

## ASSURANCE AND ACCOUNTING

# MANDATORY AND EARLY ADOPTION CHOICES

For many Canadian entities the first International Financial Reporting Standards (IFRS) compliant financial statements will be their interim financial statements for the first quarter of 2011. In preparing these interim financial statements, recent amendments and improvements to IFRS issued by the IASB need to be considered. Some recent amendments are now mandatorily effective while other amendments may not be mandatorily effective but are available for early adoption.

The effect of each amendment on a Canadian entity will vary. While some of the amendments are minor, it is possible that some may have a significant effect on the financial statements. Consequently, the effect of the amendments should be analysed carefully by Canadian entities prior to finalizing the interim financial statements. Depending on the impact, Canadian entities may have an interest in early adopting some amendments, in particular the December 2010 amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards (IFRS 1) and IAS 12 Income Taxes (IAS 12), to reduce the impact of a full retrospective change at the date of transition.

### **Amendments Mandatorily Effective on Transition in 2011**

The IASB has issued the following new or amended guidance that will be mandatorily effective for Canadian companies adopting IFRS in 2011:

- Improvements to IFRS, 2010;
- IFRS 1 First-time Adoption of International Financial Reporting Standards: Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters;
- IAS 24 Related Party Disclosures;
- IAS 32 Financial Instruments: Presentation: Classification of rights issues amendment;
- IFRIC 14/IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction: Prepayment of a minimum funding requirement; and
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments.



*Improvements to IFRS, 2010 (Issued May 6, 2010)*

During May 2010 the International Accounting Standards Board (IASB) issued its 2010 Improvements to IFRS, which includes changes to nine standards. The IASB's annual improvements process is designed to make non-urgent, but necessary, amendments to IFRSs.

The amendments require mandatory adoption for annual periods beginning on or after July 1, 2010 or January 1, 2011, and therefore will be effective for all Canadian entities adopting IFRS in 2011.

A complete listing of the 2010 annual improvements to IFRS amendments are provided in Appendix 1. However, the following amendments to IFRS 1 contained in the 2010 annual improvements to IFRS may be of interest to Canadian entities:

- *Changes in Accounting Policies During an Entity's Year of Adoption of IFRS:*
  - If a first-time adopter changes its accounting policies or its use of exemptions in IFRS 1 after the date of its first interim financial report, prepared in accordance with IAS 34, but before the issue of its first annual IFRS financial statements, the reconciliations between previous GAAP and IFRS are required to be updated. The requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors do not apply.
- *Use of Revalued Amount as Deemed Cost:*
  - The relief available under IFRS 1 for the use of a fair value as deemed cost has been extended to include 'event driven fair value' measurements which are carried out at or before an entity's date of transition to IFRS to include measurements that are carried out between the date of transition and the end of the entity's first annual IFRS reporting period. An event driven fair value is specified as a remeasurement to fair value of some or all assets and liabilities on an event such as a privatisation or public offering.
  - As an example, if an entity chooses to use an event driven fair value as deemed cost under IFRS for an asset where the measurement date is after its date of transition to IFRS but before the end of the entity's first annual IFRS reporting period, an adjustment will be made to equity as at the fair value measurement date. During the period from transition date to the fair value measurement date, historical cost or other amounts permitted by IFRS are presented.
- *Deemed Cost for Assets Used in Operations Subject to Rate Regulation:*
  - The amendment permits a first-time adopter to use its previous GAAP carrying amounts for property, plant and equipment and intangible assets that are, or were previously, used in operations subject to rate regulation, as deemed cost at the date of transition to IFRS. This election is available on an individual asset basis. An impairment test in accordance with IAS 36 Impairment of Assets is required at the date of transition for each item for which the exemption is used.

*Amendments to IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters (Issued January 28, 2010)*

The amendment permits first-time adopters to use the same transitional provisions as are available to existing preparers of IFRS financial statements that are included in Improving Disclosures about Financial Instruments (Amendments to IFRS 7). This means that an entity need not present comparative information for the disclosures required by the amendment to IFRS 7 for:

- Any annual or interim period, including any statement of financial position, presented within an annual comparative period ending before 31 December 2009; or
- Any statement of financial position as at the beginning of the earliest comparative period as at a date before 31 December 2009.

Accounting Impact: Relief from the provision of certain comparative IFRS 7 disclosures.

Additional information on this amendment can be found in BDO International IFRB 2010/08.

Mandatory adoption is required for annual periods beginning on or after July 1, 2010. Early adoption is permitted.

*IAS 24 Related Party Disclosures (Revised IAS 24) (Issued: November 4, 2009)*

IAS 24 was revised in response to concerns that, in practice, the application of the existing disclosure requirements and the definition of a related party could be complex and difficult to apply in practice, particularly in environments where government control is pervasive. The revisions address these concerns by:

- Providing a partial exemption for government-related entities – under the previous requirements, if a government controlled, or significantly influenced an entity, the entity was required to disclose information about all transactions with other entities controlled, or significantly influenced by the same government. The revised standard requires such entities to disclose information about individually and collectively significant related party transactions only.
- Providing a revised definition of a related party – the definition of a related party has been simplified and inconsistencies eliminated. Illustrative examples have also been added. The revised definition means that some entities may have more related parties for which disclosures will be required. The entities that are most likely to be affected are those that are part of a group that includes both subsidiaries and associates, and entities with shareholders that are involved with other entities.

Accounting Impact: Disclosure only. Provides a partial exemption from the disclosure requirements of IAS 24 for entities that are controlled, jointly controlled or significantly influenced by a government in relation to other government-controlled entities. Amends and clarifies the definition of a related party.

Additional information on this amendment can be found in BDO International IFRB 2010/01.

Mandatory adoption is required for annual periods beginning on or after January 1, 2011. Early adoption is permitted.

*IAS 32 Financial Instruments: Presentation: Classification of Rights Issues Amendment (Issued October 8, 2009)*

The amendment addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously such rights issues were accounted for as derivative liabilities as the exposure to changes in exchange rates meant that the 'fixed for fixed' criterion was not met. However, the amendment requires that, provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated.

**Accounting Impact:** Rights issues at a fixed price per share, when that price is stated in a currency other than an entity's functional currency, may be recorded as equity transactions rather than financial liabilities.

Additional information on this amendment can be found in BDO International IFRB 2009 /10.

Mandatory adoption is required for annual periods beginning on or after February 1, 2010. Early adoption is permitted.

*IFRIC 14/IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction: Prepayment of a Minimum Funding Requirement (Issued November 26, 2009)*

The amendment applies in the limited circumstances in which an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment expands the circumstances in which the benefit of such an early payment is recorded as an asset.

**Accounting Impact:** Additional prepayments of contributions to cover minimum funding requirements may be recorded as an asset.

Additional information on this amendment can be found in BDO International IFRB 2010/04.

Mandatory adoption is required for annual periods beginning on or after January 1, 2011. Early adoption is permitted.

*IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (Issued November 26, 2009)*

IFRIC 19 addresses transactions in which an entity issues equity instruments to a creditor in return for the extinguishment of all or part of a financial liability (a 'debt for equity swap').

IFRIC 19 does not apply to arrangements in which liabilities are extinguished in return for equity instruments in accordance with the original terms of the financial liability (such as convertible debt; these continue to be addressed by IAS 32), nor does it address the appropriate accounting approach to be adopted by the creditor.

For transactions within its scope, where the whole of a financial liability is extinguished, IFRIC 19 requires the equity instruments issued to be measured at their fair value and the difference

between that fair value and the carrying value of the financial liability extinguished to be recognised in profit or loss. Where only part of the financial liability is extinguished, an allocation of the consideration between the extinguished portion of the liability and the part of the liability that remains outstanding may be required depending on whether, and the extent to which the contractual terms of the remaining liability have been modified.

If it is not possible reliably to measure the equity instruments issued, the fair value of the debt extinguished is used instead. However, in these circumstances the guidance in IAS 39.39 relating to the valuation of financial liabilities with a demand feature is not applied.

**Accounting Impact:** May result in additional amounts being recognised in profit or loss as a result of debt for equity swaps.

Additional information on this amendment can be found in BDO International IFRB 2010/03.

Mandatory adoption is required for annual periods beginning on or after July 1, 2010. Early adoption is permitted.

An amendment to IFRS 1 was made to include an exemption for a first-time adopter of IFRS to permit them to follow the transitional provisions of IFRIC 19. As a result, an entity can elect to apply IFRIC 19 from the beginning of the earliest comparative period presented.

### **Amendments Available for Early Adoption in 2011**

The IASB has issued the following new or amended guidance that will be mandatorily effective for periods after January 1, 2011. To use these amendments a Canadian entity will need to elect to early adopt the amendments. Entities preparing full financial statements for the first quarter of 2011 should include these amendments in the disclosure of standards that are approved but not yet effective. Where an entity early adopts a standard or interpretation we recommend clear disclosure is made by an entity that early adoption has been applied.

The amendments relate to:

- IFRS 1: Severe Hyperinflation (Issued December 20, 2010);
- IFRS 1: Removal of Fixed Dates for First-Time Adopters (Issued December 20, 2010);
- IAS 12: Deferred tax: Recovery of Underlying Assets (Amendments to IAS 12) (Issued December 20, 2010);
- IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets (Amendments) (Issued October 7, 2010);
- IFRS 9 Financial Instruments (Issued November 12, 2009); and
- Amendments to IFRS 9 Financial Instruments (Issued October 28, 2009).

*IFRS 1: Severe Hyperinflation (Issued December 20, 2010)*

This amendment may be of interest to Canadian entities with operations in Zimbabwe.

This guidance covers how an entity should resume presenting financial statements in accordance with IFRSs after a period when

the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation.

Additional information on this amendment can be found in BDO International IFRB 2010/23.

Mandatory adoption is required for annual periods beginning on or after July 1, 2011. Early adoption is permitted.

*IFRS 1: Removal of Fixed Dates for First-Time Adopters (Issued December 20, 2010)*

References to a fixed date of 1 January 2004 for the purposes of the date from which certain derecognition transactions and "day one" gains or losses are required to be restated have been replaced with 'the date of transition to IFRSs'. This amendment is intended to ease the burden of transition for companies that are adopting IFRS now, or in the coming years.

This amendment means that first-time adopters would no longer be required to:

- Restate financial instrument derecognition transactions that occurred before the date of transition to IFRS; or
- Calculate "day one" gains or losses on the initial recognition of financial instruments when the transaction occurred before the date of transition to IFRS.

This amendment may be of interest to Canadian entities that have entered into securitization transactions in the past, for example some credit unions. By early adopting the amendment, a credit union will not have to restate any securitization transactions prior to the date of transition. If the amendment is not early adopted, the credit union would have to restate these transactions in accordance with IFRS.

Additional information on this amendment can be found in BDO International IFRB 2010/23.

Mandatory adoption is required for annual periods beginning on or after July 1, 2011. Early adoption is permitted.

*IAS 12: Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12) (Issued December 20, 2010)*

Amendments have been made to IAS 12 in respect of the measurement of deferred tax when investment property is measured using the fair value model in IAS 40 *Investment Property*. Although IAS 12 requires the measurement of deferred tax to be based on an entity's expected manner of recovery of the related asset or liability, it is often difficult and subjective to determine this where an investment property is measured at fair value. Consequently, an exception has been introduced to incorporate a presumption that the carrying amount of an investment property is recovered entirely through sale.

In addition, the requirements of SIC-21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets*, which address similar issues involving non-depreciable assets, measured using the revaluation model in IAS 16 *Property, Plant and Equipment*, have been incorporated into IAS 12.

For those entities that hold investment property, the measurement of deferred tax liabilities and deferred tax assets is likely to be affected. The implications of the amendments should be considered at an early stage, including:

- Whether the amendments should be adopted early for 2010 year end reporting; and
- The effect of the amendments on business combinations that took place in previous reporting periods and involved the acquisition of investment property.

Accounting Impact: Significant changes to the measurement requirements of deferred tax assets / liabilities when investment properties are measured at fair value.

Additional information on this amendment can be found in BDO International IFRB 2011/01.

Mandatory adoption is required for annual periods beginning on or after January 1, 2012. Early adoption is permitted. If an entity applies the amendments for an earlier period, it shall disclose that fact.

*IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets (Amendments) (Issued October 7, 2010)*

An entity may enter into an arrangement, such as debt factoring, where the related accounting may or may not result in the financial assets subject to the arrangement being transferred to another party (either in whole or in part). The amendment requires the disclosure of information in respect of all transferred financial assets that are not derecognized, and for any continuing involvement in transferred assets which are derecognized, which exists at the reporting date, irrespective of when the related transfer transaction occurred.

The disclosures are required to be sufficient to enable users of financial statements:

- To understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liabilities; and
- To evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognized financial assets.

Accounting Impact: Enhanced disclosures for transfers of financial assets.

Additional information on this amendment can be found in BDO International IFRB 2010/25.

Mandatory adoption is required for annual periods beginning on or after July 1, 2011. Early adoption is permitted. If an entity applies the amendments from an earlier date, it shall disclose that fact.

*IFRS 9 Financial Instruments (Issued November 12, 2009)*

IFRS 9 applies to all assets within the scope of IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 will eventually replace IAS 39 in its entirety. However, the process has been divided into three main components: classification and measurement, impairment, and hedge accounting. As each phase is completed, the

IASB is deleting the relevant portions of IAS 39 and creating new chapters in IFRS 9.

IFRS 9 requires that on initial recognition, all financial assets are measured at fair value (plus an adjustment for certain transaction costs if they are not measured as at fair value through profit or loss) and are classified into one of two subsequent measurement categories:

- Amortised cost; or
- Fair Value.

IFRS 9 eliminates the Held to Maturity (HTM), Available for Sale (AFS) and Loans and Receivables categories. In addition, the exception under which equity instruments and related derivatives are measured at cost rather than fair value, where the fair value cannot be reliably determined, has been eliminated with fair value measurement being required for all of these instruments.

A financial asset is measured after initial recognition at amortised cost, only if it meets the following two conditions:

- The objective of an entity's business model is to hold the financial asset in order to collect 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 amount outstanding.

All other instruments are required to be measured after initial recognition at fair value. IFRS 9 retains the current requirement for financial instruments that are held for trading to be recognised and measured at fair value through profit or loss, including all derivatives that are not designated in a hedging relationship.

Hybrid contracts with a host that is within the scope of IFRS 9 (i.e. a financial host) must be classified in their entirety in accordance with the classification approach summarised above. This eliminates the existing IAS 39 requirement to account separately for a host contract and certain embedded derivatives. The embedded derivative requirements under IAS 39 continue to apply where the host contract is a non-financial asset and for financial liabilities.

IFRS 9 includes an option which permits investments in equity instruments to be measured at fair value through other comprehensive income. This is an irreversible election made, on an instrument by instrument basis, at the date of initial recognition. Where the election is made, no amounts are subsequently recycled from other comprehensive income to profit or loss. Where this option is not taken, all equity instruments with the scope of IFRS 9 are classified as at fair value through profit or loss. Irrespective of the approach adopted for the equity instrument itself, dividends received on an equity instrument are always recognised in profit or loss (unless they represent a return of the cost of investment).

Subsequent reclassification of financial assets between the amortised cost and fair value categories is prohibited, unless an entity changes its business model for managing its financial assets in which case reclassification is required. However, the guidance is

restrictive and such changes are expected to be very infrequent. IFRS 9 states explicitly that the following are not changes in business model:

- A change in intention relating to particular financial assets (even in circumstances of significant changes in market conditions);
- A temporary disappearance of a particular market for financial assets; and
- A transfer of financial assets between parts of the entity with different business models.

Accounting Impact: Significant changes to the classification and measurement of financial assets.

Additional information on this amendment can be found in BDO International IFRB 2010/02.

Mandatory adoption is required for annual periods beginning on or after January 1, 2013. Early adoption is permitted. If an entity applies this IFRS in its financial statements for a period beginning before January 1, 2013, it shall disclose that fact.

*Amendments to IFRS 9 Financial Instruments (Issued October 28, 2009)*

As noted above, IFRS 9 was published in November 2009 and contained requirements for the classification and measurement of financial assets. Equivalent requirements for financial liabilities were added in October 2010, with most of them being carried forward unchanged from IAS 39. In consequence:

- A financial liability is measured as at fair value through profit or loss (FVTPL) if it is held for trading, or is designated as at FVTPL using the fair value option; and
- Other liabilities are measured at amortised cost.

In contrast to the requirements for financial assets, the bifurcation requirements for embedded derivatives have been retained; similarly, equity conversion features will continue to be accounted for separately.

However, some changes have been made, in particular to address the issue of where changes in the fair value of an entity's financial liabilities designated as at FVTPL using the fair value option, which arise from changes in the entity's own credit risk, should be recorded. This amendment is a result of consistent feedback received by the IASB from its constituents, that changes in an entity's own credit risk should not affect profit or loss unless the financial liability is held for trading.

IFRS 9 requires that changes in the fair value of financial liabilities designated as at FVTPL which relate to changes in an entity's own credit risk, should be recognised directly in other comprehensive income (OCI). However, as an exception, where this would create an accounting mismatch (which would be where there is a matching asset position that is also measured as at FVTPL), an irrevocable decision can be taken to recognise the entire change in fair value of the financial liability in profit or loss.

The other changes made to the accounting requirements for financial liabilities are:

- Guidance has been added to assist in differentiating between credit risk and asset specific performance risk; and
- Consistent with the elimination of the potential, in very limited circumstances, for investments in unquoted equity instruments to be measured at cost, the exemption from fair value measurement for derivative liabilities that are linked to, and must be settled by delivery of, an unquoted equity instrument where the fair value of that equity instrument is not reliably measurable has been deleted.

A number of related disclosure requirements have been added to IFRS 7 *Financial Instruments: Disclosures*.

Accounting Impact: Changes in the fair value of liabilities designated as at fair value through profit or loss, that relate to changes in an entity's own credit risk, are now required to be recorded in Other Comprehensive Income. The exemption from fair value measurement for derivatives linked to unquoted equity instruments that cannot be reliably measured has been removed.

Additional information on this amendment can be found in BDO International IFRB 2011/02.

Mandatory adoption is required for annual periods beginning on or after January 1, 2013. Early adoption is permitted. If an entity applies the amendments from an earlier date, it shall disclose that fact.

## Appendix One

### 2010 Improvements to IFRS

The International Accounting Standards Board (IASB) issued its 2010 Improvements to IFRS, which includes changes to nine International Financial Reporting Standards. The IASB's annual improvements process is designed to make non-urgent, but necessary, amendments to IFRSs.

The standards which were amended are:

- IFRS 1 First-time Adoption of International Financial Reporting Standards;
- IFRS 3 Business Combinations;
- IFRS 7 Financial Instruments: Disclosures;
- IAS 1 Presentation of Financial Statements;
- Transitional requirements for amendments arising as a result of IAS 27 Consolidated and Separate Financial Statements in:
  - IAS 21 The Effects of Changes in Foreign Exchange Rates;
  - IAS 28 Investments in Associates;
  - IAS 31 Interests in Joint Ventures;
- IAS 34 Interim Financial Reporting; and
- IFRIC 13 Customer Loyalty Programmes.

While some of the amendments are minor, it is possible that some, particularly those relating to the measurement of non-controlling interest and the use of deemed cost for operations subject to rate regulated activities, will have a significant effect on financial statements. Consequently the effect of the amendments should be analysed carefully by Canadian entities adopting IFRS.

The effective date of each of the amendments, and their transitional arrangements, are included below.

#### IFRS 1 First-time Adoption of International Financial Reporting Standards (See above for details)

- Changes in accounting policies during an entity's year of adoption of IFRS;
- Use of revalued amount as deemed cost; and
- Deemed cost for assets used in operations subject to rate regulation.

#### IFRS 3 Business Combinations

##### *Measurement of Non-Controlling Interest (NCI)*

The amendment clarifies that the option to measure NCI at either fair value, or the proportionate share of the acquisition date fair value of the acquiree's identifiable net assets that are recognised by the acquirer, applies only to instruments that give the NCI a present ownership interest and entitle the holder to a proportionate share of net assets in the event of liquidation. All other components of NCI are measured at their acquisition date fair value, unless another measurement is required by IFRS.

The amendment has been made to ensure that certain components of NCI are not measured at zero. For example, if a share-based payment transaction is classified as equity, it is measured in accordance with IFRS 2 *Share-based Payment*. Another example is a preference share that represents NCI, being an equity instrument, with its holder being entitled to a return of the initial amount subscribed on liquidation. The NCI that relates to the preference shares is measured at fair value.

**Effective Date and Transition:** Annual periods commencing on / after July 1, 2010, with earlier application permitted. On adoption, to be applied prospectively from the date on which IFRS 3 (2008) was first applied.

##### *Share-based Payment Transactions of an Acquiree that are Either not Replaced on a Business Combination or are Voluntarily Replaced*

The current requirement for an acquirer to measure share-based payment awards that it issues to replace existing awards of an acquiree at the acquisition date, in accordance with IFRS 2 is extended. This means that existing share-based payment awards of an acquiree that are not replaced in a business combination are also measured by the acquirer in accordance with IFRS 2 at the acquisition date. If the awards have not vested at the acquisition date, they are accounted for as if the acquisition date was the grant date. If the awards have vested at the acquisition date, they are accounted for as part of NCI in the acquiree.

An acquirer may exchange its own share-based payment awards for awards held by employees of the acquiree. The current requirement is to account for that exchange as a modification of the existing arrangement where the acquirer is obliged to replace the existing awards. This requirement is retained with the amount calculated in accordance with IFRS 2 being allocated between the cost of the business combination and post acquisition services. The amendment extends this to cover replacement awards where the acquirer is not obliged to replace the existing awards, but chooses to do so voluntarily.

In some cases, existing share-based payment awards previously issued by an acquiree expire as a result of a business combination. In those circumstances, if the acquirer replaces those awards voluntarily, the entire fair value of those replacement awards calculated in accordance with IFRS 2 is accounted for as a post acquisition remuneration expense.

**Effective Date and Transition:** Annual periods commencing on / after July 1, 2010, with earlier application permitted. On adoption, to be applied prospectively from the date on which IFRS 3 (2008) was first applied.

##### *Transition – Contingent Consideration Balances Arising from Business Combinations that Took Place Prior to the Adoption of IFRS 3 (2008)*

IFRS 3 (2008) included a consequential amendment to IAS 39 that brought contingent consideration balances arising on a business combination within the scope of that standard. This means that instead of changes in the carrying amount of contingent consideration after the acquisition date being accounted for as an adjustment to the cost of the original business combination, they

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are now accounted for in accordance with IAS 39 and recognised in profit or loss. The amendment clarifies that the change in scope of IAS 39 is applied to business combinations on a prospective basis, meaning that where a business combination took place before the date of adoption of IFRS 3 (2008), changes in contingent consideration are still accounted for as an adjustment to the cost of the original business combination.

Effective Date and Transition: Annual periods commencing on / after July 1, 2010, with earlier application permitted. However, these amendments do not apply to first-time adopters of IFRS.

### **IFRS 7 Financial Instruments: Disclosures**

#### *Clarification of Disclosure Requirements*

The amendment clarifies quantitative disclosure requirements for risks arising from financial instruments, and encourages accompanying narrative disclosures if the concentration of risk is not apparent from the quantitative disclosures.

The requirements for disclosures of credit risk, including collateral held, are clarified and reduced, with the carrying amount of assets that would have been past due or impaired unless they had been renegotiated no longer needing to be disclosed.

Effective Date and Transition: Annual periods beginning on / after January 1, 2011, with earlier application permitted.

### **IAS 1 Presentation of Financial Statements**

#### *Presentation of Changes in Equity*

The amendment clarifies that the analysis of items of Other Comprehensive Income may be shown in either the (primary) statement of changes in equity, or in the notes to the financial statements.

Effective Date and Transition: Annual periods beginning on / after January 1, 2011, with earlier application permitted.

### **IAS 27 Consolidated and Separate Financial Statements – Consequential Amendments to IAS 21. The Effects of Changes in Foreign Exchange Rates, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures**

#### *Transitional Requirements for Consequential Amendments*

It has been clarified that the amendments made to IAS 21, IAS 28 and IAS 31 as a consequence of IAS 27 (revised 2008) are to be applied prospectively from the date of adoption of that standard (which is, annual periods beginning on / after 1 July 2009 with earlier application permitted). As exceptions, certain requirements of IAS 28 and IAS 31, which relate to accounting in the separate financial statements of the investor, are applied retrospectively.

Effective Date and Transition: Annual periods commencing on / after July 1, 2010, with earlier application permitted.

### **IAS 34 Interim Financial Reporting – Improvements**

#### *Content of an Interim Financial Report – Significant Events and Transactions*

The amendments emphasise that disclosure about significant transactions and events is required to update relevant information presented in the most recent annual financial report.

IAS 34 has been made more specific about events and transactions for which disclosure is required, and guidance has been added covering the application of the requirements for financial instruments.

Mandatory adoption for periods beginning on or after January 1, 2011, with earlier application permitted.

### **IFRIC 13 Customer Loyalty Programmes**

#### *Fair Value of Award Credits*

The amendment clarifies that the fair value of award credits includes consideration of the amount of discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale.

Mandatory adoption for periods beginning on or after January 1, 2011, with earlier application permitted.

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The information in this publication is current as of March 14, 2011.

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