

INTERNATIONAL FINANCIAL REPORTING BULLETIN 2011/11

PROPOSED IMPROVEMENTS TO IFRS



Background

On 22 June 2011 the International Accounting Standards Board (IASB) published an exposure draft *ED/2011/2 Improvements to IFRSs* (ED) which sets out proposed amendments to five IFRSs under the annual improvements project. The IASB has adopted the annual improvements process to deal with non-urgent but necessary amendments to IFRSs.

The ED proposes amendments to the following five standards:

- IFRS 1 *First-time Adoption of International Financial Reporting Standards*
- IAS 1 *Presentation of Financial Statements*
- IAS 16 *Property, Plant and Equipment*
- IAS 32 *Financial Instruments: Presentation*
- IAS 34 *Interim Financial Reporting*

The effective date for each of the proposed amendments, if finalised, would be annual periods beginning on or after 1 January 2013, with earlier adoption permitted.

The IASB has requested comments on the ED by 21 October 2011.

Proposed amendments

IFRS 1 *First-time Adoption of International Financial Reporting Standards*

Issue: Repeat application of IFRS 1

The amendment would clarify that an entity is 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 had applied IFRS 1 in a previous reporting period.

Issue: Borrowing costs relating to qualifying assets for which the commencement date for capitalisation is before the transition date

The amendment would clarify that an entity that capitalised borrowing costs in accordance with its previous GAAP before the date of transition to IFRS may carry forward, without adjustment, the amount previously capitalised in the opening statement of financial position at the date of transition. It also proposes to clarify that borrowing costs incurred after the date of transition that relate to qualifying assets under construction at the date of transition would be accounted for (that is, capitalised) in accordance with IAS 23 *Borrowing Costs*.

IAS 1 *Presentation of Financial Statements*

Issue: Clarification of requirements for comparative information

The amendment would clarify the IAS 1 requirements for comparative information when an entity prepares financial statements that include more than the minimum comparative information requirements. If additional information is provided it should be prepared in accordance with IFRSs and comparative information should be provided in the related notes for those additional statements.

STATUS

Exposure Draft

EFFECTIVE DATE

To be confirmed

ACCOUNTING IMPACT

May be significant.

The amendment would also address two aspects of the requirements in specific cases where an entity changes accounting policies, or makes retrospective restatements or reclassifications. They are that:

- The opening statement of financial position should be presented as at the beginning of the comparative period required by IAS 1 (and not, as at present, at the beginning of the earliest comparative period); and
- Related notes are not required to accompany this opening statement of financial position other than as required by IAS 1:41-44 (which deal with comparative information for reclassified amounts) and IAS 8.

Issue: Changes to reflect the Conceptual Framework for Financial Reporting 2010

The amendment would update the objective of financial statements to reflect the Conceptual Framework issued in September 2010.

IAS 16 Property, Plant and Equipment

Issue: Classification of servicing equipment

The amendment would clarify that servicing equipment should be classified as property, plant and equipment when an entity expects to use them during more than one period and classified as inventory when not.

IAS 32 Financial Instruments: Presentation

Issue: Income tax consequences of distributions to holders of an equity instrument, and of transaction costs of an equity transaction

The amendments would clarify that income tax relating to distributions to holders of an equity instrument and income tax relating to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 Income Taxes. As a result, depending on the circumstances these items of income tax might be recognised in equity or in profit or loss.

IAS 34 Interim Financial Reporting

Issue: Interim financial reporting and segment information for total assets

The amendment would clarify 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. Currently there is no reference to the amounts being regularly provided to the chief operating decision maker.

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