Grant Thornton

Technical Accounting Alert

IFRS Annual Improvements 2010

Introduction

The IASB has published *Improvements to IFRSs* ('2010 Improvements') which makes minor amendments to nine International Financial Reporting Standards (IFRSs). This publication completes the IASB's third round of annual improvements.

Background to the 2010 improvements

The annual improvements process has been developed to address non-urgent, but necessary, minor amendments to IFRSs. Issues dealt with in this process arise from matters raised by the International Financial Reporting Interpretations Committee (IFRIC) and suggestions from staff or practitioners, and focus on areas of inconsistency in IFRSs or where clarification of wording is required. Rather than making a series of piecemeal changes during the year, the process streamlines the IASB's improvement activity by presenting the changes in a single document each year.

The 2010 Improvements reflect issues that were included in an exposure draft of proposed amendments to IFRSs published in August 2009. It also includes an amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards* applicable to entities with operations subject to rate regulation, which was included in the exposure draft *Rate-regulated Activities* published in July 2009.

Effective date

The effective date for each amendment has been included in the amended text of each of the IFRSs affected. The transitional rules vary, with some amendments requiring prospective application, while others are to be applied retrospectively. For a proper understanding of the effective date and transition requirements, reference should be made to the 2010 Improvements (the references in the table below are to the relevant paragraphs in the text of each of the IFRSs as amended by the 2010 Improvements).

IFRSs affected

The following table sets out the IFRSs that are affected by the amendments, the issue addressed, a brief description of the change and a reference to the effective date and transition requirements. Reference should be made to the 2010 Improvements for more details.

Standard affected	Issue	Summary of change	**Effective date and transition** References are to the IFRSs as amended by the 2010 Improvements
IFRS 1 *Firsttime Adoption of International Financial Reporting Standards*	Accounting policy changes in the year of adoption	Clarifies that a first-time adopter of IFRS does not apply IAS 8 to changes in accounting policies that it makes when it first adopts IFRSs or changes to those policies made during the periods covered by its first IFRS financial statements. Requires a first-time adopter to disclose and explain any changes made in its accounting policies or its use of the exemptions contained in IFRS 1 between its first IFRS interim financial report and its first IFRS financial statements.	Periods beginning on or after 1 January 2011 IFRS 1.39E
	Revaluation basis as deemed cost	The amendment extends the scope for the use of event-driven fair value. In its first IFRS 1 financial statements, a first-time adopter may recognise an event-driven fair value measurement as deemed cost, with the revaluation adjustment recognised in retained earnings. This applies even when the event occurs after the date of transition, provided that this is during the periods covered by its first IFRS financial statements. The normal IFRS 1 rules will still apply at the transition date.	Periods beginning on or after 1 January 2011 IFRS 1.39E
	Use of deemed cost for operations subject to rate regulation	Permits entities with operations subject to rate regulation to use the carrying amount of the items of property, plant and equipment or intangible assets determined under the entity's previous GAAP as deemed cost at the date of transition to IFRS.	Periods beginning on or after 1 January 2011 IFRS 1.39E

Standard affected	Issue	Summary of change	**Effective date and transition** References are to the IFRSs as amended by the 2010 Improvements
IFRS 3 *Business Combinations*	Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS	Clarifies that contingent consideration balances arising from business combinations that occurred before an entity's date of adoption of IFRS 3 (Revised 2008) shall not be adjusted on the adoption date. Also provides guidance on the subsequent accounting for such contingent consideration balances.	Periods beginning on or after 1 July 2010 IFRS 3.64C
	Measurement of non-controlling interests (NCI)	The choice of measuring NCI either at fair value or at the proportionate share in the recognised amounts of an acquiree's identifiable net assets, is now limited to NCI that are present ownership instruments and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Clarifies that all other components of NCI shall be measured at their acquisition-date fair values, unless another measurement basis is required by IFRSs.	Periods beginning on or after 1 July 2010 IFRS 3.64B
	Un-replaced and voluntarily replaced share-based payment awards	Clarifies the guidance for the accounting of share-based payment transactions of the acquiree that were voluntarily replaced by the acquirer and acquiree awards that the acquirer chooses not to replace.	Periods beginning on or after 1 July 2010 IFRS 3.64B
IFRS 7 *Financial Instruments: Disclosures*	Clarification of disclosures	Clarifies the disclosure requirements of the standard to remove inconsistencies, duplicative disclosure requirements and specific disclosures that may be misleading.	Periods beginning on or after 1 January 2011 IFRS 7.44K
IAS 1 *Presentation of Financial Statements*	Clarification of statement of changes in equity	Clarifies that entities may present the required reconciliations for each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.	Periods beginning on or after 1 January 2011 IAS 1.139F

Standard affected	Issue	Summary of change	**Effective date and transition** References are to the IFRSs as amended by the 2010 Improvements
IAS 21 *The Effects of Changes in Foreign Exchange Rates* IAS 28 *Investments in Associates* IAS 31 *Investments in Joint Ventures*	Transition requirements for amendments arising as a result of IAS 27 *Consolidated and Separate Financial Statements* (Revised 2008)	Amends the transition requirements to apply certain consequential amendments arising from the 2008 IAS 27 amendments prospectively, to be consistent with the related IAS 27 transition requirements.	Periods beginning on or after 1 July 2010 IAS 27.41E & IAS 27.58D
IAS 34 *Interim Financial Reporting*	Significant events and transactions	Aims to improve interim financial reporting by clarifying disclosures required, including the interaction with recent improvements to the requirements of IFRS 7 *Financial Instruments: Disclosures*.	Periods beginning on or after 1 January 2011 IAS 34.49
IFRIC 13 *Customer Loyalty Programmes*	Fair value of award credits	Clarifies that when the fair value of award credits is measured on the basis of the value of the awards for which they could be redeemed, the fair value of the award credits should take account of expected forfeitures as well as discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale.	Periods beginning on or after 1 January 2011 IFRIC.10A

Further information

For further information on any of the information included in this TA alert, please contact your local Grant Thornton Australia contact or a member of the National Audit Support team at NAS@grantthornton.com.au