Grant Thornton

Technical Accounting Alert

2009 – 2011 Annual Improvements published

Introduction

The IASB has published *Annual Improvements 2009-2011 Cycle*. The publication is a collection of amendments to IFRSs resulting from issues that were discussed by the IASB during the project cycle for making annual improvements that began in 2009, and which were subsequently included in an exposure draft published in June 2011.

The IASB uses the Annual Improvements process to make necessary, but non-urgent, amendments to IFRSs that will not be included as part of any other project. By presenting the amendments in a single document rather than as a series of piecemeal changes, the IASB aims to ease the burden of change for all concerned.

Effective date

The Australian Accounting Standards Board (AASB) is expected to make these amendments to the various AASB accounting standards shortly.

The amendments to IFRSs contained in *Annual Improvements 2009-2011 Cycle* are effective for annual periods beginning on or after 1 January 2013, although entities are permitted to apply them earlier.

IFRSs affected

The following table sets out the IFRSs that are affected by the amendments, the issue addressed and a brief description of the change.

Standard affected	**Subject**	**Summary of amendment**
IFRS 1/AASB 1 First-time Adoption of International Financial Reporting Standards	Repeated application of IFRS 1	• addresses the question of whether IFRS 1 can be applied more than once • clarifies that in a situation where an entity readopts IFRSs, it can elect to either apply IFRS 1 or apply IFRSs retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' as if the entity had never stopped

		applying IFRSs • such a situation might occur where an entity was previously required to apply IFRS in order to meet listing requirements in a foreign jurisdiction but then delists and no longer presents financial statements in accordance with IFRSs. In a subsequent reporting period, the reporting requirements in the entity's local jurisdiction then change from national GAAP to IFRSs, requiring it to present its financial statements in accordance with IFRSs again.
	Borrowing costs	Addresses situations where an entity chooses to apply IFRS 1's exemption from the requirements of IAS 23 'Borrowing Costs', clarifying that: • borrowing costs that were capitalised before the date of transition in accordance with previous GAAP should be carried forward in the opening statement of financial position • borrowing costs incurred after the date of transition in relation to qualifying assets under construction at the date of transition should be accounted for in accordance with IAS 23 • where a first-time adopter chooses to apply the requirements of IAS 23 from a date earlier than the date of transition, it should account for borrowing costs in accordance with IAS 23 on or after the earlier date selected.
IAS 1/AASB 101 Presentation of Financial Statements	Clarification of the requirements for comparative information	The amendment covers two issues: 1) Opening statement of financial position • addresses the comparative requirements for the opening statement of financial position when an entity changes accounting policies,

		or makes retrospective restatements or reclassifications, in accordance with IAS 8 • clarifies that the appropriate date for the opening statement of financial position is the beginning of the preceding period. Related notes to this opening statement of financial position are no longer required to be presented. 2) Comparative information beyond minimum requirements • addresses whether an entity should be required to present a complete set of financial statements when it provides financial statements beyond the minimum comparative information requirements (ie additional comparative information) • clarifies that additional financial statement information need not be presented in the form of a complete set of financial statements for periods beyond the minimum requirements. Any additional information presented should however be presented in accordance with IFRSs and the entity should present comparative information in the related notes for that additional information.
IAS 16/AASB 116 Property, Plant and Equipment	Classification of servicing equipment	• addresses a perceived inconsistency in the classification requirements for servicing equipment which had led some to think that servicing equipment used during more than one period would be classified as part of inventory • the amendment clarifies that items such as spare parts, stand-by equipment and servicing equipment shall be recognised as property, plant and equipment when they meet the definition of property, plant and equipment. If they do not meet this

		definition they are classified as inventory.
IAS 32/AASB 132 Financial Instruments: Presentation	Tax effect of distribution to holders of equity instruments	• addresses perceived inconsistencies between IAS 12 'Income Taxes' and IAS 32 with regards to recognising the consequences of income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction • clarifies that the intention of IAS 32 is to follow the requirements in IAS 12 for accounting for income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction. IAS 12 requires the recognition of the income tax consequences of dividends in profit or loss except to the extent that the tax arises from a business combination or from a transaction which is recognised outside profit or loss (either in other comprehensive income or directly in equity).
IAS 34/AASB 134 Interim Financial Reporting	Interim financial reporting and segment information for total assets and liabilities	• clarifies the requirements on segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in paragraph 23 of IFRS 8 'Operating Segments' • The amendment clarifies that the total assets and liabilities for a particular reportable segment are required to be disclosed if, and only if: (a) a measure of total assets or of total liabilities (or both) is regularly provided to the chief operating decision maker; and (b) there has been a material change from those measures disclosed in the last annual financial statements for that reportable segment.

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 nationalaudit.support@au.gt.com.