

# Annual improvement 2009 - Summary of proposals

## Introduction

The International Accounting Standards Board issued for public comment an exposure draft of Improvements to IFRSs (the 2009 ED). The 2009 ED is the third omnibus of proposed amendments to deal with non-urgent but necessary amendments to IFRSs.

The 2009 ED proposes 15 amendments to 11 IFRSs. The following table summarises these amendments, excluding amendments that are updates to terminology.

Unless otherwise noted, the proposed effective date for the amendments is for annual periods beginning on or after 1 January 2011. Early application is permitted in all cases.

| Standards and subject  | Proposed change (s)  |
|--|--|
| <i>IFRS 1 First-time Adoption of International Financial Reporting Standards</i> |  |
| Accounting policy changes in the year of adoption                                | Clarify 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.         |
| Revaluation basis as deemed cost   | Expand the scope of the exemption that permits a first-time adopter to use a revaluation performed under previous GAAP as a 'deemed cost' to include events such as a privatisation or initial public offering that occur after the date of transition to IFRSs but during the periods covered by the first IFRS financial statements. |



| Standards and subject   | Proposed change (s)  |
|---|--|
| <p data-bbox="579 479 895 506">IFRS 3 <i>Business Combinations</i></p> <p data-bbox="579 517 1027 640">Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS</p> | <p data-bbox="1054 517 1501 801">Clarify that IFRS 7 <i>Financial Instruments: Disclosures</i>, IAS 32 <i>Financial Instruments: Presentation</i> and IAS 39 <i>Financial Instruments: Recognition and Measurement</i> do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).</p> <p data-bbox="1054 813 1501 873">Applicable for annual periods beginning on or after 1 July 2010.</p>  |
| <p data-bbox="579 887 1011 947">Measurement of non-controlling interests (NCI)</p>  | <p data-bbox="1054 887 1501 1137">Restrict the choice of measuring NCI either at fair value or at the proportionate share of the acquiree's identifiable net assets to instruments that give a present ownership interest and entitlement to pro rata share of net assets in the event of liquidation. Other components of NCI are measured at fair value or as required by other IFRS.</p> <p data-bbox="1054 1149 1501 1209">Applicable for annual periods beginning on or after 1 July 2010.</p>  |
| <p data-bbox="579 1218 963 1279">Un-replaced and voluntarily replaced share-based payment awards</p>  | <p data-bbox="1054 1218 1501 1536">Require an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions in the same way, whether or not it is obliged or chooses to replace them. However, if the entity chooses to replace the acquiree's awards that expire as a consequence of the business combination, these are recognised as post-combination expenses.</p> <p data-bbox="1054 1547 1501 1843">Specify 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 fair value; if unvested – they are measured at market-based value as if granted at acquisition date, and allocated between NCI and post-combination expense.</p> <p data-bbox="1054 1854 1501 1915">Applicable for annual periods beginning on or after 1 July 2010.</p> |



| Standards and subject  | Proposed change(s)   |
|--|--|
| <i>IFRS 5 Non-current Assets Held for Sale and Discontinued Operations</i>                                       |  |
| Application of IFRS 5 to loss of significant influence over an associate or a jointly controlled entity          | Clarify that an entity classifies as held for sale its interest in an associate or a jointly controlled entity when it is committed to a sale plan involving loss of significant influence or joint control. Applicable for annual periods beginning on or after 1 January 2010. To be applied prospectively.  |
| <i>IFRS 7 Financial Instruments: Disclosures</i>   |  |
| Clarifications of disclosures  | <p>Clarify that the qualitative disclosures about risk arising from financial instruments should support and enhance the respective quantitative disclosures. For quantitative disclosure of risk, the reference to materiality is removed as disclosure only applies to material items.</p> <p>Amend the quantitative credit risk disclosures as follows:</p> <ul style="list-style-type: none"> <li>▶ Clarify that only financial assets whose carrying amounts do not reflect the maximum exposure to credit risk need to provide further disclosure of the amount that represents the maximum exposure to such risk.</li> <li>▶ For all financial assets, require disclosure of the financial effect of collateral held as security and other credit enhancements (e.g., a description of the extent collateral mitigates credit risk).</li> <li>▶ Remove the requirement to specifically disclose financial assets renegotiated to avoid becoming past due or impaired.</li> <li>▶ For financial assets that are past due but not impaired, and financial assets that are individually determined to be impaired, remove disclosure of the collateral held as security, other credit enhancements, and an estimate of their fair value.</li> <li>▶ Clarify that the additional disclosure 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.</li> </ul> |
| <i>IAS 1 Presentation of Financial Statements</i>  |  |
| Clarification of statement of changes in equity  | Clarify that an entity shall present the components of changes in equity either in the statement of changes in equity or in the notes to the financial statements.   |
| <i>IAS 27 Consolidated and Separate Financial Statements</i>   |  |
| Impairment of investments in associates in the separate financial statements of the investor                     | Require an investor, in its separate financial statements, to apply the requirements of <i>IAS 39 Financial Instruments: Recognition and Measurement</i> to test its investments in subsidiaries, jointly controlled entities and associates for impairment. To be applied prospectively.  |
| Transition requirements for amendments made as a result of IAS 27 (as amended in 2008) to IAS 21, IAS 28, IAS 31 | Clarify 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.   |
| <i>IAS 28 Investments in Associates</i>  |  |
| Partial use of fair value for measurement of associates  | Permit different measurement bases to be applied to portions of an investment in an associate when part of the investment is designated at initial recognition as at fair value through profit or loss in accordance with the scope exception in paragraph 1 of IAS 28.  |

| Standards and subject                       | Proposed change (s)  |
|---|--|
| IAS 34 <i>Interim Financial Reporting</i>   |  |
| Significant events and transactions         | Provide guidance to illustrate how to apply disclosure principles in IAS 34 (e.g., the recent disclosure requirements on fair value measurement).  |
| IAS 40 <i>Investment Property</i>           |  |
| Change from fair value model to cost model  | Remove the requirement to transfer investment property carried at fair value to inventory when it will be developed for sale; and require investment property held for sale to be displayed as a separate category in the statement of financial position and provide disclosures consistent with IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> . |
| IFRIC 13 <i>Customer Loyalty Programmes</i> |  |
| Fair value of award credit                  | Clarify that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the value of the awards for which they could be redeemed must be adjusted to reflect expected forfeitures.  |

## Impact

A number of the proposed changes address areas where ambiguity existed, particularly relating to the new business combinations standard. Some of the other proposals will require management to re-evaluate existing policies and processes.

This comment period ends on 24 November 2009.

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