

# IFRS Alert

June 2010 - no. 06

## Example Interim Consolidated Financial Statements 2010

Distribution: International IFRS Contacts  
Firm's Head of Assurance Services  
Firm's Managing Partner  
Risk Management Advisory Committee  
International Assurance Advisory Committee  
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This alert is relevant to professional personnel in those member firms where a client's financial statements are, or will be required to be, issued under International Financial Reporting Standards (IFRS). Alerts may include an analysis made by Grant Thornton International Ltd on how IFRS should be applied in particular situations. Grant Thornton International is a membership organisation that does not practice accounting. The analysis of Grant Thornton International Ltd is therefore intended as guidance without binding effect upon preparers and engagement teams.

**Please distribute this alert within your firm as necessary.**

### Introduction

The Grant Thornton International Ltd IFRS team is pleased to make available an updated version of the *Example Interim Consolidated Financial Statements*. The 2010 version has been reviewed and updated to reflect changes in IFRSs that take effect in 2010, which impact on interim reports for 2010. The *Example Interim Consolidated Financial Statements 2010* (the 'Publication') has been developed both as an educational tool for Grant Thornton International member firms and their staff and for external distribution to clients and contacts.

The Publication illustrates interim consolidated financial statements of a company that has been preparing IFRS financial statements for several years and produces half-yearly interim reports in accordance with IAS 34 *Interim Financial Reporting* at 30 June 2010. The common approach of presenting condensed interim financial statements is adopted in the Publication.

## Updates and improvements

The format and contents of the *Example Interim Consolidated Financial Statements 2010* has been updated to enhance its usefulness, as follows:

- it now includes fictional financial information in the primary financial statements and the notes to the condensed interim financial statements to better illustrate interim financial reporting requirements
- explanatory comments to the primary financial statements and notes to the condensed interim financial statements are now presented on the opposite page of each primary financial statements and opposite the first page of the notes to the condensed interim financial statements
- in addition, the notes to the condensed interim financial statements now include references to specific requirements of IAS 34 or other IFRSs where relevant.

Another important change in the Publication is the change in the name of the reporting entity. The Publication is now based on the activities and results of Illustrative Corporation and its subsidiaries. Despite the name change, it is intended to reflect the continuation of the operations, financial statement presentation and disclosures of the reporting entity in GTT's *Example Consolidated Financial Statements 2009*. Therefore, the Publication makes references to such *Example Consolidated Financial Statements 2009* as the most recent annual financial report of the entity.

The Publication also illustrates the adoption of important changes to IFRS which take effect in 2010 and impacts interim reports for annual periods beginning on or after 1 January 2010. In particular, it features the impact of the adoption of IFRS 3 *Business Combinations* (Revised 2008). The revised standard (IFRS 3R) introduced major changes to the accounting requirements for business combinations. It retains the main features of the purchase method of accounting, now referred to as the acquisition method. Some of the key changes in IFRS 3R include recording of acquisition-related costs of the combination as an expense; the measurement of assets acquired and liabilities assumed at their acquisition-date fair values (unless IFRS 3R provides an exception and provides specific measurement rules); and recognition and measurement of contingent consideration at fair value at the acquisition date.

In May 2010, the IASB published *Improvements to IFRSs* (2010 Improvements) which made changes to a number of IFRSs including IAS 1 *Presentation of Financial Statements* (IAS 1) and IAS 34. Some of the 2010 Improvements are effective for periods beginning on or after 1 July 2010, others for periods beginning on or after 1 January 2011. Earlier application is permitted. The Publication includes comments on the potential impact of these amendments to the interim financial statements.

Our objective in preparing *Example Interim Consolidated Financial Statements 2010* is to illustrate one possible approach to interim reporting by an entity engaging in transactions that are 'typical' across a range of non-specialist sectors. However, as with any example, this illustration does not envisage every possible transaction and cannot therefore be regarded as comprehensive. For example, IAS 34 requires that the interim financial statements should explain significant events and transactions that have occurred in the interim period. The required disclosures will therefore depend on the specific circumstances. The interim financial statements should be amended, amplified or abbreviated according to the importance of the area to the financial statements as a whole. Management is responsible for the fair presentation of financial statements and therefore may find other approaches more appropriate in their specific circumstances.

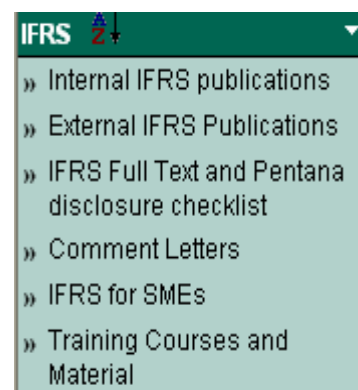
The requirements for interim reports vary significantly between jurisdictions. Entities that apply IAS 34 may also be subject to requirements imposed by law or by a stock exchange. Such requirements may include reporting

financial and other highlights, a chairman's statement, an operating and financial review, specific qualitative and quantitative disclosures and reporting deadlines. This Publication does **not** address local reporting requirements.

Attention is also drawn to the 'introduction' on page one of the document and to the disclaimer on the back page. It should be noted that no account has been taken of any new developments published after **31 May 2010**.

### **Downloading Example Interim Consolidated Financial Statements 2010**

*Example Interim Consolidated Financial Statements 2010* is available for download from the **External IFRS Publications section** under the IFRS homepage of GTInet. Simply go to [www.GTInet.org](http://www.GTInet.org)>Expertise>Services>Assurance>IFRS and access this section from the drop-down menu on your left hand side.



### **Adapting the Publication**

Member firms may wish to adapt the Publication in some way, ie by changing the language or incorporating national requirements or may include selected content in other member firm publications. The adapted document will be entirely the responsibility of the member firm. The resulting document should not be portrayed as a publication of Grant Thornton International Ltd.

The IFRS team will make available a Word version to member firms on request. Please contact the IFRS team at [ifrsqueries@gtuk.com](mailto:ifrsqueries@gtuk.com).

### **External distribution of the publication**

*Example Interim Consolidated Financial Statements 2010* can be printed and sent to clients in the post, sent by e-mail and/or included on member firm websites. It is for member firms to decide if and how they distribute the publication externally and to determine the appropriate distribution list. Any costs incurred in distribution (printing, mailing etc) will be for member firms to bear.

The document is designed to be printed double-sided. This will facilitate that comments to the primary financial statements are presented on the opposite page. For this purpose, wide page margins have been included to enable ring-binding.

The publication does not contain any contact person details. This is because it is not appropriate for member firm clients to contact the Grant Thornton International Ltd's IFRS team directly. However, member firms may wish to distribute the publication with a covering letter or email that includes local contact details (and also highlights issues which may be of particular interest in the local market). Alternatively, member firms may wish to put the publication on their website.

As a convenience for member firms we have drafted the following suggested text to include in a covering letter, e-mail or website when distributing the publication:

### **Suggested covering letter or email text**

Dear [name & address]

### **Example Interim Consolidated Financial Statements 2010**

I have pleasure in enclosing a copy of 'Example Interim Consolidated Financial Statements 2010', a publication by the IFRS team at Grant Thornton International Ltd.

Important changes to IFRS take effect in 2010, which impact interim reports. For annual periods commencing on or after 1 July 2009, IFRS 3 *Business Combinations (Revised 2008)* and IAS 27 *Consolidated and Separate Financial Statements (Revised 2008)* apply and make significant changes to the presentation, recognition and measurement of business combinations, transactions with non-controlling interests and loss of control of a subsidiary.

Furthermore, interim reports for annual periods beginning on or after 1 January 2010 are also affected by Improvements to IFRSs 2009 which made minor amendments to a number of IFRSs. The Publication illustrates interim consolidated financial statements of a company that has been preparing IFRS financial statements for several years and produces half-yearly interim reports in accordance with IAS 34 *Interim Financial Reporting* at 30 June 2010.

In order to enhance the Publication's usefulness as an educational tool, *Example Interim Consolidated Financial Statements 2010* includes explanatory notes to and comments on the application of IAS 34.

For further information on the publication or the issues raised in it, please contact [insert contact name].

Yours sincerely

[Name]

**Suggested website text**

**Example Interim Consolidated Financial Statements 2010**

Important changes to IFRS take effect in 2010, which impact interim reports. For annual periods commencing on or after 1 July 2009, IFRS 3 *Business Combinations (Revised 2008)* and IAS 27 *Consolidated and Separate Financial Statements (Revised 2008)* apply and make significant changes to the presentation, recognition and measurement of business combinations, transactions with non-controlling interests and loss of control of a subsidiary.

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For further information please contact [insert contact name].

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### **Further Information**

For further information member firm personnel may contact Grant Thornton International Ltd's IFRS team at [ifrsqueries@gtuk.com](mailto:ifrsqueries@gtuk.com).

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