to June 2012 year-ends

IFRS 1 *First-time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*

Effective for annual periods beginning on or after 1 July 2011.

Key requirements

The IASB has provided guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to severe hyperinflation.

When an entity's date of transition to IFRS is on, or after, the date its functional currency ceases to be subject to severe hyperinflation (the functional currency normalisation date), the entity may elect to measure all assets and liabilities held before the functional currency normalisation date that were subject to severe hyperinflation, at fair value, on the date of transition to IFRS. This fair value may be used as the deemed cost of those assets and liabilities in the opening IFRS statement of financial position.

A further amendment to the standard is the removal of the legacy fixed dates in IFRS 1 relating to derecognition and day one gain or loss transactions have also been removed. The standard now has these dates coinciding with the date of transition to IFRS.

Transition

The amendments may be applied earlier than the effective date and this fact must be disclosed.

Impact

The deemed cost exemption for entities that have been subject to severe hyperinflation provides significant relief to such entities in these economies. Having been unable to report under IFRS, it allows for these entities to recommence reporting under IFRS. However, these entities will have to perform a fair value exercise on affected assets and liabilities in order to make use of this exemption.

The removal of fixed dates relating to derecognition and day one gain or loss transactions can provide relief to first-time adopters by reducing the cost and resources required to retrospectively restate past transactions.

Other Ernst & Young publications

Further information about this amendment can be found in Ernst & Young's publication *Supplement to IFRS Outlook Issue 92: First-time adoption of IFRS: severe hyperinflation and removal of fixed dates* (December 2010).

IFRS 7 *Financial Instruments: Disclosures (Amendment)*

Effective for annual periods beginning on or after 1 July 2011.

Key requirements

The amendment requires additional quantitative and qualitative disclosures relating to transfers of financial assets, where:

- ▶ Financial assets are derecognised in their entirety, but where the entity has a continuing involvement in them (e.g., options or guarantees on the transferred assets)
- ▶ Financial assets are not derecognised in their entirety

Transition

The amendments may be applied earlier than the effective date and this fact must be disclosed. Comparative disclosures are not required for any period beginning before the effective date.

Impact

The amended disclosures are more extensive and onerous than previous disclosures. Consequently, entities may need to modify management information systems and internal controls to be able to extract the necessary quantitative information to prepare the disclosures.

Other Ernst & Young publications

Further information about this amendment can be found in Ernst & Young's publications:

Supplement to IFRS Outlook Issue 97: IFRS 7 Financial Instruments: Disclosures – impending changes effective for 2011 and 2012 (March 2011).

Supplement to IFRS Outlook Issue 85: New disclosures for derecognition of financial instruments (October 2010).



IAS 24 Related Party Disclosures (Revised)

Effective for annual periods beginning on or after 1 January 2011.

Key requirements

The definition of a related party has been clarified to simplify the identification of related party relationships, particularly in relation to significant influence and joint control.

A partial exemption from the disclosures has been included for government-related entities. For these entities, the general disclosure requirements of IAS 24 will not apply. Instead, alternative disclosures have been included, requiring:

- ▶ The name of the government and the nature of its relationship with the reporting entity
- ▶ The nature and amount of individually significant transactions
- ▶ A qualitative or quantitative indication of the extent of other transactions that are collectively significant.

Transition

This amendment is applied retrospectively, in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Earlier application is permitted for either the partial exemption for government-related entities or the entire revised standard, with disclosure of such fact.

Impact

Entities will need to consider the revised definition of related parties to ensure all the relevant information is still being captured. The reduced disclosures for government-related entities may provide some relief to such entities. However, a substantial amount of work may be required to identify these relationships and ensure information is captured for those disclosures that are now required.

Other Ernst & Young publications

Further information about this amendment can be found in Ernst & Young's publication *Supplement to IFRS Outlook Issue 59: Related party disclosures – Amendments to IAS 24* (November 2009).

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)

Effective for annual periods beginning on or after 1 January 2011.

Key requirements

IFRIC 14 provides further guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset.

Transition

The amendment is applied retrospectively to the beginning of the earliest period presented in the first financial statements in which the entity applied the original interpretation.

Impact

Entities will need to assess whether prepayments made will now need to be re-assessed for their impact on the recoverability of pension assets. Entities applying the corridor approach to recognise actuarial gains and losses will also need to take account of the interaction between the corridor and the recoverability of the plan assets.

Other Ernst & Young publications

Further information about this amendment can be found in Ernst & Young's publication *Supplement to IFRS Outlook Issue 64: Prepayments of a minimum funding requirement – amendments to IFRIC 14* (November 2009).



Improvements to International Financial Reporting Standards (issued 2010)

These amendments are effective for periods beginning on or after 1 January 2011. Earlier application is permitted in all cases.

Key requirements

In this omnibus edition, the IASB issued eleven amendments to six standards and one interpretation. The following summarises the six amendments included that will be effective for June 2012 year ends. Refer to Section 1 for a summary of all remaining amendments that will be effective for years ending June 2011.

| | |
|---|---|
| <p>IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i></p> | <p>Accounting policy changes in the year of adoption</p> <ul style="list-style-type: none"> ▶ The amendment clarifies that, if a first-time adopter changes its accounting policies or its use of the exemptions in IFRS 1 after it has published an interim financial report in accordance with IAS 34 <i>Interim Financial Reporting</i>, it needs to explain those changes and update the reconciliations between previous GAAP and IFRS. ▶ Earlier application is permitted. |
| <p>IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i></p> | <p>Revaluation basis as deemed cost</p> <ul style="list-style-type: none"> ▶ The amendment allows first-time adopters to use an event-driven fair value as deemed cost, even if the event occurs after the date of transition, but before the first IFRS financial statements are issued. When such re-measurement occurs after the date of transition to IFRS, but during the period covered by its first IFRS financial statements, the adjustment is recognised directly in retained earnings (or if appropriate, another category of equity). ▶ Entities that adopted IFRS in previous periods are permitted to apply the amendment retrospectively in the first annual period after the amendment is effective, with disclosure of such fact. |
| <p>IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i></p> | <p>Use of deemed cost for operations subject to rate regulation</p> <ul style="list-style-type: none"> ▶ The amendment expands the scope of 'deemed cost' for property, plant and equipment or intangible assets to include items used subject to rate-regulated activities. The exemption will be applied on an item-by-item basis. All such assets will also need to be tested for impairment at the date of transition. The amendment allows entities with rate-regulated activities to use the carrying amount of their property, plant and equipment and intangible balances from their previous GAAP as its deemed cost upon transition to IFRS. These balances may include amounts that would not be permitted for capitalisation under IAS 16 <i>Property, Plant and Equipment</i>, IAS 23 <i>Borrowing Costs</i> and IAS 38 <i>Intangible Assets</i>. ▶ Earlier application is permitted. |
| <p>IFRS 7 <i>Financial Instruments Disclosures</i></p> | <p>Clarification of disclosures</p> <ul style="list-style-type: none"> ▶ The amendment emphasises the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. ▶ Amendments to quantitative and credit risk disclosures have the following effects: <ul style="list-style-type: none"> ▶ Clarify that only financial assets whose carrying amount does not reflect the maximum exposure to credit risk need to provide further disclosure of the amount that represents the maximum exposure to such risk ▶ Require, for all financial assets, disclosure of the financial effect of collateral held as security and other credit enhancements regarding the amount that best represents the maximum exposure to credit risk (e.g., a description of the extent to which collateral mitigates credit risk) ▶ Remove the disclosure requirement of the collateral held as security, other credit enhancements and an estimate of their fair value for financial assets that are past due but not impaired, and financial assets that are individually determined to be impaired ▶ Remove the requirement to specifically disclose financial assets renegotiated to avoid becoming past due or impaired ▶ Clarify that the additional disclosures required for financial assets obtained by taking possession of collateral or other credit enhancements are only applicable to assets still held at the reporting date ▶ The amendment is applied retrospectively. ▶ Further information about this particular amendment can be found in Ernst & Young's publication <i>Supplement to IFRS Outlook Issue 97</i> (March 2011). |



| | |
|---|--|
| IAS 1 <i>Presentation of Financial Statements</i> | Clarification of statement of changes in equity <ul style="list-style-type: none">▶ The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.▶ The amendment is applied retrospectively. |
| IFRIC 13 <i>Customer Loyalty Programmes</i> | Fair value of award credit <ul style="list-style-type: none">▶ The amendment clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme is to be taken into account.▶ The amendment is applied retrospectively. |
| IAS 34 <i>Interim Financial Reporting</i> | Significant events and transactions <ul style="list-style-type: none">▶ The amendment provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around:<ul style="list-style-type: none">▶ The circumstances likely to affect fair values of financial instruments and their classification▶ Transfers of financial instruments between different levels of the fair value hierarchy▶ Changes in classification of financial assets▶ Changes in contingent liabilities and assets▶ The amendment is applied retrospectively. |

Other Ernst & Young publications

More information about the annual improvements can be found in Ernst & Young's *Supplement to IFRS Outlook Issue 71: Improvements to IFRSs 2010* (May 2010).

Section 3: New and amended pronouncements that are effective subsequent to June 2012 year-ends

IFRS 9 *Financial Instruments – Classification and Measurement*

Effective for annual periods beginning on or after 1 January 2013.

Key requirements

The first phase of IFRS 9 *Financial Instruments* addresses the classification and measurement of financial instruments. The Board's work on the other phases is ongoing and includes impairment of financial instruments and hedge accounting, with a view to replacing IAS 39 *Financial Instruments: Recognition and Measurement* in its entirety in 2011. Phase 1 of IFRS 9 applies to all financial instruments within the scope of IAS 39.

Financial assets

All financial assets are measured at fair value at initial recognition.

Debt instruments may, if the Fair Value Option (FVO) is not invoked, be subsequently measured at amortised cost if:

- ▶ The asset is held within a business model whose objective is to hold the assets to collect the contractual cash flows

And

- ▶ The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

All other debt instruments are subsequently measured at fair value.

All equity investment financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Entities must make an irrevocable choice for each instrument unless they are held for trading, in which case, they must be measured at fair value through profit or loss.

Financial liabilities

For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.

All other IAS 39 classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

Transition

This phase of IFRS 9 is applied retrospectively. Early application of the financial asset requirements is permitted. Early application of the financial liabilities requirements is permitted if the entity also applies the previously finalised requirements for financial assets. Early adopters with an initial application date before 1 January 2012 need not restate comparative information for prior periods.

Impact

Phase 1 of IFRS 9 will have a significant impact on:

- ▶ The classification and measurement of financial assets

And

- ▶ A change in reporting for those entities that have designated liabilities using the FVO

For those entities considering early adoption, there are a number of benefits and challenges that should be considered. Careful planning for this transition will be required.

Other Ernst & Young publications

Further information about the new standard can be found in Ernst & Young's publications:

Supplement to IFRS Outlook Issue 60: IASB publishes IFRS 9 – Phase 1 of new standard to replace IAS 39 (November 2009)
Implementing phase 1 of IFRS 9: Financial instruments (June 2010)

Supplement to IFRS Outlook Issue 89: IASB completes Phase 1 of IFRS 9: Financial Instruments – Classification and Measurements (October 2010)



IAS 12 *Income Taxes* (Amendment) – *Deferred Taxes: Recovery of Underlying Assets*

Effective for annual periods beginning on or after 1 January 2012.

Key requirements

IAS 12 introduces a rebuttable presumption that deferred tax on investment properties measured at fair value will be recognised on a sale basis, unless an entity has a business model that would indicate the investment property will be consumed in the business. If consumed, a use basis should be adopted.

The amendments also introduce the requirement that deferred tax on non-depreciable assets measured using the revaluation model in IAS 16 should always be measured on a sale basis.

As a result of the above amendments, SIC 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* has been withdrawn.

Transition

This amendment is applied retrospectively. Earlier application is permitted, with disclosure of such fact.

Impact

In certain jurisdictions, entities have noted difficulties in applying the principles of IAS 12 to certain property, plant and equipment and investment properties. This amendment is intended to give guidance as to the tax rate that should be applied.

Other Ernst & Young publications

Further information about this amendment can be found in Ernst & Young's publication *Supplement to IFRS Outlook Issue 93: Amendments to IAS 12 – Income Taxes* (December 2010).

Section 4: Items not taken onto the Interpretations Committee agenda where the Interpretations Committee has provided guidance on the interpretation of IFRS

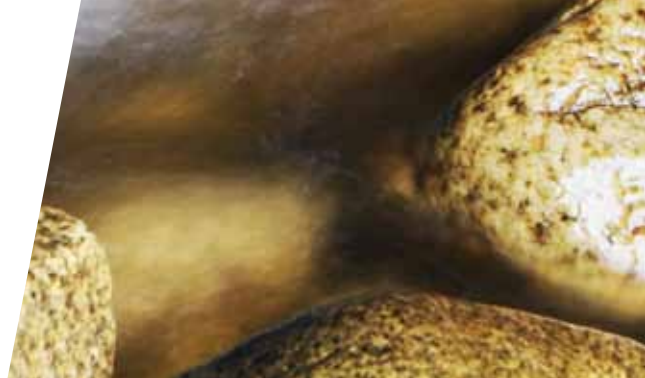
Since the publication of the 2010 *IFRS Update* for June year-ends, the IFRS Interpretations Committee has deliberated on a number of items. Certain items were published in the IASB's *IFRIC Update* as not having been added to the Interpretations Committee agenda, together with the reason for not doing so. When issuing their reasons, the Interpretations Committee added some further information about how the standards should be applied. **This guidance does not constitute an interpretation**, but rather, provides additional information on the issues raised and, possibly, how the standards and current interpretations are to be applied.

The table below summarises only those items where it is felt that additional information is helpful to preparers of financial statements. The full list of items considered, and the full text of the reasons for not being taken onto the agenda, can be found in the *IFRIC Update* on the IASB's website.

| Final date considered | Issue | Summary of reasons for not adding to the Interpretations Committee agenda |
|-----------------------|---|---|
| May 2010 | IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i> – Accounting for costs included in self-constructed assets on transition | <p>The Interpretations Committee received two requests concerning an entity that, on transition to IFRS, changes its accounting policy for actuarial gains and losses and determines that they should no longer be capitalised (under previous GAAP the entity capitalised certain costs, including actuarial gains and losses, as part of self-constructed assets).</p> <p>The Interpretations Committee noted that IFRS 1 requires an entity to use 'the same accounting policies in its opening IFRS statement of financial position and throughout all periods presented in its first IFRS financial statements'.</p> |
| May 2010 | IAS 26 <i>Accounting and Reporting by Retirement Benefit Plans</i> – Valuation of plan assets | <p>The Interpretations Committee received a request for guidance on the interaction between IAS 26 and IAS 39 relating to the accounting for retirement benefit plan investments (plan assets), in the financial statements of retirement benefit plans prepared in accordance with IAS 26. The Interpretations Committee concluded that IFRS is clear because:</p> <ul style="list-style-type: none"> ▶ The guidance in IAS 26 is clear that plan assets shall be carried at fair value. ▶ IAS 26 is clear that changes in the fair value of plan assets should be presented and disclosed in the statement of changes in net assets available for benefits. |
| July 2010 | IAS 1 <i>Financial Statement Presentation</i> – Going concern disclosure | <p>The Interpretations Committee received a request for guidance on the disclosure requirements in IAS 1 on uncertainties related to an entity's ability to continue as a going concern. How an entity applies the disclosure requirements in IAS 1 to such uncertainties requires the exercise of professional judgment. The Interpretations Committee noted that:</p> <ul style="list-style-type: none"> ▶ IAS 1 requires that an entity shall disclose "material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern". ▶ For this disclosure to be useful, it must identify that the disclosed uncertainties may cast significant doubt upon the entity's ability to continue as a going concern. |



| Final date considered | Issue | Summary of reasons for not adding to the Interpretations Committee agenda |
|-----------------------|---|---|
| July 2010 | IAS 39 <i>Financial Instruments: Recognition and Measurement</i> – Impairment of financial assets reclassified from available-for-sale to loans and receivables | <p>The Interpretations Committee received a request for guidance on how an entity should account for the impairment of financial assets with a fixed maturity after they have been reclassified from the available-for-sale category to loans and receivables. The Interpretations Committee noted that:</p> <ul style="list-style-type: none"> ▶ IAS 39 requires that the fair value of a financial asset on the date of reclassification becomes its new cost or amortised cost. ▶ A new effective rate of interest is then calculated and applied to the financial asset. This is the rate that discounts the estimated future cash flows to the new carrying amount of the financial asset. ▶ When an impairment loss is recognised, applying the requirements of IAS 39 would result in all gains or losses that have been recognised in other comprehensive income being reclassified from equity to profit or loss. |
| September 2010 | IAS 21 <i>The Effects of Changes in Foreign Exchange Rates</i> – Repayments of investments and foreign currency translation reserve | <p>The Interpretations Committee received a request for guidance on the reclassification of the foreign currency translation reserve (FCTR) when a repayment of a foreign investment occurs, specifically, on whether FCTR should be recycled for transactions in which there is a reduction in:</p> <ul style="list-style-type: none"> ▶ The investor’s percentage equity ownership in the investee (a relative reduction) <p>Or</p> <ul style="list-style-type: none"> ▶ The absolute investment in the investee, even if there is no reduction in the proportionate equity ownership interest <p>A reduction in ownership may be relative, absolute or both.</p> <p>The Interpretations Committee noted that IAS 21 requires that an entity must treat “any reduction in an entity’s ownership interest in a foreign operation” as a partial disposal, apart from those certain reductions that are accounted for as disposals. How an entity applies the requirements is largely dependent on whether it interprets “any reduction in an entity’s ownership interest in a foreign operation” to mean an absolute reduction, a proportionate reduction, or both. The Interpretations Committee considers that different interpretations could lead to diversity in practice in the application of IAS 21 on the reclassification of the FCTR when repayment of investment in a foreign operation occurs.</p> |



| Final date considered | Issue | Summary of reasons for not adding to the Interpretations Committee agenda |
|-----------------------|--|---|
| November 2010 | IAS 36 <i>Impairment of Assets</i> – Calculation of value in use | <p>The Interpretations Committee received a request for clarification on whether estimated future cash flows expected to arise from dividends, which are used for dividend discount models (DDMs), are an appropriate cash flow projection when determining the calculation of value in use of a cash generating unit (CGU), in accordance with paragraph 33 of IAS 36.</p> <p>The Interpretations Committee noted that:</p> <ul style="list-style-type: none"> ▶ Calculations using a DDM which values shares at the discounted value of future dividend payments may be appropriate when calculating value in use of a single asset, for example, when an entity applies IAS 36 in determining whether an investment is impaired in the separate financial statements of an entity. ▶ Some DDMs may focus on future cash flows that are expected to be available for distribution to shareholders, rather than future cash flows from dividends. Such a DDM could be used to calculate value in use of a CGU in consolidated financial statements, if it is consistent with the principles and requirements in IAS 36. |
| November 2010 | IAS 19 <i>Employee Benefits</i> – Accounting for a statutory employee profit-sharing arrangement | <p>The Interpretations Committee received a request for clarification of the accounting for a statutory employee profit sharing arrangement that requires an entity to share 10 per cent of profit, as calculated in accordance with tax law (subject to specific exceptions), with employees.</p> <p>The Interpretations Committee noted that:</p> <ul style="list-style-type: none"> ▶ Although such a statutory employee profit sharing arrangement calculates amounts payable to employees in accordance with tax law, it meets the definition of an employee benefit and is in the scope of IAS 19. Therefore, the employee profit-sharing arrangement described in the request should not be accounted for by analogy to IAS 12 <i>Income Taxes</i> or IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i>. ▶ The objective of IAS 19 is to record compensation expenses only when the employee has provided the related service. Consequently, an entity should not recognise an asset or liability related to future expected reversals of differences between taxable profit and accounting profit in connection with such an employee profit-sharing arrangement. ▶ The statutory employee profit-sharing arrangement described in the request should be accounted for in accordance with IAS 19. |
| November 2010 | IAS 1 <i>Presentation of Financial Statements</i> – Current/non-current classification of a callable term loan | <p>The Interpretations Committee received a request on whether a liability may be classified as current or non-current when the liability is not scheduled for repayment within twelve months after the reporting period, but may be callable by the lender at any time without cause. The Interpretations Committee noted that:</p> <ul style="list-style-type: none"> ▶ Paragraph 69(d) of IAS 1 requires that a liability must be classified as a current liability if the entity does not have the unconditional right at the reporting date to defer settlement for at least twelve months after the reporting period. |



| Final date considered | Issue | Summary of reasons for not adding to the Interpretations Committee agenda |
|-----------------------|--|--|
| March 2011 | IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> – Application of the IAS 8 hierarchy | <p>IAS 8 requires management to use judgment in developing and applying an accounting policy that is relevant and reliable, in the absence of an IFRS that specifically applies to a transaction. IAS 8 specifies that management shall refer to and consider the applicability of requirements in IFRS dealing with similar and related issues. The Interpretations Committee received a question as to whether it would be appropriate to only consider certain aspects of an IFRS being analogised to, or whether an entity would be required to apply all aspects of the IFRS being analogised to.</p> <p>The Interpretations Committee noted that:</p> <ul style="list-style-type: none"> ▶ When management develops an accounting policy through analogy to an IFRS dealing with similar and related matters, it needs to use its judgment and apply all aspects of the IFRS that are relevant to the particular issue ▶ The process for developing accounting policies by analogy does not need additional clarification as paragraphs 10-12 of IAS 8 provide sufficient guidance |
| March 2011 | IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i> – Inclusion of own credit risk in the discount rate | <p>The Interpretations Committee received a request for interpretation of the phrase ‘the risks specific to the liability’ and whether this means that an entity’s own credit risk (performance risk) should be excluded from any adjustments made to the discount rate used to measure liabilities. The request assumed that future cash flow estimates have not been adjusted for the entity’s own credit risk. The Interpretations Committee noted that:</p> <ul style="list-style-type: none"> ▶ Paragraph 47 of IAS 37 states that ‘risks specific to the liability’ should be taken into account in measuring the liability ▶ IAS 37 does not explicitly state whether or not own credit risk should be included ▶ The predominant practice today is to exclude own credit risk, which is generally viewed in practice as a risk of the entity rather than a risk specific to the liability |

Section 5: Exposure drafts of new pronouncements that are expected to be issued as standards and interpretations by June 2011

The IASB is currently working on a number of exposure drafts of new and amended standards and interpretations, some of which are expected to be issued before 30 June 2011.

The IASB undertook a consultation that sought constituent's views on whether or how to sequence effective dates for IFRSs issued in 2011. The comments received will be used to help the Board establish transitional provisions and set effective dates for the individual projects, with a view to allowing users sufficient time to implement the required changes.

The table below indicates the scope of the exposure drafts that are expected to be issued prior to June 2011, together with a reference to relevant Ernst & Young publications. Note that the IASB is currently re-deliberating many of these projects, and arriving at new tentative decisions that may differ from the exposure drafts and previous tentative decisions. The timeline and most up-to-date information for these projects can be found on the IASBs website – <http://www.ifrs.org/Current+Projects/IASB+Projects/IASB+Work+Plan.htm>. This is updated on a regular basis by the IASB.

| Exposure draft | Expected IFRS/Interpretation | Ernst & Young publications |
|---|--|---|
| <p><i>Stripping Costs in the Production Phase of a Mine</i> (DI/2010/1)</p> <p>Proposes a potential model for accounting for costs associated with the removal of waste during the production phase of a surface mine, including guidance on the apportionment of the costs incurred for obtaining a current and future benefit, and a refined approach for depreciation/amortisation of the capitalised costs.</p> | <p>IFRIC 2011 Q2</p> <p>(Estimated timing based on revised draft Interpretation to be discussed at the May 2011 Interpretations Committee meeting)</p> | <p><i>Refining IFRS – Proposals to clarify the accounting for surface mine stripping costs incurred during the production phase</i> (September 2010)</p> <p><i>Refining IFRS – Update: Accounting for stripping costs – draft interpretation</i> (January 2011)</p> |
| <p><i>Defined Benefit Plans</i> (ED/2010/3)</p> <p>Proposes changes in accounting for employee termination benefits and long-term employee benefits such as pensions. The most significant proposal is the removal of the 'corridor mechanism'</p> | <p>IFRS 2011 Q2</p> | <p><i>Supplement to IFRS Outlook Issue 70: Employee Benefits: Significant changes proposed by the IASB</i> (May 2010)</p> |
| <p><i>Fair value measurement</i> (ED/2009/5)</p> <p>Proposes to clarify the definition of fair value, describes how to measure fair value (when required or permitted by IFRS) and enhances fair value disclosures.</p> <p>Disclosure of measurement uncertainty will be addressed as a separate project.</p> | <p>IFRS 2011 Q2</p> | <p><i>Supplement to IFRS Outlook Issue 80: IASB staff draft on fair value measurements</i> (August 2009)</p> |
| <p><i>ED 10 Consolidated Financial Statements</i></p> <p>Proposes a new definition of control of an entity, which will widen the scope of the standard. It also proposes significant new disclosure requirements for interest in other entities.</p> | <p>IFRS 2011 Q2</p> <p>Will be issued as two IFRS standards. The first will be on consolidated financial statements and the second on disclosure requirements.</p> | <p><i>Supplement to IFRS Outlook Issue 84: Consolidated financial statements</i> (August 2009)</p> |
| <p><i>ED 9 Joint Arrangements</i></p> <p>Proposes to classify a joint arrangement as either a joint operation or a joint venture, based on the contractual rights and obligations of that joint arrangement. The proposals also require a joint venture (previously called a jointly controlled entity) to be accounted for using the equity method.</p> | <p>IFRS 2011 Q2</p> | <p><i>IFRS Alert Issue 19: IASB Expert Advisory Panel Report</i> (September 2007)</p> |



| Exposure draft | Expected IFRS/Interpretation | Ernst & Young publications |
|--|------------------------------|--|
| <p><i>Presentation of Items of Other Comprehensive Income (amendments to IAS 1 Presentation of Financial Statements)</i> (ED/2010/5)</p> <p>Proposes a change to IAS 1 that would group items presented in OCI based on whether those items are subsequently reclassified to profit or loss.</p> <p>The option currently available under IAS 1 to present the statement of comprehensive income in a single statement or in two consecutive statements will be retained.</p> | IFRS 2011 Q2 | <i>Supplement to IFRS Outlook Issue 74: Proposed changes to the presentation of other comprehensive income</i> (May 2010) |
| <p><i>Revenue from Contracts with Customers</i> (ED/2010/6)</p> <p>Proposes a single revenue recognition model to determine the amount, timing and uncertainty of revenue recognition arising from contracts to provide goods and services to customers.</p> | IFRS 2011 H2 | <i>Supplement to IFRS outlook Issue 75: IASB and FASB propose a single revenue recognition model</i> (June 2010) |
| <p><i>Insurance contracts</i> (ED/2010/8)</p> <p>Proposes that an insurer should measure insurance liabilities using a model based on the 'present value of the fulfilment cash flows' plus a residual margin when required.</p> | IFRS 2011 H2 | July 2010 Insurance Accounting Alert – Special edition |
| <p><i>Leases</i> (ED/2010/9)</p> <p>Proposes a single model that would be applied to most leases that would effectively end off-balance sheet reporting for leases. The proposed model would also require entities to make a number of estimates and periodically reassess those estimates in accounting for leases.</p> | IFRS 2011 H2 | <i>Supplement to IFRS Outlook Issue 79: Proposed accounting changes for leases</i> (August 2010) |
| <p><i>Hedge Accounting</i> (ED/2009/12)</p> <p>Proposes to substantially simplify hedge accounting. However, proposals relating to macro (portfolio) hedge accounting have not been included in this ED.</p> | IFRS 2011 H2 | <p><i>Supplement to IFRS Outlook Issue 91: Hedge accounting under IFRS 9 – all set for change</i> (December 2010)</p> <p><i>Hedge accounting under IFRS 9 – a closer look at the changes and challenges</i> (February 2011)</p> |
| <p><i>Offsetting Financial Assets and Financial Liabilities</i> (ED/2011/1)</p> <p>Proposes a common approach to offsetting financial assets and financial liabilities that would lead to increased comparability of financial statements prepared under IFRS and US GAAP.</p> | IFRS 2011 H2 | <i>Supplement to IFRS Outlook Issue 94: Offsetting of financial instruments: is convergence on the horizon?</i> (January 2011) |
| <p><i>Financial Instruments: Amortised Cost and Impairment</i> (ED/2009/12) and <i>Financial Instruments: Impairment</i> (supplement to (ED/2009/12))</p> <p>Proposes improvements to amortised cost measurement, in particular the transparency of provisions for losses on loans and for the credit quality of financial assets.</p> | IFRS 2011 H2 | <p><i>Supplement to IFRS Outlook Issue 95: IASB and US FASB propose a joint approach for accounting for credit losses</i> (January 2011)</p> <p><i>Supplement to IFRS Outlook Issue 61: New proposals to financial instruments at amortised cost</i> (November 2009)</p> |

Ernst & Young publications

Further information about this amendment can be found in:
IASB Projects Update – a pocketbook guide (December 2010).
Joint Project Watch – IASB/FASB joint projects from an IFRS perspective (March 2011)

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