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# IFRS News

Welcome to IFRS News – a quarterly update from the Grant Thornton International Ltd 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 Ltd IFRS team.

Our final edition of 2013 starts with a look at several important Standards that will be effective for the first time for companies with December 2013 year ends.

We then discuss the proposed revision of the IASB's Conceptual Framework and its IFRS for SMEs before moving on to look at a round-up of 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.

# December 2013 year ends – are you ready for the changes?

With a number of new accounting Standards coming into effect for annual periods beginning on or after 1 January 2013, now is the time to ensure that all necessary changes to your 2013 financial statements have been identified. Plans to implement any necessary changes to accounting policies and disclosures should be well underway.

The following paragraphs are a brief reminder of some of the most significant changes that will affect companies with December 2013 reporting dates. For a full list of new Standards and amendments that will come into effect for December 2013 year ends, see our 'Effective dates of new standards and IFRIC interpretations' at the back of the newsletter.

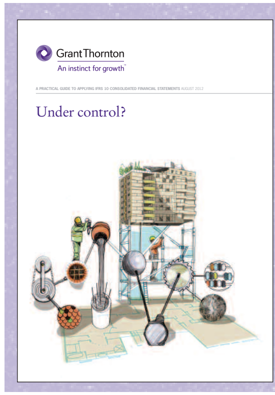
## IFRS 10 Consolidated Financial Statements

IFRS 10 introduces a new, principle-based definition of control that will be applied to all types of investee (including special purpose entities and more conventional voting interest entities) to determine which are consolidated. The IASB hopes that a single model will make it more difficult to use special structuring to avoid consolidation of entities that are controlled in substance.

IFRS 10 also aims to promote clarity with new or amended guidance in areas such as:

- control as the result of a dominant minority shareholding (de facto control)
- the role of potential voting rights such as options and convertible bonds
- distinguishing control in an agency relationship.

We expect that, in most cases, conclusions as to what should be consolidated will be unchanged under IFRS 10. However, some 'borderline' consolidation decisions that were taken under the previous Standard (IAS 27) will inevitably need to be revised and this will of course have important implications.




**More information on the requirements of IFRS 10 can be found in our August 2012 detailed guide on the Standard 'Under Control? A practical guide to applying IFRS 10 Consolidated Financial Statements'. Please get in touch with your local IFRS contact to obtain a copy.**

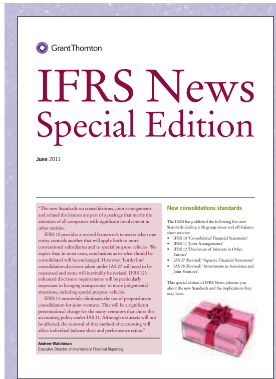
## IFRS 11 Joint Arrangements

IFRS 11 'Joint Arrangements' replaces IAS 31 'Interests in Joint Ventures'. It aims to enhance the accounting for, and the quality of information being reported about, joint arrangements. It does this by establishing a principle-based approach that requires an entity to recognise its contractual rights and obligations from its joint arrangements.

Arrangements described in IAS 31 as jointly controlled entities will now be classified as either joint ventures or joint operations based on the economic substance of the parties' rights and obligations. In practice we expect that these arrangements will more often be classified as joint ventures, for which IFRS 11 requires the use of the equity accounting method (the accounting policy option to use proportionate consolidation is removed). IFRS 11 also removes IAS 31's current terminology of 'jointly controlled operations' and 'jointly controlled assets'. Most such arrangements will fall into the newly defined category of 'joint operation'.

The Standard is likely to have only a small effect, if any, on arrangements that involve jointly controlled operations or jointly controlled assets. The elimination of proportionate consolidation of venturers' interests in a joint venture will however have a significant impact on the many companies that have selected this accounting policy in preference to equity accounting.

Although net assets will not be affected by the elimination of proportionate consolidation, the removal of this method of accounting will affect the process of preparing the financial statements and will change balance sheet and performance ratios.




**Our special edition of IFRS News, published at the time IFRS 11 'New Consolidations Standards' was issued, contains more information on the requirements of the new Standard. Please get in touch with your local IFRS contact to obtain a copy.**

Now is the time to ensure that all necessary changes to your 2013 financial statements have been identified.

## IFRS 13 Fair Value Measurement

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 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. It does however address 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.

### 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).

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.

### 3-level 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.

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. These disclosures could be a challenge for some entities. For example, inputs into real estate valuations may in some circumstances result in the valuation being classified in Level 3 of the hierarchy, leading to extensive disclosures as to how the valuation has been performed.


**Our special edition of IFRS News 'IFRS 13 Fair Value Measurement', published at the time that IFRS 13 was issued, contains more information on the requirements of the new Standard. Please get in touch with your local IFRS contact to obtain a copy.**

## IFRS 12 Disclosures of interests in other entities

IFRS 12 specifies enhanced disclosure requirements for both consolidated and unconsolidated entities where an investor or sponsor has significant involvement. These disclosures 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.

Compared to the others in the package of new consolidation Standards, IFRS 12 may not have the most profound implications for preparers. IFRS 10 for example could result in a previously unconsolidated entity being consolidated, while IFRS 11 will result in some entities accounting for joint ventures by using equity accounting rather than proportionate consolidation. IFRS 12 will however affect the financial statements of almost every entity with interests in subsidiaries, associates or joint ventures – even if the other new Standards have little or no effect. IFRS 12 specifies minimum disclosures that such entities must provide. Some of this information will be new and its preparation will require planning.

## IAS 19 Employee Benefits (Revised)

A revised version of IAS 19 'Employee Benefits' was issued in 2011 containing amendments that are intended to improve the recognition, presentation, and disclosure of defined benefit plans.

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 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 the market yield on a high quality corporate bond to the net pension deficit or surplus. This is likely to reduce the reported profit for many companies.

## Investment entities

In October 2012, the IASB published 'Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27' (the Amendments).

The Amendments define an investment entity and provide detailed application guidance on that definition. Entities that meet the definition are required to measure investments that are controlling interests in another entity (in other words, subsidiaries) at fair value through profit or loss instead of consolidating them. The Amendments also introduce new disclosure requirements for investment entities.

While the Amendments are not effective until 1 January 2014, they can be adopted early (subject to the provisions of local law). There is then a considerable incentive for affected entities to apply the Amendments at the same time as they apply the rest of IFRS 10 as they will be spared from much of the time and effort they would otherwise need to spend on reassessing their control conclusions under IFRS 10's new requirements. Entities that are likely to be affected include private equity organisations, venture capital organisations, pension funds, sovereign wealth funds and other investment funds.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IFRS News
Special Edition
December 2012
A consolidation exception for investment entities

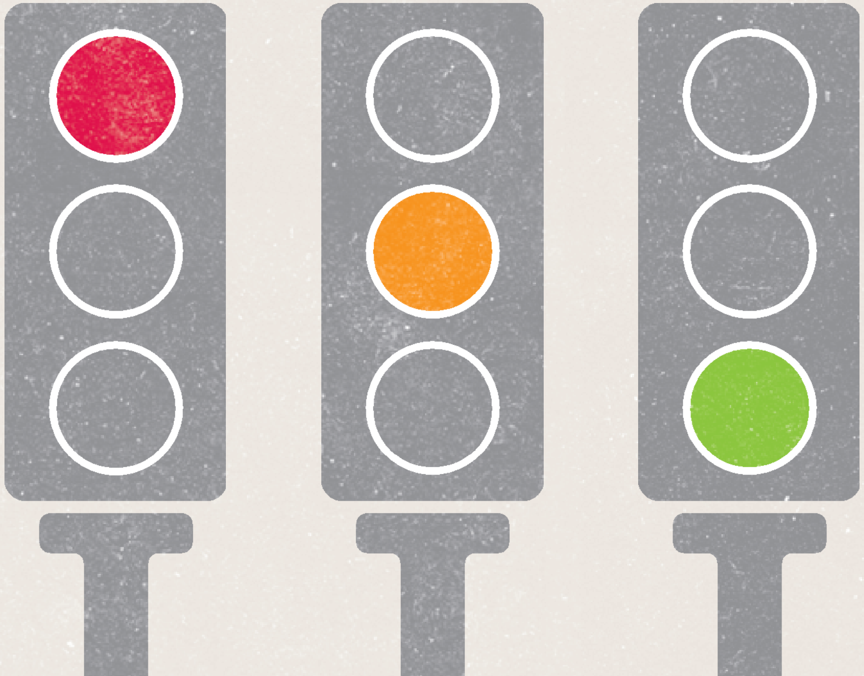
**Our special edition of IFRS News, published at the time that the Investment Entities Amendments were issued, contains more information on the exception from consolidation and the conditions that must be met to use it. Please get in touch with your local IFRS contact to obtain a copy of the newsletter.**

# Changes proposed for the IFRS for SMEs

The IASB has published an Exposure Draft of proposed amendments to the IFRS for SMEs, its self-contained Standard aimed at the needs of private companies. To date the IFRS for SMEs has been adopted by over 80 countries around the world.

At the time of its issue, the IASB stated that it planned to undertake an initial comprehensive review of the IFRS for SMEs after two years had passed in order to assess the experience that entities would have had in implementing it by then and to consider whether there was a need for any amendments.

As many jurisdictions started using the IFRS for SMEs in 2010, the IASB began its initial comprehensive review in 2012, issuing a Request for Information to seek the views of those who have been applying the Standard. Following this consultation, the IASB's SME Implementation Group (SMEIG) – on which Grant Thornton has been represented by South African partner Frank Timmins – developed a set of recommendations on possible amendments to the IFRS for SMEs to assist the IASB in undertaking its initial comprehensive view.



Apart from the proposal to change the section in the Standard dealing with Income Tax (which was based on an Exposure Draft that proposed revising IAS 12 'Income Taxes' but which was never finalised), the proposed amendments would make only minor changes to the IFRS for SMEs. This is in keeping with the IASB's aim that the Standard should provide a standalone, simplified set of accounting principles for entities that do not have public accountability and that typically have less complex transactions than entities operating under full IFRS. The table on the following pages outlines the changes proposed in more detail.

| | Proposed amendments | Impact |
|---|---|---|
| **Amendments to incorporate new and revised IFRSs** | Having considered each new and revised IFRS issued since the IFRS for SMEs was published, the IASB proposes to include changes arising from the following new and revised IFRSs:<br>• IAS 1 'Presentation of Items of Other Comprehensive Income' (2011 Amendment)<br>• IAS 32 'Classification of Rights Issues' (2009 amendment)<br>• IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'<br>• Amendments to IFRS 1 relating to 'Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters' (2010) and 'Government Loans' (2012)<br>• various minor amendments from 2010 and 2012 Annual Improvements to full IFRSs and certain scope changes. | The changes will modify a limited number of paragraphs in the IFRS for SMEs and are expected to have minimal impact as a result.<br>The IASB proposes not to include many of the most recent and significant changes to full IFRSs, including those under IFRS 3 (2008) 'Business Combinations', IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements', IFRS 13 'Fair Value Measurement' and IAS 19 (2011) 'Employee Benefits'. |
| **Amendments that change requirements in the IFRS for SMEs** | The proposed amendments would:<br>• align the recognition and measurement principles of the section dealing with Income Tax with the requirements of IAS 12<br>• require that if an entity is unable to make a reliable estimate of the useful life of goodwill or another intangible asset, the useful life should not exceed 10 years (as opposed to being fixed at 10 years as is currently the case)<br>• account for leases with an interest rate variation clause linked to market interest rates under the requirements for leases, rather than requiring them to be measured at fair value through profit or loss<br>• require the liability component of a compound financial instrument to be accounted for in the same way as a similar standalone financial liability. It is currently measured at amortised cost. | The most significant change is the one relating to Income Tax. When the IFRS for SMEs was issued in 2009, Section 29 on Income Tax was based on the IASB's 2009 Exposure Draft (ED) Income Tax. At that time the 2009 ED was expected to amend IAS 12 however it was never finalised. |

| | Proposed amendments | Impact |
|---|---|---|
| **Amendments that introduce new guidance** | The proposed amendments would add new guidance on:<br>• preparation of consolidated financial statements if group entities have different reporting dates<br>• calculation of non-controlling interest<br>• classifying financial instruments as equity or liability<br>• accounting for the settlement of the dividend payable for a distribution of non-cash assets<br>• share-based payment transactions in which the identifiable consideration appears less than the fair value of the equity instruments granted or the liability incurred<br>• accounting requirements for extractive activities<br>• new definitions, including active market, foreign operation, minimum lease payments and transaction costs. | The amendments are targeted at specific situations and are not expected to have widespread consequences. |
| **Amendments that introduce new exemptions** | The following new exemptions are proposed:<br>• 'undue cost or effort' exemptions from the measurement of investments in equity instruments at fair value<br>• an 'undue cost or effort' exemption from recognising intangible assets separately in a business combination<br>• exemption from the requirements for distributions of non-cash assets ultimately controlled by the same parties before and after the distribution<br>• an 'undue cost or effort' exemption from the requirement to offset income tax assets and liabilities. | The new exemptions will offer practical relief in these specific situations. |

| | Proposed amendments | Impact |
|---|---|---|
| **Amendments that reproduce guidance from SMEIG Q&As** | Q&A guidance developed by the SMEIG would be added, covering<br>• clarification of the use of the IFRS for SMEs in a parent entity's separate financial statements<br>• guidance on the 'undue cost or effort' exemption that is used in several sections of the IFRS for SMEs<br>• clarification that all cumulative exchange differences that arise from the translation of a foreign subsidiary are not recognised in profit or loss on disposal of the subsidiary. | The SMEIG Q&As are already publicly available. The effect of incorporating them in the IFRS for SMEs itself however is that the guidance will become mandatory. |
| **Amendments that simplify disclosure requirements** | • proposes relief from the need to prepare prior year reconciliations of balances for biological assets and share capital<br>• proposes removing the requirement to disclose the accounting policy for termination benefits. | These changes provide practical relief in these specific situations. |
| **Amendments that provide minor clarifications** | Minor amendments dealing with one or more of the following:<br>• clarifying wording/IASB's intention<br>• rewriting unclear sentences<br>• clarifying of the scope of certain sections<br>• removing inconsistencies. | These changes are not expected to result in changes in practice or to affect the financial statements for the vast majority of SMEs. |
| **Editorial amendments** | A number of editorial amendments are included in the ED that would not otherwise be exposed for public comment. | These amendments are minor and have been made largely to ensure consistency of terminology and wording throughout the IFRS for SMEs. |

# IASB reviews its framework for developing and revising IFRSs

## Project aims to improve financial reporting by providing a complete and updated set of concepts for developing or revising IFRSs

The IASB has issued a Discussion Paper which explores possible changes to the IASB's Conceptual Framework for Financial Reporting (the Conceptual Framework).

The Conceptual Framework itself addresses the underlying concepts for the preparation and presentation of financial statements and forms the basis for specific recognition and measurement requirements in IFRSs. It is of use not only to the IASB in terms of reaching consistent conclusions as it develops new Standards or revises existing ones, but also to entities when accounting for items not covered by a particular IFRS.

A public consultation carried out in 2011, revealed strong demand from respondents for a revision of the existing Framework. The IASB has responded to this demand by issuing the Discussion Paper. It focusses on some important areas which are not currently covered in the Framework as well as some other parts which are out of date and fail to reflect the IASB's current thinking. The table on the following pages provides more detail on these areas:

| | Proposal | Background |
|---|---|---|
| **Definitions of assets and liabilities** | **Proposal**<br>Suggests revised definitions that:<br>• focus more clearly on the fact that an asset is a resource and a liability is an obligation<br>• clarify the status of those resources and obligations that are not certain to result in inflows and outflows of economic benefits. | **Background**<br>The definitions of assets and liabilities that currently exist embody the concept of there being an expectation that there will be an inflow or outflow of resources. As a result people have questioned whether or not an asset can exist or be recognised unless a minimum probability threshold has been met. |
| **Recognition and derecognition** | **Proposal**<br>Recognition:<br>• suggests that an entity should recognise all its assets and liabilities, unless the IASB decides that:<br>– recognising an asset or a liability would provide users of financial statements with information that is not relevant, or is not sufficiently relevant to justify the cost; or<br>– no measure of an asset or a liability would result in a sufficiently faithful representation of both that asset or liability and the resulting income or expense.<br><br>Derecognition:<br>• indicates a preference for a control approach to derecognition but leaves room for providing exceptions to this approach, for instance in relation to components of an asset or a liability. | **Background**<br>The paper recommends that an entity should not have to have a cost or value that can be reliably measured in order for an item to be recognised. It reserves the right for the IASB to create exceptions to this rule however.<br><br>The existing Conceptual Framework does not address derecognition. |
| **Measurement** | **Proposal**<br>• suggests limiting the number of measurement bases used<br>• in selecting an appropriate measurement basis for a particular asset or liability, the IASB's preliminary view is that an entity should consider:<br>– how the asset contributes to future cash flows or how the entity will fulfil or settle the liability<br>– what information that measurement basis will produce in the statement of financial position and the statement of comprehensive income. | **Background**<br>The existing Conceptual Framework provides little guidance on measurement and when a particular measurement basis should be used. The Discussion Paper therefore suggests guidance that could assist the IASB in selecting the most appropriate measurement basis for an asset or liability.<br>The Paper suggests for example, that while fair value might be the most relevant measurement basis for a financial asset that has complex features and is held for trading, depreciated cost might be more relevant for an asset – such as property, plant and equipment – that contributes to future cash flows indirectly. |

**Profit or loss and other comprehensive income (OCI)**

**Proposal**

The Discussion Paper evaluates various proposals for assisting the IASB in deciding which items should be recognised in profit or loss and which items should be recognised in OCI.

The IASB's preliminary view is that items recognised in OCI should be limited to items of income and expense resulting from changes in current measures of assets and liabilities, ie remeasurements.

**Background**

Currently there is no principle in IFRS to determine which items of income or expense should be presented in profit or loss and which should be presented in OCI; and whether, and when, items previously recognised in OCI should be recycled from OCI into profit or loss.

**Presentation and disclosure**

**Proposal**

The Discussion Paper sets out what the IASB considers to be the objectives behind:

- the presentation of the primary financial statements
- the presentation of the notes to the financial statements
- materiality
- communication principles.

The IASB envisages certain short-term steps being taken as a result including narrow scope amendments to IAS 1 as well as some longer-term ones. The longer-term steps mooted in the Discussion Paper include the replacement of IAS 1, IAS 7 and IAS 8 as well as the revision of disclosure requirements in individual IFRSs.

**Background**

The existing Conceptual Framework does not have a section on disclosure.

Many respondents to the public consultation that the IASB undertook in 2011 on its future agenda, told the IASB that a framework for disclosure is needed to ensure that information disclosed is more relevant to investors and to reduce the burden on preparers.

| | | |
|---|---|---|
| **Equity** | **Proposal**<br>Suggests:<br>• the definition of equity should remain unchanged<br>• using an enhanced statement of changes in equity to provide more information about different classes of equity. | **Background**<br>Under current IFRS it can be difficult to distinguish between equity and liabilities as existing IFRSs do not apply the definition of a liability consistently when distinguishing liabilities from equity instruments. |

## Next steps

The Discussion Paper is the first step towards revising the Conceptual Framework. The feedback that the IASB receives will help it develop more specific ideas into complete proposals. Once a revised Conceptual Framework has been published, the IASB will then use it to develop new or revised IFRSs.

### Grant Thornton International Ltd comment

In our response to the IASB's 2011 Agenda Consultation we suggested that completing a revised Conceptual Framework should be prioritised by the IASB in its work on developing financial reporting. The lack of up-to-date guidance on certain areas has caused problems in the past and we have, for example, frequently made observations on the lack of a clear conceptual basis for determining which gains and loss should be recognised initially in other comprehensive income rather than in profit or loss and for when they should be reclassified.

We therefore welcome the IASB's Discussion Paper. It will be interesting to see how the debate progresses and whether some commentators' calls for an increased emphasis on the role of prudence, reliability and stewardship in standard-setting gain widespread support.

# Comment letter submitted on leases project

Grant Thornton International Ltd and its US member firm, Grant Thornton LLP, have jointly commented on the IASB Exposure Draft 'Leases' (the ED) and the Financial Accounting Standards Board Proposed Accounting Standards Update (Revised) 'Leases (Topic 842), a revision of the 2010 proposed FASB Accounting Standards Update, Leases (Topic 840)'.

In our comment letter, we welcome the Boards' decision to re-expose their lease proposals and commend the Boards for continuing to work jointly on the project. However, although we fully support the Boards' goal to improve lease accounting, we are not in favour of proceeding with finalisation of the ED in its current form, believing that the latest proposals would not improve financial reporting and would require substantial implementation costs.

Despite our concerns, we encourage the Boards to continue to work together to improve lease accounting. We believe that it should be possible to develop an alternative model that would provide users with information that is more relevant and representationally faithful, more understandable, less complex, and conceptually consistent with the accounting for similar transactions with customers or acquisitions. We therefore encourage the Boards to further develop a model for classifying leases in a manner that would curtail current abuses and provide relevant and representationally faithful information to users of the financial statements.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10 September 2013

Submitted electronically through the IFRS Foundation website (www.ifrs.org)

**Exposure Draft Leases (ED/2013/6), Proposed Accounting Standards Update (Revised) *Leases* (Topic 842)**

Grant Thornton International Ltd and its US member firm, Grant Thornton LLP, appreciate the opportunity to jointly comment on the International Accounting Standards Board (IASB) Exposure Draft *Leases* and Financial Accounting Standards Board (FASB) Proposed Accounting Standards Update (Revised) *Leases (Topic 842), a revision of the 2010 proposed FASB Accounting Standards Update, Leases (Topic 840)* (collectively, the ED).

Our main comments are set out below. Our responses to the questions included in the ED are set out in Appendix I. We have also commented on some other significant matters not addressed by those questions in Appendix II.

**General comments**

We welcome the Boards' decision to re-expose their lease proposals. We also commend the Boards for continuing to work jointly on this critical and high profile project. However, although we fully support the Boards' goal to improve lease accounting, we are not in favor of proceeding with finalization of the ED in its current form at this time. Although we appreciate the efforts that the Boards have expended in undertaking to address the issues raised with the 2010 Exposure Draft *Leases* (2010 ED), we believe the latest proposals would not improve financial reporting and would require substantial implementation costs.

Despite our concerns with the current ED, we encourage the Boards to continue to work together to improve lease accounting. We believe that it should be possible to develop an

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# Comment letter submitted on regulatory deferral accounts

## The Grant Thornton International Ltd IFRS Team has submitted its comment letter to the IASB on their Exposure Draft 'Regulatory Deferral Accounts'

In our letter we support the IASB's objective in developing an interim solution pending the completion of a comprehensive project on rate-regulation while acknowledging that there are certain disadvantages and risks inherent in this approach.

We also support the proposed limitations in the Exposure Draft's application to first-time adopters that recognised regulatory balances in accordance with local GAAP.

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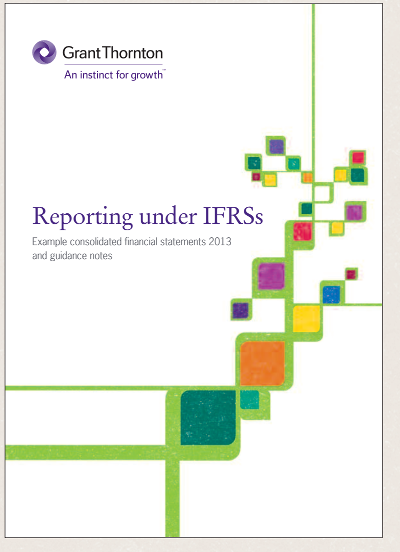
# 2013 Example IFRS Financial Statements released

## The Grant Thornton International Ltd IFRS Team has published the 2013 version of its IFRS 'Example Consolidated Financial Statements'

The new version of the publication has been reviewed and updated to reflect changes in IFRSs that are effective for annual periods ending 31 December 2013. In particular, the Publication reflects the application of IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interests in Other Entities', IFRS 13 'Fair Value Measurement' and the revised version of IAS 19 'Employee Benefits'. The publication does not reflect the early adoption of any other changes in IFRS that have been issued but are not yet effective.

To obtain a copy of the 2013 Example Consolidated Financial Statements, please get in touch with the IFRS contact in your local Grant Thornton office.



# Raymond Chabot Grant Thornton organises Mining Industry Information Event

## On 25 September 2013, Raymond Chabot Grant Thornton held a day-long mining industry information event that drew some 40 clients and potential clients

A wide range of topics was covered during the course of this day-long event, including recent developments in the Quebec mining tax regime and IFRS; improvements and changes to Raymond Chabot Grant Thornton's standard financial statements for 2013; calculating mining exploration tax credits; impairment testing of prospective and exploration properties; IFRS implementation in the mining industry; and changes in mining company social responsibility and the social acceptability of projects.

The event also featured a round table discussion on the financing issues of mineral exploration companies. The round table discussion was moderated by RCGT Mining Sector Leader Anand Beejan and featured prominent industry players TSX Vice President, Louis Doyle; Ressources Québec Director General, Denis Williams; Caisse de dépôt et placement du Québec Director of Private Equity, Danny Pelletier; as well as Quebec Mineral Exploration Association President and Ressources Cartier Chairman and CEO Philippe Cloutier.

# Valuation expert joins GT Japan

Masafumi Takeno, a member of the IASB's valuation experts group which is developing educational material to support IFRS 13 'Fair Value Measurement', has joined our Japanese member firm, Grant Thornton Taiyo ASG LLC.

Masafumi is a Managing Director in the Tokyo office where he works as part of the valuation practice. He has more than 15 years of experience in business valuation, fair value measurement and financial advisory services including M&A advisory.

Prior to joining Grant Thornton, Masafumi was a Managing Director in a global valuation firm and a Partner of a Big 4 firm in charge of valuation services. Throughout his career he has developed expertise in performing business valuations, impairment tests, intangible asset valuation, and purchase price allocations. During that period, he has provided advice across multiple industries including banking, IT services and manufacturing.

As well as being a member of the IASB's valuation expert group, Masafumi has advised the Accounting Standards Board of Japan on intangible asset valuation. He has also published several books and articles and provided lectures regarding valuation.

# 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, Ireland, France, Sweden and Germany as well as members of the Grant Thornton International IFRS team. It meets in person twice 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 Grant Thornton Canada's representative:

**Rinna Sak, Grant Thornton Canada**

Rinna Sak is the National Director of Accounting Standards at Grant Thornton Canada, where she oversees and participates in all important initiatives related to IFRS, including assessing complex and judgemental accounting and reporting issues for clients and professional staff and performing quality reviews. Rinna joined Grant Thornton in early 2012. At both Grant Thornton and her prior firm, Rinna was heavily involved in transition projects when Canadian public entities adopted IFRSs in 2011.

Rinna speaks regularly on financial reporting matters to internal and external audiences and on fairy tales to her 3 children.

# Grant Thornton Argentina assists in development of IFRS certificate

Gabriel Righini, Audit Partner with Grant Thornton Argentina, has been appointed to the Consulting Committee of Universidad Austral (the Austral University) as it works towards the development of an IFRS International Certificate course.

The Austral University is a prestigious Argentine institution with over 30 years of higher learning in many professional careers such as law, engineering, economics and medicine. It has now become the only institution to be recognized as "Partner in Learning" by the Institute of Chartered Accountants in England and Wales (ICAEW) in order to develop a training programme and evaluate students for an IFRS International Certificate issued by the ICAEW.

Based on Grant Thornton Argentina's position in the market and experience in IFRS, Austral University invited the Firm to nominate a delegate for the IFRS International Certificate Consulting Committee, which will be responsible for the training programme, covering the assessment and selection of professors and other high level tasks. Gabriel Righini was selected for this position and will now help the University with its programme.

The programme itself is aimed at preparers and users of financial statements. It will appeal to anyone looking to deepen their knowledge into IFRS, including accountants and finance personnel, analysts, investors and portfolio managers, teams in charge of legal affairs, regulatory compliance and risk management and officials from regulatory authorities and standard setters.

The programme itself is aimed at preparers and users of financial statements.

# Round-up

## IASB work plan

The IASB released the latest version of its work plan for the development of IFRSs at the end of September. Notable highlights include the following expected publications:

### Q4 2013

Finalised IFRSs on:

- revenue recognition
- IFRS 9 – general hedge accounting
- Discussion Paper on macro-hedging

### Q1/Q2 2014

Finalised IFRSs on:

- IFRS 9 – impairment
- IFRS 9 – classification and measurement

## IASB completes Post-implementation Review of IFRS 8 Operating Segments

The IASB has completed its Post-implementation Review of IFRS 8 'Operating Segments'. The purpose of the review was to consider whether the new Standard is functioning as anticipated, has achieved its objectives and improved financial reporting.

The review of IFRS 8 concluded that the Standard was generally functioning as anticipated. Further investigation will be made into a number of limited areas. These will also be subject to liaison with the FASB and will be considered within the context of the convergence with US GAAP achieved by IFRS 8.

IFRS 8 was the first Standard subjected to a Post-implementation Review by the IASB since the requirement to do so was added to its due process by the Trustees of the IFRS Foundation in 2007.

## IASB begins the Post-implementation Review of its Business Combinations Standard

The IASB has begun its Post-implementation Review of IFRS 3 'Business Combinations' which will look at the changes introduced by the 2004 and 2008 versions of this Standard.

The review will consist of two phases. During Phase I the IASB will undertake targeted outreach to identify areas in which implementation problems or unexpected costs with IFRS 3 were encountered. It will also review academic and other studies about the application of the Standard. The areas identified during this phase will be included in a Request for Information (RFI), which will be published for public comment and which will lead to Phase II of the review. During the second phase, the IASB will undertake extensive outreach and analyse the public comments received in response to the RFI to learn about experience in applying the Standard and the experience of investors and others in using the results it produces.

## IASB provides increased support for those teaching IFRS

The IFRS Foundation Education Initiative has published free-to-download Framework-based teaching material in Arabic, Chinese, English, French, Russian, Spanish and Portuguese.

The Framework-based teaching project is designed to help educators train the next generation of accountants in how to make sound judgements in the preparation of financial reports in accordance with principle-based accounting standards.

## FASB and IASB to form joint transition resource group for revenue recognition

The IASB and the US Financial Accounting Standards Board have announced plans to create a joint transition resource group which will focus on the upcoming converged revenue recognition Standard (the two Boards plan to issue the final Standard later this year).

The transition group will be responsible for informing the IASB and the FASB about interpretive issues that could arise when companies, institutions, and other organisations implement the revenue recognition Standard, and which could reasonably create diversity in practice. It will not issue guidance itself but will help the Boards determine what, if any, action will be needed to resolve that diversity ahead of the Standard's expected 2017 effective date.

## IFRS jurisdiction profiles

The IFRS Foundation is continuing its efforts to develop profiles on the use of IFRSs in individual jurisdictions around the world. Profiles have so far been completed for 81 jurisdictions, including all of the G20 jurisdictions. The profiles are available on the IASB's website at **http://www.ifrs.org/Use-around-the-world/Pages/Jurisdiction-profiles.aspx.**

## IOSCO and IFRS Foundation agree joint protocols to enhance consistency in the implementation of IFRS globally

The International Organisation of Securities Commissions (IOSCO) and the IFRS Foundation have agreed on a set of protocols under which the two organisations will deepen their cooperation in support of their shared commitment to the highest standards of financial reporting globally.

Under the protocols the two organisations will deepen their cooperation in both the development of IFRS and implementation of IFRS on a globally consistent basis. IOSCO itself develops and promotes adherence to internationally recognised standards for securities regulation. Its membership includes more than 120 securities regulators overseeing 95% of the world's securities markets.

## IASB Exposure Draft on IFRS Taxonomy interim release

The IFRS Foundation has published an Exposure Draft on the Interim Release Package of the IFRS Taxonomy 2013.

The IFRS Taxonomy 2013 is a translation of IFRS as issued at 1 January 2013 into XBRL (eXtensible Business Reporting Language). The interim release contains additional taxonomy concepts that reflect new IFRSs and improvements to IFRSs published by the IASB, thereby allowing entities wishing to report electronically using the latest IFRSs to do so without having to create their own taxonomy concepts. The interim release is designed to be part of an accelerated timeline for the release of the IFRS Taxonomy 2014. The Exposure Draft is open for comment until 11 November.

## G20 reiterates its calls for convergence

At its summit in St Petersburg in September, the Group of 20 Finance Ministers and Central Bank Governors (G20), repeated its calls for global convergence in accounting standards, urging the IASB and the US Financial Accounting Standards Board to complete their work on key outstanding projects for achieving a single set of high-quality accounting standards. The G20 declaration also encouraged the public and private sector to further their efforts in enhancing disclosures of the risks they face.

## IASB announces new staff group to focus on Disclosure Initiative

The IASB has announced the formation of a new staff group to work on its Disclosure Initiative. The IASB has been developing short and medium-term strategies to address concerns about how financial information is disclosed. The Disclosure Initiative brings together members of the IASB's standard-setting team with the eXtensible Business Reporting Language (XBRL) team, and will be led by Kristy Robinson, an IASB Technical Principal. The creation of a combined team of standard-setting and electronic reporting experts reflects the increasing importance of electronic filing of financial information. The integration of the XBRL team into the IASB's work programme also completes a major aspect of the recent strategic review of XBRL by the IFRS Foundation Trustees, who oversee the work of the IASB.

## Canadian investment funds to transition to IFRS

The Canadian Securities Administrators have announced that they have finalised changes that will transition financial reporting for investment funds to IFRS.

While the majority of Canadian companies were required to transition to IFRS as of 1 January 2011, the transition date for investment funds was deferred in order to allow for the IASB's exception from consolidation for investment companies to be in place prior to the transition. The CSA considers that the obstacles to the adoption of IFRS for these funds have been removed by the IASB's publication of 'Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)'.

## Voluntary application of IFRS in Japan

The Japanese Financial Services Agency has released proposals that would relax the requirements relating to the voluntary application of IFRS by Japanese companies.

Under the proposals, a company will no longer need to be a listed company in Japan and be conducting financial or business activities internationally. Assuming the proposals are adopted, the only remaining requirement for a Japanese company wishing to adopt IFRS would be to show that it has established an appropriate internal framework for IFRS-based consolidated financial reporting.

Relaxing the requirements for voluntary application of IFRS is expected not only to increase the number of Japanese companies that apply IFRS on a voluntary basis, but also to ensure that Japan has a voice in the development of IFRS.

## Survey finds that IFRS transition costs in Canada were manageable

A survey into the costs borne by Canadian companies in their transition from Canadian GAAP to IFRS has found that overall, the costs were significant but manageable, and broadly in line with those planned for and expected.

The study showed that, for about half of respondents, the costs of preparing and auditing financial statements under IFRS are about the same as under Canadian generally accepted accounting principles (GAAP). Others found some savings, while others found it more costly. The study also found that:

- 62% of companies' transition budgets were under $500,000
- for some, the key drivers of costs were identifying more issues than anticipated and resolving differing interpretations of IFRS
- some managed their costs by hiring employees who were well versed in IFRS, often from experience implementing IFRS abroad
- nearly all respondents said transition required little to no changes in their contracts, thus, minimal renegotiation costs
- three-quarters said they did not have to make significant changes to their IT infrastructure as systems were more flexible than had been thought.

The survey was jointly funded by the Canadian Accounting Standards Oversight Council and the IFRS Foundation.

## ACCA report on the road to real-time reporting

The Association of Chartered Certified Accountants (ACCA) has released a report 'Understanding investors: the road to real-time reporting', highlighting a demand from investors for 'real-time' reporting.

While real-time data analysis is becoming a reality for internal management teams, investors can only access periodic corporate reporting information. The ACCA's survey of 300 investors and leading figures from the investment community highlights that there is a demand for information to be available in a continuous manner, rather than at set time intervals, as at present.

## The Appraisal Foundation

The Appraisal Practices Board (APB) of the Appraisal Foundation has issued a concept paper 'Valuation Issues in Separating Tangible and Intangible Assets', to kick off a discussion that will lead to standardising valuation practices in this area.

By discussing similarities and differences, and offering voluntary guidance as to which methods and techniques may be appropriate, the APB hopes to improve the way that valuations are prepared.

# 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 January 2012. 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 January 2012**

| Title | Full title of Standard or Interpretation | Effective for accounting periods beginning on or after | Early adoption permitted? |
|---|---|---|---|
| IFRS 9 | Financial Instruments | 1 January 2015 | Yes (extensive transitional rules apply) |
| IAS 39 | Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) | 1 January 2014 | Yes |
| IAS 36 | Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36) | 1 January 2014 | Yes (but only when IFRS 13 is applied) |
| IFRIC 21 | Levies | 1 January 2014 | Yes |
| IFRS 10, 12 and IAS 27 | Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) | 1 January 2014 | Yes |
| IAS 32 | Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) | 1 January 2014 | Yes (but must also make the disclosures required by Disclosures – Offsetting Financial Assets and Financial Liabilities) |
| IFRS 10, 11 and 12 | Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance – Amendments to IFRS 10, IFRS 11 and IFRS 12 | 1 January 2013 | Yes |
| Various | Annual Improvements 2009-2011 Cycle | 1 January 2013 | Yes |
| IFRS 1 | Government Loans – Amendments to IFRS 1 | 1 January 2013 | Yes |
| IFRS 7 | Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) | 1 January 2013 | Not stated (but we presume yes) |

# Effective dates of new standards and IFRIC interpretations

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| Title | Full title of Standard or Interpretation | Effective for accounting periods beginning on or after | Early adoption permitted? |
|---|---|---|---|
| IFRIC 20 | Stripping Costs in the Production Phase of a Surface Mine | 1 January 2013 | Yes |
| 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) |
| IAS 19 | Employee Benefits (Revised 2011) | 1 January 2013 | Yes |
| IFRS Practice Statement | Management Commentary: A framework for presentation | No effective date as non-mandatory guidance | Not applicable |
| 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 |

# Open for comment

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

**Current IASB documents**

| Document type | Title | Comment deadline |
|---|---|---|
| Discussion Paper | A Review of the Conceptual Framework for Financial Reporting | 14 January 2014 |
| Exposure Draft | IFRS for SMEs: Proposed amendments to the International Financial Reporting Standard for Small and Medium-sized Entities | 3 March 2014 |