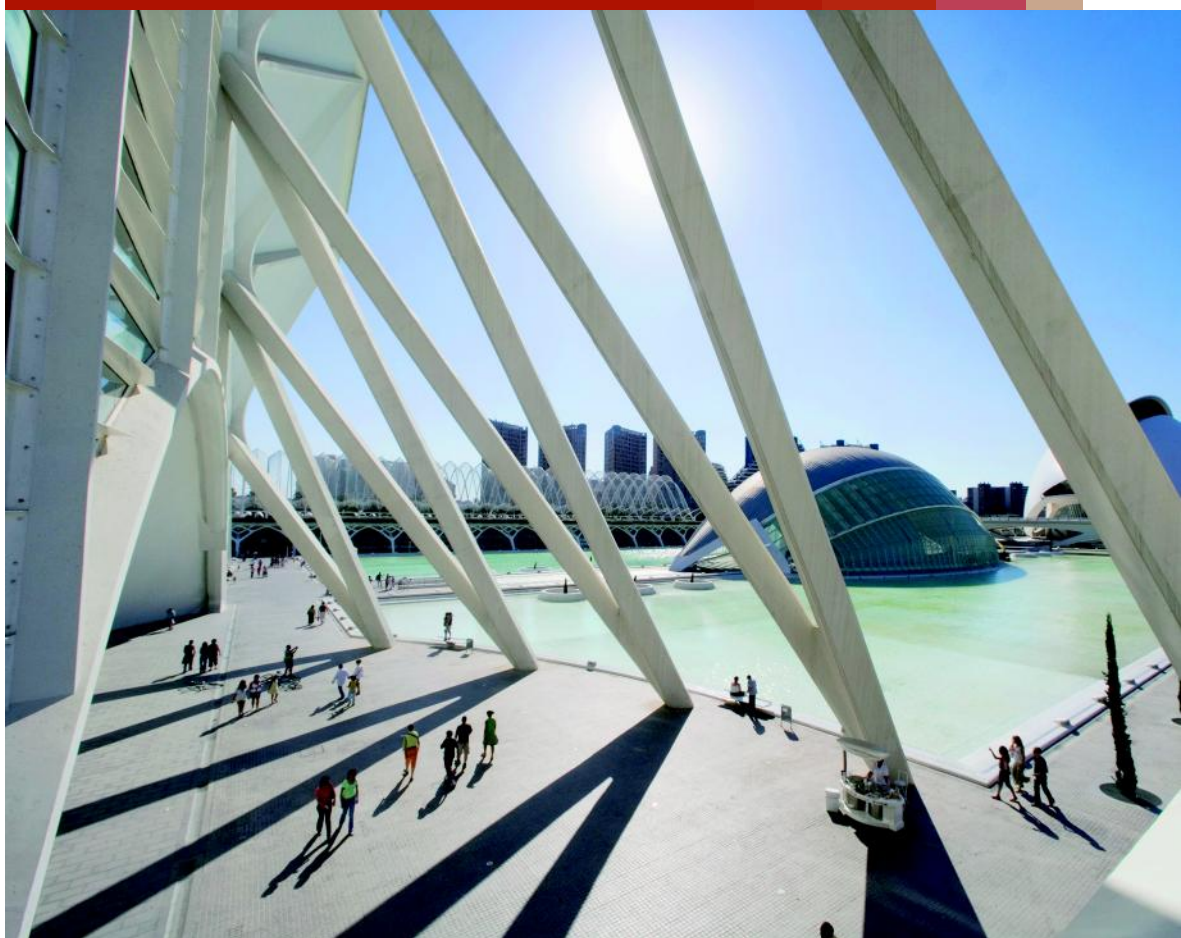


A practical guide to new IFRSs for 2011

March 2011



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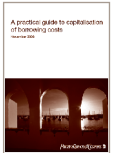
IFRS technical publications



Manual of accounting – IFRS 2011

Global guide to IFRS providing comprehensive practical guidance on how to prepare financial statements in accordance with IFRS. Includes hundreds of worked examples and extracts from company accounts. The Manual is a three-volume set comprising:

- Manual of accounting – IFRS 2011
- Manual of accounting – Financial instruments 2011
- Illustrative IFRS corporate consolidated financial statements for 2010 year ends



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Guidance in question and answer format addressing the challenges of applying IAS 23R, including how to treat specific versus general borrowings, when to start capitalisation and whether the scope exemptions are mandatory or optional.



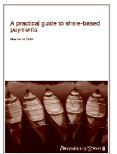
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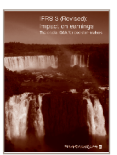
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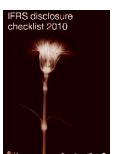
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Explains the requirements of IAS 39, providing answers to frequently asked questions and detailed illustrations of how to apply the requirements to traditional and innovative structures.



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Guide aimed at finance directors, financial controllers and deal-makers, providing background to the standard, impact on the financial statements and controls, and summary differences with US GAAP.



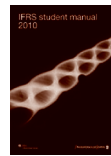
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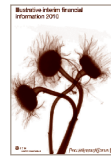
IFRS pocket guide 2010

Provides a summary of the IFRS recognition and measurement requirements. Including currencies, assets, liabilities, equity, income, expenses, business combinations and interim financial statements.



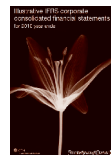
IFRS student manual 2010

Designed as a practical guide to IFRS for researchers, teachers, students and those studying for professional exams. Includes worked examples and illustrations from real IFRS financial statements.



Illustrative interim financial information 2011

Illustrative information, prepared in accordance with IAS 34, reflecting standards issued up to March 2011. Includes a disclosure checklist, IAS 34 application guidance and an appendix for first-time adopters.



Illustrative IFRS corporate consolidated financial statements for 2010 year ends

Illustrative set of consolidated financial statements for an existing preparer of IFRS. Includes appendices with disclosures for first-time adopters, and for IFRS 9. Included with 'Manual of accounting – IFRS 2011'; also available separately.



Illustrative consolidated financial statements

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- Banking, 2009
- Investment funds, 2009
- Private equity, 2009
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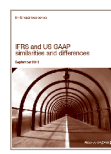
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Contents

	Page
Introduction	2
1. New and amended standards	
Financial instruments:	
• Classification of rights issues – IAS 32 amendment	4
• Disclosures on transfers of financial assets – IFRS 7 amendment	5
• Classification and measurement of financial assets – IFRS 9	6
• Classification and measurement of financial liabilities – IFRS 9	8
Deferred tax accounting for investment property at fair value – IAS 12 amendment	11
Related-party disclosures – IAS 24 amendment	13
First-time adoption:	
• Financial instrument disclosures – IFRS 1 amendment	15
• Severe hyperinflation and effective dates – IFRS 1 amendments	16
2. New and amended interpretations	
Pre-payments of a minimum funding requirement – IFRIC 14 amendment	18
Extinguishing financial liabilities with equity instruments – IFRIC 19	19
3. Annual improvements project 2010	21

Introduction

This publication is a practical guide to the new IFRS standards and interpretations that come into effect in 2011. Significant changes to IFRS are due to be published in 2011, but there is a relatively small number of changes that come into effect for 2011 year ends: a new financial instrument standard, an IFRIC, a number of amendments to standards and the annual improvements project.

IFRS 9, 'Financial instruments', was reissued in 2010 to include guidance on financial liabilities and derecognition of financial instruments. This material was relocated from IAS 39, 'Financial instruments: Recognition and measurement', without change, except for financial liabilities that are designated at fair value through profit or loss. The rules on the classification and measurement of financial assets were previously published in the earlier version of IFRS 9. The standard is being added to as the IASB endorses different phases of the project to replace IAS 39. The reissued IFRS 9 applies to 2013 year ends but can be adopted with immediate effect (subject to EU endorsement for European entities).

Only one IFRIC – IFRIC 19, 'Extinguishing financial liabilities with equity instruments'

– comes into effect in 2011. It clarifies the accounting when an entity renegotiates the terms of its debt when the liability is extinguished by the debtor issuing its own equity. It applies from 1 July 2010.

Two further amendments that have effective dates in 2010 will impact 2011 year ends. Amendments to IAS 32, 'Financial instruments: Presentation', on classification of rights issues and amendment to IFRS 1, 'First-time adoption of IFRS', on financial instrument disclosures. Amendments that apply from 1 January 2011 include an amendment to IAS 24, 'Related party disclosures', and an amendment to IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'.

The IASB's 2010 annual improvements project have affected a number of standards. Some of the changes address inconsistency in terminology between the standards; others will impact certain entities and therefore need careful consideration.

The table on p3 summarises the implementation dates for the new and amended IFRSs that are considered in more detail in the pages that follow.

Standard	Adopted by EU	Early-adoption status	Page
Changes that apply from 1 February 2010			
Amendments to IAS 32, 'Financial instruments: Presentation', on classification of rights issues	✓	N/A	4
Changes that apply from 1 July 2010			
Amendment to IFRS 1, 'First-time adoption', on financial instrument disclosures	✓	N/A	15
IFRIC 19, 'Extinguishing financial liabilities with equity instruments'	✓	N/A	19
Annual improvements 2010			
Amendment to IAS 27, 'Consolidated and separate financial statements'	✓	N/A	21
Amendment to IFRS 3, 'Business combinations' – contingent consideration	✓	N/A	23
Amendment to IFRS 3, 'Business combinations' – share-based payment transactions	✓	N/A	24
Amendment to IFRS 3, 'Business combinations' – non-controlling interests	✓	N/A	23
Changes that apply from 1 January 2011			
Amendment to IAS 24, 'Related party disclosures'	✓	Early adoption is permitted	13
Amendment to IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'	✓	Early adoption is permitted	18
Annual improvements 2010			
Amendment to IAS 1, 'Presentation of financial statements'	✓	Early adoption is permitted	21
Amendment to IAS 34, 'Interim financial reporting'	✓	Early adoption is permitted	21
Amendment to IFRS 1, 'First-time adoption' – interim information	✓	Early adoption is permitted	22
Amendment to IFRS 1, 'First-time adoption' – deemed cost exemption	✓	Early adoption is permitted	22
Amendment to IFRS 1, 'First-time adoption' – rate-regulated entities	✓	Early adoption is permitted	23
Amendment to IFRS 7, Financial instruments: Disclosures' – nature and extent of risks arising from financial instruments	✓	Early adoption is permitted	24
Amendment to IFRIC 13, 'Customer loyalty programmes' – fair value	✓	Early adoption is permitted	24
Changes that apply from 1 July 2011			
Amendment to IFRS 1, 'First-time adoption' – exemption for severe hyperinflation and removal of fixed dates		Early adoption is permitted	16
Amendment to IFRS 7, 'Financial instruments: Disclosures' – disclosures on transfers of financial assets		Early adoption is permitted	5
Changes that apply from 1 January 2012			
Amendment to IAS 12, 'Income taxes' – deferred tax accounting for investment properties		Early adoption is permitted	11
Changes that apply from 1 January 2013			
IFRS 9, 'Financial instruments' – classification of financial assets and financial liabilities		Early adoption is permitted	6

*Effective date: Annual periods starting 1 July 2009

Financial instruments

Classification of rights issues – IAS 32 amendment

'Classification of rights issues – an amendment to IAS 32' was published on 8 October 2009. The amendment recognises that the previous requirement to classify foreign-currency-denominated rights issued to all existing shareholders on a pro rata basis as derivative liabilities is not consistent

with the substance of the transaction, which represents a transaction with owners acting in their capacity as such. The amendment therefore creates an exception to the 'fixed for fixed' rule in IAS 32 and requires rights issues within the scope of the amendment to be classified as equity.

Effective date

Annual periods beginning on or after 1 February 2010. It should be applied retrospectively. Early adoption is permitted.

EU adoption status

Adopted by the European Commission on 24 December 2009.

What is a rights issue?

A rights issue is used as a means of capital-raising whereby an entity issues a right, option or warrant to all existing shareholders of a class of equity on a pro rata basis to acquire a fixed number of additional shares at a fixed strike price. The strike price is usually set below current market share price, and shareholders are economically compelled to exercise the rights so that their interest in the entity is not diluted. Rights issues are not used for speculative purposes and are required by laws or regulations in many jurisdictions when raising capital.

Why new guidance now?

Rights issues have become popular in the current environment due to liquidity constraints on the markets. Entities listed in different jurisdictions are normally required by laws or regulations to issue rights denominated in respective local currencies. Unfortunately, a fixed

strike price in other than the entity's functional currency violates 'fixed for fixed' equity classification criterion in IAS 32 and hence results in the instrument being classified as a derivative liability measured at fair value through profit or loss. Given that rights issues are usually relatively large transactions, this would have a substantial effect on entities' financial statements.

What does the amendment require?

The IASB recognised that classifying foreign-currency-denominated rights issued to all existing shareholders on a pro rata basis as derivative liabilities was not consistent with the substance of the transaction, which represents a transaction with owners acting in their capacity as such. The amendment therefore created an exception to the 'fixed for fixed' rule in IAS 32 and required rights issues within the scope of the amendment to be classified as equity.

What is the scope of the new guidance?

The scope is narrow and applies only to pro rata rights issues to all existing shareholders in a class. It does not extend to long-dated foreign currency rights issues or foreign-currency-denominated convertible bonds. For these instruments, the option to acquire the issuer's equity will continue to be accounted for as a derivative liability, with fair value changes recorded in profit or loss.

How will this change current practice?

Rights issues are now required to be classified as equity if they are issued for a fixed amount of cash regardless of the currency in which the exercise price is denominated, provided they are offered on a pro rata basis to all owners of the same class of equity. Unlike derivative liabilities, equity instruments are not subsequently re-measured at fair value through profit or loss. The accounting is therefore less complex, and there is less volatility in profit or loss.

Disclosures on transfers of financial assets – IFRS 7 amendment

The IASB issued an amendment to IFRS 7 on 8 October 2010. The amendment

requires greater disclosure of transferred financial assets.

Effective date

Annual periods beginning on or after 1 July 2011. Comparative information is not needed in the first year of adoption.

EU adoption status

Not adopted by the European Commission at the time of going to print. Expected to be adopted Q2 2011.

How extensive are the new requirements?

The new disclosure requirements apply to transferred financial assets. An entity transfers a financial asset when it transfers the contractual rights to receive cash flows of the asset to another party – for example, on the legal sale of a bond. Alternatively, a transfer takes place when the entity retains the contractual rights of the financial asset but assumes a contractual obligation to pay the cash flows on to another party, as is often the case when factoring trade receivables.

The amendment has different requirements for the following two categories:

- transferred assets that are not derecognised in their entirety (for example, in a typical sale and repurchase ('repo') of a security for a fixed price, or on the transfer of assets to securitisation vehicles that are consolidated by the transferor); and
- certain transferred assets that are

derecognised in their entirety (for example, factoring of trade receivables with no recourse).

The amendment requires only minor additional disclosure for the first category; however, the new disclosure requirements for the second category could be extensive.

What are the disclosure requirements for the transferred assets that are not derecognised?

The required disclosures for these financial assets add to those already in IFRS 7. There are only two new requirements:

- a description of the nature of the relationship between the transferred assets and the associated liabilities should be provided, including restrictions arising from the transfer on the reporting entity's use of the transferred assets; and
- when the counterparty to the associated liabilities has recourse only to the transferred assets, a schedule should be given that sets out the fair value of the transferred assets, the fair value of the associated liabilities and the net position.

What are the disclosure requirements for the transferred assets that are derecognised in their entirety?

The new disclosure requirements for derecognised financial assets apply only where the entity has a 'continuing involvement', which may not occur frequently in practice. This is where, as part of the transfer, the entity retains any of the contractual rights or obligations inherent in the derecognised financial asset or obtains any new contractual rights or obligations relating to the transferred financial asset.

The new disclosures are mainly about the entity's continuing involvement. They include disclosure of:

- the carrying amount and fair value of the continuing involvement;
- the maximum exposure to loss from the continuing involvement;
- any future cash outflows to repurchase the derecognised assets (for example, the strike price in an option agreement) and a maturity analysis of those cash outflows;
- a description of the nature and purpose of the continuing involvement and the risk the entity remains exposed to;
- the gain or loss at date of derecognition;
- the income and expense recognised from the continuing involvement (current and cumulative); and
- whether transfer activity is unevenly distributed in the period.

IFRS 9, 'Financial instruments'

Effective date

Annual periods starting 1 January 2013. Early adoption is permitted from 12 November 2009 (see detail below). However, the IASB is consulting – at the time of going to print – on the effective dates of a number of standards. The effective date of IFRS 9 may therefore change.

EU adoption status

Not adopted by the European Commission at the time of going to print.

IFRS 9, 'Financial instruments', replaces IAS 39, 'Financial instruments: Recognition and measurement'. It generally applies retrospectively, with some exceptions. Comparative information is not required to be adjusted retrospectively for adoptions before 2012.

If an entity early adopts IFRS 9, it will not

be required to early adopt subsequent stages in the IAS 39 replacement project – that is, impairment and hedging. This is to facilitate early adoption of IFRS 9. However, if an entity chooses to early adopt any of the subsequent stages, it will be required to early adopt all preceding stages from the same date.

Classification and measurement of financial assets

How are financial assets to be measured?

IFRS 9 requires all financial assets to be measured at either amortised cost or full fair value. Amortised cost provides decision-useful information for financial assets that are held primarily to collect cash flows that represent the payment of principal and interest. For all other financial assets, including those held for trading, fair value is the most relevant measurement basis.

What determines classification?

IFRS 9 introduces a two-step classification approach. First, an entity considers its business model – that is, whether it holds the financial asset to collect contractual cash flows rather than to sell it prior to maturity to realise fair value changes. If the latter, the instrument is measured at fair value through profit or loss. If the former, an entity further considers the contractual cash flow characteristics of the instrument.

What is a contractual cash flow characteristics test?

A financial asset within a qualifying business model will be eligible for amortised cost accounting if the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time.

Any leverage feature increases the variability of the contractual cash flows with the result that they do not have the economic characteristics of interest. If a contractual cash flow characteristic is not genuine, it does not affect the classification of a financial asset. A cash flow characteristic is not genuine if it affects the instrument's contractual cash flows only on the occurrence of an event that is extremely rare, highly abnormal and very unlikely to occur.

What are common features that would generally pass the cash flow characteristics test?

- Unleveraged linkage to an inflation index in the currency in which the financial asset is denominated.
- Multiple extension options (for example, a perpetual bond).
- Call and put options if they are not contingent on future events, and the pre-payment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for the early termination of the contract.
- Interest rate caps, floors and collars that effectively switch the interest rate from fixed to variable and vice versa.
- In a variable rate financial asset, a borrower option to choose a rate at each interest rate reset day as long as the rate compensates the lender for the time value of money (for example, an option to pay three-month LIBOR for a three-month term or one-month LIBOR for a one-month term).

What are common features that would generally fail the cash flow characteristics test?

- Linkage to equity index, borrower's net income or other variables.
- Inverse floating rate.
- Call option at an amount not reflective of outstanding principal and interest.
- Issuer is required or can choose to defer interest payments and additional interest does not accrue on those deferred amounts.
- In a variable rate financial asset, a borrower option to choose a rate at each interest rate reset day such that the rate does not compensate the lender for the time value of money (for example, an option to pay one-month LIBOR for a three-month term and one-month LIBOR is not reset each month).
- A variable rate that is reset periodically but always reflects a five-year maturity in a five-year constant maturity bond (that is, the rate is disconnected with the term of the instrument except at origination).
- An equity conversion option in a debt host (from a holder perspective).

Are reclassifications permitted?

Classification of financial assets is determined on initial recognition. Subsequent reclassification is permitted only in those rare circumstances when there is a change to the business model within which the financial asset is held. In such cases, reclassification of all affected financial assets is required.

IFRS 9 specifies that changes in business model are expected to be very infrequent, should be determined by the entity's senior management as a result of external or internal changes, should be significant to the entity's operations and demonstrable to external parties.

For example, an entity has a portfolio of commercial loans that it holds to sell in the short term. The entity acquires a company that manages commercial loans and has a business model that holds the loans in order to collect the contractual cash flows. The portfolio of commercial loans is no longer for sale, and the portfolio is now managed together with the acquired commercial loans; all are held to collect the contractual cash flows.

Another example of a change in the business model is where an entity decides to shut down a line of service (for example, a retail mortgage business). The line of service does not accept new business, and the affected portfolio is being actively marketed for sale.

IFRS 9 indicates that changes in intentions with respect to individual instruments, temporary disappearance of a particular market or transfers of instrument between business models do not represent a change in business model.

What does this mean for equity investments?

Equity investments do not demonstrate contractual cash flow characteristics of principal and interest; they are therefore accounted for at fair value. However, IFRS 9 provides an option to designate a non-trading equity investment at fair value through profit or loss or at fair value through other comprehensive income. The designation is available on an instrument-by-instrument basis and only on initial recognition. Once made, the designation is irrevocable.

All realised and unrealised fair value gains and losses follow the initial designation, and there is no recycling of fair value gains and losses recognised in other comprehensive income to profit or loss. Dividends that represent a return on investment from equity investments will continue to be recognised in profit or loss regardless of the designation.

Can an equity investment be measured at cost where no reliable fair value measure is available?

IFRS 9 removes the cost exemption for unquoted equities and derivatives on unquoted equities but stipulates that, in certain circumstances, cost may be an appropriate estimate of fair value. This may be the case where insufficient

recent information is available or where there is a wide range of possible fair value measurements. Cost will not be an appropriate estimate of fair value if there are changes in investee circumstances, markets or wider economy, or if there is evidence from external transactions or for investments in quoted equity instruments. To the extent factors exist that indicate cost might not be representative of fair value, the entity should estimate fair value.

What does this mean for hybrid contracts?

IFRS 9 requires financial assets to be classified in their entirety. Hybrid contracts are those instruments that contain a financial or non-financial host and an embedded derivative. Hybrid contracts within the scope of IFRS 9 – that is, hybrid contracts with financial asset hosts – are assessed in their entirety against the two classification criteria. Hybrid contracts outside the scope of IFRS 9 are assessed for bifurcation under IAS 39. In many cases, hybrid contracts may fail the contractual cash flow characteristic test and should therefore be measured at fair value through profit or loss.

Is a fair value option available?

Two of the existing three fair value option criteria currently in IAS 39 become obsolete under IFRS 9, as a fair-value-driven business model requires fair value accounting, and hybrid contracts are classified in their entirety. The remaining fair value option condition in IAS 39 is carried forward to the new standard – that is, management may still designate a financial asset as at fair value through profit or loss on initial recognition if this significantly reduces recognition or measurement inconsistency, commonly referred to as ‘an accounting mismatch’. The designation at fair value through profit or loss will continue to be irrevocable.

Classification and measurement of financial liabilities

How are financial liabilities to be measured?

Financial liabilities are measured at amortised cost unless they are required to

be measured at fair value through profit or loss or an entity has chosen to measure a liability at fair value through profit or loss.

What determines classification?

The classification and measurement of financial liabilities under IFRS 9 remains unchanged from the guidance in IAS 39 except where an entity has chosen to measure a liability at fair value through profit or loss. There continue to be two measurement categories for financial liabilities: fair value and amortised cost. Certain liabilities are required to be at fair value through profit or loss, such as liabilities held for trading and derivatives. Other liabilities are measured at amortised cost unless the entity elects the fair value option; however, if the liability contains embedded derivatives, the embedded derivatives might be required to be separated and measured at fair value through profit or loss.

What is the accounting for financial liabilities that are required to be at fair value through profit and loss?

Financial liabilities that are required to be measured at fair value through profit or loss (as distinct from those that the entity has chosen to measure at fair value through profit or loss) continue to have all fair value movements recognised in profit or loss, with none of the fair value movement recognised in 'other comprehensive income' (OCI). This includes all derivatives (such as foreign currency forwards or interest rate swaps), or an entity's own liabilities that are 'held for trading'. Similarly, financial guarantees and loan commitments that entities choose to measure at fair value through profit or loss will have all fair value movements in profit or loss.

What is the accounting for financial liabilities that an entity chooses to account for at fair value?

IFRS 9 changes the accounting for financial liabilities that an entity chooses to account for at fair value through profit or loss, using the fair value option. For such liabilities, changes in fair value related to changes in own credit risk are presented separately in OCI.

However, if presenting the changes in own credit of a financial liability in OCI would create an accounting mismatch in profit or loss, all fair value movements are recognised in profit or loss.

The accounting mismatch must arise due to an economic relationship between the financial liability and a financial asset that results in the liability's credit risk being offset by a change in the fair value of the asset.

The accounting mismatch:

- is required to be determined when the liability is first recognised;
- is not reassessed subsequently; and
- must not be caused solely by the measurement method that an entity uses to determine the changes in a liability's credit risk.

Use of this exemption from the requirement to present movements in the own credit risk of a liability in OCI is expected to be rare.

What are the eligibility criteria for the fair value option?

The eligibility criteria for the fair value option remain the same; they are based on whether:

- the liability is managed on a fair value basis;
- electing fair value will eliminate or reduce an accounting mismatch; or
- the instrument is a hybrid contract (that is, it contains a host contract and an embedded derivative) for which separation of an embedded derivative would be required.

What might be a common reason for electing the fair value option?

A common reason is where entities have embedded derivatives that they do not wish to separate from the host liability. In addition, entities may elect the fair value option for liabilities that give rise to an accounting mismatch with assets that are required to be held at fair value through profit or loss.

Have there been any changes in the accounting for embedded derivatives?

The existing guidance in IAS 39 for embedded derivatives has been retained in this new part of IFRS 9. Entities are still required to separate derivatives embedded in financial liabilities where they are not closely related to the host contract – for example, a structured note where the interest is linked to an equity index. The separated embedded derivative continues to

be measured at fair value through profit or loss, and the residual debt host is measured at amortised cost. The accounting for embedded derivatives in non-financial host contracts also remains unchanged.

Is the treatment of derivatives embedded in financial liabilities symmetrical to the treatment of derivatives embedded in financial assets?

No. The existing embedded derivative guidance in IAS 39 is retained in IFRS 9 for financial liabilities and non-financial instruments. This results in some embedded derivatives still being separately accounted for at fair value through profit or loss. However, embedded derivatives are no longer separated from financial assets. Instead, they are part of the contractual terms that are considered in determining whether the entire financial asset meets the contractual cash flow test (that is, the instrument has solely payments of principal and interest) to be measured at amortised cost or whether it should be measured at fair value through profit or loss.

How are financial liabilities at fair value to be measured?

Entities will need to calculate the amount of the fair value movement that relates to the credit risk of the liability. IFRS 7 already requires disclosure of the amount of fair value changes that are attributable to own credit risk for liabilities designated at fair value through profit or loss. The existing guidance on how to calculate own credit risk in IFRS 7 is retained but has been relocated to IFRS 9, and some aspects have been clarified.

How can own credit risk be determined?

This can be determined as either:

- the amount of fair value change not attributable to changes in market risk (for example, benchmark interest rates) – this is often referred to as the default method; or
- an alternative method that the entity believes more faithfully represents the changes in fair value due to ‘own credit’ (for example, a method that calculates credit risk based on credit default swap rates).

IFRS 9 clarifies that if the changes in fair value arising from factors other than changes in the liability’s credit risk or changes in observed interest rates (that is, benchmark rates such as LIBOR) are significant, an entity is required to use an alternative method and may not use the default method. For example, changes in the fair value of a liability might arise due to changes in value of a derivative embedded in that liability rather than changes in benchmark interest rates. In that situation, changes in the value of the embedded derivative should be excluded in determining the amount of own credit risk that is presented in OCI.

The expanded guidance in IFRS 9 confirms that the credit risk of a liability with collateral is likely to be different from the credit risk of an equivalent liability without collateral issued by the same entity.

It also clarifies that unit-linking features usually give rise to asset performance risk rather than credit risk – that is, the value of the liability changes due to changes in value of the linked asset(s) and not because of changes in the own credit risk of the liability. This means that changes in the fair value of a unit-linked liability due to changes in the fair value of the linked asset will continue to be recognised in the income statement: they are not regarded as being part of the own credit risk of the liability that is recognised in OCI.

What is the impact of the changes on the presentation of financial liabilities?

Elements of the fair value movement of the liability are presented in different parts of the performance statement; changes in own credit risk are presented in OCI, and all other fair value changes are presented in profit or loss. This means that the amount of the overall fair value movement does not change, but it is presented in separate sections of the statement of comprehensive income.

Amounts in OCI relating to own credit are not recycled to the income statement even when the liability is derecognised and the amounts are realised. However, the standard does allow transfers within equity.

Deferred tax accounting for investment property at fair value – IAS 12 amendment

The IASB amended IAS 12, 'Income taxes', to introduce an exception to the existing principle for the measurement of deferred

tax assets or liabilities arising on investment property measured at fair value.

Effective date

Annual periods beginning on or after 1 January 2012. Early adoption is permitted.

EU adoption status

Not adopted by the European Commission at the time of going to print. Expected to be adopted Q3 2011.

Why was this amendment needed?

The current principle in IAS 12 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way that management expects to recover or settle the carrying amount of the entity's assets or liabilities. For example, management may expect to recover an asset by using it, by selling it or by a combination of use and sale. Management's expectations can affect the measurement of deferred taxes when different tax rates or tax bases apply to the profits generated from using and selling the asset.

The IASB believes that entities holding investment properties that are measured at fair value sometimes find it difficult or subjective to estimate how much of the carrying amount will be recovered through rental income (that is, through use) and how much will be recovered through sale, particularly when there is no specific plan for disposal at a particular time.

Key provisions

The IASB has added another exception to the principles in IAS 12: the rebuttable presumption that investment property measured at fair value is recovered entirely by sale. The rebuttable presumption also applies to the deferred tax liabilities or assets that arise from investment properties acquired in a business combination, if the acquirer subsequently uses the fair value model to measure those investment properties.

The presumption of recovery entirely by sale is rebutted if the investment property is depreciable (for example, buildings, and land held under a lease) and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The presumption cannot be rebutted for freehold land that is an investment property, because land can only be recovered through sale.

The amendments also incorporate SIC 21, 'Income taxes – Recovery of revalued non-depreciable assets', into IAS 12, although this guidance will not be applied to investment property measured at fair value. The SIC 21 guidance has been included because it is applied by analogy in a number of situations.

What are the transition implications?

The amendment is effective for annual periods beginning on or after 1 January 2012. Management can elect to early adopt the amendment for financial years ending 31 December 2010. Entities should apply the amendment retrospectively in accordance with IAS 8, 'Accounting policies, changes in accounting estimates and errors'.

Who does the amendment affect?

All entities holding investment properties measured at fair value in territories where there is no capital gains tax or where the capital gains rate is different from the income tax rate (for example, Singapore, New Zealand, Hong Kong and South Africa) will be significantly affected. The amendment is likely to reduce significantly the deferred tax assets and liabilities recognised by these entities. It will also mean that, in jurisdictions where there is no capital gains tax, there will often be no tax impact of changes in the fair value of investment properties. It might be necessary for management to reconsider recoverability of an entity's deferred tax assets because of the changes in the recognition of deferred tax liabilities on investment properties, and to consider the impact of the amendment on previous business combinations.

Related-party disclosures – IAS 24 amendment

IAS 24, 'Related-party transactions', was amended in November 2009. The revised standard removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. It also clarifies and simplifies the definition of a related party.

The previous version of IAS 24 did not contain any specific guidance for government-related entities. They were therefore required to disclose transactions with the government and other government-related entities. This requirement was onerous in territories with pervasive government control; it placed a significant burden on entities to identify related-party transactions and collect the information required to make the disclosures. For

example, a government-controlled railway was theoretically required to disclose details of its transactions with the post office. This information was not necessarily useful to users of the financial statements and was costly and time-consuming to collect.

The financial crisis widened the range of entities subject to related-party disclosure requirements. The financial support provided by governments to financial institutions in many countries means that the government now controls or significantly influences some of those entities. A government-controlled bank, for example, would be required to disclose details of its transactions, deposits and commitments with all other government-controlled banks and with the central bank.

Effective date

Annual periods beginning on or after 1 January 2011. Earlier adoption is permitted either for the entire standard or for the reduced disclosures for government-related entities.

EU adoption status

Adopted by the European Commission on 19 July 2010.

What is the definition of a government-related entity?

Government-related entities are now defined as entities that are controlled, jointly controlled or significantly influenced by a government.

What disclosures are government-related entities required to make?

The amendment introduces an exemption from the disclosure requirements of IAS 24 for transactions between government-related entities and the government, and all other government-related entities. Those disclosures are replaced with a requirement to disclose:

- the name of the government and the nature of the relationship;
- the nature and amount of any individually-significant transactions; and
- a qualitative or quantitative indication of the extent of any collectively-significant transactions.

What is the impact of the change in disclosure requirements?

This is a significant relaxation of the disclosure requirements and should be of substantial benefit to government-related entities. The complexity and volume of the disclosures in the financial statements and the costs of record-keeping will be reduced. The new disclosures will provide more meaningful information about the nature of an entity's relationship with the government.

Why has the definition of a related party changed?

The previous definition of a related party was complicated and contained a number of inconsistencies. These inconsistencies meant, for example, that there were situations in which only one party to a

transaction was required to make related-party disclosures. The definition has been amended to remove such inconsistencies and to make it simpler to apply.

What is the impact of the amended definition?

While the new definition will make the definition of a related party easier to apply, some entities will be required to make additional disclosures.

The entities that are most likely to be affected are those that are part of a group that includes both subsidiaries and associates, and entities with shareholders that are involved with other entities. For example, a subsidiary is now required to disclose transactions with an associate of its parent. Similarly, disclosure is required of transactions between two entities where both entities are joint ventures (or one is an associate and the other is a joint venture) of a third entity. In addition, an entity that is controlled by an individual that is part of the key management personnel of another entity is now required to disclose transactions with that second entity.

What next steps should management consider?

Management of government-related entities should consider whether they wish to adopt the amendment early. Early adoption is likely to be attractive for many entities, but management intending to adopt early should also consider the revised disclosure requirements and put in place procedures to collect the required information. EU entities cannot currently apply the amendment because the European Commission has not yet adopted it.

Management of all entities should consider the revised definition to determine whether any additional disclosures will be required and put in place procedures to collect that information.

First-time adoption – IFRS 1 amendments

Financial instrument disclosures

The IASB has issued an amendment to IFRS 1, 'First-time adoption of IFRS', to provide first-time adopters with the same

transition relief that existing IFRS preparers received in the March 2009 amendment to IFRS 7, 'Financial instruments: Disclosures'.

Effective date

Annual periods beginning on or after 1 July 2010. Earlier adoption is permitted. Early adoption is required for a first-time adopter that has a first reporting period that begins earlier than 1 July 2010 in order to benefit from the disclosure relief.

EU adoption status

Adopted by the European Commission on 30 June 2010.

What triggered this amendment?

Existing IFRS preparers were granted relief from presenting comparative information for the new disclosures required by the March 2009 amendments to IFRS 7 'Financial instruments: Disclosures'. The relief was provided because the amendments to IFRS 7 were issued after the comparative periods had ended, and the use of hindsight would have been required. The IASB therefore permitted entities to exclude comparative disclosures in the first year of application. Certain first-time adopters (for example, those with a first reporting period beginning on or after 1 January 2009) would otherwise be required to make the comparative period disclosures, as first-time adopters do not use the transition provisions in other IFRSs.

The IASB has therefore issued an amendment to IFRS 1 to provide first-time adopters with the same transition

provisions (and thereby the same relief) as included in the amendment to IFRS 7. It made a consequential amendment to IFRS 7 to remove the wording, 'In the first year of application', and to replace it with date-specific relief for comparative information. Any comparative periods that end before 31 December 2009 are exempt from the disclosures required by the amendments to IFRS 7. The relief applies to disclosures related to both the statement of comprehensive income and the statement of financial position.

Who is affected?

A first-time adopter may use the relief offered under the amendment to the extent its first IFRS financial statements present comparative periods that end before 31 December 2009. This includes any comparative annual periods that end before 31 December 2009 and any year-end comparative statements of financial

position as at a date before 31 December 2009. This includes the opening statement of financial position as at the date of transition. Any comparative interim periods (full financial statements and not IAS 34 condensed) that fell within the first annual period for which the amended IFRS 7 disclosures were effective are not exempt.

What action do first-time adopters need to take?

First-time adopters should consider the comparative periods that are being presented in their first IFRS financial statements and determine whether they should take advantage of the disclosure relief offered by this amendment.

Exemption for severe hyperinflation and removal of fixed dates

The IASB made two amendments to IFRS 1, 'First-time adoption of IFRS', in December 2010:

- an exemption for severe hyperinflation; and
- removal of fixed dates.

Effective date

Annual periods beginning on or after 1 July 2011. Earlier adoption is permitted.

EU adoption status

Not adopted by the European Commission at the time of going to print. Expected to be adopted Q3 2011.

Severe hyperinflation

What is the issue?

The amendment creates an additional exemption when an entity that has been subject to severe hyperinflation resumes presenting, or presents for the first time, financial statements in accordance with IFRSs. The exemption allows an entity to elect to measure certain assets and liabilities at fair value; and to use that fair value as the deemed cost in the opening IFRS statement of financial position.

An entity might be unable to prepare financial statements in accordance with IFRSs for a period of time because it could not comply with IAS 29, 'Financial reporting in hyperinflationary economies', due to severe hyperinflation. The exemption applies where the entity is able to begin reporting in accordance with IFRS.

What are the key provisions?

The amendment states that the currency of a hyperinflationary economy is subject to

severe hyperinflation when:

- a reliable general price index is not available to all entities with transactions and balances in the currency; and
- exchangeability between the currency and a relatively stable foreign currency does not exist.

An entity's functional currency ceases to be subject to severe hyperinflation on the functional currency normalisation date, which occurs:

- when one or both of the characteristics of severe hyperinflation no longer exist; or
- when the first-time adopter changes its functional currency to a currency that is not subject to severe hyperinflation.

The exemption applies to entities that were subject to severe hyperinflation and are adopting IFRS for the first time or have previously applied IFRS.

When an entity's date of transition to IFRS is on or after the functional currency normalisation date, it may elect to measure assets and liabilities acquired before that date at fair value and use that fair value as deemed cost in the opening IFRS statement of financial position.

IFRS 1 defines the date of transition as the beginning of the earliest period for which an entity presents comparative information under IFRS in its first IFRS financial statements. When the functional currency normalisation date falls within the comparative period, that period may be less than 12 months, provided that a complete set of financial statements (as required by IAS 1) is provided for that shorter period.

The entity cannot comply with IFRS due to the severe hyperinflation in periods before the date of transition to IFRS, so the comparative information for this period cannot be prepared in accordance with IFRS. The entity should therefore consider whether disclosure of non-IFRS comparative information and historical summaries in accordance with IFRS 1 would provide useful information to the users of the financial statements.

If an entity applies the new exemption to comply with IFRS, it should explain the transition to IFRS, and why and how the entity ceased to have a functional currency subject to severe hyperinflation.

Removal of fixed dates requirement

What is the issue?

The IASB amended IFRS 1 to eliminate references to fixed dates for one exception and one exemption, both dealing with financial assets and liabilities.

The first change requires first-time adopters to apply the derecognition requirements of IFRS prospectively from the date of transition, rather than from 1 January 2004.

The second amendment relates to financial assets or liabilities at fair value on initial recognition where the fair value is established through valuation techniques in the absence of an active market. The amendment allows the guidance in IAS 39 AG76 and IAS 39 AG76A to be applied prospectively from the date of

Who does the amendment affect?

The amendment is expected to have a limited impact, as it is only available to entities whose functional currency was subject to severe hyperinflation. The Zimbabwean economy has been identified as an economy that was subject to severe hyperinflation until early 2009; the amendment is unlikely to apply in other territories at the time of going to print.

The amendment would not change or allow any additional IFRS 1 exemptions for a reporting entity that has control, joint control or significant influence over an entity subject to severe hyperinflation, except to the extent that the reporting entity is also a first-time adopter.

What do affected entities need to do?

Management of entities in Zimbabwe and first-time adopters that have interests in Zimbabwe should consider:

- their functional currency normalisation date;
- their proposed date of transition to IFRS;
- whether the comparative period will be presented for a period shorter than 12 months; and
- the assets and liabilities they wish to measure at fair value on transition to IFRS.

transition to IFRS rather than from 25 October 2002 or 1 January 2004. This means that a first-time adopter does not need to determine the fair value of financial assets and liabilities for periods prior to the date of transition. IFRS 9 has also been amended to reflect these changes.

Who does the amendment affect?

Entities that had derecognised financial assets or liabilities before the date of transition to IFRS will need to apply the derecognition guidance from the date of transition, as it is a mandatory exception. The second change will only be relevant for entities that elect to use the exemption for fair value established by valuation techniques.

Pre-payments of a minimum funding requirement – IFRIC 14

The amendment to IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction', was published on 26 November 2009. It

removes an unintended consequence of IFRIC 14 relating to voluntary pension pre-payments when there is a minimum funding requirement.

Effective date

Annual periods beginning on or after 1 January 2011; it will apply from the beginning of the earliest comparative period presented. Earlier adoption is permitted.

EU adoption status

Adopted by the European Commission on 19 July 2010.

How does the amendment differ from previous guidance?

Some companies that are subject to a minimum funding requirement may elect to pre-pay their pension contributions. The pre-paid contributions are recovered through lower minimum funding requirements in future years. An unintended consequence of the interpretation, prior to this amendment, was that IFRIC 14 could prevent the recognition of an asset for any surplus arising from such voluntary pre-payment of minimum funding contributions in respect of future service. The interpretation has been amended to require an asset to be recognised in these circumstances.

Who does the amendment affect?

It will have a limited impact, as it applies only to companies that are required to make minimum funding contributions to a defined

benefit pension plan and choose to pre-pay those contributions.

Those affected are companies that:

- have a defined benefit pension plan - that is subject to a minimum funding requirement; and
- have prepaid (or expect to prepay) the minimum funding requirement in respect of future employee service, leading to a pension surplus.

What do affected entities need to do?

Such entities should reconsider their accounting in the light of the revised guidance to determine whether an asset for the pre-paid contributions should be recognised. They should assess the impact as early as possible to determine whether the amendment should be adopted before the effective date.

Extinguishing financial liabilities with equity instruments – IFRIC 19

IFRIC 19, 'Extinguishing financial liabilities with equity instruments', was published on 26 November 2009. IFRIC 19 clarifies the accounting when an entity renegotiates the

terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (referred to as a 'debt for equity swap').

Effective date

Annual periods beginning on or after 1 July 2010. Early adoption is permitted. The interpretation should be applied retrospectively from the beginning of the earliest comparative period presented, as adoption in earlier periods would result only in a reclassification of amounts within equity.

EU adoption status

Adopted by the European Commission on 23 July 2010.

Why new guidance now?

Many entities were compelled to renegotiate their debt as it came due, in the current challenging economic climate. Renegotiations would commonly lead either to modification of debt or settlement of the liability by way of issuing equity instruments to the lender. IFRS did not address accounting for such debt for equity swaps before IFRIC 19, and there was diversity in practice. Some recognised the equity instrument at the carrying amount of the financial liability and did not recognise any gain or loss on settlement in profit or loss. Others recognised the equity instruments at their fair value and recorded any difference between that amount and the carrying amount of the financial liability in profit or loss. The financial crisis exacerbated the issue.

What is the scope of new guidance?

IFRIC 19 addresses the accounting by an entity that renegotiates the terms of a financial liability and issues shares to the creditor to extinguish all or part of the financial liability. It does not address the accounting by the creditor; and it does not apply to situations where the liability may be extinguished with equity instruments in accordance with the original terms of the instrument (for example, convertible bonds). The interpretation is further restricted to exclude transactions where the creditor is also a shareholder acting in its capacity as such, or transactions under common control where the transaction in substance represents an equity distribution by, or contribution to, the entity.

What does the interpretation address?

IFRIC 19 addresses the following issues:

- Are equity instruments issued to extinguish a financial liability ‘consideration paid’?
- How should an entity initially measure equity instruments issued to extinguish a financial liability?
- How should an entity account for any difference between the carrying amount of the financial liability extinguished and the initial measurement amount of the equity instruments issued?

What does the interpretation require?

IFRIC 19 considers that equity instruments issued to settle a liability represent ‘consideration paid’. It therefore requires a gain or loss to be recognised in profit or loss when a liability is settled through

the issuance of the entity’s own equity instruments. This is consistent with the general approach to derecognition of financial liabilities established by IAS 39. The amount of the gain or loss recognised in profit or loss is determined as the difference between the carrying value of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments cannot be reliably measured, the fair value of the existing financial liability is used to measure the gain or loss and to record issued equity instruments.

How will this change current practice?

Entities will no longer be permitted to reclassify the carrying value of the existing financial liability into equity (with no gain or loss being recognised in profit or loss). The amount of the gain or loss should be separately disclosed in the statement of comprehensive income or in the notes.

Annual improvements project 2010

The table below identifies the more significant changes to the standards arising from the 2010 annual improvements project and the implications for management.

Effective date

See final column in table below.

EU adoption status

Adopted by the European Commission on 18 February 2011.

Standard/interpretation	Amendment	Practical implications	Effective date
Amendment to IAS 1, 'Presentation of financial statements'	<ul style="list-style-type: none"> The impact of a previous amendment to IAS 1 by IAS 27 was to make explicit the requirement to present each item of other comprehensive income in the statement of changes in equity, along with the profit or loss and transactions with owners. The amendment removes the requirement for each item of other comprehensive income to be presented separately in the statement of changes in equity. 	<ul style="list-style-type: none"> The amendment clarifies that, for each component of equity, an entity may present the breakdown of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. 	Annual periods beginning on or after 1 January 2011. Early adoption is permitted.
Amendment to IAS 27, 'Consolidated and separate financial statements'	<ul style="list-style-type: none"> Additional guidance has been included within IAS 21, which clarifies the accounting for disposals or partial disposals of a foreign operations. Guidance in the IAS 28 and IAS 31 amendment clarifies disposal accounting for associates and jointly controlled entities in accordance with IAS 39. 	<ul style="list-style-type: none"> The amendment is based on the changes in IAS 27. It states that loss of control over a subsidiary, the loss of significant influence over an associate and loss of joint control over a jointly controlled entity are similar events and should therefore be accounted for similarly. Such an event should be recognised and measured at fair value and any gain or loss is recognised in the profit or loss. 	Annual periods beginning on or after 1 July 2009.
Amendment to IAS 34, 'Interim financial reporting'	<ul style="list-style-type: none"> The amendment emphasises the existing disclosure principles in IAS 34 and adds further guidance to illustrate how to apply these principles. 	<ul style="list-style-type: none"> Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurements (if significant), and the need to update relevant information from the most recent annual report. 	Annual periods beginning on or after 1 January 2011. Early adoption is permitted.

Standard/ interpretation	Amendment	Practical implications	Effective date
IFRS 1, 'First-time adoption' – interim information	<ul style="list-style-type: none"> A first-time adopter that changes its accounting policies or its use of IFRS 1 exemptions after publishing a set of IAS 34 interim financial information should explain those changes and include the effects of such changes in its opening reconciliations within the first annual IFRS financial statements. 	<ul style="list-style-type: none"> IFRS 1 explains that the disclosures required when accounting policies are changed under IAS 8, 'Accounting policies, changes in accounting estimates and errors', are not required for a first-time adopter. The amendment clarifies that IAS 8 also does not apply to changes made to accounting policies during the period of an entity's first IFRS financial statements. This includes a change in policy between publication of an entity's first IFRS interim report and the entity's first IFRS financial statements. However, management should explain the change in its first IFRS financial statements, as required by IFRS 1 para 23, and provide updated reconciliations. This disclosure requirement also applies where an entity changes its use of the exemptions in IFRS 1 between the interim report and its first IFRS financial statements. 	Annual periods beginning on or after 1 January 2011. Early adoption is permitted.
IFRS 1, 'First-time adoption' – deemed cost	<ul style="list-style-type: none"> The exemption to use a 'deemed cost' arising from a revaluation triggered by an event such as a privatisation that occurred at or before the date of transition to IFRS is extended to revaluations that occur during the period covered by the first IFRS financial statements. 	<ul style="list-style-type: none"> Local regulations might require entities to remeasure assets and liabilities to fair value on the event of a privatisation or an IPO and to recognise those revalued amounts as deemed cost under local GAAP. If such an event occurs after the date of transition to IFRS, IFRS 1 did not previously permit these revalued amounts to be recognised as deemed cost on transition to IFRS. The amendment to IFRS 1 permits entities to use these revalued amounts as deemed cost at the date the event occurs provided that this revaluation occurs during the period covered by the first IFRS financial statements. At the date of transition, the assets and liabilities are either measured at deemed cost using either fair value or revaluation as described above, or in accordance with other applicable IFRSs. 	Annual periods beginning after 1 January 2011. Early adoption is permitted. The amendment is also available to entities that applied IFRS 1 prior to the effective date where such a re-measurement event occurred during their first IFRS reporting period. The amendment allows these entities to apply this amendment retrospectively in the first annual period after the amendment is effective.

Standard/ interpretation	Amendment	Practical implications	Effective date
IFRS 1, 'First-time adoption' – rate regulation	<ul style="list-style-type: none"> Entities subject to rate regulation are permitted to use previous GAAP carrying amounts of property, plant and equipment or intangible assets as deemed cost on an item-by-item basis. Entities that use this exemption are required to test each item for impairment under IAS 36 at the date of transition. 	<ul style="list-style-type: none"> This amendment provides relief to entities that carry items of PPE and intangible assets that are or were previously used in rate-regulated activities. The amendment states that operations are considered to be subject to rate regulation if 'they provide goods or services to customers at prices (ie rates) established by an authorised body empowered to establish rates that bind the customers and that are designed to recover the specific costs the entity incurs in providing the regulated goods or services and to earn a specified return'. The specified return does not need to be of a fixed amount and may be stated as a minimum amount or a range. The amendment permits a first-time adopter to use the previous GAAP carrying amount of such rate-regulated assets as deemed cost at the date of transition to IFRS even if those assets do not qualify for recognition under IFRS. The amendment also permits entities to choose the assets to which the exemption is applied. This is similar to the choice available in the deemed cost exemption for other types of assets. 	Annual periods beginning after 1 January 2011. Early adoption is permitted.
IFRS 3, 'Business combinations' – contingent consideration	<ul style="list-style-type: none"> Contingent consideration arrangements arising from business combinations with acquisition dates preceding the application of IFRS 3 (2008) are accounted for in accordance with the guidance in the previous version of IFRS 3 (as issued in 2004). 	<ul style="list-style-type: none"> This amendment clarifies that the guidance in IAS 39, IAS 32 and IFRS 7 will not apply to contingent consideration arising from business combinations with an effective date prior to the application of the revised version of IFRS 3. 	Annual periods beginning on or after 1 July 2010. Early adoption is permitted.
IFRS 3, 'Business combinations' – non-controlling interests	<ul style="list-style-type: none"> The choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree's net assets applies only to instruments that represent 'present' ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interest are measured at fair value unless IFRS requires another measurement basis. Removal of reference to transactions between segments as being hedgeable transactions in individual or separate financial statements. 	<ul style="list-style-type: none"> This amendment will reduce diversity in practice and provides clearer guidance on how to measure non-controlling interests. 	Annual periods beginning after 1 July 2010. Early adoption is permitted.

Standard/ interpretation	Amendment	Practical implications	Effective date
IFRS 3, 'Business combinations' – share-based payments	<ul style="list-style-type: none"> The application guidance in IFRS 3 applies to all share-based payment transactions that are part of a business combination, including unreplaced and voluntarily replaced share-based payment awards. 	<ul style="list-style-type: none"> IFRS 3 did not previously provide guidance for situations where the acquirer does not have an obligation to replace an award but replaces an existing acquiree award that would otherwise have continued unchanged after the acquisition. This amendment addresses this gap in the previous guidance. The amendment made to IFRS 3 results in the accounting for these awards being the same as for awards that the acquirer is obliged to replace. 	Annual periods beginning on or after 1 July 2010. Early adoption is permitted.
IFRS 7, 'Financial instruments: disclosures'	<ul style="list-style-type: none"> Amendments to IFRS 7, 'Financial instruments: Disclosures – Nature and extent of risks arising from financial instruments'. These are minor amendments to the disclosure of financial assets, including the financial effect of collateral held as security. 	<ul style="list-style-type: none"> No significant impact. 	Annual periods beginning on or after 1 January 2011. Early adoption is permitted.
Amendment to IFRIC 13, 'Customer loyalty programmes'	<ul style="list-style-type: none"> The amendment clarifies the meaning of the term 'fair value' in the context of measuring award credits under customer loyalty programmes. 	<ul style="list-style-type: none"> When the fair value of award credits is measured on the basis of the value of the awards (that is, goods or services) for which they could be redeemed, the fair value of the award credits should take account of expected forfeitures as well as the discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale. 	Annual periods beginning on or after 1 January 2011. Early adoption is permitted.

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