

iGAAP Alert.

IASB issues exposure draft on Improvements to IFRSs 2011



In a nutshell

As part of its annual improvements process, the IASB has proposed seven amendments to five standards: IFRS 1, IAS 1, IAS 16, IAS 32, and IAS 34.

Most of the proposed amendments clarify existing guidance. One very useful clarification relates to the 'third balance sheet' requirements in IAS 1: under the proposals, additional related notes are not required to accompany that additional balance sheet.

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On 22 June 2011, the International Accounting Standards Board (IASB) issued for public comment Exposure Draft ED/2011/2 *Improvements to IFRSs 2011* – with proposed amendments to five International Financial Reporting Standards (IFRSs). These amendments are proposed under the annual improvements process, which is designed to make necessary, but non-urgent, amendments to IFRSs.

The effective date of the proposals, if finalised, would be for annual periods beginning on or after 1 January 2013, with earlier application permitted. The comment period for ED ends on 21 October 2011.

The proposed amendments

Standard	Topic	Proposed amendment	Proposed effective date and transition
IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i>	Repeated application of IFRS 1	Clarifies that an entity is required to apply IFRS 1 when the entity's most recent previous annual financial statements did not contain an explicit and unreserved statement of compliance with IFRSs, even if the entity applied IFRS 1 in a reporting period before the period reported in the most recent previous annual financial statements.	Effective for annual periods beginning on or after 1 January 2013. Earlier application would be permitted.
	Borrowing costs relating to qualifying assets for which the commencement date for capitalisation is before the date of transition to IFRSs	Clarifies that an entity that capitalised borrowing costs in accordance with its previous GAAP before the date of transition to IFRSs may carry forward without adjustment the amount previously capitalised in the opening statement of financial position at the date of transition. Also clarifies that borrowing costs incurred on or after the date of transition to IFRSs, including those incurred on qualifying assets under construction at the date of transition, should be accounted for in accordance with IAS 23 <i>Borrowing Costs</i> .	Effective for annual periods beginning on or after 1 January 2013. Earlier application would be permitted.
IAS 1 <i>Presentation of Financial Statements</i>	Clarification of requirements for comparative information	Clarifies that additional financial statement information is not necessary for periods beyond the minimum comparative information requirements. If additional comparative information is provided, the information should be presented in accordance with IFRSs. Clarifies that when an entity changes accounting policies, or makes retrospective restatements or reclassifications: (a) the opening statement of financial position should be presented as at the beginning of the required comparative period; and (b) related notes are not required to accompany this opening statement of financial position.	Effective for annual periods beginning on or after 1 January 2013. Earlier application would be permitted.
	Consistency with the updated Conceptual Framework	Replaces the objective of financial statements in IAS 1 with the objective of financial reporting in the <i>Conceptual Framework</i> .	Effective for annual periods beginning on or after 1 January 2013. Earlier application would be permitted.
IAS 16 <i>Property, Plant and Equipment</i>	Classification of servicing equipment	Clarifies that servicing equipment should be classified as property, plant and equipment when it is used during more than one period and as inventory otherwise.	Effective for annual periods beginning on or after 1 January 2013. Earlier application would be permitted.
IAS 32 <i>Financial Instruments: Presentation</i>	Income tax consequences of distributions to holders of an equity instrument, and of transaction costs of an equity transaction	Clarifies 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 <i>Income Taxes</i> .	Effective for annual periods beginning on or after 1 January 2013. Earlier application would be permitted. Application would be retrospective.
IAS 34 <i>Interim Financial Reporting</i>	Interim financial reporting and segment information for total assets	Clarifies the requirements relating to segment information in interim reports by specifying that total assets for a particular reportable segment would 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.	Effective for annual periods beginning on or after 1 January 2013. Earlier application permitted. Application would be prospective.

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