



**INTERNATIONAL FEDERATION
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Agenda Item
4

Date: February 15, 2011
Memo to: Members of the IPSASB
From: Annette Davis
Subject: Improvements to IPSASs 2011

Objective of this Session

- To review and approve the proposed improvements to existing IPSASs.

Agenda Material

- 4.1 Proposed Improvements to IPSASs 2011
- 4.2 Exposure Draft (ED) 45, *Improvements to IPSASs 2011*
- 4.3 Improvements to IFRSs (issued in May 2010 by the IASB)

Introduction

1. This Agenda Item sets out the proposed amendments to be included in the Exposure Draft (ED) 45, *Improvements to IPSASs 2011*. The ED has three parts, as follows:
 - Part I: Deletion of Introduction (affects all IPSASs except for IPSAS 2, 5, 9, 10, 11, 15, 18, 19, 20 and 21).
 - Part II: Insertion of Objective Paragraph (affects IPSASs 6, 7, 8 and 10).
 - Part III: General Improvements (affects IPSASs 16, 17 and 21).

The IASB's Improvements to IFRSs issued May 2010

2. In its 2010 Improvements project, the IPSASB proposed improvements to IPSASs drawn from the IASB document, *Improvements to IFRSs* issued in April 2009. Table 1 below sets out the amendments from the IASB document, *Improvements to IFRSs* issued in May 2010. The reasons for not proposing to amend the relevant IPSAS are set out in the right-hand column of Table 1.

Table 1: List of Amendments from the IASB's May 2010 Improvements Project

IFRS	Subject of Amendment	Relationship with IPSASs/ED
IFRS 1 <i>First-time</i>	<ul style="list-style-type: none">• Accounting policy changes in	No equivalent IPSAS. A potential IPSASB

<i>Adoption of International Financial Reporting Standards</i>	<p>the year of adoption.</p> <ul style="list-style-type: none"> • Revaluation basis as deemed cost. • Use of deemed cost for operations subject to rate regulation. 	project to be considered at this meeting. See Agenda Item 6.
<i>IFRS 3 Business Combinations</i>	<ul style="list-style-type: none"> • Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS. • Measurement of non-controlling interests. • Unreplaced and voluntarily replaced share-based payment awards. 	No equivalent IPSAS. The IPSASB has a current project on entity combinations and this amendment will be considered in that project.
<i>IFRS 7 Financial Instruments: Disclosures</i>	Clarification of disclosures.	This amendment will be considered in the Financial Instruments amendments project when this is initiated.
<i>IAS 1 Presentation of Financial Statements</i>	Clarification of statement of changes in equity.	IPSAS 1, <i>Presentation of Financial Statements</i> , is based on the December 2003 version of IAS 1 and does not include the notion of “comprehensive income”, so this amendment is not currently relevant.
<i>IAS 27 Consolidated and Separate Financial Statements</i>	Transition requirements for amendments arising as a result of the amendment to IAS 27 issued in January 2008.	IPSAS 6, <i>Consolidated and Separate Financial Statements</i> is based on the December 2003 version of IAS 27 and the revised version of IAS 27 issued in January 2008 has not yet been considered by the IPSASB. The amendments in <i>Improvements to IFRSs</i> issued in May 2010 relate directly to the amendments made in January 2008 and therefore these improvements are not currently relevant. Note that the IPSASB will be considering a draft Project Brief to update IPSAS 6 at its June 2011 meeting.
<i>IAS 34 Interim Financial Statements</i>	Significant events and transactions.	No equivalent IPSAS. The IPSASB has not considered the applicability of IAS 34 to public sector entities, so this amendment is not currently relevant.
<i>IFRIC 13 Customer Loyalty Programmes</i>	Fair value of award credits.	IFRIC 13 primarily relates to IAS 18, <i>Revenue</i> . While IPSAS 9, <i>Revenue from Exchange Transactions</i> is primarily drawn from IAS 18, customer loyalty programs are not relevant, or of minimal relevance in the public sector and the IPSASB has no current plans to address the issue. Note that

		the IASB is in the process of finalizing a new standard on revenue recognition which is expected to be issued in Q2, 2011.
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3. The IASB made amendments to seven standards. However, for the reasons outlined in Table 1 above, it is not appropriate to propose amendments to IPSASs based on the IASB's May 2010 amendments.

Part I: Proposed Deletion of the Introduction Section of IPSASs

4. The IPSASB, at its June 2010 meeting, agreed to propose deletion of the Introduction section of each IPSAS that has one (21 of the 31 IPSASs) in its 2011 Improvements project. Agenda Paper 4.1 sets out the reasons why the IPSASB made this decision. Agenda Paper 4.2 is the draft ED and it includes the text of the Introductions so that it is clear as to what text is being proposed for deletion.

Part II: Proposed Objective Paragraphs for IPSASs 6–8 and IPSAS 10

5. Also at its June 2010 meeting, the IPSASB agreed to propose objective paragraphs for those IPSASs which do not currently include an objective paragraph. Agenda Paper 4.1 sets out proposed text for inclusion in the draft ED.

Part III: Proposed General Improvements

6. A number of potential improvements to current IPSASs were identified as part of the preparation of a Table of Concordance for IPSAS 31 for the November 2010 meeting. Agenda Paper 4.1 sets out proposed text for inclusion in the draft ED.

Question 1:

Do you **approve** the publication of ED 45, *Improvements to IPSASs 2011*?

Proposed Exposure Period

7. Staff anticipates that the ED can be published before the end of March 2011. To be consistent with the last two EDs on improvements, Staff considers that the comment period should end on June 30, 2011.

Question 2:

Do you **agree** that the comment period for ED 45 should end on June 30, 2011?

PROPOSED IMPROVEMENTS 2011

Purpose:

This paper presents items that could be included in the Improvements 2011 project.

Part	IPSAS	Proposals for Amendment	Subject of Amendment and Suggested Action
Changes Agreed Upon by the IPSASB at its June 2010 meeting			
I	All IPSASs with an Introduction	Delete Introductions in all IPSASs which have one. The IPSASB agreed to propose deletion of the Introduction section at its June 2010 meeting.	<p>The Introduction is non-authoritative guidance. The current suite of IPSASs does not include an Introduction in each IPSAS. The scope and style of Introductions varies considerably between IPSASs. The most common approach is that the Introduction deals with:</p> <ul style="list-style-type: none"> • The rationale for issuing the IPSAS is summarized, however, the IPSASB has a process established for determining which projects to undertake, which documents the reasons for undertaking the project. This rationale is, therefore, redundant. Further, the rationale for issuing the IPSAS ought to be clear from the Objective • The content of the Standard is summarized. It is not necessary to include a summary and indeed, doing so may undermine the Standard itself if users do not refer to the detailed requirements of the Standard. • The key features of the IPSAS are described. In some cases, this duplicates material in the Basis for Conclusions. • Significant changes from previous requirements are also described. These should be addressed, together with the rationale for such changes, in the Basis for Conclusions. <p>An Introduction will not be developed for new IPSASs.</p>

Part	IPSAS	Proposals for Amendment	Subject of Amendment and Suggested Action
II	IPSAS 6	Certain IPSASs do not contain an Objective paragraph. The IPSASB agreed, at its June 2010 meeting, to develop an Objective paragraph for these IPSASs.	<p><u>Objective</u></p> <p>1. <u>The objective of this Standard is to prescribe the accounting treatment for a controlling entity in the preparation and presentation of consolidated financial statements for the entities under its control. This Standard also prescribes the accounting requirements where a controlling entity presents separate financial statements.</u></p> <p>Scope</p> <p>1 <u>A.</u> An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in the preparation and presentation of consolidated financial statements for an economic entity.</p>
II	IPSAS 7	Certain IPSASs do not contain an Objective paragraph. The IPSASB agreed, at its June 2010 meeting, to develop an Objective paragraph for these IPSASs.	<p><u>Objective</u></p> <p>1. <u>The objective of this Standard is to prescribe the accounting treatment for an investor in accounting for investments in associates in its consolidated financial statements and separate financial statements (where prepared).</u></p> <p>Scope</p> <p>1 <u>A.</u> An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in accounting by an investor for investments in associates where the investment in the associate leads to the holding of an ownership interest in the form of a shareholding or other formal equity structure. However, it does not apply to investments in associates held by:</p> <p>...</p>
II	IPSAS 8	Certain IPSASs do not contain an Objective paragraph. The IPSASB agreed, at its June 2010 meeting, to develop an Objective paragraph for these IPSASs.	<p><u>Objective</u></p> <p>1. <u>The objective of this Standard is to prescribe the accounting treatment for a venturer in accounting for interests in joint ventures in its consolidated financial statements and separate financial statements (where prepared).</u></p> <p>Scope</p> <p>1 <u>A.</u> An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in accounting for interests in joint ventures and the reporting of joint venture assets,</p>

Part	IPSAS	Proposals for Amendment	Subject of Amendment and Suggested Action
			<p>liabilities, revenue and expenses in the financial statements of venturers and investors, regardless of the structures or forms under which the joint venture activities take place. However, it does not apply to venturers' interests in jointly controlled entities held by:</p> <p>...</p>
II	IPSAS 10	Certain IPSASs do not contain an Objective paragraph. The IPSASB agreed, at its June 2010 meeting, to develop an Objective paragraph for these IPSASs.	<p>Objective</p> <p>1. <u>The objective of this Standard is to prescribe the accounting treatment in the consolidated and individual financial statements of an entity in accounting for an entity whose functional currency is the currency of a hyperinflationary economy. The Standard also specifies the accounting treatment where the economy ceases to be hyperinflationary.</u></p> <p>Scope</p> <p>1 <u>A</u>. An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard to the primary financial statements, including the consolidated financial statements, of any entity whose functional currency is the currency of a hyperinflationary economy.</p>
Changes Arising from a Review of IPSAS 31			
III	IPSAS 16	The IPSASB agreed at its December 2009 meeting, to delete references to “lacks commercial substance” as the equivalent paragraphs in IPSAS 31 have been deleted. Proposed changes to the Introduction section will not be necessary if the proposal to delete the Introduction section in all IPSASs currently containing one is agreed upon.	<p>IN10. The Standard requires an entity to measure investment property acquired in an asset exchange transaction at fair value unless the transaction lacks commercial substance, or the fair value of neither the asset given up nor the asset received can be reliably measured. Previously, IPSAS 16 did not contain requirements with regard to the accounting treatment for asset exchange transactions (see paragraphs 36– and 38).</p> <p>36. One or more investment properties may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets. The following discussion refers to an exchange of one non-monetary asset for another, but it also applies to all exchanges described in the preceding sentence. The cost of such an investment property is measured at fair value unless (a) the exchange transaction lacks commercial substance or (b) the fair value of neither the asset received nor the asset given up is reliably measurable. The acquired asset is measured in this way even if an entity cannot immediately derecognize the asset given up. If the acquired asset is not measured at fair value, its cost is</p>

Part	IPSAS	Proposals for Amendment	Subject of Amendment and Suggested Action
			<p>measured at the carrying amount of the asset given up.</p> <p>37. [Deleted]An entity determines whether an exchange transaction has commercial substance by considering the extent to which its future cash flows or service potential is expected to change as a result of the transaction. An exchange transaction has commercial substance if:</p> <p>(a) —The configuration (risk, timing, and amount) of the cash flows or service potential of the asset received differs from the configuration of the cash flows or service potential of the asset transferred; or</p> <p>(b) —The entity-specific value of the portion of the entity's operations affected by the transaction changes as a result of the exchange; and</p> <p>(c) —The difference in (a) or (b) is significant relative to the fair value of the assets exchanged.</p> <p>For the purpose of determining whether an exchange transaction has commercial substance, the entity-specific value of the portion of the entity's operations affected by the transaction shall reflect post-tax cash flows, if tax applies. The result of these analyses may be clear without an entity having to perform detailed calculations.</p> <p>Comparison with IAS 40</p> <ul style="list-style-type: none"> IAS 40 includes guidance on exchanges of assets when an exchange transaction lacks commercial substance. IPSAS 16 does not include this guidance.
III	IPSAS 17	The IPSASB agreed at its December 2009 meeting to delete references to “lacks commercial substance” as the equivalent paragraphs in IPSAS 31 have been deleted. Proposed changes to the Introduction section will not be necessary if the proposal to delete the Introduction section in all IPSASs currently containing one is	<p>IN5. In paragraph 13:</p> <p>...</p> <p>The Standard defines the term “entity-specific value,” which refers to “the present value of the cash flows an entity expects to arise from the continuing use of an asset and from its disposal at the end of its useful life or expects to incur when settling a liability.” This term is used where relevant in determining whether an asset exchange transaction has commercial substance. Guidance on how to judge whether an asset exchange transaction has commercial substance is also provided (see paragraphs 38–40). Previously, IPSAS 17 did not contain this definition and the related</p>

Part	IPSAS	Proposals for Amendment	Subject of Amendment and Suggested Action
		agreed upon.	<p>guidance.</p> <p>IN9. The Standard requires an entity to measure an item of property, plant and equipment acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets, at fair value unless: the exchange transaction lacks commercial substance; or the fair value of neither the asset given up nor the asset received can be reliably measured (see paragraphs 38 to and 40). Previously, IPSAS 17 divided asset exchange transactions into exchanges between similar assets and exchanges between dissimilar assets. The different categories of exchange were subject to different accounting treatments. For exchange of similar assets, the cost of the asset received was the carrying amount of the asset given up. For exchange of dissimilar assets, the cost was the fair value of the asset given up adjusted by the amount of any cash or cash equivalent transferred.</p> <p>38. One or more items of property, plant, and equipment may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets. The following discussion refers simply to an exchange of one non-monetary asset for another, but it also applies to all exchanges described in the preceding sentence. The cost of such an item of property, plant, and equipment is measured at fair value unless (a) the exchange transaction lacks commercial substance, or (b) the fair value of neither the asset received nor the asset given up is reliably measurable. The acquired item is measured in this way even if an entity cannot immediately derecognize the asset given up. If the acquired item is not measured at fair value, its cost is measured at the carrying amount of the asset given up.</p> <p>39. [Deleted]An entity determines whether an exchange transaction has commercial substance by considering the extent to which its future cash flows or service potential is expected to change as a result of the transaction. An exchange transaction has commercial substance if:</p> <p class="list-item-l1">(a) — The configuration (risk, timing, and amount) of the cash flows or service potential of the asset received differs from the configuration of the cash flows or service potential of the asset transferred; or</p> <p class="list-item-l1">(b) — The entity-specific value of the portion of the entity's operations affected by the transaction changes as a result of the exchange; and</p>

Part	IPSAS	Proposals for Amendment	Subject of Amendment and Suggested Action
			<p>(c) — The difference in (a) or (b) is significant relative to the fair value of the assets exchanged.</p> <p>For the purpose of determining whether an exchange transaction has commercial substance, the entity-specific value of the portion of the entity's operations affected by the transaction shall reflect post tax cash flows, if tax applies. The result of these analyses may be clear without an entity having to perform detailed calculations.</p> <p>Comparison with IAS 40</p> <ul style="list-style-type: none"> <u>IAS 16 includes guidance on exchanges of assets when an exchange transaction lacks commercial substance. IPSAS 17 does not include this guidance.</u>
III	IPSAS 17	Update this IPSAS to refer to IPSAS 26 as well as IPSAS 21, where appropriate.	<p>79. To determine whether an item of property, plant, and equipment is impaired, an entity applies IPSAS 21 <u>or IPSAS 26, <i>Impairment of Cash-Generating Assets, as appropriate</i></u>. That Standard explains <u>These Standards explain</u> how an entity reviews the carrying amount of its assets, how it determines the recoverable service amount or recoverable amount of an asset, and when it recognizes, or reverses the recognition of, an impairment loss.</p> <p>81. Impairments or losses of items of property, plant, and equipment, related claims for or payments of compensation from third parties, and any subsequent purchase or construction of replacement assets are separate economic events and are accounted for separately as follows:</p> <p>(a) Impairments of items of property, plant, and equipment are recognized in accordance with IPSAS 21 <u>or IPSAS 26, as appropriate</u>;</p> <p>...</p> <p>88. The financial statements shall disclose, for each class of property, plant, and equipment recognized in the financial statements:</p> <p>...</p> <p>(e) A reconciliation of the carrying amount at the beginning and end of the period showing:</p> <p>...</p> <p>(iv) Increases or decreases resulting from revaluations under</p>

Part	IPSAS	Proposals for Amendment	Subject of Amendment and Suggested Action
			<p>paragraphs 44, 54, and 55 and from impairment losses (if any) recognized or reversed directly in net assets/equity in accordance with IPSAS 21 <u>or IPSAS 26, as appropriate</u>;</p> <p>(v) Impairment losses recognized in surplus or deficit in accordance with IPSAS 21 <u>or IPSAS 26, as appropriate</u>;</p> <p>(vi) Impairment losses reversed in surplus or deficit in accordance with IPSAS 21 <u>or IPSAS 26, as appropriate</u>;</p> <p>...</p> <p>93. In accordance with IPSAS 21 <u>and IPSAS 26</u>, an entity discloses information on impaired property, plant, and equipment in addition to the information required by paragraph 88(e)(iv)–(vi).</p>
III	IPSAS 17	The last sentence in paragraph 83 needs to be deleted as its equivalent in IPSAS 31 has been deleted because the IPSASB use the term “revenue” in a broader sense than the IASB, i.e., it includes income and gains.	<p>83. The gain or loss arising from the derecognition of an item of property, plant, and equipment shall be included in surplus or deficit when the item is derecognized (unless IPSAS 13 requires otherwise on a sale and leaseback). Gains shall not be classified as revenue.</p>
III	IPSAS 21	Paragraph 27(d) another indicator of impairment needs to be included because IPSAS 26.25(e) includes as an indicator of impairment an asset where its useful life has been reassessed as finite rather than indefinite. IPSAS 21.27(d) does not have this indicator because it was added to IAS 36 in the revision the IASB issued in March 2004. At that stage, the IPSASB were in the process of finalizing IPSAS 21.	<p>27. In assessing whether there is any indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:</p> <p>...</p> <p>Internal sources of information</p> <p>...</p> <p>(d) Significant long-term changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date <u>and reassessing the useful life of an asset as finite rather than indefinite</u>;</p> <p>...</p>

*Proposed International Public Sector
Accounting Standard*

Improvements to IPSASs 2011

REQUEST FOR COMMENTS

The International Public Sector Accounting Standards Board (IPSASB), an independent standard-setting body within the International Federation of Accountants (IFAC), approved for publication in March 2011 this Exposure Draft, *Improvements to IPSASs 2011*.

The proposals in this Exposure Draft may be modified in light of comments received before being issued in final form. **Comments are requested by June 30, 2011.**

Respondents are asked to submit their comments **electronically** through the IFAC website (www.ifac.org), using the “Submit a Comment” link on the Exposure Drafts and Consultation Papers page. Please note that first-time users must register to use this feature. All comments will be considered a matter of public record and will ultimately be posted on the IFAC website. Although IFAC prefers that comments be submitted electronically, e-mail may be sent to stepheniefox@ifac.org. Comments can also be faxed to the attention of the IPSASB Technical Director at +1 (416) 204-3412, or mailed to:

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Copies of this Exposure Draft may be downloaded free-of-charge from the IFAC website at www.ifac.org.

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ISBN:

Objective

The objective of Part I of this Exposure Draft (ED) is to propose deletion of the Introduction section for those IPSASs which have an Introduction section. Part II of this ED proposes to insert objective paragraphs in those IPSASs which do not currently have an objective paragraph. Part III of this ED proposes general improvements to three IPSASs that relate to inconsistent references to standards, terminology and structure resulting from IPSASB's ongoing review of existing IPSASs.

Request for Comments

The IPSASB would welcome comments on all the changes proposed in the Exposure Draft. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, contain a clear rationale and, where applicable, provide a suggestion for alternative wording.

March 2011

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IPSASs Addressed

IPSAS	Subject of Amendment
Part I: Deletion of Introduction	
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Part II: Insertion of Objective Paragraph	
IPSAS 6, <i>Consolidated and Separate Financial Statements</i>	

IPSAS	Subject of Amendment
IPSAS 7, <i>Investments in Associates</i>	
IPSAS 8, <i>Interests in Joint Ventures</i>	
IPSAS 10, <i>Financial Reporting in Hyperinflationary Economies</i>	
Part III: General Improvements	
IPSAS 16, <i>Investment Property</i>	Deletion of references to “lacks commercial substance”
IPSAS 17, <i>Property, Plant, and Equipment</i>	Deletion of references to “lacks commercial substance”
	Update to include reference to IPSAS 26
	Deletion of reference to income
IPSAS 21, <i>Impairment of Non-Cash-Generating Assets</i>	Update to include another indicator of impairment

PART I: DELETION OF INTRODUCTION

The amendments in Part I shall be applied for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged.

Amendments to International Public Sector Accounting Standard 1, *Presentation of Financial Statements*

Introduction section is deleted (deleted text is struck through).

Introduction

~~IN1. IPSAS 1, “Presentation of Financial Statements,” replaces IPSAS 1, “Presentation of Financial Statements” (issued May 2000), and should be applied for annual reporting periods beginning on or after January 1, 2008. Earlier application is encouraged.~~

Reasons for Revising IPSAS 1

~~IN2. The IPSASB developed this revised IPSAS 1 as a response to the IASB’s project on Improvements to IASs and its own policy to converge public sector accounting standards with private sector standards to the extent appropriate.~~

~~IN3. In developing this revised IPSAS 1, the IPSASB adopted the policy of amending the IPSAS for those changes made to the former IAS 1, “Presentation of Financial Statements” made as a consequence of the IASB’s improvements project, except where the original IPSAS had varied from the provisions of IAS 1 for a public sector specific reason; such variances are retained in this IPSAS 1 and are noted in the Comparison with IAS 1. Any changes to IAS 1 made subsequent to the IASB’s improvements project have not been incorporated into IPSAS 1.~~

Changes from Previous Requirements

~~IN4. The main changes from the previous version of IPSAS 1 are described below.~~

Scope

~~IN5. The Standard does not include requirements relating to the selection and application of accounting policies. These requirements are now included in IPSAS 3, “Accounting Policies, Changes in Accounting Estimates and Errors.”~~

~~IN6. The Standard includes presentation requirements for surplus or deficit for the period, these requirements were previously contained in IPSAS 3.~~

Definitions

~~IN7. The Standard:~~

- ~~• Defines two new terms: impracticable and notes;~~
- ~~• Changes the name of the term materiality to material and amends the definition;~~

- ~~Removes the following unnecessary definitions: associates, borrowing costs, cash, cash equivalents, cash flows, consolidated financial statements, control, controlled entity, controlling entity, equity method, exchange difference, fair value, financial assets, foreign currency, foreign operation, minority interest, and qualifying assets. These terms are defined in other IPSASs and are reproduced in the “Glossary of Defined Terms”; and~~
- ~~Removes the following terms, which no longer exist: extraordinary items, fundamental errors, net surplus/deficit, ordinary activities, reporting currency and surplus/deficit from ordinary activities. These definitions have also been eliminated in relevant IPSASs, e.g., IPSAS 3, “Accounting Policies, Changes in Accounting Estimates and Errors” and IPSAS 4, “The Effects of Changes in Foreign Exchange Rates.”~~

~~IN8. The Standard includes the interpretation of the term materiality and the notion of characteristics of users. Previously, IPSAS 1 did not contain this commentary.~~

Fair Presentation and Departure from IPSASs

~~IN9. The Standard clarifies that fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses set out in the IPSASs. Previously, IPSAS 1 did not contain the guidance on the meaning of fair presentation.~~

~~IN10. The Standard requires that in the extremely rare circumstances in which management concludes that compliance with a requirement in an IPSAS would be so misleading that it would conflict with the objective of financial statements set out in IPSAS 1, departure from the requirement is required unless departure is prohibited by the relevant regulatory framework. In either case, the entity is required to make specified disclosures. The superseded IPSAS 1 did not set up the criterion for departure from IPSASs and did not distinguish the circumstances in which the regulatory framework permits or prohibits the departure from IPSASs.~~

~~IN11. The Standard does not include requirements related to the selection and application of accounting policies. IPSAS 3 contains such requirements. The superseded IPSAS 1 included requirements related to the selection and application of accounting policies.~~

Classification of Assets and Liabilities

~~IN12. The Standard requires that an entity uses the order of liquidity to present assets and liabilities only when a liquidity presentation provides information~~

~~that is reliable and more relevant than a current/non-current presentation. The superseded IPSAS 1 did not contain such limitation.~~

~~IN13. The Standard requires that a liability held primarily for the purpose of being traded be classified as current. The superseded IPSAS 1 did not specify this criterion for liabilities classified as current.~~

~~IN14. The Standard requires that a financial liability that is due within twelve months after the reporting date, or for which the entity does not have an unconditional right to defer its settlement for at least twelve months after the reporting date, is classified as a current liability. This classification is required even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting date and before the financial statements are authorized for issue. The superseded IPSAS 1 required such liabilities to be classified as non-current.~~

~~IN15. The Standard clarifies that a liability is classified as non-current when the entity has, under the terms of an existing loan facility, the discretion to refinance or roll over its obligations for at least twelve months after the reporting date.~~

~~IN16. The Standard requires that when a long-term financial liability is payable on demand because the entity has breached a condition of its loan agreement on or before the reporting date, the liability is classified as current at the reporting date even if, after the reporting date and before the financial statements are authorized for issue, the lender has agreed not to demand payment as a consequence of the breach. The previous version of IPSAS 1 required such liabilities to be classified as non-current.~~

~~IN17. The Standard clarifies that the liability is classified as non-current if the lender agreed by the reporting date to provide a period of grace ending at least twelve months after the reporting date, within which the entity can rectify the breach and during which the lender cannot demand immediate repayment.~~

Presentation and Disclosure

Statement of Financial Performance

~~IN18. The Standard sets out the presentation requirements for surplus or deficit for the period. These requirements were previously included in IPSAS 3.~~

~~IN19. The Standard does not require the presentation of the following line items from the face of the statement of financial performance:~~

- ~~● Surplus or deficit from operating activities;~~
- ~~● Surplus or deficit from ordinary activities; and~~
- ~~● Extraordinary items.~~

~~The superseded IPSAS 1 required the presentation of these items.~~

~~IN20. The Standard requires the separate presentation, on the face of the statement of financial performance, of the entity's surplus or deficit for the period allocated between: "surplus or deficit attributable to owners of the controlling entity;" and "surplus or deficit attributable to minority interest." The superseded IPSAS 1 did not contain these presentation requirements.~~

Statement of Changes in Net Assets/Equity

~~IN21. The Standard requires the presentation, on the face of the statement of changes in net assets/equity, of the entity's total amount of revenue and expense for the period (including amounts recognized directly in net assets/equity), showing separately the amounts attributable to minority interest and owners of the controlling entity. The superseded IPSAS 1 did not require presentation of these items.~~

Notes

~~IN22. The Standard requires that an entity shall disclose the judgments, apart from those involving estimations, management has made in the process of applying the entity's accounting policies that have the most significant effect on the amounts recognized in the financial statements (e.g., management's judgment in determining whether assets are investment properties). The superseded IPSAS 1 did not contain these disclosure requirements.~~

~~IN23. The Standard requires that an entity disclose the key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The superseded IPSAS 1 did not contain these disclosure requirements.~~

Amendments to International Public Sector Accounting Standard 3, *Accounting Policies, Changes in Estimates and Errors*

Introduction section is deleted (deleted text is struck through).

Introduction

IN1. ~~IPSAS 3, “Accounting Policies, Changes in Estimates and Errors,” replaces IPSAS 3, “Net Surplus or Deficit for the Period, Fundamental Errors and Changes in Accounting Policies” (issued May 2000), and should be applied for annual reporting periods beginning on or after January 1, 2008. Earlier application is encouraged.~~

Reasons for Revising IPSAS 3

IN2. ~~The IPSASB developed this revised IPSAS 3 as a response to the IASB’s project on Improvements to IASs and its own policy to converge public sector accounting standards with private sector standards to the extent appropriate.~~

IN3. ~~In developing this revised IPSAS 3, the IPSASB adopted the policy of amending the IPSAS for those changes made to the former IAS 8, “Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies” made as a consequence of the IASB’s improvements project, except where the original IPSAS had varied from the provisions of IAS 8 for a public sector specific reason; such variances are retained in this IPSAS 3 and are noted in the Comparison with IAS 8. Any changes to IAS 8 made subsequent to the IASB’s improvements project have not been incorporated into IPSAS 3.~~

Changes from Previous Requirements

IN4. ~~The main changes from the previous version of IPSAS 3 are described below.~~

Name of Standard

IN5. ~~The Standard is called “Accounting Policies, Changes in Accounting Estimates and Errors.”~~

Scope

IN6. ~~The Standard includes criteria for the selection of accounting policies that were previously contained in IPSAS 1, “Presentation of Financial Statements.”~~

IN7. ~~The Standard does not contain requirements on the presentation of items in the statement of financial performance, which are now included in IPSAS 1.~~

Definitions

~~IN8. The Standard defines new terms: change in accounting estimate, prior period errors, prospective application, retrospective application and retrospective restatement, impracticable, material and notes.~~

~~IN9. The Standard does not include definitions of the terms: extraordinary items, ordinary activities, net surplus/deficit, and surplus/deficit from ordinary activities, which are no longer required.~~

Materiality

~~IN10. The Standard stipulates that:~~

- ~~• The accounting policies in IPSASs need not be applied when the effect of applying them is immaterial; and~~
- ~~• Financial statements do not comply with IPSASs if they contain material errors.~~

Net Surplus or Deficit for the Period

~~IN11. The Standard does not include the requirements for the presentation of surplus or deficit for the period that were included in the superseded IPSAS 3, these requirements are now included in IPSAS 1.~~

Accounting Policies

~~IN12. The Standard specifies the hierarchy of IPSASB's pronouncements, and authoritative and non mandatory guidance, to be considered when selecting accounting policies to apply in the preparation of financial statements. The new hierarchy is now established as a principle and printed in bold type.~~

~~IN13. The Standard does not include the allowed alternative treatments for changes in accounting policies (including voluntary changes) that were included in the superseded IPSAS 3. An entity is now required (where practicable) to account for changes in accounting policies retrospectively.~~

Errors

~~IN14. The Standard does not distinguish between fundamental errors and other material errors.~~

~~IN15. The Standard does not include the allowed alternative treatments for the correction of errors that were included in the superseded IPSAS 3. An entity is now required to correct (where practicable) material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery.~~

Criteria for Exemptions from Requirements (Impracticability)

~~IN16. The Standard requires that when it is impracticable to determine the cumulative effect, at the beginning of the current period, of:~~

- ~~• Applying a new accounting policy to all prior periods; or~~
- ~~• An error on all prior periods;~~

~~The entity changes the comparative information as if the new accounting policy had always been applied; or the error had been corrected, prospectively from the earliest date practicable.~~

~~IN17. The Standard includes guidance on the interpretation of impracticable.~~

Disclosures

~~IN18. The Standard requires more detailed and additional disclosure of the amounts of adjustments as a consequence of changing accounting policies or correcting prior period errors than was required by the superseded IPSAS 3.~~

~~IN19. The Standard requires, rather than encourages the disclosure of:~~

- ~~• An impending change in accounting policy when an entity has yet to adopt a new IPSAS which has been published but not yet come into effect; and~~
- ~~• Known or reasonably estimable information relevant to assessing the possible impact that application of the new IPSAS will have on the entity's financial statements in the period of initial application.~~

~~Amendments to Other Pronouncements~~

~~IN20. The Standard includes an authoritative appendix of amendments to other IPSASs that are not part of the IPSASs Improvements project and will be impacted as a result of the proposals in this IPSAS.~~

Amendments to International Public Sector Accounting

Standard 4, *The Effects of Changes in Foreign Exchange Rates*

Introduction section is deleted (deleted text is struck through).

Introduction

~~IN1. IPSAS 4, “The Effects of Changes in Foreign Exchange Rates,” replaces IPSAS 4, “The Effects of Changes in Foreign Exchange Rates” (issued December 2006), and should be applied for annual reporting periods beginning on or after January 1, 2010. Earlier application is encouraged.~~

Reasons for Revising IPSAS 4

~~IN2. The IPSASB developed this revised IPSAS 4 as a response to the IASB’s amendment to IAS 21 (published as Net Investment in a Foreign Operation) in December 2005 and its own policy to converge public sector accounting standards with private sector standards to the extent appropriate.~~

~~IN3. In developing this revised IPSAS 4, the IPSASB adopted the policy of amending the IPSAS for those changes made to the former IAS 21, “The Effects of Changes in Foreign Exchange Rates” made as a consequence of the IASB’s amendment in December 2005, except where the original IPSAS had varied from the provisions of IAS 21 for a public sector specific reason; such variances are retained in this IPSAS 4 and are noted in the Comparison with IAS 21.~~

Changes from Previous Requirements

~~IN4. The main changes from the previous version of IPSAS 4 are described below.~~

Net Investment in a Foreign Operation

~~IN5. The Standard clarifies that an entity that has a monetary item, which is, in substance, a part of the entity’s net investment in a foreign operation, and therefore accounts for such item in accordance with the requirements of this Standard, may be any controlled entity of the economic entity.~~

Recognition of Exchange Differences

~~IN6. The Standard requires that when a monetary item forms part of a reporting entity’s net investment in a foreign operation and is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, exchange differences arising on this monetary item are recognized initially in a separate component of net assets/equity in the financial statements that include the foreign operation and the reporting entity. Previously, such exchange differences were required to be~~

~~recognized in surplus or deficit in the financial statements including the foreign operation and the reporting entity.~~

Amendments to International Public Sector Accounting Standard 6, *Consolidated and Separate Financial Statements*

Introduction section is deleted (deleted text is struck through).

Introduction

IN1. ~~IPSAS 6, “Consolidated and Separate Financial Statements,” replaces IPSAS 6, “Consolidated Financial Statements and Accounting for Controlled Entities” (issued May 2000), and should be applied for annual reporting periods beginning on or after January 1, 2008. Earlier application is encouraged.~~

Reasons for Revising IPSAS 6

IN2. ~~The IPSASB developed this revised IPSAS 6 as a response to the International Accounting Standards Board’s project on Improvements to International Accounting Standards and its own policy to converge public sector accounting standards with private sector standards to the extent appropriate.~~

IN3. ~~In developing this revised IPSAS 6, the IPSASB adopted the policy of amending the IPSAS for those changes made to the former IAS 27, “Consolidated Financial Statements and Accounting for Controlled Entities” made as a consequence of the IASB’s improvements project, except where the original IPSAS had varied from the provisions of IAS 27 for a public sector specific reason; such variances are retained in this IPSAS 6 and are noted in the Comparison with IAS 27. Any changes to IAS 27 made subsequent to the IASB’s improvements project have not been incorporated into IPSAS 1.~~

Changes from Previous Requirements

IN4. ~~The main changes from the previous version of IPSAS 6 are described below.~~

Scope

IN5. ~~The Standard clarifies in paragraph 3 that it applies to accounting for controlled entities, jointly controlled entities and associates in the separate financial statements of a controlling entity, a venturer or an investor.~~

Definitions

IN6. ~~The Standard:~~

- ~~Defines two new terms: cost method and separate financial statements.~~
- ~~No longer includes the unnecessary definitions: accounting policies, accrual basis, assets, associates, cash, contributions from owners,~~

~~distributions to owners, equity method, expenses, “government business enterprises, investor in a joint venture, joint control, joint venture, liabilities, net assets/equity, reporting date, revenue and significant influence.~~

- ~~No longer includes the definition net surplus/deficit, which no longer exists. This definition has also been eliminated from IPSAS 1, “Presentation of Financial Statements” and IPSAS 3, “Accounting Policies, Changes in Accounting Estimates and Errors.”~~

~~IN7. Includes in paragraphs 8-11 further illustrations of the term separate financial statements. Previously, IPSAS 6 did not contain these illustrations.~~

Exemptions from Preparing Consolidated Financial Statements

~~IN8. The Standard clarifies and tightens in paragraph 16 the circumstances in which a controlling entity is exempted from preparing consolidated financial statements. A controlling entity need not present consolidated financial statements if and only if:~~

- ~~The controlling entity is itself a wholly owned controlled entity and users of such financial statements are unlikely to exist or their information needs are met by its controlling entity’s consolidated financial statements; or the controlling entity is a partially owned controlled entity of another entity and its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the controlling entity not preparing consolidated financial statements;~~
- ~~The controlling entity’s debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets);~~
- ~~The controlling entity did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market; and~~
- ~~The ultimate or any intermediate controlling entity of the controlling entity produces consolidated financial statements available for public use that comply with International Public Sector Accounting Standards.~~

~~Previously, IPSAS 3 specified that a controlling entity that is a wholly owned controlled entity, or is a virtually wholly owned, need not present consolidated financial statements provided users of such financial statements are unlikely to exist or their information needs are met by the controlling entity’s consolidated financial statements; or, in the case of one that is virtually wholly owned, the controlling entity obtains the approval of the owners of the minority interest.~~

Exemptions from Consolidation

- ~~IN9. The Standard clarifies in paragraph 21 that a controlled entity shall be excluded from consolidation when there is evidence that (a) control is intended to be temporary because the controlled entity is acquired and held exclusively with a view to its disposal within twelve months from acquisition and (b) management is actively seeking a buyer. The Standard further specifies that when a controlled entity previously excluded from consolidation is not disposed of within twelve months, it must be consolidated as from the acquisition date unless narrowly specified circumstances apply. The words “in the near future” used in previous IPSAS 6 were replaced with the words “within twelve months.” In addition, there was no similar requirement to (b) in previous IPSAS 6 for exclusion from consolidation.~~
- ~~IN10. The Standard clarifies in paragraph 26 that the requirement to consolidate investments in controlled entities applies to venture capital organization, mutual funds, unit trusts and similar entities. Previously, IPSAS 6 did not contain this clarification.~~
- ~~IN11. The Standard no longer provides the previous exemption from consolidating for an entity which operates under external long term severe restrictions which prevents the controlling entity from benefiting from its activities (see previous paragraphs 22(b) and 25).~~

Consolidation Procedures

- ~~IN12. The Standard requires an entity to consider the existence and effect of potential voting rights currently exercisable or convertible when assessing whether it has the power to govern the financial and operating policies of another entity (see paragraphs 33 and 34). Previously, IPSAS 6 did not contain these requirements.~~
- ~~IN13. The Standard clarifies in paragraph 49 that an entity shall use uniform accounting policies for reporting like transactions and other events in similar circumstances. Previously, IPSAS 6 provided an exception to this requirement when it was “not practicable to use uniform accounting policies.”~~
- ~~IN14. The Standard requires in paragraph 54 that minority interests shall be presented in the consolidated statement of financial position within net assets/equity, separately from the controlling entity’s net assets/equity. Previously, though IPSAS 6 precluded presentation of minority interests within liabilities, it did not require presentation within net assets/equity.~~

Separate Financial Statements

~~IN15. The Standard requires in paragraph 58 that investments in controlled entities, jointly controlled entities be accounted for using the equity method, at cost or as a financial instrument. Previously IPSAS 6 required entities to be accounted for using the equity method or as an investment.~~

~~IN16. The Standard requires in paragraph 60 that controlled entities, jointly controlled entities and associates that are accounted for as financial instruments in the consolidated financial statements shall be accounted for in the same way in the investor's separate financial statements. Previously, IPSAS 6 did not contain this requirement.~~

Disclosure

~~IN17. The Standard requires additional disclosures in respect of separate financial statements (see paragraphs 63 and 64).~~

~~Amendments to Other IPSASs~~

~~IN18. The Standard includes an authoritative appendix of amendments to other IPSASs that are not part of the IPSASs Improvements project and will be impacted as a result of the proposals in this IPSAS.~~

Implementation Guidance

~~IN19. The Standard includes Implementation Guidance and Illustrative Examples, which illustrate how to consider the impact of potential voting rights on an entity's power to govern the financial and operating policies of another entity when implementing IPSAS 6, IPSAS 7, "Investments in Associates" and IPSAS 8, "Interests in Joint Ventures."~~

Amendments to International Public Sector Accounting Standard 7, *Investments in Associates*

Introduction section is deleted (deleted text is struck through).

Introduction

IN1. ~~IPSAS 7, “Investments in Associates,” replaces IPSAS 7, “Accounting for Investments in Associates” (issued May 2000), and should be applied for annual reporting periods beginning on or after January 1, 2008. Earlier application is encouraged.~~

Reasons for Revising IPSAS 7

IN2. ~~The IPSASB developed this revised IPSAS 7 as a response to the IASB’s project on Improvements to IASs and its own policy to converge public sector accounting standards with private sector standards to the extent appropriate.~~

IN3. ~~In developing this revised IPSAS 7, the IPSASB adopted the policy of amending the IPSAS for those changes made to the former IAS 28, “Accounting for Investment in Associates” made as a consequence of the IASB’s improvements project, except where the original IPSAS had varied from the provisions of IAS 28 for a public sector specific reason; such variances are retained in this IPSAS 7 and are noted in the Comparison with IAS 28. Any changes to IAS 28 made subsequent to the IASB’s improvements project have not been incorporated into IPSAS 7.~~

Changes from Previous Requirements

IN4. ~~The main changes from the previous version of IPSAS 7 are described below.~~

Name of Standard

IN5. ~~The name of the Standard has been changed to “Investments in Associates.”~~

Scope

IN6. ~~The Standard now excludes in paragraph 1 investments that would otherwise be associates or joint ventures held by venture capital organizations, mutual funds, unit trusts and similar entities that are measured at fair value in accordance with the relevant international or national accounting standard dealing with the recognition and measurement of financial instruments.~~

IN7. ~~The Standard provides exemptions from application of the equity method to certain:~~

- ~~Controlling entities, similar to those provided for financial statements in IPSAS 6, “Consolidated and Separate Financial Statements” (in paragraph 19(b)); and~~
- ~~Investors which satisfy the same type of conditions that exempt controlling entities in preparing consolidated financial statements in paragraph 19(c).~~

Definitions

IN8. ~~The Standard modifies the definitions of equity method and significant influence for uniform definitions in IPSASs in paragraph 7.~~

Significant Influence

IN9. ~~The Standard requires in paragraphs 14-16 an entity to consider the existence and effect of potential voting rights currently exercisable or convertible when assessing whether it has the power to participate in the financial and operating policy decisions of the investee (associate).~~

Application of the Equity Method

IN10. ~~The Standard clarifies in paragraph 19 that investments that are held exclusively with a view to its disposal within twelve months of acquisition and that management is actively seeking a buyer shall be classified as held for trading and will be accounted for in accordance with the relevant international or national accounting standard dealing with the recognition and measurement of financial instruments.~~

IN11. ~~The Standard clarifies in paragraph 24 that when an investor ceases to significantly influence its investment, the cost of the investment shall be accounted for in accordance with the relevant international or national accounting standard dealing with the recognition and measurement of financial instruments.~~

IN12. ~~The Standard requires in paragraph 28 that surpluses and deficits resulting from upstream and downstream transactions between an investor and an associate to be eliminated to the extent of the investor’s interest in the associate.~~

IN13. ~~The Standard allows a maximum of three months between the reporting period of the investor and its associate when applying the equity method (paragraph 31).~~

IN14. ~~The Standard removes the impracticable notion in paragraph 33, such that an investor has to make appropriate adjustments for transactions and other events in the associate’s financial statements when the accounting policies in both entities are not similar.~~

~~IN15. The Standard requires in paragraphs 35 and 36 the entity to consider the carrying amount of its investment in the equity of the associate and its other long term interests in the associate when recognizing its share of losses of the associate.~~

Impairment Losses

~~IN16. The Standard provides guidance in paragraphs 37–40 on when and how an entity tests for impairment of its associate.~~

Separate Financial Statements

~~IN17. The requirements and guidance for separate financial statements have been moved to IPSAS 6 in paragraphs 41 and 42. Entities will now have to refer to IPSAS 6 for guidance on how to prepare an investor's separate financial statements.~~

Disclosure

~~IN18. The Standard requires in paragraph 43 more detailed disclosures on investments in associates, including:~~

- ~~● The nature and extent of any significant restrictions (e.g., resulting from borrowing arrangements) on the ability of associates to transfer funds to the investor;~~
- ~~● The unrecognized share of losses of an associate if any investor has discontinued recognition of its share of losses of an associate; and~~
- ~~● The reasons why:~~
 - ~~○ An investment is considered to have significant influence when it holds less than 20 percent of the voting or potential voting power of the investee;~~
 - ~~○ An investment is not considered to have significant influence when it holds more than 20 percent of the voting or potential voting power of the investee; and~~
 - ~~○ The reporting date of the financial statements of the associate and investor is different.~~

Amendments to International Public Sector Accounting Standard 8, *Interests in Joint Ventures*

Introduction section is deleted (deleted text is struck through).

Introduction

IN1. ~~IPSAS 8, “Interests in Joint Ventures,” replaces IPSAS 8, “Financial Reporting of Interests in Joint Ventures” (issued May 2000), and should be applied for annual reporting periods beginning on or after January 1, 2008. Earlier application is encouraged.~~

Reasons for Revising IPSAS 8

IN2. ~~The IPSASB developed this revised IPSAS 8 as a response to the IASB’s project on Improvements to IASs and its own policy to converge public sector accounting standards with private sector standards to the extent appropriate.~~

IN3. ~~In developing this revised IPSAS 8, the IPSASB adopted the policy of amending the IPSAS for those changes made to the former IAS 31, “Financial Reporting of Interests in Joint Ventures” made as a consequence of the IASB’s improvements project, except where the original IPSAS had varied from the provisions of IAS 31 for a public sector specific reason; such variances are retained in this IPSAS 8 and are noted in the Comparison with IAS 31. Any changes to IAS 31 made subsequent to the IASB’s improvements project have not been incorporated into IPSAS 8.~~

Changes from Previous Requirements

IN4. ~~The main changes from the previous version of IPSAS 8 are described below.~~

Title of the Standard

IN5. ~~The title of the Standard is changed to “Interests in Joint Ventures.”~~

Scope

IN6. ~~The Standard excludes from the scope in paragraph 1, venturers’ interests in jointly controlled entities that are recognized at fair value held by:~~

- ~~• Venture capital organizations; or~~
- ~~• Mutual funds, unit trusts and similar entities including investment-linked insurance funds.~~

~~Previously, IPSAS 8 did not contain these exclusions from its scope.~~

Definitions

~~IN7. The Standard in paragraph 6:~~

- ~~• Does not include the following unnecessary terms: accrual basis, assets, associates, cash, cash flows, contribution from owners, controlled entity, controlling entity, distribution to owners, economic entity, expenses, government business enterprises, liabilities, net assets/equity, and revenue. These terms are defined in other IPSASs.~~
- ~~• Does not include the term net surplus/deficit, which no longer exists.~~

~~IN8. The Standard includes in paragraphs 14–16 explanation of separate financial statements. Previously, IPSAS 8 did not contain these illustrations.~~

Exemptions from Applying Proportionate Consolidation or the Equity Method

~~IN9. The Standard clarifies in paragraphs 47 and paragraph 3(a) applying proportionate consolidation or the equity method is not required when (a) an interest in a joint venture is acquired and held exclusively with a view to its disposal within twelve months from acquisition and (b) management is actively seeking a buyer.~~

~~IN10. IPSAS 8 further specifies in paragraph 49 that when a jointly controlled entity previously exempted from proportionate consolidation or the equity method is not disposed of within twelve months, it shall be accounted for using proportionate consolidation or the equity method from the date of acquisition unless narrowly specified circumstances apply.~~

~~IN11. The words “in the near future” used in previous IPSAS 8 have been replaced with the words “within twelve months.” There was no requirement that management must be actively seeking a buyer in previous IPSAS 8 for exemption from applying proportionate consolidation or the equity method.~~

~~IN12. The Standard clarifies in paragraph 3(b) and 3(c) the exemptions from application of proportionate consolidation or the equity method, including when the venturer is:~~

- ~~• Also a controlling entity exempt in accordance with IPSAS 6, “Consolidated and Separate Financial Statements” from preparing consolidated financial statements; or~~
- ~~• Though not such a controlling entity, can satisfy the same type of conditions that exempt such controlling entities.~~

~~IN13. IPSAS 6 requires that a controlling entity need not present consolidated financial statements if and only if:~~

- ~~• The controlling entity is itself a wholly owned controlled entity and users of such financial statements are unlikely to exist or their information needs are met by its controlling entity’s consolidated~~

~~financial statements; or is a partially owned controlled entity of another entity and its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the controlling entity not presenting consolidated financial statements;~~

- ~~• The controlling entity's debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over the counter market, including local and regional markets);~~
- ~~• The controlling entity did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market; and~~
- ~~• The ultimate or any intermediate controlling entity of the controlling entity produces consolidated financial statements available for public use that comply with International Public Sector Accounting Standards.~~

~~Previously, IPSAS 8 did not contain these exemptions.~~

~~IN14. The Standard does not include the previous paragraph 46(b) clarifying that severe long term restrictions that significantly impair the ability to transfer funds to the venturer do not of themselves justify not applying the proportionate consolidation or the equity method. Joint control must be lost before proportionate consolidation or the equity method ceases to apply.~~

Separate Financial Statements

~~IN15. The Standard requires in paragraph 52 that a venturer should account for an interest in a jointly controlled entity in its separate financial statements in accordance with IPSAS 6. IPSAS 6 requires that the venturer shall account for its interest in a jointly controlled entity in its separate financial statements either at cost or as financial instruments accordance with the relevant international or national accounting standard dealing with financial instruments.~~

Disclosure

~~IN16. The Standard requires in paragraph 64 that a venturer shall disclose the method it uses to recognize its interests in jointly controlled entities (i.e., proportionate consolidation or the equity method).~~

Amendments to Other IPSASs

~~IN17. The Standard includes an authoritative appendix of amendments to other IPSASs.~~

Amendments to International Public Sector Accounting Standard 12, *Inventories*

Introduction section is deleted (deleted text is struck through).

Introduction

~~IN1. IPSAS 12, “Inventories,” replaces IPSAS 12, “Inventories” (issued July 2001), and should be applied for annual reporting periods beginning on or after January 1, 2008. Earlier application is encouraged.~~

Reasons for Revising IPSAS 12

~~IN2. The IPSASB developed this revised IPSAS 12 as a response to the IASB’s project on Improvements to IASs and its own policy to converge public sector accounting standards with private sector standards to the extent appropriate.~~

~~IN3. In developing this revised IPSAS 12, the IPSASB adopted the policy of amending the IPSAS for those changes made to the former IAS 2, “Inventories” made as a consequence of the IASB’s improvements project, except where the original IPSAS had varied from the provisions of IAS 2 for a public sector specific reason; such variances are retained in this IPSAS 12 and are noted in the Comparison with IAS 2. Any changes to IAS 2 made subsequent to the IASB’s improvements project have not been incorporated into IPSAS 12.~~

Changes from Previous Requirements

~~IN4. The main changes from the previous version of IPSAS 12 are described below.~~

Objective and Scope

~~IN5. The Standard clarifies in paragraphs 1 and 2 that the Standard applies to all inventories that are not specifically excluded from its scope. Previously, IPSAS 12 applied to “accounting for inventories under the historical cost system.”~~

~~IN6. The Standard establishes a clear distinction between those inventories (a) that are entirely outside the scope of the Standard; and (b) that are outside the scope of measurement requirements but within the scope of the other requirements in the Standard (see paragraphs 2 and 3).~~

~~IN7. Inventories that are outside the measurement requirements of the Standard are those held by: (a) producers of agricultural and forest products, agricultural produce after harvest, and minerals and mineral products, to the extent that they are measured at net realizable value in accordance with~~

~~well established practices in those industries, and (b) commodity broker-traders measured at fair value less costs to sell.~~

~~IN8. To qualify for this exemption, changes in recognized amounts of these inventories are to be included in surplus or deficit in the period of the changes.~~

~~IN9. Previously, IPSAS 12 did not make this distinction with respect to scope exemptions.~~

Cost of Inventories

~~IN10. The Standard prohibits exchange differences arising directly on the recent acquisitions of inventories invoiced in a foreign currency from being included in the cost of purchase of inventories (see previous paragraph 15).~~

~~IN11. Previously, this was allowed under the allowed alternative treatment contained in the superseded version of IPSAS 4, "The Effects of Changes in Foreign Exchanges Rates." This alternative treatment has also been eliminated in IPSAS 4.~~

~~IN12. The Standard requires in paragraph 26 that when inventories are purchased with deferred settlement terms, the difference between the purchase price for normal credit terms and the amount paid is recognized as interest expense over the period of financing. Previously, IPSAS 12 did not contain this requirement.~~

Disclosures

~~IN13. The Standard requires the following additional disclosure items (see paragraph 45):~~

- ~~• The carrying amount of inventories carried at fair value less costs to sell.~~
- ~~• The amount of any write down of inventories recognized as an expense in the period.~~

~~IN14. Previously, IPSAS 12 did not contain these disclosure requirements.~~

Amendments to International Public Sector Accounting Standard 13, *Leases*

Introduction section is deleted (deleted text is struck through).

Introduction

~~IN1. IPSAS 13, “Leases,” replaces IPSAS 13, “Leases” (issued December 2001), and should be applied for annual reporting periods beginning on or after January 1, 2008. Earlier application is encouraged.~~

Reasons for Revising IPSAS 13

~~IN2. The IPSASB developed this revised IPSAS 13 as a response to the IASB’s project on Improvements to IASs and its own policy to converge public sector accounting standards with private sector standards to the extent appropriate.~~

~~IN3. In developing this revised IPSAS 13, the IPSASB adopted the policy of amending the IPSAS for those changes made to the former IAS 17, “Leases” made as a consequence of the IASB’s improvements project, except where the original IPSAS had varied from the provisions of IAS 17 for a public sector specific reason; such variances are retained in this IPSAS 13 and are noted in the Comparison with IAS 17. Any changes to IAS 17 made subsequent to the IASB’s improvements project have not been incorporated into IPSAS 13.~~

Changes from Previous Requirements

~~IN4. The main changes from the previous version of IPSAS 13 are described below.~~

Definitions

~~IN5. The Standard defines “initial direct costs” in paragraph 8 as “incremental costs that are directly attributable to negotiating and arranging a lease, except for such costs incurred by manufacturer or trader lessors.” Previously, IPSAS 13 did not contain this definition.~~

~~IN6. The Standard defines “commencement of the lease term” in paragraph 8 as “the date from which the lessee is entitled to exercise its right to use the leased asset.” It is distinguished from the inception of the lease, which is defined as “the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease.” The Standard clarifies that recognition takes place at the commencement of the lease term based on values measured at the inception of the lease. If the lease is adjusted for changes in the lessor’s costs between the inception of~~

~~the lease and the commencement of the lease term, the effect of any such changes is deemed to have taken place at the inception (see paragraph 9).~~

- ~~IN7. Previously, IPSAS 13 did not define “commencement of the lease” and implicitly assumed that commencement and inception were simultaneous.~~

Classification of Leases of Land and Building

- ~~IN8. The Standard requires in paragraph 20 that an entity consider the land and buildings elements separately when classifying a lease of land and buildings. Normally, the land element is classified as an operating lease unless the title passes to the lessee at the end of the lease term. The buildings element is classified as an operating or finance lease by applying the classification criteria in the Standard. The minimum lease payments are allocated between the land and buildings elements in proportion to the relative fair values of the leasehold interests in the land and buildings elements of the lease.~~

- ~~IN9. Previously, IPSAS 13 was not explicit about how to classify a lease of land and buildings and how to allocate the lease payment between them.~~

Initial Direct Costs Incurred by Lessors

- ~~IN10. The Standard requires lessors to include the initial direct costs incurred in negotiating a finance lease in the initial measurement of finance lease receivables. For operating leases, such initial direct costs are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the lease revenue. This treatment does not apply to manufacturer or trader lessors. Manufacturer or trader lessors recognize this type of costs as an expense when the gain or loss is recognized. (see paragraphs 50, 55 and 65)~~
- ~~IN11. Previously, IPSAS 13 contained a choice on how to account for such costs—they might be either charged as an expense as incurred or allocated over the lease term and the choice of treatment applied to both operating and finance leases.~~

Amendments to International Public Sector Accounting Standard 14, *Events After the Reporting Date*

Introduction section is deleted (deleted text is struck through).

Introduction

IN1. ~~IPSAS 14, “Events after the Reporting Date,” replaces IPSAS 14, “Events after the Reporting Date” (issued December 2001), and should be applied for annual reporting periods beginning on or after January 1, 2008. Earlier application is encouraged.~~

Reasons for Revising IPSAS 14

IN2. ~~The IPSASB developed this revised IPSAS 14 as a response to the IASB’s project on Improvements to IASs and its own policy to converge public sector accounting standards with private sector standards to the extent appropriate.~~

IN3. ~~In developing this revised IPSAS 14, the IPSASB adopted the policy of amending the IPSAS for those changes made to the former IAS 10, “Events after the Reporting Date” made as a consequence of the IASB’s improvements project, except where the original IPSAS had varied from the provisions of IAS 10 for a public sector specific reason; such variances are retained in this IPSAS 14 and are noted in the Comparison with IAS 10. Any changes to IAS 10 made subsequent to the IASB’s improvements project have not been incorporated into IPSAS 14.~~

Changes from Previous Requirements

IN4. ~~The main changes from the previous version of IPSAS 14 are described below.~~

Dividends or Similar Distributions Declared after the Reporting Date

IN5. ~~The Standard clarifies in paragraph 16 that dividends or similar distributions declared after the reporting date are disclosed in the notes in accordance with IPSAS 1, “Presentation of Financial Statements.” Previously, IPSAS 14 stated that an entity could make the disclosure of such distributions after the reporting date either on the face of the statement of financial position as a separate component of net assets/equity or in the notes to the financial statements.~~

Amendments to Other IPSASs

IN6. ~~The Standard includes an authoritative appendix of amendments to other IPSASs that are not part of the IPSASs Improvements project and will be affected as a result of the proposals in this IPSAS.~~

Amendments to International Public Sector Accounting Standard 16, *Investment Property*

Introduction section is deleted (deleted text is struck through).

Introduction

~~IN1. IPSAS 16, “Investment Property,” replaces IPSAS 16, “Investment Property” (issued December 2001), and should be applied for annual reporting periods beginning on or after January 1, 2008. Earlier application is encouraged.~~

Reasons for Revising IPSAS 16

~~IN2. The IPSASB developed this revised IPSAS 16 as a response to the IASB’s project on Improvements to IASs and its own policy to converge public sector accounting standards with private sector standards to the extent appropriate.~~

~~IN3. In developing this revised IPSAS 16, the IPSASB adopted the policy of amending the IPSAS for those changes made to the former IAS 40, “Investment Property” made as a consequence of the IASB’s improvements project, except where the original IPSAS had varied from the provisions of IAS 40 for a public sector specific reason; such variances are retained in this IPSAS 16 and are noted in the Comparison with IAS 40. Any changes to IAS 40 made subsequent to the IASB’s improvements project have not been incorporated into IPSAS 16.~~

Changes from Previous Requirements

~~IN4. The main changes from the previous version of IPSAS 16 are described below.~~

Property Interests Held by a Lessee under an Operating Lease

~~IN5. The Standard allows in paragraph 8 a property interest held by a lessee under an operating lease to be classified and accounted for as investment property provided certain criteria are met.~~

~~IN6. The Standard requires a lessee that classifies a property interest held under an operating lease as investment property to account for the lease as if it were a finance lease in accordance with IPSAS 13 “Leases,” i.e., the asset shall be recognized at the lower of the fair value of the property interest and the present value of the minimum lease payments. The fair value is determined by reference to that interest and not the underlying property (see paragraphs 34–35).~~

~~IN7. The Standard specifies that the subsequent measurement choice between cost model and fair value model is not available for a lessee accounting for~~

~~a property interest held under an operating lease that it has elected to classify as investment property. Such investment property is required to be measured using the fair value model. Once this alternative is selected for one such property, all other properties classified as investment properties held by the entity are to be accounted for consistently on a fair value basis (see paragraphs 42–43).~~

~~IN8. Previously, IPSAS 16 did not contain these requirements.~~

Changes to Reflect Equivalent Requirements in Proposed IPSAS 17, Property, Plant and Equipment

~~IN9. The Standard requires an entity to apply one general asset recognition principle to all investment property costs at the time they are incurred, including initial costs and subsequent expenditures. Previously, IPSAS 16 contained two recognition principles: one applied to initial costs while another applied to subsequent expenditures (see paragraphs 20–23, 25).~~

~~IN10. The Standard requires an entity to measure investment property acquired in an asset exchange transaction at fair value unless the transaction lacks commercial substance, or the fair value of neither the asset given up nor the asset received can be reliably measured. Previously, IPSAS 16 did not contain requirements with regard to the accounting treatment for asset exchange transactions (see paragraphs 36–38).~~

~~IN11. The Standard requires an entity to derecognize the carrying amount of a part of an investment property if that part has been replaced and the cost of replacement has been included in the carrying amount of the asset (see paragraph 79). Previously, the derecognition principle contained in IPSAS 16 did not apply to replaced parts. The recognition principle for subsequent expenditures in IPSAS 16 effectively precluded the cost of a replacement from being included in the carrying amount of the asset.~~

~~IN12. The Standard requires an entity to include compensation from third parties for an investment property that was impaired, lost or given up in surplus or deficit when the compensation becomes receivable. Previously, IPSAS 16 did not contain this requirement (see paragraph 83).~~

Amendments to International Public Sector Accounting Standard 17, *Property, Plant, and Equipment*

Introduction section is deleted (deleted text is struck through).

Introduction

IN1. ~~IPSAS 17, “Property, Plant, and Equipment,” replaces 17, “Property, Plant, and Equipment” (issued December 2001), and should be applied for annual reporting periods beginning on or after January 1, 2008. Earlier application is encouraged.~~

Reasons for Revising IPSAS 17

IN2. ~~The IPSASB developed this revised IPSAS 17 as a response to the IASB’s project on Improvements to IASs and its own policy to converge public sector accounting standards with private sector standards to the extent appropriate.~~

IN3. ~~In developing this revised IPSAS 17, the IPSASB adopted the policy of amending the IPSAS for those changes made to the former IAS 16, “Property, Plant and Equipment” made as a consequence of the IASB’s improvements project, except where the original IPSAS had varied from the provisions of IAS 16 for a public sector specific reason; such variances are retained in this IPSAS 16 and are noted in the Comparison with IAS 16. Any changes to IAS 16 made subsequent to the IASB’s improvements project have not been incorporated into IPSAS 16.~~

Changes from Previous Requirements

IN4. ~~The main changes from the previous version of IPSAS 17 are described below.~~

Definitions

IN5. ~~In paragraph 13:~~

- ~~The Standard defines the terms carrying amount, impairment loss, impairment loss of a non cash generating asset, recoverable amount and recoverable service amount due to the issuance of IPSAS 21, “Impairment of Non-Cash Generating Assets.” Previously, IPSAS 17 did not define these terms.~~
- ~~The Standard amends the definition of residual value. The amended definition requires an entity to measure the residual value of an item of property, plant and equipment as the amount it estimates it would receive currently from the disposal of the asset if the asset were already of the age and in the condition expected at the end of its useful life. The~~

previous definition in IPSAS 17 did not clarify that residual value was a current amount.

- ~~The Standard defines the term “entity specific value,” which refers to “the present value of the cash flows an entity expects to arise from the continuing use of an asset and from its disposal at the end of its useful life or expects to incur when settling a liability.” This term is used where relevant in determining whether an asset exchange transaction has commercial substance. Guidance on how to judge whether an asset exchange transaction has commercial substance is also provided (see paragraphs 38–40). Previously, IPSAS 17 did not contain this definition and the related guidance.~~

Recognition

~~IN6. The Standard requires an entity to apply the general asset recognition principle to all property, plant and equipment costs at the time they are incurred, including initial costs and subsequent expenditures (see paragraphs 14, 19, 22, 24–25). Previously, IPSAS 17 contained two recognition principles—one applied to initial costs while another applied to subsequent expenditures.~~

~~IN7. The Standard clarifies in paragraph 23 that the costs of day to day servicing of property, plant and equipment are recognized in surplus or deficit. Previously, IPSAS 17 did not make this very clear.~~

Measurement at Recognition

~~IN8. The Standard requires an entity to include the estimate of asset dismantlement, removal and restoration costs as an element of cost of property, plant and equipment, including the obligations which the entity incurs both when the asset is acquired and when it is used at subsequent periods, except when it is used to produce inventories (see paragraph 30). IPSAS 12 applies to the obligations for dismantling, removing and restoring that are incurred during the period of using the item to produce inventories. Previously, IPSAS 17 included within the cost of property, plant and equipment only the obligation which the entity incurs when the item is acquired.~~

~~IN9. The Standard requires an entity to measure an item of property, plant and equipment acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets, at fair value unless: the exchange transaction lacks commercial substance; or the fair value of neither the asset given up nor the asset received can be reliably measured (see paragraphs 38 to 40). Previously, IPSAS 17 divided asset exchange transactions into exchanges between similar assets and exchanges between dissimilar assets. The different categories of exchange were subject to~~

~~different accounting treatments. For exchange of similar assets, the cost of the asset received was the carrying amount of the asset given up. For exchange of dissimilar assets, the cost was the fair value of the asset given up adjusted by the amount of any cash or cash equivalent transferred.~~

Depreciation

~~IN10. The Standard requires an entity to determine the depreciation charge separately for each significant part of an item of property, plant and equipment (see paragraphs 59 to 63). Previously, IPSAS 17 did not make this clear.~~

~~IN11. The Standard requires an entity to begin depreciating an item of property, plant and equipment when it is available for use and to continue depreciating it until it is derecognized, even if during that period the item is idle (see paragraph 71). Previously, IPSAS 17 did not specify when depreciation of an item began. It specified that an entity should cease depreciating an item when the item was retired from active use and was held for disposal.~~

Compensation for Impairments

~~IN12. The Standard requires an entity to include in surplus or deficit compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up when the compensation becomes receivable (see paragraph 80). Previously, IPSAS 17 did not include these requirements.~~

Derecognition

~~IN13. The Standard requires an entity to derecognize the carrying amount of an item of property, plant and equipment that it disposes of on the date the criteria for the sale of goods in IPSAS 9, "Revenue from Exchange Transactions" are met (see paragraph 84). Previously, IPSAS 17 did not specify that an entity was to use the criteria contained in IPSAS 9 to determine the date on which it derecognized the carrying amount of a disposed item of property, plant and equipment.~~

~~IN14. The Standard requires an entity to derecognize the carrying amount of a part of an item of property, plant and equipment if that part has been replaced and the entity has included the cost of the replacement in the carrying amount of the item (see paragraph 85). Previously, IPSAS 17 did not apply its derecognition principle to replaced parts. Its recognition principle for subsequent expenditures effectively precluded the cost of a replacement from being included in the carrying amount of the item.~~

Transitional Provisions

- ~~IN15. The Standard requires the entity to recognize the effects of the initial recognition of property, plant and equipment as an adjustment to the opening balance of accumulated surpluses or deficits for the period in which the property, plant and equipment is initially recognized in accordance with IPSAS 17 (see paragraph 97).~~
- ~~IN16. The Standard clarifies that an entity shall retrospectively apply accounting policies in accordance with IPSAS 3, “Accounting Policies, Changes in Accounting Estimates and Errors” when it initially recognizes an item of property, plant and equipment at cost in accordance with IPSAS 17 (see paragraph 99).~~

Amendments to Other IPSASs

- ~~IN17. The Standard includes an authoritative appendix of amendments to other IPSASs that are not part of the IPSASs Improvements project and will be impacted as a result of the proposals in this IPSAS.~~

Amendments to International Public Sector Accounting Standard 22, *Disclosure of Financial Information about the General Government Sector*

Introduction section is deleted (deleted text is struck through).

Introduction

Reasons for Issuing the IPSAS

- ~~IN1. Statistical bases of financial reporting such as the “System of National Accounts 1993” (SNA 93 and updates), “Government Finance Statistics Manual 2001” (GFSM 2001), and the “European System of Accounts 1995” (ESA 95) require governments to compile financial information about the general government sector (GGS). For statistical purposes, the GGS comprises government controlled entities primarily engaged in nonmarket activities. The GGS is sometimes described as comprising those entities that fulfill the core functions of government as their primary activity.~~
- ~~IN2. Current IPSASs require entities to prepare financial statements that include information about all the resources controlled by the reporting entity, and prescribe rules for consolidation of all controlled entities. IPSASs also require financial statements to make disclosures about segments. A segment is defined as a distinguishable activity or group of activities of an entity for which it is appropriate to separately report financial information for the purpose of evaluating the entity’s past performance in achieving its objectives and for making decisions about the future allocation of resources. IPSASs do not require public sector entities to disclose information about the GGS in their financial statements.~~
- ~~IN3. This Standard establishes requirements for governments which elect to disclose information about the GGS and prepare financial statements under the accrual basis of accounting as prescribed by IPSASs. The disclosures required by this Standard provide a useful bridge to the statistical bases of reporting.~~

Main Features of the Standard

- ~~IN4. This Standard establishes requirements for preparing and presenting information about the GGS. The Standard is only applied in respect of a government’s consolidated financial statements. Information disclosed in accordance with this standard disaggregates those consolidated financial statements according to the GGS boundaries as specified in statistical bases of financial reporting. The Standard does not permit reporting entities to consolidate information about entities that are not subject to common~~

control, as statistical information about government finances published by a statistical agency would.

- ~~IN5. This Standard requires entities electing to make GGS disclosures to apply all IPSASs to those disclosures except IPSAS 6, "Consolidated and Separate Financial Statements." Statistical bases of financial reporting use different consolidation rules to IPSAS 6; applying IPSAS 6 would not enable comparison of financial statement information with GGS information.~~
- ~~IN6. This Standard requires a different treatment of investments in the public corporations sectors than is normally required by IPSASs. IPSAS 6 requires full consolidation of all entities, however, this Standard requires the public financial corporations sector and the public non financial corporations sector to be presented as investments of the general government sector.~~
- ~~IN7. Making the GGS disclosures set out in this IPSAS does not exempt entities from the operation of IPSAS 18, "Segment Reporting."~~
- ~~IN8. This Standard applies for annual periods beginning on or after January 1, 2008, but earlier application is encouraged.~~

Amendments to International Public Sector Accounting Standard 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)*

Introduction section is deleted (deleted text is struck through).

Introduction

~~IN1. The International Public Sector Accounting Standards Board (IPSASB) decided to develop an IPSAS on revenue from non exchange transactions because:~~

- ~~(a) Non exchange revenues (taxes and transfers) form the majority of revenue for most public sector entities; and~~
- ~~(b) Until now there has been no generally accepted international financial reporting standard that addresses the recognition and measurement of taxation revenue.~~

~~IN2. The IPSASB's predecessor organization, the Public Sector Committee (PSC), established a Steering Committee in 2002 to carry out initial work on accounting and financial reporting of revenue from non exchange transactions by public sector entities. In January 2004, the PSC published an Invitation to Comment (ITC), prepared by the Steering Committee, "Revenue from Non Exchange Transactions (Including Taxes and Transfers)." The ITC requested comments by June 30, 2004.~~

~~IN3. The IPSASB reviewed comments and drafted an Exposure Draft at its November 2004 and subsequent meetings, and issued a final Exposure Draft in January 2006, with a request for comments by June 30, 2006. At its November 2006 meeting, the IPSASB reviewed the comments received and approved this IPSAS for issue.~~

Main Features of the IPSAS

~~IN4. The IPSAS:~~

- ~~(a) Takes a transactional analysis approach whereby entities are required to analyze inflows of resources from non exchange transactions to determine if they meet the definition of an asset and the criteria for recognition as an asset, and if they do, determine whether a liability is also required to be recognized;~~
- ~~(b) Requires that assets recognized as a result of a non exchange transaction initially be measured at their fair value as at the date of acquisition;~~

- ~~(c) Requires that liabilities recognized as a result of a non-exchange transaction be recognized in accordance with the principles established in IPSAS 19, “Provisions, Contingent Liabilities and Contingent Assets”;~~
- ~~(d) Requires that revenue equal to the increase in net assets associated with an inflow of resources be recognized;~~
- ~~(e) Provides specific guidance that addresses:

 - ~~(i) Taxes; and~~
 - ~~(ii) Transfers, including:

 - ~~a. Debt forgiveness and assumption of liabilities;~~
 - ~~b. Fines;~~
 - ~~c. Bequests;~~
 - ~~d. Gifts and Donations, including goods in kind;~~
 - ~~e. Services in kind;~~~~~~
- ~~(f) Permits, but does not require, the recognition of services in kind; and~~
- ~~(g) Requires disclosures to be made in respect of revenue from non-exchange transactions.~~

Amendments to Other IPSASs

~~IN5. The Standard amends IPSAS 1, “Presentation of Financial Statements,” IPSAS 12, “Inventories,” IPSAS 16, “Investment Property” and IPSAS 17, “Property, Plant and Equipment.” The amended IPSASs will require that inventories, investment property or property, plant and equipment acquired through a non-exchange transaction be initially measured at the fair value of the item as at the date of acquisition.~~

Amendments to International Public Sector Accounting Standard 24, *Presentation of Budget Information in Financial Statements*

Introduction section is deleted (deleted text is struck through).

Introduction

Reasons for Issuing the IPSAS

- IN1. ~~Most governments prepare and issue as public documents, or otherwise make publicly available, their financial budgets. The budget documents are widely distributed and promoted. The budget reflects the financial characteristics of the government's plans for the forthcoming period, is a key tool for financial management and control, and is the central component of the process that provides for government and parliamentary (or similar) oversight of the financial dimensions of operations.~~
- IN2. ~~In addition, some individual entities may be required, or may elect, to make publicly available their approved budget(s). In such cases, the entity will also be held publicly accountable for its compliance with, and performance against, its approved budget(s).~~
- IN3. ~~Prior to issue of this IPSAS, IPSAS 1, "Presentation of Financial Statements" encouraged, but did not require, inclusion in the financial statements of a comparison with budgeted amounts where the financial statements and budget are on the same basis. However, the budget(s) for which the entity is held publicly accountable may not be prepared or presented on the same basis as the financial statements. IPSAS 1 did not require or encourage disclosure of a comparison with budget in these circumstances, nor did it provide guidance on the details to be disclosed or the manner of presentation if an entity elected to make such a comparison.~~
- IN4. ~~This Standard identifies disclosures that are to be made by entities which are held publicly accountable for their compliance with, and performance against, their approved budget(s) whether or not the budget and the financial statements are prepared and presented on the same basis.~~

Main Features of the IPSAS

Applicability

- IN5. ~~The Standard applies to public sector entities that make their approved budget(s) publicly available, whether in accordance with legislative or other authoritative requirements imposed on the entity or on a voluntary basis to enhance the transparency of their financial reporting. It requires such entities to make certain disclosures about budget and actual amounts in their financial~~

~~statements or other reports. It does not require that public sector entities make publicly available their approved budgets, nor does it specify requirements for the formulation or presentation of approved budgets that are made publicly available.~~

Disclosure

~~IN6. This Standard requires that the financial statements of public sector entities that make their approved budget(s) publicly available include:~~

- ~~(a) A comparison of actual amounts with amounts in the original and final budget. This comparison is to be made on the same basis of accounting as adopted for the budget, even if that basis is different from the basis adopted for the financial statements. This Standard uses the term actual or actual amount to describe the amounts that result from execution of the budget. In some jurisdictions, budget out turn, budget execution or similar terms may be used with the same meaning as actual;~~
- ~~(b) An explanation of material differences between budget and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements; and~~
- ~~(c) A reconciliation of actual amounts on a budget basis, with actual amounts presented in the financial statements when the accounting and budget basis differ.~~

~~IN7. This IPSAS allows comparison of budget and actual amounts to be made in the financial statements as additional budget columns in the primary financial statements only where the financial statements and the budget are prepared on a comparable basis.~~

~~IN8. This IPSAS also requires disclosure of an explanation of the reasons for differences between the original and final budget, including whether those differences arise from reallocations within the budget or other factors such as policy shifts, natural disasters, or other unforeseen events. These disclosures may be made in notes to the financial statements or in a report issued before, in conjunction with, or at the same time as, the financial statements.~~

~~IN9. The disclosure of comparative information in respect of the previous period is not required for the disclosures specified by this IPSAS.~~

Amendments to International Public Sector Accounting Standard 25, *Employee Benefits*

Introduction section is deleted (deleted text is struck through).

Introduction

- ~~IN1. The Standard prescribes the accounting and disclosure by public sector entities for employee benefits. It is based on IAS 19, "Employee Benefits." The Standard does not deal with accounting and reporting by retirement benefit plans (see the relevant international or national accounting standard dealing with accounting and reporting by retirement benefit plans). Benefits that are not consideration in exchange for service rendered by employees or past employees of reporting entities are not within the scope of this Standard.~~
- ~~IN2. The Standard deals with four categories of employee benefits:~~
- ~~(a) Short term employee benefits, such as wages, salaries and social security contributions, paid annual leave and paid sick leave, profit-sharing and bonuses (if payable within twelve months of the end of the period) and nonmonetary benefits (such as medical care, housing, cars and free or subsidized goods or services) for current employees;~~
 - ~~(b) Post employment benefits such as pensions, other retirement benefits, post employment life insurance and post employment medical care;~~
 - ~~(c) Other long term employee benefits, which may include long service leave or sabbatical leave, jubilee or other long service benefits, long-term disability benefits and, if they are payable twelve months or more after the end of the period, performance related bonuses, profit-sharing bonuses and deferred compensation; and~~
 - ~~(d) Termination benefits.~~
- ~~IN3. Benefits in all these categories are commonplace for public sector entities globally.~~
- ~~IN4. The Standard requires an entity to recognize short term employee benefits when an employee has rendered service in exchange for those benefits.~~
- ~~IN5. Post employment benefit plans are classified as either defined contribution plans or defined benefit plans. The Standard gives specific guidance on the classification of multi employer plans, state plans, composite social security programs and plans with insured benefits. The Standard also provides guidance for entities participating in defined benefit plans, where the entities are under common control.~~

- ~~IN6. Under defined contribution plans, an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The Standard requires an entity to recognize contributions to a defined contribution plan when an employee has rendered service in exchange for those contributions.~~
- ~~IN7. All other post employment benefit plans are defined benefit plans. Defined benefit plans may be unfunded, or they may be wholly or partly funded. The Standard requires an entity to:~~
- ~~(a) Account not only for its legal obligation, but also for any constructive obligation that arises from the entity's practices;~~
 - ~~(b) Determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the reporting date;~~
 - ~~(c) Use the Projected Unit Credit Method to measure its obligations and costs;~~
 - ~~(d) Attribute benefit to periods of service under the plan's benefit formula, unless an employee's service in later years will lead to a materially higher level of benefit than in earlier years;~~
 - ~~(e) Use unbiased and mutually compatible actuarial assumptions about demographic variables (such as employee turnover and mortality) and financial variables (such as future increases in salaries, changes in medical costs and relevant changes in state benefits). Financial assumptions should be based on market expectations, at the reporting date, for the period over which the obligations are to be settled;~~
 - ~~(f) Determine a rate to discount post employment benefit obligations (both funded and unfunded) that reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money shall be consistent with the currency and estimated term of the post employment benefit obligations;~~
 - ~~(g) Deduct the fair value of any plan assets from the carrying amount of the obligation. Certain reimbursement rights that do not qualify as plan assets are treated in the same way as plan assets, except that they are presented as a separate asset, rather than as a deduction from the obligation;~~
 - ~~(h) Limit the carrying amount of an asset so that it does not exceed the net total of:~~

- ~~(i) Any unrecognized past service cost and actuarial losses; plus~~
- ~~(ii) The present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan;~~
- ~~(i) Recognize past service cost on a straight line basis over the average period until the amended benefits become vested;~~
- ~~(j) Recognize gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss should comprise any resulting change in the present value of the defined benefit obligation and of the fair value of the plan assets and the unrecognized part of any related actuarial gains and losses and past service cost; and~~
- ~~(k) Recognize a specified portion of the net cumulative actuarial gains and losses that exceed the greater of:~~
 - ~~(i) 10% of the present value of the defined benefit obligation (before deducting plan assets); and~~
 - ~~(ii) 10% of the fair value of any plan assets.~~

~~The portion of actuarial gains and losses to be recognized for each defined benefit plan is the excess that fell outside the 10% corridor at the previous reporting date, divided by the expected average remaining working lives of the employees participating in that plan.~~

~~The Standard also permits systematic methods of faster recognition, provided that the same basis is applied to both gains and losses and the basis is applied consistently from period to period. Such permitted methods include immediate recognition of all actuarial gains and losses in surplus or deficit. In addition, the Standard permits an entity to recognize all actuarial gains and losses in the period in which they occur outside surplus or deficit in the statement of changes in net assets/equity for the year in accordance with paragraph 118(b) of IPSAS 1.~~

- ~~IN8. The Standard requires a simpler method of accounting for other long term employee benefits than for post employment benefits: actuarial gains and losses and past service cost are recognized immediately. The Standard includes a rebuttable presumption that long term disability payments are not usually subject to the same degree of uncertainty as the measurement of post employment benefits. Where this presumption is rebutted the entity considers whether some or all long term disability payments should be accounted for in accordance with the requirements for post employment benefits.~~
- ~~IN9. Termination benefits are employee benefits payable as a result of either: an entity's decision to terminate an employee's employment before the normal~~

~~retirement date; or an employee's decision to accept voluntary redundancy in exchange for those benefits. The event which gives rise to an obligation is the termination rather than employee service. Therefore, an entity should recognize termination benefits when, and only when, the entity is demonstrably committed to either:~~

- ~~(a) Terminate the employment of an employee or group of employees before the normal retirement date; or~~
- ~~(b) Provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.~~

~~IN10. An entity is demonstrably committed to a termination when, and only when, the entity has a detailed formal plan (with specified minimum contents) for the termination and is without realistic possibility of withdrawal.~~

~~IN11. Where termination benefits fall due more than 12 months after the reporting date, they should be discounted. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits should be based on the number of employees expected to accept the offer.~~

Amendments to International Public Sector Accounting Standard 26, *Impairment of Cash-Generating Assets*

Introduction section is deleted (deleted text is struck through).

Introduction

- ~~IN1. The Standard provides requirements for the identification of assets that may be impaired, the impairment testing of cash-generating assets and cash-generating units and the accounting for impairment losses and the reversal of those losses. It is based on IAS 36, "Impairment of Assets."~~
- ~~IN2. A cash-generating asset is an asset held with the primary objective of generating a commercial return. The Standard does not deal with the impairment of non-cash-generating assets. Requirements for impairment testing, the accounting for impairment losses and the reversal of those losses for non-cash-generating assets are provided in IPSAS 21, "Impairment of Non-Cash-Generating Assets." The Standard and IPSAS 21 require entities to disclose the criteria developed to distinguish cash-generating assets and non-cash-generating assets.~~
- ~~IN3. There are a number of scope exclusions. In particular, property, plant and equipment carried on the revaluation model in IPSAS 17, "Property, Plant and Equipment," intangible assets that are regularly revalued to fair value and goodwill are outside the scope of the Standard.~~
- ~~IN4. The Standard defines an "impairment" as a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation. An asset is impaired when its carrying amount exceeds its recoverable amount.~~
- ~~IN5. With the exception of intangible assets with an indefinite useful life or intangible assets that are not yet available for use, the Standard requires an entity to assess at each reporting date whether there is any indication that an asset may be impaired. In assessing whether there is an indication of impairment the Standard requires an entity to consider, as a minimum, a number of specified indications. The list of indications is not exhaustive and there may be other indications of impairment apart from those listed. Where there is an indication of impairment, an entity determines the recoverable amount of an asset. Intangible assets with an indefinite useful life or intangible assets that are not yet available for use must be tested for impairment annually.~~
- ~~IN6. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where there is no reason to believe that an asset's value~~

~~in use materially exceeds its fair value less costs to sell, the asset's fair value less costs to sell may be used as its recoverable amount.~~

~~IN7. The estimation of value in use involves the estimation of the future cash flows derived from continuing use of the asset and from its ultimate disposal and the application of an appropriate discount rate to those cash flows. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.~~

~~IN8. Where the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The amount of that reduction is an impairment loss and is recognized immediately in the statement of financial performance.~~

~~IN9. There are occasions when the recoverable amount of an individual asset cannot be determined. This is the case where:~~

- ~~(a) The asset's value in use cannot be estimated to be close to its fair value less costs to sell (for example, when the future cash flows from continuing use of the asset cannot be estimated to be negligible); and~~
- ~~(b) The asset does not generate cash inflows that are largely independent of those from other assets.~~

~~In such cases, value in use and, therefore, recoverable amount, can be determined only for the asset's cash generating unit. A cash generating unit is the smallest group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Cash generating units are identified consistently from reporting period to reporting period, unless a change is justified. Where such a change is made, an entity is required to make disclosures related to the aggregation of assets and the reasons for the change.~~

~~IN10. An impairment loss is recognized for a cash generating unit where the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. However, in making such an allocation, an entity does not reduce the carrying amount of an asset below the highest of:~~

- ~~(a) Its fair value less costs to sell (if determinable);~~
- ~~(b) Its value in use (if determinable); and~~
- ~~(c) Zero.~~

~~IN11. Non cash generating assets may contribute service potential to cash generating units. In such cases, a proportion of the carrying amount of that non cash generating asset is allocated to the carrying amount of the cash-~~

~~generating unit prior to estimation of the recoverable amount of that cash-generating unit. The carrying amount of the non cash-generating asset reflects any impairment losses at the reporting date which have been determined under the requirements of IPSAS 21. The allocation of any impairment loss for the cash-generating unit is then made on a pro rata basis to the cash-generating assets in the cash-generating unit. The non cash-generating asset is not subject to a further impairment loss beyond that which has been determined in accordance with IPSAS 21.~~

~~IN12. An entity is required to assess at each reporting date whether there is any indication that an impairment loss recognized in a prior reporting period for an individual asset or a cash-generating unit may no longer exist or may have decreased. In making this assessment, the Standard requires an entity to consider, as a minimum, a number of specified indications. These indications mirror those for identification of a potential impairment loss.~~

~~IN13. Where an asset's recoverable amount has increased since the last impairment loss was recognized, and there has been a change in the estimates used to determine the asset's recoverable amount since that impairment loss, there is a reversal of that impairment loss and the carrying amount of the asset is increased to its recoverable amount. The increased carrying amount of the asset is limited to the carrying amount that would have determined (net of amortization or depreciation) had no impairment loss been recognized in prior years. The amount of the reversal is recognized immediately in the statement of financial performance. Requirements for reversing the impairment losses of cash-generating units follow a similar process as for individual assets. The amount of the reversal is allocated to the assets of the cash-generating unit pro rata with the carrying amounts of those assets. No part of the amount of that reversal is allocated to a non cash-generating asset that contributes service potential to a cash-generating unit.~~

~~IN14. A redesignation of an asset from a cash-generating asset to a non cash-generating asset, or from a non cash-generating asset to a cash-generating asset, is only made when there is clear evidence that such a redesignation is appropriate. At the subsequent reporting date after a redesignation, an entity reviews, as a minimum, the listed indications applicable to the asset after redesignation.~~

Amendments to International Public Sector Accounting Standard 27, *Agriculture*

Introduction section is deleted (deleted text is struck through).

Introduction

- ~~IN1. IPSAS 27 prescribes the accounting treatment and disclosures related to agricultural activity, a matter not covered in other standards. Agricultural activity is the management by an entity of the biological transformation of living animals or plants (biological assets) for sale, or for distribution at no charge or for a nominal charge or for conversion into agricultural produce or into additional biological assets.~~
- ~~IN2. IPSAS 27 prescribes, among other things, the accounting treatment for biological assets during the period of growth, degeneration, production, and procreation, and for the initial measurement of agricultural produce at the point of harvest. It requires measurement at fair value less costs to sell from initial recognition of biological assets up to the point of harvest, other than when fair value cannot be measured reliably on initial recognition. However, IPSAS 27 does not deal with processing of agricultural produce after harvest; for example, processing grapes into wine and wool into yarn.~~
- ~~IN3. There is a presumption that fair value can be measured reliably for a biological asset. However, that presumption can be rebutted only on initial recognition for a biological asset for which market determined prices or values are not available and for which alternative estimates of fair value are determined to be clearly unreliable. In such a case, IPSAS 27 requires an entity to measure that biological asset at its cost less any accumulated depreciation and any accumulated impairment losses. Once the fair value of such a biological asset becomes reliably measurable, an entity should measure it at its fair value less costs to sell. In all cases, an entity should measure agricultural produce at the point of harvest at its fair value less costs to sell.~~
- ~~IN4. IPSAS 27 requires that a change in fair value less costs to sell of a biological asset be included in surplus or deficit for the period in which it arises. In agricultural activity, a change in physical attributes of a living animal or plant directly enhances or diminishes economic benefits or service potential to the entity. Under a transaction based, historical cost accounting model, a plantation forestry entity might report no revenue until first harvest and sale, perhaps 30 years after planting. On the other hand, an accounting model that recognizes and measures biological growth using current fair values reports changes in fair value throughout the period between planting and harvest.~~

- ~~IN5. IPSAS 27 does not establish any new principles for land related to agricultural activity. Instead, an entity follows IPSAS 16, "Investment Property" or IPSAS 17, "Property, Plant, and Equipment," depending on which standard is appropriate in the circumstances. Biological assets that are physically attached to land (for example, trees in a plantation forest) are measured at their fair value less costs to sell separately from the land. IPSAS 16 requires land that is investment property to be measured at its fair value, or cost less any accumulated impairment losses. IPSAS 17 requires land to be measured, subsequent to initial recognition, either at its cost less any accumulated impairment losses, or at a revalued amount.~~
- ~~IN6. IPSAS 27 does not deal with accounting for non-exchange revenue from government grants related to biological assets and agricultural produce. IPSAS 23, "Revenue from Non-Exchange Transactions (Taxes and Transfers)" provides requirements and guidance for the accounting for non-exchange revenue, including government grants. IPSAS 27 deals with the measurement of biological assets acquired in non-exchange transactions, both at initial recognition and subsequently.~~

Amendments to International Public Sector Accounting Standard 28, *Financial Instruments: Presentation*

Introduction section is deleted (deleted text is struck through).

Introduction

~~IN1. International Public Sector Accounting Standard (IPSAS) 28, “Financial Instruments: Presentation,” replaces IPSAS 15, “Financial Instruments: Disclosure and Presentation” (issued December 2001), and should be applied for annual reporting periods beginning on or after January 1, 2013. Earlier application of this Standard, simultaneously with IPSAS 29, “Financial Instruments: Recognition and Measurement” and IPSAS 30, “Financial Instruments: Disclosures,” is encouraged.~~

Reasons for Replacing IPSAS 15

~~IN2. The International Public Sector Accounting Standards Board (IPSASB) replaced IPSAS 15 in conformity with its strategic theme of converging public sector accounting standards with International Financial Reporting Standards (IFRSs) to the extent appropriate. In developing a Standard on the presentation of financial instruments, the IPSASB primarily drew upon IAS 32, “Financial Instruments: Presentation” (issued in 2003) as amended as at December 31, 2008 and International Financial Reporting Interpretations Committee Interpretation (IFRIC) 2, “Members Shares in Co-operative Entities and Similar Instruments.” Revisions made to IAS 32 up to December 31, 2008 have been taken into account, except those relating to amendments made to IAS 1, “Presentation of Financial Statements” in September 2007.~~

~~IN3. In developing this Standard, the IPSASB has departed from IAS 32 only where a public sector specific reason exists; such variances are noted in the Comparison with IAS 32.~~

Changes from Previous Requirements

~~IN4. The main changes from IPSAS 15 are described below.~~

General

~~IN5. IPSAS 28 does not prescribe disclosure requirements for financial instruments. The disclosure requirements relating to financial instruments are included in IPSAS 30.~~

~~IN6. Application Guidance has been included as an appendix to IPSAS 28, which is an integral part of the Standard. Application Guidance explains selected issues pertaining to the principles included in the main text of IPSAS 28. Guidance on the application of the principles in this Standard to members’ shares in co-operative entities and similar instruments has been provided in an appendix to~~

the Standard. This guidance is drawn from IFRIC 2 and is an integral part of the Standard.

~~IN7. Additional Illustrative Examples have also been included as an appendix to IPSAS 28. However, these Illustrative Examples are not authoritative and accompany, rather than form part of, IPSAS 28.~~

Scope

~~IN8. The scope has been amended as follows:~~

- ~~● Only those interests in controlled entities, joint ventures and associates that are measured in an entity's separate financial statements using cost or the equity method are excluded from the scope of IPSAS 28. Derivatives linked to interests in controlled entities, joint ventures and associates are, however, included in the scope of IPSAS 28.~~
- ~~● Insurance contracts are excluded from the scope of IPSAS 28, except:

 - ~~○ Derivatives embedded in insurance contracts, if IPSAS 29 requires that they be accounted for separately.~~
 - ~~○ Financial guarantee contracts issued by an entity where it has not elected to recognize and measure those contracts in accordance with the relevant international or national standard dealing with insurance contracts.~~
 - ~~○ Certain elements of insurance contracts that contain a discretionary participation feature, including any derivatives embedded in such contracts.~~~~

~~Entities are permitted to apply this Standard to contracts that take the form of insurance contracts that involve the transfer of financial risk.~~

- ~~● Share based payment transactions are excluded from the scope of IPSAS 29 except:

 - ~~○ Those contracts to buy or sell a non financial item that can be settled net in cash or another financial instrument, or by exchanging financial instruments, as if the contracts were financial instruments, with the exception of contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non financial item in accordance with the entity's expected purchase, sale or usage requirements; and~~
 - ~~○ Treasury shares purchased, sold, issued, or cancelled.~~~~

Principle

~~IN9. In summary, when an issuer determines whether a financial instrument is a financial liability or an equity instrument, the instrument is an equity instrument if, and only if, both conditions (a) and (b) are met.~~

- ~~(a) The instrument includes no contractual obligation:~~
 - ~~(i) To deliver cash or another financial asset to another entity; or~~
 - ~~(ii) To exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the issuer.~~
- ~~(b) If the instrument will or may be settled in the issuer's own equity instruments, it is:~~
 - ~~(i) A non derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments; or~~
 - ~~(ii) A derivative that will be settled by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments. For this purpose, the entity's own equity instruments do not include puttable financial instruments classified as equity instruments, instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation and are classified as equity instruments, or the issuer's own equity instruments that are themselves contracts for the future receipt or delivery of the issuer's own equity instruments.~~

~~IN10. In addition, when an issuer has an obligation to purchase its own shares for cash or another financial asset, there is a liability for the amount that the issuer is obliged to pay.~~

~~IN11. The definitions of a financial asset and a financial liability, and the description of an equity instrument, are amended consistently with this principle.~~

Classification of Contracts Settled in an Entity's Own Equity Instruments

~~IN12. The classification of derivative and non derivative contracts indexed to, or settled in, an entity's own equity instruments has been clarified consistently with the principle in paragraph IN9 above. In particular, when an entity uses its own equity instruments "as currency" in a contract to receive or deliver a variable number of shares whose value equals a fixed amount or an amount based on changes in an underlying variable (e.g., a commodity price), the contract is not an equity instrument, but is a financial asset or a financial liability.~~

Puttable Instruments

~~IN13. A financial instrument that gives the holder the right to put the instrument back to the issuer for cash or another financial asset (a "puttable instrument") is a financial liability of the issuer, except if the instrument has certain features.~~

~~Where certain features are evident in a puttable financial instrument, it is treated as an equity instrument and not a financial asset or a financial liability.~~

Obligations Arising on Liquidation

~~IN14. Some instruments impose an obligation on an entity to deliver a pro rata share of the net assets of that entity to another party only on liquidation. In certain instances, these instruments are classified as equity instruments rather than financial liabilities.~~

Contingent Settlement Provisions

~~IN15. A financial instrument is a financial liability when the manner of settlement depends on the occurrence or non-occurrence of uncertain future events or on the outcome of uncertain circumstances that are beyond the control of both the issuer and the holder. Contingent settlement provisions are ignored when they apply only in the event of liquidation of the issuer or are not genuine.~~

Settlement Options

~~IN16. A derivative financial instrument is a financial asset or a financial liability when it gives one of the parties to it a choice of how it is settled unless all of the settlement alternatives would result in it being an equity instrument.~~

Measurement of the Components of a Compound Financial Instrument on Initial Recognition

~~IN17. Previously, IPSAS 15 allowed entities to measure the liability component of a compound financial instrument on initial recognition either as a residual amount after separating the equity component, or by using a relative fair value method. IPSAS 28 prescribes that any asset and liability components are separated first and the residual is the amount allocated to the net assets/equity component. These requirements for separating the components of a compound financial instrument are conformed to both the definition of an equity instrument as a residual and the measurement requirements in IPSAS 29.~~

Treasury Shares

~~IN18. Treasury shares arise when an entity reacquires its own equity instruments. IPSAS 28 clarifies that the acquisition or subsequent resale by an entity of its own equity instruments does not result in a gain or loss for the entity. Rather, it represents a transfer between those holders of equity instruments who have given up their equity interest and those who continue to hold an equity instrument.~~

~~*Interest, Dividends or Similar Distributions, Losses and Gains*~~

~~IN19. Transaction costs incurred as a necessary part of completing transactions in an entity's net assets/equity are accounted for as part of that transaction and are deducted from net assets/equity.~~

Amendments to International Public Sector Accounting Standard 29, *Financial Instruments: Recognition and Measurement*

Introduction section is deleted (deleted text is struck through).

Introduction

~~IN1. IPSAS 29 prescribes recognition and measurement principles for financial instruments and is primarily drawn from IAS 39, “Financial Instruments: Recognition and Measurement” (as at December 31, 2008, including certain amendments published by the IASB as part of its “Improvements to IFRSs” issued in April 2009).~~

Scope

~~IN2. Financial instruments are contractual arrangements that result in a financial asset for one entity and a financial liability or equity instrument in another. Rights and obligation arising out of non contractual arrangements, such as through the exercise of legislation or through constructive obligations, are not financial instruments. The recognition and measurement of rights and obligations arising out of these transactions are addressed in other IPSASs.~~

~~IN3. Many contracts meet the definition of a “financial asset or a financial liability.” Some of these are accounted for either by using other IPSASs, or accounted for partly using other IPSASs and partly using IPSAS 29. Some examples include rights and obligations arising from employee benefits, lease receivables and finance lease payables.~~

~~IN4. IPSAS 29 does not apply to insurance contracts, except certain financial guarantee contracts and embedded derivatives included in insurance contracts. An entity is however permitted to apply this Standard to insurance contracts that involve the transfer of financial risk.~~

~~IN5. Commitments to provide credit under specified conditions (loan commitments) are excluded from the scope of this Standard, with three exceptions. Notably, commitments to provide a loan at a below market interest rate are within the scope of IPSAS 29. Most other loan commitments are accounted for using IPSAS 19, “Provisions, Contingent Liabilities and Contingent Assets.”~~

~~IN6. IPSAS 29 applies to contracts for the purchase or sale of a non financial item if the contract can be settled net in cash or another financial instrument, or by exchanging financial instruments. If the contracts were entered into and continue to be held for the purpose of the receipt or delivery of a non financial item in accordance with an entity’s expected purchase, sale, or usage requirements, IPSAS 29 does not apply.~~

Initial Recognition and Derecognition

~~IN7. An entity recognizes financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets can either be recognized using trade or settlement date accounting, while derivatives are always recognized using trade date accounting. Regular way purchases of financial assets are contracts that involve the exchange of the underlying instrument within a time frame established in the marketplace concerned.~~

~~IN8. An entity derecognizes regular way purchases and sales of financial assets either using trade or settlement date accounting. Financial assets are derecognized using the following steps:~~

- ~~• Consolidate all controlled entities and special purpose entities.~~
- ~~• Determine whether the derecognition principles are applied to an asset as a whole, or to a part of an asset.~~
- ~~• Assess whether the rights to the cash flows have expired.~~
- ~~• Assess whether the rights to receive the cash flows have been transferred to another party.~~
- ~~• Assess whether an obligation has been assumed to pay the cash flows from the asset to another party.~~
- ~~• Assess whether the entity has transferred substantially all the risks and rewards of ownership to another party.~~
- ~~• If substantially all the risks and rewards of ownership have not been transferred to another party, assess whether control has been retained.~~

~~IN9. A financial liability is derecognized when the liability has been extinguished. An existing liability is derecognized and a new liability recognized when:~~

- ~~(a) An entity exchanges debt instruments with another entity, and the terms of the instruments are substantially different; and~~
- ~~(b) The terms of an existing debt instrument are substantially modified.~~

~~When an entity has its debt waived, an entity considers the requirements in this Standard along with the requirements in IPSAS 23, "Revenue from Non-Exchange Transactions (Taxes and Transfers)" dealing with debt forgiveness.~~

Initial and Subsequent Measurement

~~IN10. Financial assets and financial liabilities are initially measured at fair value. Where an entity subsequently measures financial assets and financial liabilities at fair value, transaction costs are not included in the amount initially recognized.~~

~~IN11. An entity subsequently measures financial assets using four categories:~~

- ~~• Financial assets at fair value through surplus or deficit — assets are subsequently measured at fair value with changes in fair value recognized in surplus or deficit.~~
- ~~• Held to maturity investments — assets are measured at amortized cost less impairment losses. Impairment losses are recognized in surplus or deficit.~~
- ~~• Loans and receivables — assets are measured at amortized cost less impairment losses. Impairment losses are recognized in surplus or deficit.~~
- ~~• Available for sale financial assets — assets are measured at fair value, with changes in fair value recognized directly in net assets/equity. Impairment losses incurred on available for sale instruments are recognized in surplus or deficit and not in net assets/equity.~~

~~IN12. Investments in equity instruments that cannot be measured at fair value, because fair value cannot be determined reliably, are measured at cost less impairment losses.~~

~~IN13. Financial liabilities are measured at amortized cost, except for financial liabilities at fair value through surplus or deficit, financial guarantees, loan commitments, and liabilities arising from transfers of financial assets.~~

~~IN14. An entity may only reclassify financial instruments between the various categories under certain circumstances.~~

Hedge Accounting

~~IN15. IPSAS 29 prescribes principles for hedge accounting. Hedge accounting aims to reduce the volatility of an entity's financial performance by offsetting gains and losses on certain instruments. An entity may elect to apply hedge accounting, but only if prescribed conditions are met.~~

Amendments to International Public Sector Accounting Standard 30, *Financial Instruments: Disclosures*

Introduction section is deleted (deleted text is struck through).

Introduction

Reasons for issuing this Standard

- ~~IN1. This Standard prescribes disclosure requirements for financial instruments and is drawn from IFRS 7, “Financial Instruments: Disclosures” (as at December 31, 2008, including amendments published in April 2009).~~
- ~~IN2. In recent years, the techniques used by entities for measuring and managing exposure to risks arising from financial instruments have evolved and new risk management concepts and approaches have gained acceptance. In addition, many public and private sector initiatives have made improvements to the disclosure framework for risks arising from financial instruments.~~
- ~~IN3. The IPSASB believes that users of financial statements need information about an entity’s exposure to risks and how those risks are managed. Such information can influence a user’s assessment of the financial position and financial performance of an entity or of the amount, timing, and uncertainty of its future cash flows. Greater transparency regarding those risks allows users to make more informed judgments about risk and return.~~

Main features of this Standard

- ~~IN4. IPSAS 30 applies to all risks arising from all financial instruments, except those instruments listed in paragraph 3. IPSAS 30 applies to all entities, including entities that have few financial instruments (e.g., a government department whose only financial instruments are accounts receivable and accounts payable) and those that have many financial instruments (e.g., a financial institution most of whose assets and liabilities are financial instruments). However, the extent of disclosure required depends on the extent of the entity’s use of financial instruments and of its exposure to risk.~~
- ~~IN5. IPSAS 30 requires disclosure of:~~
- ~~(a) The significance of financial instruments for an entity’s financial position, financial performance, and cash flows. These disclosures incorporate many of the requirements previously in IPSAS 15, “Financial Instruments: Disclosure and Presentation.”~~
 - ~~(b) Qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk, and market risk. The qualitative disclosures describe management’s objectives, policies, and processes for managing~~

~~those risks. The quantitative disclosures provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel. Together, these disclosures provide an overview of the entity's use of financial instruments and the exposures to risks they create.~~

~~IN6. IPSAS 30 includes in Appendix A mandatory Application Guidance that explains how to apply the requirements in IPSAS 30. IPSAS 30 is accompanied by non-mandatory Implementation Guidance that describes how an entity might provide the disclosures required by IPSAS 30.~~

~~IN7. IPSAS 30 supersedes the disclosure requirements of IPSAS 15.~~

~~IN8. IPSAS 30 is effective for annual financial statements covering periods beginning on or after January 1, 2013. Earlier application is encouraged.~~

Amendments to International Public Sector Accounting Standard 31, *Intangible Assets*

Introduction section is deleted (deleted text is struck through).

Introduction

~~IN1. IPSAS 31 prescribes the accounting treatment for intangible assets. It is adapted for public sector entities from IAS 38, "Intangible Assets."~~

Scope

~~IN2. The IPSASB is currently developing a Conceptual Framework that will define an asset in the public sector. The specific public sector issues which arise from powers and rights conferred by legislation, a constitution, or by equivalent means, need to be examined in detail in order to determine the appropriate accounting treatment. The IPSASB will reconsider the applicability of IPSAS 31 to these powers and rights when its Conceptual Framework is issued. Accordingly, IPSAS 31 excludes from its scope such powers and rights.~~

~~IN3. IPSAS 31 incorporates, as Application Guidance, the guidance on accounting for website costs from the IASB's Standing Interpretation Committee's Interpretation 32 (SIC 32), "Intangible Assets—Web Site Costs," including illustrations of the relevant accounting principles.~~

~~IN4. IAS 38 addresses intangible assets acquired by way of a government grant. IPSAS 23, "Revenue from Non-exchange Transactions (Taxes and Transfers)" deals with this issue as it applies in the public sector. This Standard states that, where an intangible asset is acquired through a non-exchange transaction, its cost is its fair value as at the date it is acquired in accordance with IPSAS 23.~~

PART II: INSERTION OF OBJECTIVE PARAGRAPH

The amendments in Part II shall be applied for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged.

Amendments to International Public Sector Accounting Standard 6, *Consolidated and Separate Financial Statements*

Paragraph 1 is inserted and paragraph 1A is amended (new text is underlined).

Objective

1. The objective of this Standard is to prescribe the accounting treatment for a controlling entity in the preparation and presentation of consolidated financial statements for the entities under its control. This Standard also prescribes the accounting requirements where a controlling entity presents separate financial statements.

Scope

- 1A. An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in the preparation and presentation of consolidated financial statements for an economic entity.

Amendments to International Public Sector Accounting Standard 7, *Investments in Associates*

Paragraph 1 is inserted and paragraph 1A is amended (new text is underlined).

Objective

1. The objective of this Standard is to prescribe the accounting treatment for an investor in accounting for investments in associates in its consolidated financial statements and separate financial statements (where prepared).

Scope

- 1A. An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in accounting by an investor for investments in associates where the investment in the associate leads to the holding of an ownership interest in the form of a shareholding or other formal equity structure. However, it does not apply to investments in associates held by:

...

Amendments to International Public Sector Accounting Standard 8, *Interests in Joint Ventures*

Paragraph 1 is inserted and paragraph 1A is amended (new text is underlined).

Objective

1. The objective of this Standard is to prescribe the accounting treatment for a venturer in accounting for interests in joint ventures in its consolidated financial statements and separate financial statements (where prepared).

Scope

- 1A. An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in accounting for interests in joint ventures and the reporting of joint venture assets, liabilities, revenue and expenses in the financial statements of venturers and investors, regardless of the structures or forms under which the joint venture activities take place. However, it does not apply to venturers' interests in jointly controlled entities held by:

...

Amendments to International Public Sector Accounting Standard 10, *Financial Reporting in Hyperinflationary Economies*

Paragraph 1 is inserted and paragraph 1A is amended (new text is underlined).

Objective

1. The objective of this Standard is to prescribe the accounting treatment in the consolidated and individual financial statements of an entity in accounting for an entity whose functional currency is the currency of a hyperinflationary economy. The Standard also specifies the accounting treatment where the economy ceases to be hyperinflationary.

Scope

- 1A. An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard to the primary financial statements, including the consolidated financial statements, of any entity whose functional currency is the currency of a hyperinflationary economy.

PART III: GENERAL IMPROVMENTS

Amendments to International Public Sector Accounting

Standard 16, *Investment Property*

Introduction¹ paragraph IN10, paragraph 36 and Comparison with IAS 40 are amended (new text is underlined and deleted text is struck through). Paragraph 37 is deleted and paragraph 101B is inserted.

Introduction

IN10. The Standard requires an entity to measure investment property acquired in an asset exchange transaction at fair value unless ~~the transaction lacks commercial substance, or~~ the fair value of neither the asset given up nor the asset received can be reliably measured. Previously, IPSAS 16 did not contain requirements with regard to the accounting treatment for asset exchange transactions (see paragraphs 36–and 38).

Measurement at Recognition

...

36. One or more investment properties may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets. The following discussion refers to an exchange of one non-monetary asset for another, but it also applies to all exchanges described in the preceding sentence. The cost of such an investment property is measured at fair value unless ~~(a) the exchange transaction lacks commercial substance or (b) the fair value of neither the asset received nor the asset given up is reliably measurable.~~ The acquired asset is measured in this way even if an entity cannot immediately derecognize the asset given up. If the acquired asset is not measured at fair value, its cost is measured at the carrying amount of the asset given up.
37. ~~[Deleted] An entity determines whether an exchange transaction has commercial substance by considering the extent to which its future cash flows or service potential is expected to change as a result of the transaction. An exchange transaction has commercial substance if:~~
- ~~(a) The configuration (risk, timing, and amount) of the cash flows or service potential of the asset received differs from the configuration of the cash flows or service potential of the asset transferred; or~~
 - ~~(b) The entity specific value of the portion of the entity's operations affected by the transaction changes as a result of the exchange; and~~
 - ~~(c) The difference in (a) or (b) is significant relative to the fair value of the assets exchanged.~~

¹ This amendment will be unnecessary if the proposal in Part I of this ED to delete the Introduction sections is agreed.

~~For the purpose of determining whether an exchange transaction has commercial substance, the entity specific value of the portion of the entity's operations affected by the transaction shall reflect post tax cash flows, if tax applies. The result of these analyses may be clear without an entity having to perform detailed calculations.~~

Effective Date

101B. Paragraph 37 was deleted and paragraph 36 was amended by *Improvements to IPSASs 2011* issued in Month 2011. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Comparison with IAS 40

- IAS 40 includes guidance on exchanges of assets when an exchange transaction lacks commercial substance. IPSAS 16 does not include this guidance.

Amendments to International Public Sector Accounting Standard 17, *Property, Plant, and Equipment*

Introduction² paragraphs IN5 and IN9, paragraphs 38, 79, 81, 83, 88 and 93, and Comparison with IAS 16 are amended (new text is underlined and deleted text is struck through). Paragraph 39 is deleted and paragraph 107C is inserted.

Introduction

IN5. In paragraph 13:

...

- ~~The Standard defines the term “entity specific value,” which refers to “the present value of the cash flows an entity expects to arise from the continuing use of an asset and from its disposal at the end of its useful life or expects to incur when settling a liability.” This term is used where relevant in determining whether an asset exchange transaction has commercial substance. Guidance on how to judge whether an asset exchange transaction has commercial substance is also provided (see paragraphs 38 to 40). Previously, IPSAS 17 did not contain this definition and the related guidance.~~

IN9. The Standard requires an entity to measure an item of property, plant and equipment acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets, at fair value unless ~~the exchange transaction lacks commercial substance; or~~ the fair value of neither the asset given up nor the asset received can be reliably measured (see paragraphs 38 ~~to~~ and 40). Previously, IPSAS 17 divided asset exchange transactions into exchanges between similar assets and exchanges between dissimilar assets. The different categories of exchange were subject to different accounting treatments. For exchange of similar assets, the cost of the asset received was the carrying amount of the asset given up. For exchange of dissimilar assets, the cost was the fair value of the asset given up adjusted by the amount of any cash or cash equivalent transferred.

² This amendment will be unnecessary if the proposal in Part I of this ED to delete the Introduction sections is agreed.

Measurement at Recognition

Measurement of Cost

...

38. One or more items of property, plant, and equipment may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets. The following discussion refers simply to an exchange of one non-monetary asset for another, but it also applies to all exchanges described in the preceding sentence. The cost of such an item of property, plant, and equipment is measured at fair value unless ~~(a) the exchange transaction lacks commercial substance, or (b) the fair value of~~ neither the asset received nor the asset given up is reliably measurable. The acquired item is measured in this way even if an entity cannot immediately derecognize the asset given up. If the acquired item is not measured at fair value, its cost is measured at the carrying amount of the asset given up.

39. ~~[Deleted] An entity determines whether an exchange transaction has commercial substance by considering the extent to which its future cash flows or service potential is expected to change as a result of the transaction. An exchange transaction has commercial substance if:~~

- ~~(a) The configuration (risk, timing, and amount) of the cash flows or service potential of the asset received differs from the configuration of the cash flows or service potential of the asset transferred; or~~
- ~~(b) The entity specific value of the portion of the entity's operations affected by the transaction changes as a result of the exchange; and~~
- ~~(c) The difference in (a) or (b) is significant relative to the fair value of the assets exchanged.~~

~~For the purpose of determining whether an exchange transaction has commercial substance, the entity specific value of the portion of the entity's operations affected by the transaction shall reflect post tax cash flows, if tax applies. The result of these analyses may be clear without an entity having to perform detailed calculations.~~

...

Impairment

79. To determine whether an item of property, plant, and equipment is impaired, an entity applies IPSAS 21 or IPSAS 26, *Impairment of Cash-Generating Assets*, as appropriate. ~~That Standard explains~~ These Standards explain how an entity reviews the carrying amount of its assets, how it determines the recoverable service amount or recoverable amount of an asset, and when it recognizes, or reverses the recognition of, an impairment loss.

Compensation for Impairment

...

81. Impairments or losses of items of property, plant, and equipment, related claims for or payments of compensation from third parties, and any subsequent purchase or construction of replacement assets are separate economic events and are accounted for separately as follows:
- (a) Impairments of items of property, plant, and equipment are recognized in accordance with IPSAS 21 or IPSAS 26, as appropriate;

Derecognition

...

83. The gain or loss arising from the derecognition of an item of property, plant, and equipment shall be included in surplus or deficit when the item is derecognized (unless IPSAS 13 requires otherwise on a sale and leaseback). ~~Gains shall not be classified as revenue.~~

Disclosure

88. The financial statements shall disclose, for each class of property, plant, and equipment recognized in the financial statements:

...

- (e) A reconciliation of the carrying amount at the beginning and end of the period showing:

...

- (iv) Increases or decreases resulting from revaluations under paragraphs 44, 54, and 55 and from impairment losses (if any) recognized or reversed directly in net assets/equity in accordance with IPSAS 21 or IPSAS 26, as appropriate;
- (v) Impairment losses recognized in surplus or deficit in accordance with IPSAS 21 or IPSAS 26, as appropriate;
- (vi) Impairment losses reversed in surplus or deficit in accordance with IPSAS 21 or IPSAS 26, as appropriate;

...

93. In accordance with IPSAS 21 and IPSAS 26, an entity discloses information on impaired property, plant, and equipment in addition to the information required by paragraph 88(e)(iv)–(vi).

Effective Date

107C. Paragraph 39 was deleted and paragraphs 38, 79, 81, 83, 88 and 93 were amended by *Improvements to IPSASs 2011* issued in Month 2011. An entity shall apply those amendments for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendments for a period beginning before MM DD, YYYY, it shall disclose that fact.

Comparison with IAS 16

- IAS 16 includes guidance on exchanges of assets when an exchange transaction lacks commercial substance. IPSAS 17 does not include this guidance.

Amendments to International Public Sector Accounting Standard 21, *Impairment of Non-Cash-Generating Assets*

Paragraph 27 is amended (new text is underlined and deleted text is struck through). Paragraph 82B is inserted.

Identifying an Asset that may be Impaired

...

27. In assessing whether there is any indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:

...

Internal sources of information

...

- (d) Significant long-term changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, ~~or~~ plans to dispose of an asset before the previously expected date and reassessing the useful life of an asset as finite rather than indefinite;

...

Effective Date

82B. Paragraph 27 was amended by *Improvements to IPSASs 2011* issued in Month 2011. An entity shall apply that amendment for annual financial statements covering periods beginning on or after MM DD, YYYY. Earlier application is encouraged. If an entity applies the amendment for a period beginning before MM DD, YYYY, it shall disclose that fact.



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Improvements to IFRSs



International
Accounting Standards
Board®

Improvements to IFRSs

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Improvements to IFRSs

Introduction

This document sets out amendments to International Financial Reporting Standards (IFRSs) and the related Bases for Conclusions and guidance made in the International Accounting Standards Board's annual improvements process.

The amendments result from proposals that were contained in the exposure draft of proposed amendments to IFRSs published in August 2009 and in the exposure draft *Rate-regulated Activities* published in July 2009.

The annual improvements process provides a vehicle for making non-urgent but necessary amendments to IFRSs.

Some amendments involve consequential amendments to other IFRSs. Those consequential amendments are included in the section that sets out the amendments for the IFRS.

The effective date of each amendment is included in the IFRSs affected.

IFRSs addressed

The following table shows the topics addressed by these amendments.

IFRS	Subject of amendment
IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i>	Accounting policy changes in the year of adoption
	Revaluation basis as deemed cost
	Use of deemed cost for operations subject to rate regulation
IFRS 3 <i>Business Combinations</i>	Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS
	Measurement of non-controlling interests
	Un-replaced and voluntarily replaced share-based payment awards
IFRS 7 <i>Financial Instruments: Disclosures</i>	Clarification of disclosures
IAS 1 <i>Presentation of Financial Statements</i>	Clarification of statement of changes in equity
IAS 27 <i>Consolidated and Separate Financial Statements</i>	Transition requirements for amendments arising as a result of IAS 27 <i>Consolidated and Separate Financial Statements</i>
IAS 34 <i>Interim Financial Reporting</i>	Significant events and transactions
IFRIC 13 <i>Customer Loyalty Programmes</i>	Fair value of award credits

Approval by the Board of *Improvements to IFRSs* issued in May 2010

Improvements to IFRSs was approved for issue by the fifteen members of the International Accounting Standards Board.

Sir David Tweedie Chairman

Stephen Cooper

Philippe Danjou

Jan Engström

Patrick Finnegan

Robert P Garnett

Gilbert Gélard

Amaro Luiz de Oliveira Gomes

Prabhakar Kalavacherla

James J Leisenring

Patricia McConnell

Warren J McGregor

John T Smith

Tatsumi Yamada

Wei-Guo Zhang

Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*

Paragraphs 27 and 32 are amended (new text is underlined and deleted text is struck through). Paragraph 27A, a heading and paragraphs 31B and 39E are added.

Presentation and disclosure

27 IAS 8 does not ~~deal with~~ apply to the changes in accounting policies ~~that occur when an entity makes when it first adopts IFRSs or to changes in those policies until after it presents its first IFRS financial statements.~~ Therefore, IAS 8's requirements ~~for disclosures~~ about changes in accounting policies do not apply in an entity's first IFRS financial statements.

27A If during the period covered by its first IFRS financial statements an entity changes its accounting policies or its use of the exemptions contained in this IFRS, it shall explain the changes between its first IFRS interim financial report and its first IFRS financial statements, in accordance with paragraph 23, and it shall update the reconciliations required by paragraph 24(a) and (b).

Use of deemed cost for operations subject to rate regulation

31B If an entity uses the exemption in paragraph D8B for operations subject to rate regulation, it shall disclose that fact and the basis on which carrying amounts were determined under previous GAAP.

Interim financial reports

32 To comply with paragraph 23, if an entity presents an interim financial report in accordance with IAS 34 for part of the period covered by its first IFRS financial statements, the entity shall satisfy the following requirements in addition to the requirements of IAS 34:

- (a) Each such interim financial report shall, if the entity presented an interim financial report for the comparable interim period of the immediately preceding financial year, include:
 - (i) a reconciliation of its equity in accordance with previous GAAP at the end of that comparable interim period to its equity under IFRSs at that date; and

- (ii) a reconciliation to its total comprehensive income in accordance with IFRSs for that comparable interim period (current and year to date). The starting point for that reconciliation shall be total comprehensive income in accordance with previous GAAP for that period or, if an entity did not report such a total, profit or loss in accordance with previous GAAP.
- (b) In addition to the reconciliations required by (a), an entity's first interim financial report in accordance with IAS 34 for part of the period covered by its first IFRS financial statements shall include the reconciliations described in paragraph 24(a) and (b) (supplemented by the details required by paragraphs 25 and 26) or a cross-reference to another published document that includes these reconciliations.
- (c) If an entity changes its accounting policies or its use of the exemptions contained in this IFRS, it shall explain the changes in each such interim financial report in accordance with paragraph 23 and update the reconciliations required by (a) and (b).

Effective date

- 39E *Improvements to IFRSs* issued in May 2010 added paragraphs 27A, 31B and D8B and amended paragraphs 27, 32, D1(c) and D8. An entity shall apply those amendments for annual periods beginning on or after 1 January 2011. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact. Entities that adopted IFRSs in periods before the effective date of IFRS 1 or applied IFRS 1 in a previous period are permitted to apply the amendment to paragraph D8 retrospectively in the first annual period after the amendment is effective. An entity applying paragraph D8 retrospectively shall disclose that fact.

Amendment to Appendix D of IFRS 1 *First-time Adoption of International Financial Reporting Standards*

Paragraphs D1(c) and D8 are amended (new text is underlined and deleted text is struck through) and paragraph D8B is added.

D1 An entity may elect to use one or more of the following exemptions:

...

(c) deemed cost (paragraphs D5–D8A–B);

...

Deemed cost

D8 A first-time adopter may have established a deemed cost in accordance with previous GAAP for some or all of its assets and liabilities by measuring them at their fair value at one particular date because of an event such as a privatisation or initial public offering. ~~It~~

(a) If the measurement date is at or before the date of transition to IFRSs, the entity may use such event-driven fair value measurements as deemed cost for IFRSs at the date of that measurement.

(b) If the measurement date is after the date of transition to IFRSs, but during the period covered by the first IFRS financial statements, the event-driven fair value measurements may be used as deemed cost when the event occurs. An entity shall recognise the resulting adjustments directly in retained earnings (or if appropriate, another category of equity) at the measurement date. At the date of transition to IFRSs, the entity shall either establish the deemed cost by applying the criteria in paragraphs D5–D7 or measure assets and liabilities in accordance with the other requirements in this IFRS.

D8B Some entities hold items of property, plant and equipment or intangible assets that are used, or were previously used, in operations subject to rate regulation. The carrying amount of such items might include amounts that were determined under previous GAAP but do not qualify for capitalisation in accordance with IFRSs. If this is the case, a first-time adopter may elect to use the previous GAAP carrying amount of such an item at the date of transition to IFRSs as deemed cost. If an entity applies this exemption to an item, it need not apply it to all items. At the date of

transition to IFRSs, an entity shall test for impairment in accordance with IAS 36 each item for which this exemption is used. For the purposes of this paragraph, operations are 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 could be a minimum or range and need not be a fixed or guaranteed return.

Amendments to Basis for Conclusions on IFRS 1 *First-time Adoption of International Financial Reporting Standards*

Paragraphs BC46A, BC46B and BC47F–BC47K, a heading after paragraph BC96 and paragraph BC97 are added.

Opening IFRS balance sheet

Exemptions from other IFRSs

Deemed cost

BC46A In *Improvements to IFRSs* issued in May 2010, the Board extended the scope of paragraph D8 for the use of the deemed cost exemption for an event-driven fair value. In some jurisdictions, local law requires an entity to revalue its assets and liabilities to fair value for a privatisation or initial public offering (IPO) and to treat the revalued amounts as deemed cost for the entity's previous GAAP. Before the amendment made in May 2010, if that revaluation occurred after the entity's date of transition to IFRSs, the entity could not have used that revaluation as deemed cost for IFRSs. Therefore, the entity would have had to prepare two sets of measurements for its assets and liabilities—one to comply with IFRSs, and one to comply with local law. The Board considered this unduly onerous. Therefore, the Board amended paragraph D8 to allow an entity to recognise an event-driven fair value measurement as deemed cost when the event occurs, provided that this is during the periods covered by its first IFRS financial statements. In addition, the Board concluded that the same relief should apply to an entity that adopted IFRSs in periods before the effective date of IFRS 1 or applied IFRS 1 in a previous period, provided the measurement date is within the period covered by its first IFRS financial statements.

BC46B The Board also decided to require the entity to present historical costs or other amounts already permitted by IFRS 1 for the periods before that date. In this regard, the Board considered an approach where an entity could 'work back' to the deemed cost on the date of transition, using the revaluation amounts obtained on the measurement date, adjusted to exclude any depreciation, amortisation or impairment between the two dates. Although some believed that this presentation would have provided greater comparability throughout the first IFRS reporting

period, the Board rejected it because making such adjustments would require hindsight and the computed carrying amounts on the date of transition to IFRSs would be neither the historical costs of the revalued assets nor their fair values on that date.

- BC47F In *Improvements to IFRSs* issued in May 2010, the Board extended the use of the deemed cost exemption to entities with operations subject to rate regulation. An entity might have items of property, plant and equipment or intangible assets that it holds for use in operations subject to rate regulation, or that it once used for this purpose and now holds for other purposes. Under previous GAAP, an entity might have capitalised, as part of the carrying amount of items of property, plant and equipment or intangible assets held for use in operations subject to rate regulation, amounts that do not qualify for capitalisation under IFRSs. For example, when setting rates regulators often permit entities to capitalise, as part of the cost of property, plant and equipment or intangible assets acquired, constructed or produced over time, an allowance for the cost of financing the asset's acquisition, construction or production. This allowance typically includes an imputed cost of equity. IFRSs do not permit an entity to capitalise an imputed cost of equity.
- BC47G Before this amendment, an entity with such items whose carrying amounts include amounts that do not qualify for capitalisation under IFRSs would have had either to restate those items retrospectively to remove the non-qualifying amounts, or to use the exemption in paragraph D5 (fair value as deemed cost). Both of those alternatives pose significant practical challenges, the cost of which can often outweigh the benefit.
- BC47H Typically, once amounts are included in the total cost of an item of property, plant and equipment, they are no longer tracked separately. The restatement of property, plant and equipment to remove amounts not in compliance with IFRSs would require historical information that, given the typical age of some of the assets involved, is probably no longer available and would be difficult to estimate. Obtaining the fair value information necessary to use the exemption in paragraph D5 may not be a practical alternative, given the lack of readily available fair value information for those assets.
- BC47I The Board decided it would permit entities with operations subject to rate regulation to use as deemed cost at the date of transition to IFRSs the carrying amount of the items of property, plant and equipment or intangible assets determined under the entity's previous GAAP. The Board views this exemption as consistent with the exemptions already

included in IFRS 1 in that it avoids excessive costs while meeting the objectives of the IFRS.

- BC47J The Board understands that most first-time adopters with operations subject to rate regulation have previously accounted for property, plant and equipment largely in accordance with a historical cost model consistent with IAS 16. The Board concluded that the cost and effort required to achieve total compliance in this area for the purposes of preparing an entity's first IFRS financial statements is not warranted to meet the objective of providing a suitable starting point for accounting under IFRSs. IFRS 1 requires that each item for which the exemption is used is tested for impairment, either individually or at the cash-generating unit to which the item belongs in accordance with IAS 36, at the date of transition. This requirement provides further assurance that this objective is met.
- BC47K Consistent with the Board's rationale for the use of fair value as deemed cost in paragraphs BC43 and BC44, this exemption means that an entity will report the same cost data as if it had acquired an asset with the same remaining service potential for that amount at the date of transition to IFRSs. An entity's use of this exemption results in a new cost basis for the item and previous GAAP depreciation methods and capitalisation policies are not relevant. Thus, if an entity uses this exemption for items of property, plant and equipment or intangible assets, it does not also apply the exemption for borrowing costs provided in paragraph D23.

Presentation and disclosure

Interim financial reports

Accounting policy changes in the year of adoption

- BC97 In *Improvements to IFRSs* issued in May 2010, the Board clarified unclear wording concerning how changes in accounting policies should be addressed by a first-time adopter when those changes occur after the publication of the entity's first interim financial report. The Board decided that a first-time adopter is exempt from all the requirements of IAS 8 for the interim financial report it presents in accordance with IAS 34 for part of the period covered by its first IFRS financial statements and for its first IFRS financial statements. The Board concluded that to comply with IFRS 1's requirement to explain its transition to IFRSs, an entity should be required to explain any changes in its accounting policies or the IFRS 1

exemptions it applied between its first IFRS interim financial report and its first IFRS financial statements. The Board decided that the most useful information it could require was updated reconciliations between previous GAAP and IFRSs.

Amendments to the guidance on implementing IFRS 1 *First-time Adoption of International Financial Reporting Standards*

Paragraphs IG8 and IG51 are amended (new text is underlined and deleted text is struck through).

- IG8 An entity may elect to use one of the following amounts as the deemed cost of an item of property, plant and equipment:
- (a) ...
 - (c) fair value at the date of an event such as a privatisation or initial public offering (paragraph D8 of the IFRS); ~~or~~
 - (d) an allocation of an amount determined under previous GAAP that meets the criteria in paragraph D8A of the IFRS; ~~or~~
 - (e) the carrying amount under previous GAAP of an item of property, plant and equipment that is used, or was previously used, in operations subject to rate regulation (paragraph D8B of the IFRS).
- IG51 If an entity's amortisation methods and rates in accordance with previous GAAP would be acceptable in accordance with IFRSs, the entity does not restate the accumulated amortisation in its opening IFRS statement of financial position. Instead, the entity accounts for any change in estimated useful life or amortisation pattern prospectively from the period when it makes that change in estimate (paragraph 14 of the IFRS and paragraph 104 of IAS 38). However, in some cases, an entity's amortisation methods and rates in accordance with previous GAAP may differ from those that would be acceptable in accordance with IFRSs (for example, if they were adopted solely for tax purposes and do not reflect a reasonable estimate of the asset's useful life). If those differences have a material effect on the financial statements, the entity adjusts the accumulated amortisation in its opening IFRS statement of financial position retrospectively so that it complies with IFRSs (paragraph 14 of the IFRS). However, if an entity uses the exemption in paragraph D8B, it uses the carrying amount of the intangible asset at the date of transition to IFRSs as deemed cost as if it had acquired an intangible asset with the same remaining service potential for that amount at the date of transition to IFRSs. Subsequent amortisation is based on that deemed cost and starts from the date of transition to IFRSs.

Amendments to IFRS 3 *Business Combinations*

Paragraphs IN8 and 19, the heading before paragraph 30 and paragraph 30 are amended (new text is underlined and deleted text is struck through). Paragraphs 64B, 64C and 65A–65E are added.

Main features of the IFRS

- IN8 Each identifiable asset and liability is measured at its acquisition-date fair value. ~~Any non-controlling interests in an acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation~~ is are measured at either fair value or as the present ownership instruments' non-controlling interest's proportionate share in the recognised amounts of the acquiree's net identifiable assets. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by IFRSs.

The acquisition method

Measurement principle

- 19 For each business combination, the acquirer shall measure at the acquisition date components of ~~any~~ non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation ~~at either: at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets~~
- (a) fair value; or
- (b) the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets.
- All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by IFRSs.

Exceptions to the recognition or measurement principles

Exceptions to the measurement principle

Share-based payment ~~awards~~ transactions

- 30 The acquirer shall measure a liability or an equity instrument related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment ~~awards~~ transactions of the acquirer in accordance with the method in IFRS 2 *Share-based Payment* at the acquisition date. (This IFRS refers to the result of that method as the 'market-based measure' of the ~~award~~ share-based payment transaction.)

Effective date and transition

Effective date

- 64B *Improvements to IFRSs* issued in May 2010 amended paragraphs 19, 30 and B56 and added paragraphs B62A and B62B. An entity shall apply those amendments for annual periods beginning on or after 1 July 2010. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact. Application should be prospective from the date when the entity first applied this IFRS.
- 64C Paragraphs 65A–65E were added by *Improvements to IFRSs* issued in May 2010. An entity shall apply those amendments for annual periods beginning on or after 1 July 2010. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact. The amendments shall be applied to contingent consideration balances arising from business combinations with an acquisition date prior to the application of this IFRS, as issued in 2008.

Transition

- 65A Contingent consideration balances arising from business combinations whose acquisition dates preceded the date when an entity first applied this IFRS as issued in 2008 shall not be adjusted upon first application of this IFRS. Paragraphs 65B–65E shall be applied in the subsequent accounting for those balances. Paragraphs 65B–65E shall not apply to the accounting for contingent consideration balances arising from business combinations with acquisition dates on or after the date when the entity first applied this IFRS as issued in 2008. In paragraphs 65B–65E business combination refers exclusively to business combinations whose acquisition date preceded the application of this IFRS as issued in 2008.

- 65B If a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the acquirer shall include the amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably.

- 65C A business combination agreement may allow for adjustments to the cost of the combination that are contingent on one or more future events. The adjustment might, for example, be contingent on a specified level of profit being maintained or achieved in future periods, or on the market price of the instruments issued being maintained. It is usually possible to estimate the amount of any such adjustment at the time of initially accounting for the combination without impairing the reliability of the information, even though some uncertainty exists. If the future events do not occur or the estimate needs to be revised, the cost of the business combination shall be adjusted accordingly.

- 65D However, when a business combination agreement provides for such an adjustment, that adjustment is not included in the cost of the combination at the time of initially accounting for the combination if it either is not probable or cannot be measured reliably. If that adjustment subsequently becomes probable and can be measured reliably, the additional consideration shall be treated as an adjustment to the cost of the combination.

- 65E In some circumstances, the acquirer may be required to make a subsequent payment to the seller as compensation for a reduction in the value of the assets given, equity instruments issued or liabilities incurred or assumed by the acquirer in exchange for control of the acquiree. This is the case, for example, when the acquirer guarantees the market price of equity or debt instruments issued as part of the cost of the business combination and is required to issue additional equity or debt instruments to restore the originally determined cost. In such cases, no increase in the cost of the business combination is recognised. In the case of equity instruments, the fair value of the additional payment is offset by an equal reduction in the value attributed to the instruments initially issued. In the case of debt instruments, the additional payment is regarded as a reduction in the premium or an increase in the discount on the initial issue.

Application guidance

In Appendix B, paragraph B56 is amended (new text is underlined and deleted text is struck through) and a footnote to paragraph B56, a heading after paragraph B62 and paragraphs B62A and B62B are added.

Determining what is part of the business combination transaction (application of paragraphs 51 and 52)

Acquirer share-based payment awards exchanged for awards held by the acquiree's employees (application of paragraph 52(b))

- B56 An acquirer may exchange its share-based payment awards* (replacement awards) for awards held by employees of the acquiree. Exchanges of share options or other share-based payment awards in conjunction with a business combination are accounted for as modifications of share-based payment awards in accordance with IFRS 2 *Share-based Payment*. If the acquirer ~~is obliged to~~ replaces the acquiree awards, either all or a portion of the market-based measure of the acquirer's replacement awards shall be included in measuring the consideration transferred in the business combination. Paragraphs B57–B62 provide guidance on how to allocate the market-based measure. ~~The acquirer is obliged to replace the acquiree awards if the acquiree or its employees have the ability to enforce replacement. For example, for the purposes of applying this requirement, the acquirer is obliged to replace the acquiree's awards if replacement is required by:~~
- (a) ~~the terms of the acquisition agreement;~~
 - (b) ~~the terms of the acquiree's awards; or~~
 - (c) ~~applicable laws or regulations.~~

However, in some situations, in which acquiree awards ~~may would~~ expire as a consequence of a business combination and, if the acquirer replaces those awards when even though it is not obliged to do so, all of the market-based measure of the replacement awards shall be recognised as remuneration cost in the post-combination financial statements in

* In paragraphs B56–B62 the term 'share-based payment awards' refers to vested or unvested share-based payment transactions.

accordance with IFRS 2. That is to say, none of the market-based measure of those awards shall be included in measuring the consideration transferred in the business combination. The acquirer is obliged to replace the acquiree awards if the acquiree or its employees have the ability to enforce replacement. For example, for the purposes of applying this guidance, the acquirer is obliged to replace the acquiree's awards if replacement is required by:

- (a) the terms of the acquisition agreement;
- (b) the terms of the acquiree's awards; or
- (c) applicable laws or regulations.

Equity-settled share-based payment transactions of the acquiree

- B62A The acquiree may have outstanding share-based payment transactions that the acquirer does not exchange for its share-based payment transactions. If vested, those acquiree share-based payment transactions are part of the non-controlling interest in the acquiree and are measured at their market-based measure. If unvested, they are measured at their market-based measure as if the acquisition date were the grant date in accordance with paragraphs 19 and 30.
- B62B The market-based measure of unvested share-based payment transactions is allocated to the non-controlling interest on the basis of the ratio of the portion of the vesting period completed to the greater of the total vesting period or the original vesting period of the share-based payment transaction. The balance is allocated to post-combination service.

Appendix to amendments to IFRS 3 Amendments to other IFRSs

IFRS 7 *Financial Instruments: Disclosures*

Paragraph 44B is amended (new text is underlined) and paragraph 44K is added.

Effective date and transition

- 44B IFRS 3 (as revised in 2008) deleted paragraph 3(c). An entity shall apply that amendment for annual periods beginning on or after 1 July 2009. If an entity applies IFRS 3 (revised 2008) for an earlier period, the amendment shall also be applied for that earlier period. However, the amendment does not apply to contingent consideration that arose from a business combination for which the acquisition date preceded the application of IFRS 3 (revised 2008). Instead, an entity shall account for such consideration in accordance with paragraphs 65A–65E of IFRS 3 (as amended in 2010).
- 44K Paragraph 44B was amended by *Improvements to IFRSs* issued in May 2010. An entity shall apply that amendment for annual periods beginning on or after 1 July 2010. Earlier application is permitted.

IAS 32 *Financial Instruments: Presentation*

Paragraph 97B is amended (new text is underlined) and paragraph 97G is added.

Effective date and transition

- 97B IFRS 3 (as revised in 2008) deleted paragraph 4(c). An entity shall apply that amendment for annual periods beginning on or after 1 July 2009. If an entity applies IFRS 3 (revised 2008) for an earlier period, the amendment shall also be applied for that earlier period. However, the amendment does not apply to contingent consideration that arose from a business combination for which the acquisition date preceded the application of IFRS 3 (revised 2008). Instead, an entity shall account for such consideration in accordance with paragraphs 65A–65E of IFRS 3 (as amended in 2010).

- 97G Paragraph 97B was amended by *Improvements to IFRSs* issued in May 2010. An entity shall apply that amendment for annual periods beginning on or after 1 July 2010. Earlier application is permitted.

IAS 39 *Financial Instruments: Recognition and Measurement*

Paragraph 103D is amended (new text is underlined) and paragraph 103N is added.

Effective date and transition

- 103D IFRS 3 (as revised in 2008) deleted paragraph 2(f). An entity shall apply that amendment for annual periods beginning on or after 1 July 2009. If an entity applies IFRS 3 (revised 2008) for an earlier period, the amendment shall also be applied for that earlier period. However, the amendment does not apply to contingent consideration that arose from a business combination for which the acquisition date preceded the application of IFRS 3 (revised 2008). Instead, an entity shall account for such consideration in accordance with paragraphs 65A–65E of IFRS 3 (as amended in 2010).
- 103N Paragraph 103D was amended by *Improvements to IFRSs* issued in May 2010. An entity shall apply that amendment for annual periods beginning on or after 1 July 2010. Earlier application is permitted.

Amendments to Basis for Conclusions on IFRS 3 *Business Combinations*

Headings after paragraphs BC221, BC311 and BC434 and paragraphs BC221A, BC311A, BC311B and BC434A–BC434C are added.

Applying the acquisition method

Subsequent improvements to IFRS 3

BC221A In *Improvements to IFRSs* issued in May 2010, the Board addressed a concern that permitting the measurement choice for certain components of non-controlling interest might result in inappropriate measurement of those components in some circumstances. The Board decided to limit the choice to non-controlling interests that are present ownership instruments and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. The amendment requires the acquirer to measure all other components of non-controlling interest at the acquisition-date fair value, unless IFRSs require another measurement basis. For example, if a share-based payment transaction is classified as equity, an entity measures it in accordance with IFRS 2 *Share-based Payment*. Without this amendment, if the acquirer chose to measure non-controlling interest at its proportionate share of the acquiree's identifiable net assets, the acquirer might have measured some equity instruments at nil. In the Board's view, this would result in not recognising economic interests that other parties have in the acquiree. Therefore, the Board amended IFRS 3 to limit the scope of the measurement choice.

Un-replaced and voluntarily replaced share-based payment transactions

BC311A In *Improvements to IFRSs* issued in May 2010, the Board addressed a concern that there was insufficient application guidance for share-based payment transactions that are replaced in the context of a business combination. After the revised IFRS 3 was issued in 2008, some constituents raised concerns about the lack of explicit guidance with respect to share-based payment transactions of the acquiree that the acquirer chooses to replace, even though either they are unaffected by the business combination or vesting is accelerated as a consequence of the business combination. In addition, some were concerned that the measurement guidance for share-based payment transactions applies only to replacement awards but not to acquiree awards that the acquirer chooses

not to replace. In response to those concerns, the Board added explicit guidance in paragraphs B56 and B62A to clarify that those awards should be accounted for in the same way as acquiree awards that the acquirer is obliged to replace.

BC311B Employee share-based payment awards might expire in the event of a business combination. When this occurs, the acquirer may choose to grant a new award to those employees voluntarily. The new award granted in such circumstances can only be for future services, because the acquirer has no obligation to the employee in respect of past services that they provided to the acquiree. Accordingly, paragraph B56 requires the whole of the market-based value of the new award to be accounted for as a post-combination expense, which is recognised in accordance with IFRS 2. This accounting treatment is different from that required in circumstances when the employee share-based payment award does not expire in the event of a business combination. When an unexpired award is replaced by the acquirer, part of the market-based value of the replacement award reflects the acquiree's obligation that remains outstanding at the date of the business combination, and is accounted for as part of the consideration transferred in the business combination. The balance of the market-based value of the replacement award is accounted for as a post-combination expense for the services to be received over the period to when the replacement award vests, in accordance with IFRS 2. The accounting for the replacement of unexpired awards is the same for awards that are replaced voluntarily by the acquirer and those that the acquirer is obliged to replace because the substance is the same in both circumstances.

Effective date and transition

Transition requirements for contingent consideration from a business combination that occurred before the effective date of IFRS 3 (as revised in 2008)

BC434A In *Improvements to IFRSs* issued in May 2010, the Board addressed a perceived conflict in the guidance on accounting for contingent consideration in a business combination. The perceived conflict related to the transition guidance for contingent consideration arising from business combinations that had been accounted for in accordance with IFRS 3 (as issued in 2004). Before their deletion in January 2008, paragraph 3(c) of IFRS 7 *Financial Instruments: Disclosures*, paragraph 4(c) of IAS 32 *Financial Instruments: Presentation* and paragraph 2(f) of IAS 39

AMENDMENTS TO IFRS 3 BUSINESS COMBINATIONS

Financial Instruments: Recognition and Measurement excluded contingent consideration arrangements from the scope of those IFRSs. To allow the acquirer to account for contingent consideration as required by IFRS 3 (revised 2008), the Board deleted those scope exceptions in the second phase of its project on business combinations.

BC434B Some interpreted the deletion of the scope exception as meaning that IAS 39 would apply to all contingent consideration, including contingent consideration from business combinations with an acquisition date earlier than the application date of IFRS 3 (revised 2008). However, this interpretation is inconsistent with the transition guidance in paragraph 65 of IFRS 3 (revised 2008).

BC434C Therefore, the Board reproduced paragraphs 32–35 of IFRS 3 (as issued in 2004) as paragraphs 65B–65E in IFRS 3 (revised 2008) and made the conforming changes to IFRS 7, IAS 32 and IAS 39. The Board did this to clarify that the requirements in IAS 39 do not apply to contingent consideration that arose from a business combination whose acquisition date preceded the application of IFRS 3 (revised 2008) and to provide guidance on how to account for such balances. The Board believes that the amendments will not cause IFRS 3 to diverge from FASB ASC Topic 805 *Business Combinations* (SFAS 141(R) *Business Combinations*).

Amendment to illustrative examples accompanying IFRS 3 *Business Combinations*

A heading is added after paragraph IE44 and paragraphs IE44A–IE44J and three headings are added.

Measurement of non-controlling interest (NCI)

Illustrating the consequences of applying paragraph 19 of IFRS 3.

IE44A The following examples illustrate the measurement of components of NCI at the acquisition date in a business combination.

Measurement of NCI including preference shares

IE44B TC has issued 100 preference shares, which are classified as equity. The preference shares have a nominal value of CU1 each. The preference shares give their holders a right to a preferential dividend in priority to the payment of any dividend to the holders of ordinary shares. Upon liquidation of TC, the holders of the preference shares are entitled to receive out of the assets available for distribution the amount of CU1 per share in priority to the holders of ordinary shares. The holders of the preference shares do not have any further rights on liquidation.

IE44C AC acquires all ordinary shares of TC. The acquisition gives AC control of TC. The acquisition-date fair value of the preference shares is CU120.

IE44D Paragraph 19 of IFRS 3 states that for each business combination, the acquirer shall measure at the acquisition date components of non-controlling interest in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the acquiree's recognised amounts of the identifiable net assets. All other components of non-controlling interest must be measured at their acquisition-date fair value, unless another measurement basis is required by IFRSs.

IE44E The non-controlling interests that relate to TC's preference shares do not qualify for the measurement choice in paragraph 19 of IFRS 3 because they do not entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. The acquirer measures the preference shares at their acquisition-date fair value of CU120.

First variation

- IE44F Suppose that upon liquidation of TC, the preference shares entitle their holders to receive a proportionate share of the assets available for distribution. The holders of the preference shares have equal right and ranking to the holders of ordinary shares in the event of liquidation. Assume that the acquisition-date fair value of the preference shares is now CU160 and that the proportionate share of TC's recognised amounts of the identifiable net assets that is attributable to the preference shares is CU140.
- IE44G The preference shares qualify for the measurement choice in paragraph 19 of IFRS 3. AC can choose to measure the preference shares either at their acquisition-date fair value of CU160 or at their proportionate share in the acquiree's recognised amounts of the identifiable net assets of CU140.

Second variation

- IE44H Suppose also that TC has issued share options as remuneration to its employees. The share options are classified as equity and are vested at the acquisition date. They do not represent present ownership interest and do not entitle their holders to a proportionate share of TC's net assets in the event of liquidation. The market-based measure of the share options in accordance with IFRS 2 *Share-based Payment* at the acquisition date is CU200. The share options do not expire on the acquisition date and AC does not replace them.
- IE44I Paragraph 19 of IFRS 3 requires such share options to be measured at their acquisition-date fair value, unless another measurement basis is required by IFRSs. Paragraph 30 of IFRS 3 states that the acquirer shall measure an equity instrument related to share-based payment transactions of the acquiree in accordance with the method in IFRS 2.
- IE44J The acquirer measures the non-controlling interests that are related to the share options at their market-based measure of CU200.

Amendments to IFRS 7 *Financial Instruments: Disclosures*

Paragraph 32A is added. Paragraphs 34 and 36–38 are amended (new text is underlined and deleted text is struck through). Paragraph 44L is added.

Nature and extent of risks arising from financial instruments

- 32A Providing qualitative disclosures in the context of quantitative disclosures enables users to link related disclosures and hence form an overall picture of the nature and extent of risks arising from financial instruments. The interaction between qualitative and quantitative disclosures contributes to disclosure of information in a way that better enables users to evaluate an entity's exposure to risks.

Quantitative disclosures

- 34 For each type of risk arising from financial instruments, an entity shall disclose:
- (a) summary quantitative data about its exposure to that risk at the end of the reporting period. This disclosure shall be based on the information provided internally to key management personnel of the entity (as defined in IAS 24 *Related Party Disclosures*), for example the entity's board of directors or chief executive officer.
 - (b) the disclosures required by paragraphs 36–42, to the extent not provided in accordance with (a), ~~unless the risk is not material (see paragraphs 29–31 of IAS 1 for a discussion of materiality)~~.
 - (c) concentrations of risk if not apparent from the disclosures made in accordance with (a) and (b).

Credit risk

- 36 An entity shall disclose by class of financial instrument:
- (a) the amount that best represents its maximum exposure to credit risk at the end of the reporting period without taking account of any collateral held or other credit enhancements (eg netting agreements that do not qualify for offset in accordance with IAS 32); this disclosure is not required for financial instruments whose carrying amount best represents the maximum exposure to credit risk;

- (b) ~~in respect of the amount disclosed in (a), a description of collateral held as security and of other credit enhancements, and their financial effect (eg a quantification of the extent to which collateral and other credit enhancements mitigate credit risk) in respect of the amount that best represents the maximum exposure to credit risk (whether disclosed in accordance with (a) or represented by the carrying amount of a financial instrument);~~
- (c) information about the credit quality of financial assets that are neither *past due* nor impaired; ~~and~~
- (d) ~~[deleted] the carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated.~~

Financial assets that are either past due or impaired

- 37 An entity shall disclose by class of financial asset:
- (a) an analysis of the age of financial assets that are past due as at the end of the reporting period but not impaired; ~~and~~
 - (b) an analysis of financial assets that are individually determined to be impaired as at the end of the reporting period, including the factors the entity considered in determining that they are impaired; ~~and~~
 - (c) ~~[deleted] for the amounts disclosed in (a) and (b), a description of collateral held by the entity as security and other credit enhancements and, unless impracticable, an estimate of their fair value.~~

Collateral and other credit enhancements obtained

- 38 When an entity obtains financial or non-financial assets during the period by taking possession of collateral it holds as security or calling on other credit enhancements (eg guarantees), and such assets meet the recognition criteria in other IFRSs, an entity shall disclose for such assets held at the reporting date:
- (a) the nature and carrying amount of the assets ~~obtained~~; and
 - (b) when the assets are not readily convertible into cash, its policies for disposing of such assets or for using them in its operations.

Effective date and transition

- 44L *Improvements to IFRSs* issued in May 2010 added paragraph 32A and amended paragraphs 34 and 36–38. An entity shall apply those amendments for annual periods beginning on or after 1 January 2011. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact.

Amendments to Basis for Conclusions on IFRS 7 *Financial Instruments: Disclosures*

After paragraph BC42, a heading and paragraph BC42A are added. Paragraphs BC47A and BC49A are added. After paragraph BC54, a heading and paragraph BC54A are added. Paragraphs BC55A and BC56A are added.

Interaction between qualitative and quantitative disclosures (paragraph 32A)

- BC42A In *Improvements to IFRSs* issued in May 2010, the Board addressed a perceived lack of clarity in the intended interaction between the qualitative and quantitative disclosures of the nature and extent of risks arising from financial instruments. The Board emphasised the interaction between qualitative and quantitative disclosures about the nature and extent of risks arising from financial instruments. This enables users to link related disclosures and hence form an overall picture of the nature and extent of risks arising from financial instruments. The Board concluded that an explicit emphasis on the interaction between qualitative and quantitative disclosures will contribute to disclosure of information in a way that better enables users to evaluate an entity's exposure.
- BC47A In *Improvements to IFRSs* issued in May 2010, the Board removed the reference to materiality from paragraph 34(b) of IFRS 7. The Board noted that the reference could imply that disclosures in IFRS 7 are required even if those disclosures are not material, which was not the Board's intention.
- BC49A In *Improvements to IFRSs* issued in May 2010, the Board enhanced consistency within IFRS 7 by clarifying that the disclosure requirement in paragraph 36(a) applies only to financial assets whose carrying amounts do not show the reporting entity's maximum exposure to credit risk. Such an approach is consistent with the approach taken in paragraph 29(a), which states that disclosure of fair value is not required when the carrying amount is a reasonable approximation of fair value. Moreover, the Board concluded that the requirement might be duplicative for assets that are presented in the statement of financial position because the carrying amount of these assets often represents the maximum exposure to credit risk. In the Board's view, the disclosure requirement should focus on the entity's exposure to credit risk that is not already reflected in the statement of financial position.

Financial assets with renegotiated terms (paragraph 36(d))

- BC54A In *Improvements to IFRSs* issued in May 2010, the Board addressed a practical concern relating to the disclosure requirements for renegotiated financial assets. The Board deleted the requirement in paragraph 36(d) to disclose the carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated. The Board considered the difficulty in identifying financial assets whose terms have been renegotiated to avoid becoming past due or impaired (rather than for other commercial reasons). The Board noted that the original requirement was unclear about whether the requirement applies only to financial assets that were renegotiated in the current reporting period or whether past negotiations of those assets should be considered. Moreover, the Board was informed that commercial terms of loans are often renegotiated regularly for reasons that are not related to impairment. In practice it is difficult, especially for a large portfolio of loans, to ascertain which loans were renegotiated to avoid becoming past due or impaired.
- BC55A In *Improvements to IFRSs* issued in May 2010, the Board addressed a concern that the disclosure of the fair value of collateral was potentially misleading. Within a class of assets some might be over-collateralised while others might be under-collateralised. Hence, aggregate disclosure of the fair value might be misleading. Therefore, the Board removed from paragraph 37(c) the requirement to disclose the fair value of collateral and other credit enhancements. However, the Board believes that information on the financial effect of such assets is useful to users. Hence, the Board included in paragraph 36(b) a requirement to disclose a description of collateral held as security and of other credit enhancements and to disclose their financial effect.
- BC56A In *Improvements to IFRSs* issued in May 2010, the Board enhanced consistency within IFRS 7 by clarifying that paragraph 38 requires entities to disclose the amount of foreclosed collateral held at the reporting date. This is consistent with the objective in IFRS 7 to disclose information that enables users to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the end of the reporting period.

Amendment to guidance on implementing IFRS 7 *Financial Instruments: Disclosures*

A heading and paragraphs IG3 and IG4 are deleted (new text is underlined and deleted text is struck through).

Introduction

Materiality

~~IG3–IG4~~ ~~[Deleted]~~ ~~IAS 1 *Presentation of Financial Statements* notes that a specific disclosure requirement in an IFRS need not be satisfied if the information is not material. IAS 1 defines materiality as follows:~~

~~Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.~~

~~IG4~~ ~~IAS 1 also explains that definition as follows:~~

~~Assessing whether an omission or misstatement could influence economic decisions of users, and so be material, requires consideration of the characteristics of those users. The *Framework for the Preparation and Presentation of Financial Statements* states in paragraph 25 that ‘users are assumed to have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information with reasonable diligence.’ Therefore, the assessment needs to take into account how users with such attributes could reasonably be expected to be influenced in making economic decisions.~~

Amendments to IAS 1 *Presentation of Financial Statements*

Before paragraph 106 a heading is added. Paragraph 106 is amended (new text is underlined and deleted text is struck through). After paragraph 106 a heading and paragraph 106A are added. Paragraph 107 is amended (new text is underlined). Paragraph 139F is added.

Structure and content

Statement of changes in equity

Information to be presented in the statement of changes in equity

- 106** An entity shall present a statement of changes in equity as required by paragraph 10. ~~The statement of changes in equity includes the following information showing in the statement:~~
- (a) total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to non-controlling interests;
 - (b) for each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with IAS 8; and
 - (c) [deleted]
 - (d) for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from:
 - (i) profit or loss;
 - (ii) ~~each item of~~ other comprehensive income; and
 - (iii) transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control.

Information to be presented in the statement of changes in equity or in the notes

- 106A** For each component of equity an entity shall present, either in the statement of changes in equity or in the notes, an analysis of other comprehensive income by item (see paragraph 106(d)(ii)).
- 107** An entity shall present, either in the statement of changes in equity or in the notes, the amounts of dividends recognised as distributions to owners during the period, and the related amount of dividends per share.

Transition and effective date

- 139F** Paragraphs 106 and 107 were amended and paragraph 106A was added by *Improvements to IFRSs* issued in May 2010. An entity shall apply those amendments for annual periods beginning on or after 1 January 2011. Earlier application is permitted.

Amendment to Basis for Conclusions on IAS 1 *Presentation of Financial Statements*

After paragraph BC74 a heading and paragraph BC74A are added.

Statement of changes in equity

Reconciliation for each component of other comprehensive income (paragraphs 106(d)(ii) and 106A)

BC74A Paragraph 106(d) requires an entity to provide a reconciliation of changes in each component of equity. In *Improvements to IFRSs* issued in May 2010, the Board clarified 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.

Transition requirements for amendments arising as a result of IAS 27 *Consolidated and Separate Financial Statements*

Amendments to IFRSs

IAS 21 *The Effects of Changes in Foreign Exchange Rates*

Paragraph 60B is amended (new text is underlined) and paragraph 60D is added.

Effective date and transition

- 60B IAS 27 (as amended in 2008) added paragraphs 48A–48D and amended paragraph 49. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 July 2009. If an entity applies IAS 27 (amended 2008) for an earlier period, the amendments shall be applied for that earlier period.
- 60D Paragraph 60B was amended by *Improvements to IFRSs* issued in May 2010. An entity shall apply that amendment for annual periods beginning on or after 1 July 2010. Earlier application is permitted.

IAS 28 *Investments in Associates*

Paragraph 41B is amended (new text is underlined and deleted text is struck through) and paragraph 41E is added.
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Effective date and transition

- 41B IAS 27 (as amended in 2008) amended paragraphs 18, 19 and 35 and added paragraph 19A. An entity shall apply the amendment to paragraph 35 retrospectively and the new amendments to paragraphs 18 and 19 and paragraph 19A prospectively for annual periods beginning on or after 1 July 2009. If an entity applies IAS 27 (amended 2008) for an earlier period, the amendments shall be applied for that earlier period.

- 41E Paragraph 41B was amended by *Improvements to IFRSs* issued in May 2010. An entity shall apply that amendment for annual periods beginning on or after 1 July 2010. Earlier application is permitted. If an entity applies the amendment before 1 July 2010 it shall disclose that fact.

IAS 31 *Interests in Joint Ventures*

Paragraph 58A is amended (new text is underlined and deleted text is struck through) and paragraph 58D is added.

Effective date and transition

- 58A IAS 27 (as amended in 2008) amended paragraphs 45 and 46 and added paragraphs 45A and 45B. An entity shall apply the amendment to paragraph 46 retrospectively and the ~~those~~ amendments to paragraph 45 and paragraphs 45A and 45B prospectively for annual periods beginning on or after 1 July 2009. If an entity applies IAS 27 (amended 2008) for an earlier period, the amendments shall be applied for that earlier period.
- 58D Paragraph 58A was amended by *Improvements to IFRSs* issued in May 2010. An entity shall apply that amendment for annual periods beginning on or after 1 July 2010. Earlier application is permitted. If an entity applies the amendment before 1 July 2010 it shall disclose that fact.

Amendments to IAS 34 *Interim Financial Reporting*

In the rubric, 'paragraphs 1–48' is amended to 'paragraphs 1–49'. A heading and paragraph 15 are amended (new text is underlined and deleted text is struck through). Paragraphs 15A–15C are added. Paragraphs 16–18 are deleted. A heading and paragraph 16A are added. Paragraph 49 is added. Paragraphs 15B and 16A were previously paragraphs 17 and 16, respectively, and have been marked up solely to show changes from the pre-existing text.

Content of an interim financial report

Selected explanatory notes Significant events and transactions

- 15 ~~A user of an entity's interim financial report will also have access to the most recent annual financial report of that entity. It is unnecessary, therefore, for the notes to an interim financial report to provide relatively insignificant updates to the information that was already reported in the notes in the most recent annual report. At an interim date, An entity shall include in its interim financial report an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period is more useful. Information disclosed in relation to those events and transactions shall update the relevant information presented in the most recent annual financial report.~~
- 15A A user of an entity's interim financial report will have access to the most recent annual financial report of that entity. Therefore, it is unnecessary for the notes to an interim financial report to provide relatively insignificant updates to the information that was reported in the notes in the most recent annual financial report.
- 15B ~~Examples of the kinds of disclosures that are required by paragraph 16 are set out below. Individual IFRSs provide guidance regarding disclosures for many of these items: The following is a list of events and transactions for which disclosures would be required if they are significant: the list is not exhaustive.~~
- (a) the write-down of inventories to net realisable value and the reversal of such a write-down;

- (b) recognition of a loss from the impairment of financial assets, property, plant and equipment, intangible assets, or other assets, and the reversal of such an impairment loss;
- (c) the reversal of any provisions for the costs of restructuring;
- (d) acquisitions and disposals of items of property, plant and equipment;
- (e) commitments for the purchase of property, plant and equipment;
- (f) litigation settlements;
- (g) corrections of prior period errors;
- (h) ~~deleted~~ changes in the business or economic circumstances that affect the fair value of the entity's financial assets and financial liabilities, whether those assets or liabilities are recognised at fair value or amortised cost;
- (i) any loan default or breach of a loan agreement that has not been remedied on or before the end of the reporting period; ~~and~~
- (j) related party transactions;
- (k) transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments;
- (l) changes in the classification of financial assets as a result of a change in the purpose or use of those assets; and
- (m) changes in contingent liabilities or contingent assets.

[contains text from pre-existing paragraph 17 marked up for amendments]

15C Individual IFRSs provide guidance regarding disclosure requirements for many of the items listed in paragraph 15B. When an event or transaction is significant to an understanding of the changes in an entity's financial position or performance since the last annual reporting period, its interim financial report should provide an explanation of and an update to the relevant information included in the financial statements of the last annual reporting period.

16-18 [Deleted]

Other disclosures

- 16A **In addition to disclosing significant events and transactions in accordance with paragraphs 15–15C, An entity shall include the following information, as a minimum, in the notes to its interim financial statements, if material and if not disclosed elsewhere in the interim financial report. The information shall normally be reported on a financial year-to-date basis. However, the entity shall also disclose any events or transactions that are material necessary to an understanding of the current interim period:**
- (a) a statement that the same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements or, if those policies or methods have been changed, a description of the nature and effect of the change,;
 - (b) explanatory comments about the seasonality or cyclical nature of interim operations,;
 - (c) the nature and amount of items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence,;
 - (d) the nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years, ~~if those changes have a material effect in the current interim period,;~~
 - (e) ~~issuances~~ **issues**, repurchases and repayments of debt and equity securities,;
 - (f) dividends paid (aggregate or per share) separately for ordinary shares and other shares,;
 - (g) the following segment information (disclosure of segment information is required in an entity's interim financial report only if IFRS 8 *Operating Segments* requires that entity to disclose segment information in its annual financial statements):
 - (i) revenues from external customers, if included in the measure of segment profit or loss reviewed by the chief operating decision maker or otherwise regularly provided to the chief operating decision maker,;

- (ii) intersegment revenues, if included in the measure of segment profit or loss reviewed by the chief operating decision maker or otherwise regularly provided to the chief operating decision maker.;
- (iii) a measure of segment profit or loss.;
- (iv) total assets for which there has been a material change from the amount disclosed in the last annual financial statements.;
- (v) a description of differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss.;
- (vi) a reconciliation of the total of the reportable segments' measures of profit or loss to the entity's profit or loss before tax expense (tax income) and discontinued operations. However, if an entity allocates to reportable segments items such as tax expense (tax income), the entity may reconcile the total of the segments' measures of profit or loss to profit or loss after those items. Material reconciling items shall be separately identified and described in that reconciliation.;
- (h) ~~material events subsequent to the end of~~ after the interim period that have not been reflected in the financial statements for the interim period.;
- (i) the effect of changes in the composition of the entity during the interim period, including business combinations, obtaining or losing control of subsidiaries and long-term investments, restructurings, and discontinued operations. In the case of business combinations, the entity shall disclose the information required by IFRS 3 *Business Combinations*.; ~~and~~
- (j) ~~changes in contingent liabilities or contingent assets since the end of the last annual reporting period.~~

[contains text from pre-existing paragraph 16 marked up for amendments]

Effective date

- 49 Paragraph 15 was amended, paragraphs 15A–15C and 16A were added and paragraphs 16–18 were deleted by *Improvements to IFRSs* issued in May 2010. An entity shall apply those amendments for annual periods beginning on or after 1 January 2011. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact.

Addition of Basis for Conclusions on IAS 34 *Interim Financial Reporting*

A Basis for Conclusions on IAS 34 containing paragraphs BC1–BC4 is added.

Basis for Conclusions on IAS 34 *Interim Financial Reporting*

This Basis for Conclusions accompanies, but is not part of, IAS 34.

- BC1 This Basis for Conclusions summarises the International Accounting Standards Board's considerations in amending paragraphs 15–18 of IAS 34 *Interim Financial Reporting* as part of *Improvements to IFRSs* issued in May 2010. Those changes aim to emphasise the disclosures principles in IAS 34 and to add further guidance to illustrate how to apply these principles.
- BC2 IAS 34 was developed by the International Accounting Standards Committee (IASC) in 1998 and did not include a Basis for Conclusions.

Significant events and transactions

- BC3 In *Improvements to IFRSs* issued in May 2010, the Board addressed requests for clarification of the disclosures required by IAS 34 when considered against changes in the disclosure requirements of other IFRSs. IAS 34 was issued by the Board's predecessor body, IASC, in 1998. In the light of recent improvements to disclosure requirements, many users of financial statements asked the Board to consider whether particular disclosures required by IFRS 7 *Financial Instruments: Disclosures* for annual financial statements should also be required in interim financial statements. IAS 34 sets out disclosure principles to determine what information should be disclosed in an interim financial report. The Board concluded that amending IAS 34 to place greater emphasis on those principles and the inclusion of additional examples relating to more recent disclosure requirements, ie fair value measurements, would improve interim financial reporting.
- BC4 As part of *Improvements to IFRSs* issued in May 2010, the Board deleted paragraph 18 of IAS 34 because it repeats paragraph 10 of IAS 34 and because the Board's intention is to emphasise those disclosures that are required rather than those that are not required.

Amendment to IFRIC 13 *Customer Loyalty Programmes*

Paragraph 10A is added.

Effective date and transition

- 10A Paragraph AG2 was amended by *Improvements to IFRSs* issued in May 2010. An entity shall apply that amendment for annual periods beginning on or after 1 January 2011. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact.

Appendix Application guidance

Paragraph AG2 is amended (new text is underlined and deleted text is struck through).

- AG2 An entity may estimate the fair value of award credits by reference to the fair value of the awards for which they could be redeemed. The fair value of ~~these awards would be reduced to take~~ the award credits takes into account, as appropriate:
- (a) the amount of the discounts or incentives ~~fair value of awards~~ that would otherwise be offered to customers who have not earned award credits from an initial sale; and
 - (b) the proportion of award credits that are not expected to be redeemed by customers.

If customers can choose from a range of different awards, the fair value of the award credits will reflect the fair values of the range of available awards, weighted in proportion to the frequency with which each award is expected to be selected.

Amendment to Basis for Conclusions on IFRIC 13 *Customer Loyalty Programmes*

A heading is added after paragraph BC14 and paragraph BC14A is added.

Measuring the fair value of award credits

BC14A In *Improvements to IFRSs* issued in May 2010, the Board addressed unclear wording that could lead to divergent interpretations of the term ‘fair value’ in the application guidance for IFRIC 13. The Board was made aware that paragraph AG2 could be interpreted to mean that the fair value of award credits is equal to the fair value of redemption awards because the term ‘fair value’ is used to refer to both the value of the award credits and the value of the awards for which the credits could be redeemed. To address this, the Board amended paragraph AG2 and Example 1 in the illustrative examples. The amendment 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 the discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale.

Amendment to illustrative examples accompanying IFRIC 13 *Customer Loyalty Programmes*

Paragraph IE1 is amended (new text is underlined and deleted text is struck through).

Example 1 – Awards supplied by the entity

IE1 A grocery retailer operates a customer loyalty programme. It grants programme members loyalty points when they spend a specified amount on groceries. Programme members can redeem the points for further groceries. The points have no expiry date. In one period, the entity grants 100 points. Management estimates the fair value of groceries for which each loyalty point can be redeemed as 1.25 currency units (CU1.25). This amount takes into account an estimate of the discount that management expects would otherwise be offered to customers who have not earned award credits from an initial sale. In addition, mManagement expects only 80 of these points to be redeemed. Therefore, the fair value of each point is CU1, being the value of each loyalty point granted of CU1.25 reduced to take into account points not expected to be redeemed ((80 points/100 points) × CU1.25 = CU1). Accordingly, mManagement ~~estimates the fair value of each loyalty point to be one currency unit (CU1), and defers recognition of revenue of CU100.~~