Grant Thornton

IFRS News

Welcome to IFRS News – a quarterly update from the Grant Thornton International IFRS team. IFRS News offers a summary of the more significant developments in International Financial Reporting Standards (IFRS) along with insights into topical issues and comments and views from the Grant Thornton International IFRS team.

Our third edition of 2011 starts with a look at several important new Standards that have been issued since our last quarterly edition. These include IFRS 13 'Fair Value Measurement', a revised version of IAS 19 'Employee Benefits' and the new Standards on consolidations (which have already been featured in a special edition of IFRS News).

We go on to consider other items in the IASB's pipeline including the reopening of the debates on revenue recognition and the effective date of IFRS 9. We then turn to IFRS-related news at Grant Thornton, as well as a more general round-up of activities affecting the IASB. We end with an overview of the proposals that the IASB currently has out for comment, and the implementation dates of newer Standards that are not yet mandatory.

IFRS 13 Fair Value Measurement

New Standard provides guidance on how to measure fair values for all types of items

The IASB has published IFRS 13 'Fair Value Measurement'. The Standard explains how to measure fair value for financial reporting and introduces significantly enhanced disclosures about fair values. It does not address or change the requirements on when fair values should be used.

IFRS 13 has been issued in order to provide a single source of guidance for all fair value measurements and to clarify the definition of fair value. Prior to its publication, the guidance on fair value was distributed across many IFRSs, with some containing quite limited guidance while others contained extensive guidance that was not always consistent.

The global financial crisis highlighted the need to improve the transparency of how fair value is measured and also how fair value should be measured when the market for an asset or liability becomes less active. While the measurement principles will be unchanged in many situations, there will be individual scenarios where the effects of IFRS 13 could be significant.

New definition of fair value

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (ie an exit price).

Practical insight:
IFRS 13 addresses almost all fair value and 'fair value-based' measurements – including those for both financial and non-financial items. Fair values that are required to be disclosed in the notes are also captured.

Practical insight:
Using an exit price definition of fair value has the benefit of removing entity-specific factors that might exist in an entry price. It will however have implications for some entities, in particular those that acquire assets (or incur liabilities in one market) and sell or transfer them in another. Similarly, a transaction price or entry price may not necessarily represent fair value where related parties are involved or a transaction takes place under duress.

The Standard clarifies that fair value is based on a transaction taking place in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. The principal market is the market with the greatest volume and level of activity for the asset or liability. The applicable market should in either case be one to which the entity has access however. For instance, in valuing a derivative a bank that trades in such instruments might look to the dealer (inter-bank) market, whereas a commercial entity is unlikely to have access to that market.

Practical insight:
IFRS 13 helpfully presumes that the principal market is the market in which an entity normally enters into transactions for the asset or liability unless there is evidence that another market has a greater volume and level of activity. Such a situation could for example occur where an entity has measured fair value based on its local market but a deeper and more liquid market exists and the costs to access it (transport costs, etc) are not prohibitive.

For a non-financial asset, IFRS 13 requires an entity to consider the highest and best use of the asset. For example, in valuing land currently used for agricultural purposes an entity should consider alternative uses such as commercial development – but only if this is legally possible, financially feasible and there is evidence that a different use would maximise value to market participants.

IFRS 13's 'exit value' approach might suggest that some highly specialised assets and items such as work-in progress would be valued on a scrap basis. However, the Standard avoids this outcome by requiring fair value to be measured on the premise that market participants have access to the complementary assets necessary to maximise value where applicable.

Entities employing outside valuation experts will need to ensure the valuations provided are compliant with the requirements of IFRS 13.

For liabilities, the Standard provides extensive guidance to deal with the problematic issue of measuring the fair value of a liability in the absence of a quoted price in an active market to transfer an identical liability. For liabilities with a corresponding asset (such as loans payable), fair value is measured from the perspective of the asset holder. Accordingly, the credit risk of the borrower is implicitly taken into account. Guidance is also given for measuring fair value and addressing valuation uncertainty in markets that are no longer active.

Fair value hierarchy

When measuring fair value, an entity is required to use valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. IFRS 13 establishes a fair value hierarchy for doing this, which is set out below:

- **Level 1:** Quoted prices (ie unadjusted prices) in active markets for identical assets or liabilities that the entity can access at the measurement date
- **Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- **Level 3:** Unobservable inputs for the asset or liability.

Significant differences in disclosure requirements apply to each level within the hierarchy to provide users with insight into the reliability of the fair value measurement (IFRS 13's disclosures do not however apply to fair values that arise only on initial recognition – such as fair values determined for acquisition accounting under IFRS 3).

These disclosures could be a challenge for some entities. For example, real estate valuations may end up being classified in Level 3 of the hierarchy where the valuation takes place in an inactive or less transparent real estate market, leading to extensive disclosures as to how the valuation has been produced.

Convergence

The US Financial Accounting Standards Board has also issued updated guidance on fair value measurement. As a result, the IFRS and US GAAP requirements on fair value measurement are now largely identical.

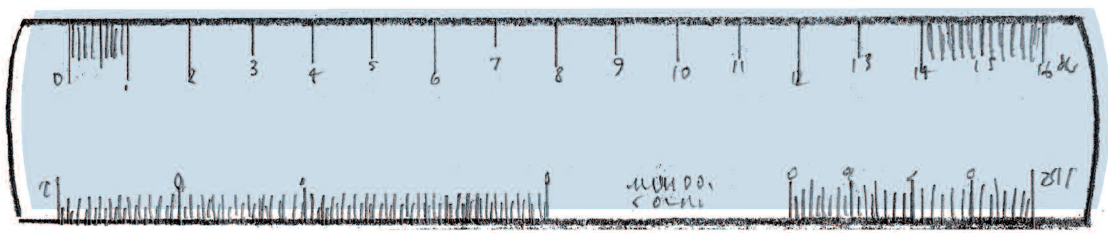
Effective date

The IFRS is to be applied for annual periods beginning on or after 1 January 2013. Earlier application is permitted. The new disclosure requirements are only required for periods beginning after IFRS 13 is adopted, ie comparative disclosures for prior periods are not required.

Other issues covered in IFRS 13

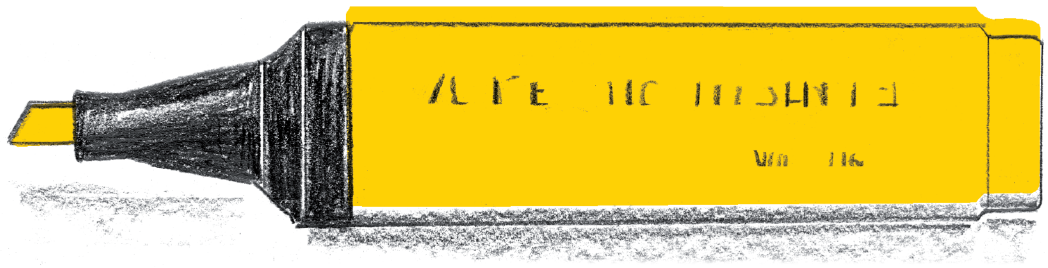
At over 100 pages in length, IFRS 13 is a comprehensive Standard containing detailed guidance on many issues. Listed below are some of the important issues covered in the Standard:

- bid-ask spreads
- the effect of restrictions on fair value measurement
- transport costs where fair value is location-specific
- blockage factors resulting from the size of an entity's holding
- liability valuation
- the relationship between transaction prices and initial fair values.



Amendments to IAS 1

The IASB has published amendments to IAS 1 'Presentation of Financial Statements'. The main change is a requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss. The amendments also highlight the importance that the IASB places on presenting profit or loss and OCI together and with equal prominence. The amendments do not affect which items are presented in OCI however, nor do they change the rules on when OCI is reclassified.



Revised version of IAS 19 issued

IASB makes changes to accounting for defined benefit plans

The IASB has issued an amended version of IAS 19 'Employee Benefits' which changes the way defined benefit plans are accounted for. The amendments that have been made are intended to improve the recognition, presentation, and disclosure of defined benefit plans. They do not address the measurement of defined benefit plans however.

the amendments eliminate the 'corridor' method, under which it was possible to defer gains or losses on a defined benefit plan

Changes in benefit costs

Type of gain or loss	Recognition
service cost	in profit or loss
net interest on the net defined benefit liability or asset	in profit or loss
remeasurement of the defined benefit liability or asset	in other comprehensive income

The changes made in the amended version of the Standard will result in:

- immediate recognition of all estimated changes in the cost of providing defined benefits and all changes in the value of plan assets. The various methods which allowed deferral of some of those gains or losses under the previous version of IAS 19, including the 'corridor' method, have been eliminated
- a new presentation approach to distinguishing the different types of gains and losses arising from defined benefit plans. The table above sets out the changes in benefit costs which are to be presented separately under the new approach.

The effect of presenting these items separately is to remove from IAS 19 the option for entities to recognise in profit or loss all changes in defined benefit obligations and in the fair value of plan assets.

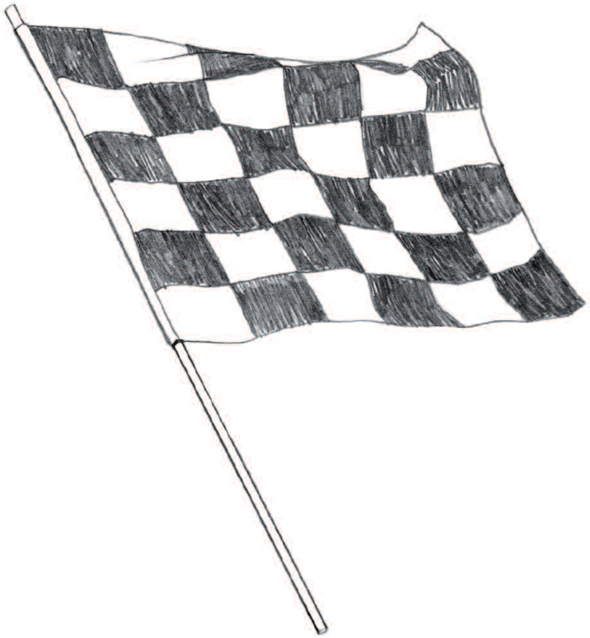
One controversial change is that preparers will no longer be able to include the expected return on plan assets in the profit and loss account. The return on plan assets will instead represent interest, dividends and other income derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less certain costs. The change means that instead of crediting the expected return on pension plan assets separately and charging the calculated interest cost on the pension provision, the amended standard requires a charge or credit to be calculated by applying a AA rated bond interest rate to the net pension deficit or surplus. This is likely to reduce the reported profit for many companies.

In addition to these changes, the amendments also introduce improved disclosures relating to the following areas:

- the characteristics of the company's defined benefit plans
- the amounts recognised in the financial statements
- risks arising from defined benefit plans
- participation in multi-employer plans.

Comment:
We support the elimination of the 'corridor' mechanism for smoothing the impact of actuarial gains or losses.

We also support the recognition of service cost and finance cost in profit and loss with the remeasurement components to be recognised in other comprehensive income (OCI). Having said this, our support is in the context of this being a short-term measure to improve the current Standard, as we currently see no clear conceptual basis to determine which gains and losses should be recognised in OCI rather than through profit or loss.



New Standards on Consolidation published

As predicted in our last edition of IFRS News, the IASB published the following five new Standards in May, dealing with group issues and off-balance sheet activity:

- IFRS 10 'Consolidated Financial Statements'
- IFRS 11 'Joint Arrangements'
- IFRS 12 'Disclosure of Interests in Other Entities'
- IAS 27 (Revised) 'Separate Financial Statements'
- IAS 28 (Revised) 'Investments in Associates and Joint Ventures'.

We have published a special edition of IFRS News which informs you about the new Standards and the implications they may have. The table opposite is reproduced from that special edition, and shows the main points in the new Standards. If you have not already received the special edition, please get in touch with your local IFRS representative to request a copy.

Summary

Standard	Significance
IFRS 10 Consolidated Financial Statements	• supersedes IAS 27 'Consolidated and Separate Financial Statements' and SIC-12 'Consolidation – Special Purpose Entities' • changes the definition of control and applies it to all investees to determine the scope of consolidation • has the potential to affect the outcome of many borderline and judgemental control assessments • expected to lead to few changes for conventional group structures based on majority share ownership • where such a change does arise, however, the impact could be very significant.
IFRS 11 Joint Arrangements	• supersedes IAS 31 'Interests in Joint Ventures' • eliminates the option of using proportionate consolidation for joint ventures • eliminates IAS 31's 'jointly controlled operations' and 'jointly controlled assets' categories • most of the arrangements that would have been classified under those categories will fall into the newly defined category 'joint operation'.
IFRS 12 Disclosure of Interests in Other Entities	• combines the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities within a comprehensive disclosure standard • provides more transparency on 'borderline' consolidation decisions • enhances disclosures about unconsolidated structured entities in which an investor or sponsor has involvement • will help investors to assess the extent to which a reporting entity has been involved in setting up special structures and the risks to which it is exposed as a result.
IAS 27 (Revised) Separate Financial Statements	• consequential changes arising from the publication of the new IFRSs • IAS 27 will now solely address separate financial statements, the requirements for which are substantially unchanged.
IAS 28 (Revised) Investments in Associates and Joint Ventures	• changes in scope arising from the publication of IFRS 11 • continues to prescribe the mechanics of equity accounting.

Comment:

Take care not to overlook IFRS 12's new disclosure requirements. Following the publication of the new consolidations Standards, most of the headlines have been given over to IFRS 10's new definition of control and IFRS 11's elimination of proportionate consolidation. While these are very significant changes, they will not affect everyone. In contrast IFRS 12's disclosure requirements can be expected to have an effect on all entities.

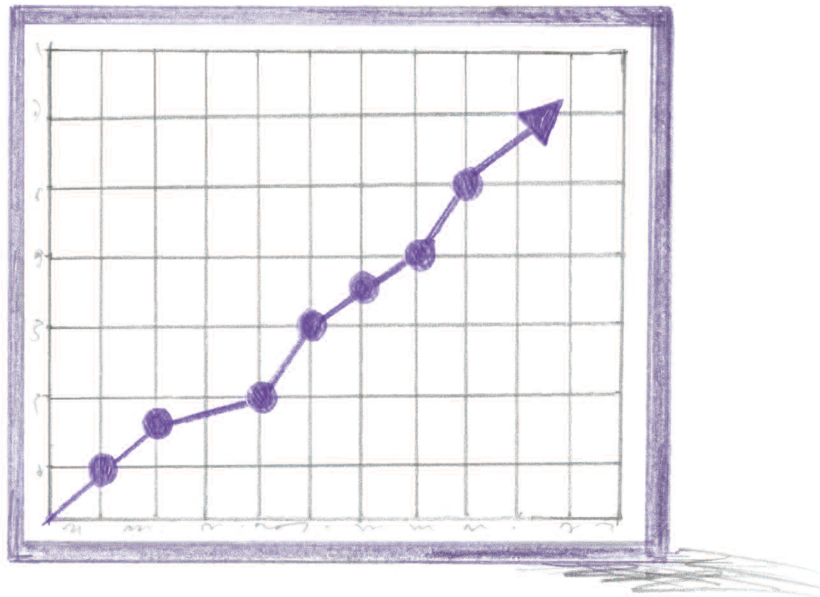
Some of the information required to meet the disclosure requirements will be new and its preparation will require planning. One example is the requirement to provide summarised financial information about the assets, liabilities, profit or loss and cash flows of each subsidiary that has non-controlling interests that are material to the reporting entity. Another example is the requirement for an entity to disclose the nature of its interests in unconsolidated structured entities and the nature of the risks it is exposed to as a result.

System modifications and enhancements may be required to address the change in guidance and to provide the necessary information for the new disclosure requirements.

SMEIG finalises its first guidance

Further to our article in last quarter's edition of IFRS News, the SME Implementation Group (SMEIG), responsible for assisting the IASB on matters related to the implementation of the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs), has published its first question and answer guidance on the IFRS for SMEs.

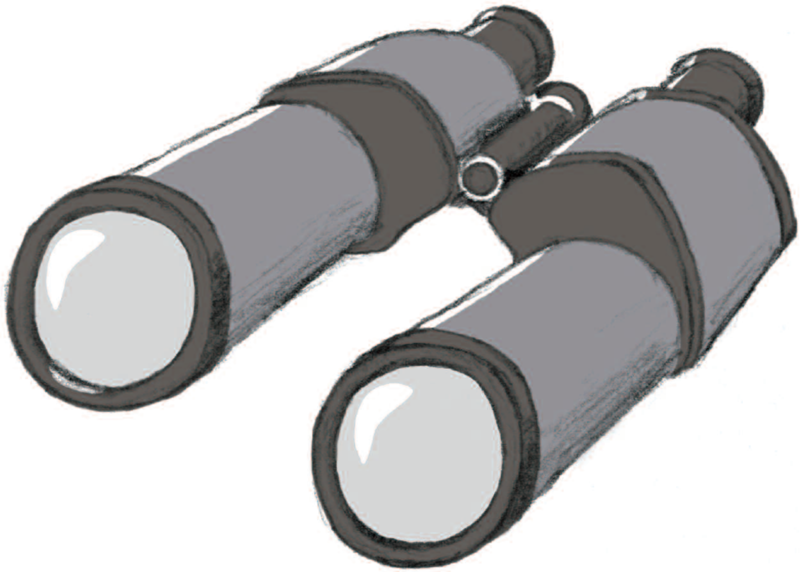
Q&A 2011/01 addresses whether a parent entity that itself does not have public accountability may present its separate financial statements in accordance with the IFRS for SMEs if it is part of a group that is required (or elects) to present consolidated financial statements in accordance with full IFRSs. The final guidance confirms that if a parent entity does not have public accountability, it may present its separate financial statements in accordance with the IFRS for SMEs.



IASB to re-expose revenue recognition proposals

The IASB and the US Financial Accounting Standards Board (FASB) have agreed to re-expose their revised proposals for a common revenue recognition standard.

The Boards had originally intended to publish a final Standard by the end of June 2011. Given the importance of the revenue number to all companies however, they decided that it was important to give interested parties the opportunity to comment on the changes to the Board's thinking since the June 2010 exposure draft was published. A new exposure draft is now planned for the third quarter of 2011. It is expected to have a comment period of 120 days.



Investment entities

Following the release of the new IFRSs on Consolidation (see page 6 and our Special Edition of IFRS News), the IASB is planning to issue an exposure draft dealing with investment entities.

The objective of the project is to identify particular types of investment entity that will be exempt from the general requirement to consolidate entities that they control. Instead such an entity would measure its investments at fair value, with changes in fair value recognised in profit or loss.

The IASB expects to issue the exposure draft in the current quarter.

Proposals for 2011 annual improvements published

Proposed amendments address non-urgent (but necessary) minor amendments

The IASB has published an Exposure Draft 'Improvements to IFRSs' which proposes minor amendments to five IFRSs. The proposals are the latest under the IASB's annual improvements project, a process for making non-urgent, but necessary, minor amendments to IFRSs. A summary of the issues addressed is given in the table.

Proposals for 2011 annual improvements

Standard affected	Issue	Summary of proposed change
IFRS 1 First-time Adoption of International Financial Reporting Standards	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 IFRS 1 has been applied in the past by the entity.
	Borrowing costs relating to qualifying assets for which the commencement date for capitalisation is before the date of transition	• 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 • clarifies that borrowing costs incurred after the date of transition that relate to qualifying assets under construction at the date of transition should be accounted for in accordance with IAS 23 Borrowing Costs.
IAS 1 Presentation of Financial Statements	Clarification of requirements for comparative information	• clarifies the requirements for providing comparative information when an entity provides financial statements beyond the minimum comparative information requirements • addresses two aspects of the requirements in specific cases where an entity changes accounting policies, or makes retrospective restatements or reclassifications. The proposed changes are: (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.
	Consistency with the updated Conceptual Framework	• reflects the Conceptual Framework issued in September 2010 by deleting the text on the objective of financial statements and replacing it with text on the objective of financial reporting.

Proposed effective date

The proposed effective date for the amendments is annual periods beginning on or after 1 January 2013. Earlier application would be permitted.

Proposals for 2011 annual improvements

Standard affected	Issue	Summary of proposed change
IAS 16 Property, Plant and Equipment	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.
IAS 32 Financial Instruments: Presentation	Income tax consequences of distributions to holders of an equity instrument, and of transaction costs of an equity transaction	• amends IAS 32 to 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'.
IAS 34 Interim Financial Reporting	Interim financial reporting and segment information for total assets	• clarifies the requirements in IAS 34 relating to segment information for total assets for each reportable segment in order to enhance consistency with the requirements in IFRS 8 'Operating Segments'.

SMEIG publishes more draft guidance

The SME Implementation Group (SMEIG) has published for public comment three more question and answer documents (Q&As) on the IFRS for SMEs.

The new Q&As consider the following issues:

- whether a captive insurance company is a publicly accountable entity, and whether a group containing such an entity can produce consolidated financial statements in accordance with the IFRS for SMEs?
- how broadly should the phrase 'traded in a public market' be interpreted in the definition of public accountability? (eg does it include over-the-counter markets?)
- in view of the Standard's criterion that an entity is publicly accountable if it holds assets in a fiduciary capacity for a broad group of outsiders, whether investment funds that restrict their ownership to only a few participants are not publicly accountable?

The SMEIG is responsible for assisting the IASB on matters related to the implementation of the IFRS for SMEs. Frank Timmins, a partner in our South African member firm, represents Grant Thornton on the Group.

IASB discusses the mandatory effective date of IFRS 9

The IASB is considering delaying the effective date of IFRS 9. Following delays in the completion of the different phases to replace IAS 39, the IASB staff have prepared a paper for the Board's July meeting which addresses whether the Board should amend the mandatory effective date of IFRS 9 and, if so, what the effective date should be. The paper contains two possible alternatives. These are to:

- retain the mandatory effective date currently in the Standard (annual periods beginning on or after 1 January 2013); or
- change the mandatory effective date to annual periods beginning on or after 1 January 2015.

Many external commentators have commented that having a single effective date for all phases of the project to replace IAS 39 (and also for the IASB's projects on insurance contracts, revenue recognition and leases) would be the most cost-effective option.

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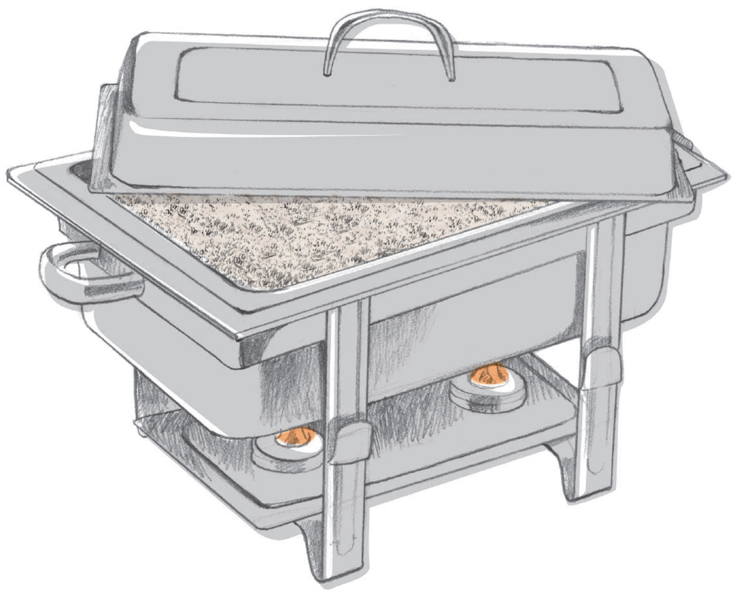
Regardless of which alternative the Board decides upon, it will still be possible for entities to early adopt IFRS 9 if they so wish.



US explores 'condorsement' approach to adoption of IFRS

The US Securities and Exchange Commission (SEC) has issued a Staff Paper exploring a possible method of incorporation of IFRS into the financial system for US issuers.

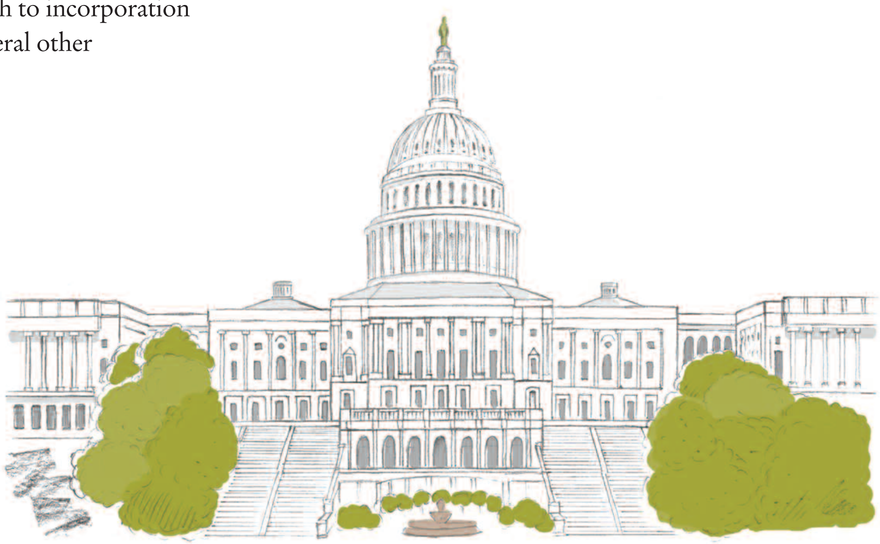
The incorporation method considered has been colloquially referred to as 'Condorsement', in that it combines elements of both a convergence approach to the incorporation of IFRS into US accounting standards and an endorsement approach, such as that used in Europe. Under this approach:

- US GAAP would be retained, but the US Financial Accounting Standards Board ("FASB") would incorporate IFRS into US GAAP over a defined period of time
- this would involve a transitional period during which existing differences between IFRS and US GAAP would be eliminated through ongoing FASB standard-setting efforts
- during this period there would be a focus on minimizing transition costs, particularly for smaller issuers
- newly issued or amended IFRSs would be incorporated into US GAAP pursuant to an established endorsement protocol which would give FASB or the SEC the ability to modify or supplement IFRS when in the public interest.

The idea of introducing an endorsement protocol would necessitate a move away from the FASB's current standard-setting role and responsibilities. Most significantly, the FASB would participate in the process for developing IFRS, rather than serving as the principal body responsible for developing new accounting standards or modifying existing standards under US GAAP.

'Condorsement' combines elements of both a convergence approach and an endorsement approach

Feedback on the potential approach are requested in the Staff Paper by 31 July. The Staff Paper also notes that the approach set out in it represents just one possible approach to incorporation of IFRS and that several other approaches exist.



A successful transition to IFRS in Canada

Raymond Chabot Grant Thornton, one of our Canadian member firms, has been working hard auditing the IFRS transition adjustments of its larger public company clients and reviewing their first quarterly financial statements under IFRS. Even though many clients have been preparing for transition for up to two years, many issues were still only finally resolved in the spring of 2011. Furthermore, the interim reports for some clients expanded to up to 70 or so pages, which significantly increased the time needed for preparation, for review by the firm and review by the audit committee.

the most significant change has been in the area of accounting for defined benefit plans

Canadian model IFRS financial statements for mining and exploration companies

Raymond Chabot Grant Thornton issued model financial statements for mining exploration companies in early 2011 which were very helpful to both clients and staff. As clients have filed their actual financial statements, the firm has worked to further improve the model financial statements. This is another example of how the firm is working to ensure a smooth and successful move to IFRS for its clients.

The most significant change for Canadian companies has been in the area of accounting for defined benefit plans, where previously large deficits were disclosed only in the notes, and where cumulative actuarial losses had appeared counter-intuitively as assets on the balance sheet.

IFRS 1 'First-time Adoption of International Financial Reporting Standards' allows first-time adopters to write-off any unamortised actuarial gains or losses at the time of transition. Since the performance of the stock exchange over the past few years has been somewhat unfavourable, many Canadian companies had large cumulative actuarial losses at the transition date. The transition exemption has therefore allowed them to reset their financial situation and remove large amounts of future amortisation costs. IAS 19 furthermore allows companies to choose a policy of recognising annual actuarial gains or losses in other comprehensive income in the year that they arise, rather than recognising only a portion of these losses or gains based on the corridor method. This change simplifies the notes and improves the presentation in the statement of financial position for companies using it. It does have the drawback of increasing volatility however.

After the larger companies had filed their first IFRS financial statements, the firm had to regroup and prepare for the smaller companies, including the mining exploration companies. Smaller mining companies have provided the firm with a unique challenge. Just because they are small does not mean that they are not complex. Like other Canadian accounting firms, Raymond Chabot Grant Thornton have found that they face a number of issues that are not necessarily addressed clearly by IFRS.

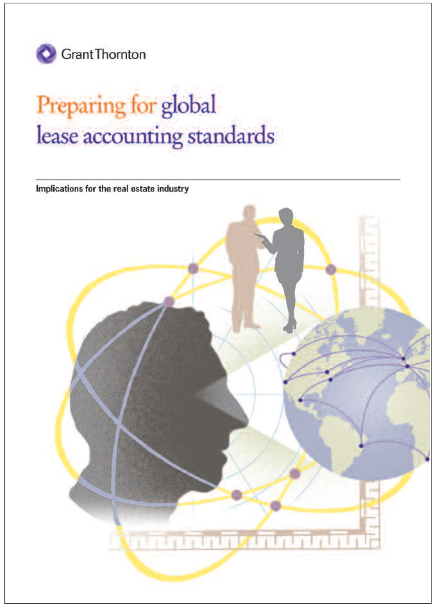
As a result, our Canadian member firms have worked alongside the Canadian Institute of Chartered Accountants (CICA), the Prospectors and Developers Association of Canada and the other large accounting firms, to develop a number of documents providing non-authoritative guidance on mining related issues (the documents produced by the working group can be found on the CICA website at http://www.cica.ca/ifrs/ifrs-transition-resources/index.aspx). John Cochrane, delegate partner at Raymond Chabot Grant Thornton and IFRS champion, is the Canadian member firms' representative on this group. He is supported by Raymond Chabot Grant Thornton's accounting research team and a number of practitioners.

Implications of leasing proposals for the Real Estate industry

Grant Thornton International's Real Estate and Construction group has issued a thought leadership piece called 'Preparing for global lease accounting standards'.

The report examines the status of the joint IASB and US Financial Accounting Standards Board proposals on lease accounting standards and offers real estate executives' perceptions – from Australia, Canada, India, the United Kingdom and the United States – on their potential impact.

To obtain a copy of the report, please get in touch with your local IFRS contact.



Grant Thornton Japan publishes IFRS book

Grant Thornton Japan has published a book to provide Japanese companies with guidance on how to apply IFRS. The book, which is available in Japanese bookstores, explains the requirements of the individual Standards, how they differ from Japanese GAAP, and practical points to consider in implementing them.

Spotlight on our IFRS Interpretations Group

Grant Thornton International's IFRS Interpretations Group (IIG) consists of a representative from each of our member firms in the United States, Canada, Singapore, Australia, South Africa, India, the United Kingdom, France, Sweden and Germany as well as members of the Grant Thornton International IFRS team. It meets in person three times a year to discuss technical matters which are related to IFRS.

Each quarter we throw a spotlight on one of the members of the IIG. This quarter we focus on Germany's representative:

Thomas Senger, Germany

Thomas is Warth & Klein Grant Thornton Germany's head of assurance for public interest entities.

Thomas joined our German member firm in 1991, and has over 20 years of experience as a specialist in financial reporting. He is a member of the German Institute's IFRS working group, which he has served for more than 13 years, and was head of its IFRS for SMEs working group.

Thomas is also a member of the Tax Advisory Panel, which has been established by the UK and German accounting standard setters as part of EFRAG's pro-active project on the accounting for corporate income taxes.

Grant Thornton UK named Auditor of the Year

Our UK member firm, Grant Thornton LLP, has been declared the top auditor among the six largest UK firms for the second year running.

The firm was announced as the winner of the Auditor of the Year (Large Six) category at The FDs' Excellence Awards. The FDs' Excellence Awards is the largest independent poll of UK finance directors (FDs) into the services provided by auditors, banks, law firms and technology firms. The results were based on the responses of over 900 FDs.

FDs who took the survey described our UK member firm as "very supportive", with one particular respondent being quoted on the night, saying, "They demonstrate a clear understanding of our business and our direction. The audit was testing, extremely thorough – but balanced."

Grant Thornton's International IFRS Interpretation Group meets

In April, the Grant Thornton International IFRS Interpretation Group (IIG) met in the Virginian office of our US member firm.

During the meeting they were joined by staff from the US Securities and Exchange Commission (SEC) as part of the SEC's outreach activities for the IFRS Work Plan in the US.

Paul Beswick, Deputy Chief Accountant, Office of the Chief Accountant and Shelly Luisi, Senior Associate Chief Accountant, Office of the Chief Accountant, discussed the status of the IFRS work plan with the members of the IIG, as well as the experiences of different jurisdictions with IFRS convergence/adoption and issues such as promoting the consistent application of IFRS across jurisdictions.

Grant Thornton Ecuador

Our new member firm in Ecuador has hosted a conference on the application of IFRS and its commercial impact.

The conference generated a great deal of interest in the cities of Quito and Guayaquil, and demonstrates our ambition of building our organisation in key emerging locations.

Grant Thornton Australia launches survey

Our Australian member firm has launched a survey under the title "Simplifying financial reporting: Fact or fiction?".

The survey is designed to see whether recent changes to financial reporting requirements have actually reduced compliance costs, whether further improvements are needed, and what lessons can be learned for the future.

Round-up

New IASB chairman

Hans Hoogervorst has assumed the role of IASB chairman following Sir David Tweedie's retirement from the role at the end of June 2011. Under the 10-year leadership of Sir David Tweedie, the IASB succeeded in establishing IFRS as the accepted set of financial reporting standards in more than 100 countries.

Prior to taking up the role, Mr Hoogervorst was chairman of the Netherlands Authority for the Financial Markets (AFM), the Dutch securities and market regulator, chairman of the Technical Committee of the International Organization of Securities Commissions (IOSCO) and co-chair of the Financial Crisis Advisory Group (FCAG), an independent body of senior leaders formed to advise accounting standard-setters on their response to the global financial crisis.

Ian Mackintosh has assumed the role of vice-chairman of the IASB. Prior to taking up the role, Mr Mackintosh was chairman of the UK Accounting Standards Board and chairman of the group of national accounting standard-setters, a body in which more than 20 national and regional accounting standard-setting organisations participate. His significant experience in the standard-setting field will assist both Mr Hoorgervorst and the IASB as it seeks to establish IFRSs as the global standard.

Request for views on IASB agenda

The IASB will be publishing for the first time in Q3 2011 a Request for Views on the future strategic direction and overall balance of its agenda.

The objective is to enhance the IASB's agenda setting process by providing a formal channel for public input on the overall strategic direction and balance of the IASB's agenda. More details will follow in next quarter's edition of IFRS News.

International Valuation Standards

The International Valuation Standards Council (IVSC) has published an Exposure Draft of proposed new "International Valuation Standards".

The Exposure Draft covers valuations for most types of asset, including for the first time a proposed standard for financial instruments. The proposals on financial instruments are part of the IVSC's attempt to rebuild confidence in the valuations of financial products. In their examination of the causes of the 2007/2008 financial crisis, politicians and financial regulators had identified that valuation, and in particular a lack of understanding of the valuations of complex financial instruments by investors and other users of financial information, had been a significant contributory factor to the crisis.

The proposals also reflect current developments in IFRS, which increasingly require valuations for assets and liabilities.

IASB and FASB extend timeline for completing the convergence program

In a podcast released in April 2011, the IASB and the FASB announced that they will be extending by a few months the timeline for their joint projects on revenue recognition, leases, financial instruments, and insurance contracts. The projects were originally intended to be completed by 30 June 2011.

In the podcast, outgoing IFRS Chairman Sir David Tweedie and his US counterpart Leslie Seidman emphasised the importance of reaching high quality solutions on the projects before issuing final Standards. Since the podcast was released, the IASB has issued a revised work plan showing a target date of the first half of 2012 for the completion of the Standards on revenue recognition, leases and insurance contracts.

FEE discussion paper on combined financial statements

The Fédération des Experts Comptables Européens (FEE) has issued a discussion paper aimed at enhancing the public debate on the preparation of combined financial statements under IFRS.

At present, IFRS do not provide a specific standard for the preparation of combined financial statements. FEE, which is the representative organisation for the accountancy profession in Europe, has noted that as a result there appears to have been diversity in practice in preparing such financial information. The comment period for the discussion paper ends 30 September 2011.

Preliminary conclusions of strategy review published

The Trustees of the IFRS Foundation, the oversight body of the IASB, have published for public comment the preliminary conclusions of their strategy review.

The conclusions cover a number of areas, including defining the public interest to which the IFRS Foundation is committed; governance; the process for ensuring that the IASB's standards are of high quality, meet the requirements of a well-functioning capital market and are implemented consistently across the world; and ensuring the organisation is financed in a manner that permits it to operate effectively, efficiently and independently.

Cutting Clutter from Annual Reports

The UK Accounting Standards Board has published a report entitled 'Cutting Clutter: Combating clutter in annual reports'.

The report looks at the problem of clutter in annual reports, which can obscure relevant information and make it harder for users to analyse the performance and prospects of a business.

The report provides preparers of annual reports with practical aids for reducing clutter, giving ideas for how disclosures might look without the clutter, and factors to consider when planning the annual report process.

Considering the Effects of Accounting Standards

The European Financial Reporting Advisory Group (EFRAG) and the UK Accounting Standards Board have published a Discussion Paper, 'Considering the Effects of Accounting Standards'.

The proposals call on standard setters to consider the effects of accounting standards throughout their due process, from start to finish, the overall objective being to contribute to improving the way in which accounting standard setters develop and implement standards.

Feedback from the Discussion Paper, which is open for comment until 31 August 2011, will be used to assess support for the proposals and enhance them, so that they can form the basis of possible improvements to the IASB's due process.

IASB and Japanese Accounting Standards Board meet

The IASB and the Japanese Accounting Standards Board met in Tokyo in June. During the meeting they announced their intention to deepen their co-operation in preparation for a decision around 2012 on the mandatory application of IFRSs in Japan.

Proposed IFRS Taxonomy enhancements

The IFRS Foundation has published an exposure draft of the IFRS Taxonomy 2011 interim release 'Common-practice concepts'.

The IFRS Taxonomy is a translation of IFRS into eXtensible Business Reporting Language (XBRL). The proposed interim release contains supplementary tags for the IFRS Taxonomy that reflect disclosures that are commonly reported by entities in their IFRS financial statements.

Appointments

Simon Carey, New Zealand

Simon Carey, a partner in our Christchurch office, has been appointed as a member of the Accounting Standards Review Board (ASRB) of New Zealand.

The ASRB consists of between four and seven members appointed on the recommendation of New Zealand's Minister of Commerce. Its primary functions are to set some aspects of the strategy for financial reporting, and to review and approve financial reporting standards in New Zealand. It also seeks to influence the development of international standards and has close linkages with Australian financial reporting bodies.

John C. Cheng, Panama

Congratulations to John C. Cheng from Grant Thornton Panama who takes office as President of the Institute of Certified Public Accountants of Panama with effect from 1 July.

Open for comment

This table lists the documents that the IASB currently has out to comment and the comment deadline. Grant Thornton International aims to respond to each of these publications.

Current IASB documents

Document type	Title	Comment deadline
Exposure Draft	Improvements to IFRSs	21 October 2011
IFRS Foundation Consultation document	IFRSs as the Global Standard: Setting a Strategy for the Foundation's Second Decade	25 July 2011

Effective dates of new standards and IFRIC interpretations

The table below lists new IFRS Standards and IFRIC Interpretations with an effective date on or after 1 July 2009. Companies are required to make certain disclosures in respect of new Standards and Interpretations under IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

New IFRS Standards and IFRIC Interpretations with an effective date on or after 1 July 2009

Title	Full title of Standard or Interpretation	Effective for accounting periods beginning on or after	Early adoption permitted?
IFRS 13	Fair Value Measurement	1 January 2013	Yes
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013	Yes
IFRS 11	Joint Arrangements	1 January 2013	Yes (but must apply IFRS 10, IFRS 12, IAS 27 and IAS 28 at the same time)
IFRS 10	Consolidated Financial Statements	1 January 2013	Yes (but must apply IFRS 11, IFRS 12, IAS 27 and IAS 28 at the same time)
IAS 28	Investments in Associates and Joint Ventures	1 January 2013	Yes (but must apply IFRS 10, IFRS 11, IFRS 12 and IAS 27 at the same time)
IAS 27	Separate Financial Statements	1 January 2013	Yes (but must apply IFRS 10, IFRS 11, IFRS 12 and IAS 28 at the same time)
IFRS Practice Statement	Management Commentary: A framework for presentation	No effective date as non-mandatory guidance	Not applicable
IAS 19	Employee Benefits (Revised 2011)	1 January 2013	Yes
IFRS 9	Financial Instruments	1 January 2013	Yes (extensive transitional rules apply)
IAS 1	Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)	1 July 2012	Yes
IAS 12	Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12)	1 January 2012	Yes

Effective dates of new standards and IFRIC interpretations

New IFRS Standards and IFRIC Interpretations with an effective date on or after 1 July 2009

Title	Full title of Standard or Interpretation	Effective for accounting periods beginning on or after	Early adoption permitted?
IFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendments to IFRS 1)	1 July 2011	Yes
IFRS 7	Disclosures – Transfers of Financial Assets (Amendments to IFRS 7)	1 July 2011	Yes
Various	Annual Improvements 2010	1 January 2011 unless otherwise stated (some are effective from 1 July 2010)	Yes
IFRIC 14	Prepayments of a Minimum Funding Requirement – Amendments to IFRIC 14	1 January 2011	Yes
IAS 24	Related Party Disclosures	1 January 2011	Yes (either of the whole Standard or of the partial exemption for government-related entities)
IFRS 1	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (Amendment to IFRS 1)	1 July 2010	Yes
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010	Yes
IAS 32	Classification of Rights Issues (Amendment to IAS 32)	1 February 2010	Yes
IFRS for SMEs	International Financial Reporting Standard for Small and Medium-sized Entities	Immediately subject to approval within the individual jurisdiction	N/A
Various	Annual Improvements 2009	1 January 2010 unless otherwise stated (some are effective from 1 July 2009)	Yes

Effective dates of new standards and IFRIC interpretations

New IFRS Standards and IFRIC Interpretations with an effective date on or after 1 July 2009

Title	Full title of Standard or Interpretation	Effective for accounting periods beginning on or after	Early adoption permitted?
IFRS 1	Additional Exemptions for First-time Adopters (Amendments to IFRS 1)	1 January 2010	Yes
IFRS 2	Group Cash-settled Share-based Payment Transactions (Amendments to IFRS 2)	1 January 2010	Yes
IFRS 1	First-time Adoption of International Financial Reporting Standards (Revised 2008)	1 July 2009	Yes
IAS 39	Amendment to IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items	1 July 2009	Yes
IFRIC 17	Distributions of Non-cash Assets to Owners	1 July 2009	Yes (but must also apply IFRS 3 Revised 2008, IAS 27 Revised 2008 and IFRS 5 (as amended by IFRIC 17))
IFRS 3	Business Combinations (Revised 2008)	1 July 2009	Yes (but only for periods beginning on or after 30 June 2007, and in conjunction with IAS 27 Revised 2008)
IAS 27	Consolidated and Separate Financial Statements (Revised 2008)	1 July 2009	Yes (but must be applied in conjunction with IFRS 3 Revised 2008)
IFRIC 18	Transfers of Assets from Customers	Transfers of assets on or after 1 July 2009	Yes provided the valuations and other information needed to apply the Interpretation to past transfers were obtained at the time those transfers occurred