In this issue ...

The next wave of IFRS changes is coming. Are you ready?
As 2013 approaches, many significant IFRS changes are set to become effective for the first time. We summarise the key IFRS changes that become effective in 2013, together with the likely impact on financial statements and processes.

Executive compensation and the debate over accounting for equity-settled share-based payment awards
Recent adverse economic and financial market trends have renewed the debate on executive compensation, which is also the subject of intense media attention in the wake of the financial downturn. We examine some of the accounting implications for equity-settled share-based payment awards and focus on the disconnect between the grant-date and vesting-date values.

IAASB suggests changes to improve the value of the auditor’s report
In June 2012, the International Auditing and Assurance Standards Board (IAASB) released an Invitation to Comment: Improving the Auditor’s Report, which sets out the indicative direction of its future standard-setting proposals to improve the value of the information communicated in auditors’ reports in accordance with International Standards on Auditing (ISAs). To find out more about the IAASB’s suggested improvements and their possible implications for entities, we talk to Dan Montgomery, IAASB Deputy Chair and Chair of the IAASB Auditor Reporting Task Force.

IFRS project update
Find out which projects the IASB and the IFRS Interpretations Committee (IFRIC) are currently discussing.

Resources
Look here for an up to date list of our recent publications.

We welcome your feedback on IFRS Outlook. Please contact us at ifrs@ey.com.

Ruth Picker
Global Leader of IFRS Services
The next wave of IFRS changes is coming. Are you ready?

As 2013 approaches, many significant new IFRS standards, amendments and interpretations (IFRS pronouncements) are set to become effective for the first time. We summarise the primary changes of the new IFRS pronouncements that become effective in 2013, together with the likely impact on financial statements and related processes.

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<thead>
<tr>
<th>Main changes and likely financial statement impact</th>
<th>Process assessment</th>
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| **IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements**

The consolidation model is now founded entirely on the notion of control

A new, broader definition of control may result in changes to a consolidated group:

- On transition to IFRS 10
- In future reporting periods due to continuous reassessment

A comprehensive understanding of existing and new arrangements, including an evaluation of investors’ rights and exposure, and the purpose and design of the investee is required

Procedures and controls for identifying and assessing controlled entities may be required, with potentially greater coordination and input from business units, legal advisors and other departments

**IFRS 11 Joint Arrangements and IAS 28 Investments in Associates and Joint Ventures**

IFRS 11 uses the principle of control in IFRS 10 to define joint control

IFRS 11 changes the accounting for joint arrangements by moving from three categories under IAS 31 *Interests in Joint Ventures* to the following two categories:

- **Joint operation** – the parties with joint control have rights to the assets and obligations for the liabilities of the arrangement. Joint operations are accounted for by showing each party’s interest in the assets, liabilities, revenues and expenses, and/or its relative share of jointly controlled assets, liabilities, revenue and expenses, if any

- **Joint venture** – the parties with joint control have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity accounting method

This may lead to a change in the accounting for arrangements previously classified as jointly controlled entities under IAS 31

The proportionate consolidation method is prohibited under IFRS 11, resulting in considerable change for those currently applying the proportionate consolidation method of accounting for jointly controlled entities under IAS 31

Existing arrangements need to be assessed to determine whether joint control exists. Further assessment of the structure and rights and obligations of the parties to the arrangement is needed to correctly classify the arrangement as either a “joint operation” or a “joint venture”

The prohibition of proportionate consolidation will require new processes in collecting and reporting financial information

**IFRS 12 Disclosure of Interests in Other Entities**

IFRS 12 requires extensive qualitative and quantitative disclosures of interests held in other entities and how control was determined

Additional procedures and changes to information systems may be required to gather information for the new disclosures

**Key assessments that may be required for IFRS 10, IFRS 11 and IFRS 12 include determining whether:**

- An entity has control if it holds less than a majority of voting rights in an investee (*de facto* control)
- Potential voting rights give power
- Rights are merely protective rights
- A party is a principal or an agent
- An entity can direct another entity to act on its behalf (*as a de facto agent*)

- Structured entities are controlled
- Assets and liabilities are ring-fenced (i.e., whether silos exist)
- Control (or joint control) changes based on a change in facts and circumstances
- There is more than one joint arrangement
- A joint arrangement is classified as a joint operation or a joint venture
### IFRS 13 Fair Value Measurement

IFRS 13 establishes a single set of principles for measuring fair value

Applying the new principles may lead to changes in valuation techniques and assumptions, thereby impacting the measurement and disclosure of the fair values of assets and liabilities

IFRS 13 is likely to require a reassessment of how fair value is measured, including changes to processes around valuation models and inputs

Processes for enhanced disclosures may need to be established and reassessment of sufficient appropriate valuation expertise is needed

**Key assessments that may be required for IFRS 13 include determining whether:**

- A non-financial asset is being used in its highest and best use
- The market in which the entity normally transacts is the principal (or most advantageous) market
- A particular valuation technique is appropriate in the circumstances, or whether additional techniques may also be applicable
- A market participant acting in their own best economic interest would consider a premium or discount when pricing an asset
- There has been a significant decline in the volume and activity in a market
- There is evidence that a transaction within a market is not orderly
- Adjustments to observable inputs are significant to the fair value measurement as a whole
- Two (or more) unobservable inputs may change in reaction to changes in the other (i.e., is there an interrelationship between inputs)
- A fair value measurement is sensitive to unobservable inputs (i.e., whether changing an unobservable input might result in a significantly higher or lower fair value)

### IAS 19 Employee Benefits (Revised)

For defined benefit plans:

- The corridor approach is removed resulting in immediate recognition of changes to plan assets/obligations, which may cause higher balance sheet volatility in some cases
- The concept of expected returns is removed and interest must be recognised on the net plan obligation/asset, therefore, the P&L no longer reflects the expected return on plan assets
- Service costs and net interest are charged to P&L
- Remaining changes in plans are recognised in OCI
- Actuarial movements permanently bypass the P&L

- Past service costs are recognised immediately
- New disclosures are introduced, including sensitivity analyses of defined benefit plans

Other changes include:

- Short-term vs long-term employee benefits classification is based on the expected timing of settlement rather than employee entitlements. This may change the short-term and long-term employee benefits classification
- Changes in timing of recognition of employee termination benefits

The changes should require an assessment of communications with stakeholders and actuaries to ensure compliance with the new requirements

Additional procedures and controls will be required with respect to actuarial information for the new and revised disclosures, including the use of judgements and estimates

**Key assessments that may be required for IAS 19 (Revised) include:**

For defined benefit plans:

- Determine whether the actuarial assumptions (e.g., discount rate; mortality; employee turnover; and age at and the date of retirement) are consistent with the revised requirements
- Work closely with actuaries to ensure the required sensitivity information for disclosure is available on a timely basis

For other employee benefits:

- Estimate future events, employee behaviour (e.g., expected usage of accumulated annual leave) and employees’ future salaries in order to classify entitlements as short term or long term
- Determine the amount of the entity’s obligations for profit-sharing, bonuses and termination benefits, and the obligations for various employment benefits that arise from the entity’s financial practices
The next wave of IFRS changes is coming. Are you ready? continued

<table>
<thead>
<tr>
<th>Main changes and likely financial statement impact</th>
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<tr>
<td><strong>IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7</strong></td>
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<tr>
<td>The new disclosure requirements provide information on the evaluation of the effect of netting arrangements and collateral</td>
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<tr>
<td>The new disclosures may require modification of information systems and related internal controls, including the linkage of credit systems to accounting systems to extract the necessary quantitative information</td>
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<tr>
<td>Processes for gathering information for 2012 and 2013 financial reporting, including interim and comparative period financial information, should be considered immediately</td>
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<tr>
<td><strong>Key assessment that may be required for the amendments to IFRS 7 include:</strong></td>
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<tr>
<td>&gt; Determine what constitutes 'enforceability' of master netting arrangements or similar agreements</td>
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</table>

### Other changes

Apart from the new IFRS pronouncements listed above, a number of other new pronouncements will become effective in 2013. These amendments include IFRS 1 Government Loans – Amendments to IFRS 1 that amended IFRS 1 First-time Adoption of International Financial Reporting Standards, which applies only to first-time adopters of IFRS and is, therefore, not relevant for ongoing preparers of IFRS financial statements. Also, IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine, effective from 2013, may change the accounting for production phase stripping costs in the mining & metals and oil & gas sectors. The other set of amendments was issued through the Annual Improvements to IFRSs 2009 – 2011 Cycle that contains non-urgent, but necessary, amendments to five IFRS standards. These are generally intended to clarify the requirements rather than result in substantive changes to current practice, although entities should re-evaluate existing policies, procedures or disclosures as a result of these amendments.

Our publication, *IFRS Update of Standards and Interpretations 31 March 2012*, provides a detailed list of the recently issued IFRS pronouncements, along with an overview of the requirements. It can be accessed at www.ey.com/ifrs.

### Final words

Many of the changes to the accounting standards play a key role in providing transparency on the long-term impact of business decisions and the governance and accountability for those decisions. Many areas of IFRS will change significantly in 2013, potentially impacting current accounting and reporting, business processes and tax positions. Management will need to make an informed assessment of their specific circumstances and communicate the impact to investors and other stakeholders early. Management and others charged with governance (such as the Audit Committee) should also monitor both key decisions made and the progress of implementing the changes.
Recent adverse economic and financial market trends have renewed the debate on executive compensation, which is also the subject of intense media attention in the wake of the financial downturn. Added to this, corporate scandals, financial market instability and the banking crisis have moved many financial regulators, investors and others to raise questions about executive compensation.

Executives are often paid in share options and other share-based payments. In some jurisdictions, share options actually form the most significant part of the executive compensation. This trend is largely a result of attempts to provide a stronger, long-term link between the economic interests of the executives and the company’s shareholders.

Nevertheless, the accounting for share-based payments under IFRS 2 Share-based Payment can be complex and the amount recognised in profit or loss can vary substantially depending on the individual terms of the awards. Under IFRS 2, awards to employees that will be settled in cash are re-measured to reflect the ultimate value of the award at the vesting date. In contrast, awards to employees that are settled in an entity’s equity instruments are measured at the fair value at the grant date. Therefore, for equity-settled awards, the amount of expense charged will not reflect the actual value received by the employees when the awards are settled. These accounting mismatches make share-based payments one of the most contentious areas of accounting.

In this article, we examine some of the accounting implications of the current market developments on equity-settled employee share-based payment awards. We focus on the disconnect between the grant-date value and the vesting-date value. This can be fairly substantial and, in some cases, can result in an expense charged in the P&L for an award that is essentially worthless on the vesting date.

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**Accounting for equity-settled employee share options**

Under IFRS 2, the fair value on the grant date of an equity-settled award is recognised over the related period of service provided by the employee. As the award is equity-settled, there is no subsequent adjustment to the value of the award, unless the award is modified.

In the case of deeply out-of-the-money options, for example, this could mean that there will be an expense, although the options will never actually be exercised by the employees. In other cases, such as deeply in-the-money options, the expense charged may be well below the actual value that the employees receive. Example 1 below illustrates this issue.

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**Example 1 – Share options issued to management**

Entity A issues 100,000 options to the Chief Executive Officer (CEO) on 31 December 2010. For each option, the CEO will receive 1 share provided she fulfils two years of service and pays the exercise price of CU5 per option. The current market price on the date the options are granted is CU5 per share. Assume that the value of the options on the grant date is CU100,000.

**Scenario A**

The share price on 31 December 2012 has increased to CU7 per share. The CEO is still employed by Entity A and decides to exercise the options.

<table>
<thead>
<tr>
<th>CU</th>
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<tbody>
<tr>
<td>Value received by employee</td>
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<tr>
<td>Expense IFRS</td>
</tr>
<tr>
<td>Value &quot;unrecognised&quot;</td>
</tr>
</tbody>
</table>

**Scenario B**

The share price on 31 December 2012 has decreased to CU4 per share. The CEO is still employed by Entity A, but does not exercise the options as they are out of the money. They expire unexercised.

<table>
<thead>
<tr>
<th>CU</th>
</tr>
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<tbody>
<tr>
<td>Value received by employee</td>
</tr>
<tr>
<td>IFRS expense</td>
</tr>
<tr>
<td>Value &quot;over-recognised&quot;</td>
</tr>
</tbody>
</table>

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1 CU = Currency unit
2 Calculated as 100,000 shares X (share price of CU7 less the exercise price CU5).
Executive compensation and the debate over accounting for equity-settled share-based payment awards  

The approach in IFRS 2 has often been criticised as not being reflective of the ultimate outflow of economic value from the entity or its shareholders. However, proponents of IFRS 2 believe this approach is appropriate, as the entity has provided the employee with something (i.e., options) that had a value on the grant date in exchange for the employee's services and this reflects the cost of those services. Had the entity sold these options in the market on the grant date (instead of providing them to the employees in exchange for services), it would have received cash in exchange for the options. Proponents of this view would argue that the IFRS expense reflects the actual cost to the entity of providing the option to the employee (i.e., an amount that approximates the forgone cash that they could have raised by selling the option in the market). Therefore, the fact that the value of equity received on exercise of the option is different from the option value does not mean that the expense should have been adjusted.

Grant date, vesting date or exercise date?

Even though market trends over the past few years have shown that stock prices are volatile (and often declining for some entities), it is important to consider that the vesting-date value also may not reflect the ultimate value that an employee receives.

A common feature of many stock option plans is that the options remain exercisable by the employee for periods beyond the vesting date, for example, an award that vests after three years of service may remain exercisable for 10 years.

The historical trend in share prices in recent years suggests that there can be a substantial difference in the values of the option between the vesting dates and the exercise dates.

The question remains: what value should be captured in the financial statements? Currently, the grant-date value is being recognised for equity-settled employee share options without subsequent remeasurement.

Final words

One effect of the grant-date measurement model is that, when applied to a grant of employee share options that is eventually exercised, it effectively freezes the accounting cost at the fair value at the grant date. This excludes from post-grant financial statements, the volatility that would be associated with a model that constantly remeasures the award to fair value until exercise date. This is one of the reasons why many constituents favour such a model. However, conversely, this means that, when an award falls in value after grant date, it continues to be recognised at its higher grant-date value. Therefore, it is quite possible that, during a period of economic downturn, an entity's financial statements will show significant costs for options granted in previous years that are currently worthless to the employee. A possible consequence of this accounting approach is the (sometimes groundless) accusations of rewarding management for failure.

Overall, the accounting for equity-settled share-based payment awards remains a hot topic, not just for accountants, but also for regulators. The IASB's recent discussions on its agenda consultation project suggest that it is unlikely that the concerns around IFRS 2 will be addressed in the near term. As a result, it is important that entities ensure that there is transparent disclosure in the financial statements so investors and other stakeholders clearly understand the facts behind management remuneration, including the implications of the current market environment for that remuneration.

It is quite possible that, during a period of economic downturn, an entity's financial statements will show significant costs for options granted in previous years that are currently worthless to the employee.
IAASB suggests changes to improve the value of the auditor's report

Background
In June 2012, the International Auditing and Assurance Standards Board (IAASB) released an Invitation to Comment: Improving the Auditor's Report (the Invitation to Comment), which sets out the indicative direction of the Board's future standard-setting proposals to improve the value of the information communicated in auditors' reports in accordance with International Standards on Auditing (ISAs). ISAs have been adopted by many jurisdictions internationally. To find out more about the IAASB's proposed improvements and their possible implications for entities, we talk to Dan Montgomery, IAASB Deputy Chair and Chair of the IAASB Auditor Reporting Task Force.

Reason for the proposals
The auditor's report is the auditor's primary means of communication with an entity's stakeholders. Dan Montgomery says, “Currently, the auditor’s report is generally perceived as a short, standardised report that describes the financial statements subject to audit, the audit itself, and the respective responsibilities of management and the auditor. While the auditor's opinion is valued, many feel that the auditor's report could be more informative. In the wake of the global financial crisis, there has been a demand for more information from users about important areas of the financial statements and key judgements made by the auditor in conducting the audit.”

The call for change is coming from many parts of the world. Auditor reporting initiatives by the US Public Company Accounting Oversight Board and the European Commission, for example, have indicated that users believe that the auditor's report should be improved.

IAASB's key proposals:

- **Auditor commentary:** Additional information would be included in the auditor’s report to highlight matters that, in the auditor's judgement, are likely to be most important to users' understanding of the audited financial statements or the audit. This information would be required for public interest entities - which includes, at a minimum, listed entities - and could also be provided at the discretion of the auditor for other entities.
- **Going concern:** The auditor's report would contain the auditor’s conclusion on the appropriateness of management's use of the going concern assumption in preparing the financial statements and an explicit statement as to whether material uncertainties in relation to going concerns have been identified. The report would also include a description of management's responsibilities with respect to going concern.
- **Other information included with the financial statements:** The report would have an auditor’s statement as to whether any material inconsistencies between the audited financial statements and other information have been identified based on the auditor's reading of other information, specifically identifying the information read by the auditor.
- **Other matters:** Further suggestions to provide clarity and transparency of audits performed in accordance with ISAs, for example: the ordering of the items in the auditor's report (prominently displaying the auditor’s opinion); disclosure of the involvement of other auditors in the audit; enhancements to the description of the auditor's responsibility to explain more fully the concept of a risk-based audit, including the responsibilities for fraud, internal control and other matters.

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1. The Invitation to Comment can be accessed at https://www.ifac.org/publications-resources/improving-auditor-s-report.
Implications for preparers and users of financial statements

Dan believes the goal of the IAASB’s auditor reporting project is to provide meaningful and valuable change in the eyes of the users. Whether the improvements to the auditor’s report suggested by the IAASB will be viewed as responsive to the calls for change will depend on whether users, particularly investors, view it as a substantive step forward from current practice.

Users’ need for additional information relates, at least in part, to the increased complexity of financial reporting. The IAASB notes that this cannot be addressed by changes to the auditor’s report alone. Indeed, there are a number of standard-setter and regulator initiatives in place around the world intended to address the calls for more relevant disclosures or other mechanisms to help users better understand increasingly lengthy and complex financial reports. However, the auditors also have a role to play and the concept of auditor commentary could be a way for auditors to provide more “audit-specific” information to complement the “pass/fail” opinion on the financial statements.

Dan believes an important question to answer is what types of matters could be included in auditor commentary, and what would be said about them. For example, emphasis paragraphs could be used more frequently in the auditor’s report to draw users’ attention to important areas of the financial statements – that were the subject of significant audit attention or discussion with the audit committee – by referring to management’s disclosures related to those matters. Some have suggested that this would help users to navigate increasingly complex financial reports by pointing to aspects of the financial statements that they may wish to consider more closely. Others have said that a simple pointer would be more valuable if the auditor provided some context as to why the matter was considered important, or briefly described the auditor’s procedures or findings, for example, to give an indication as to what the auditor did to respond to a high assessed risk of material misstatement.

One of the concerns expressed about auditor commentary is that, depending on the nature of the information provided, it could go against the fundamental principle that it is the primary responsibility of management to provide information about the entity. However, Dan points out, “There also is a view that auditors “own” information about the audit, and therefore should be able to describe certain judgements made in planning and executing the audit.”

Going concerns are another aspect of the IAASB’s suggested improvements that would affect preparers. The global financial crisis has placed more focus on the assessment of going concerns resulting in calls for more transparency about the responsibilities of management and the auditor, as well as the outcome of the auditor’s work in this important area. “The IAASB explored a number of options and is suggesting that all auditors’ reports would include two affirmative statements: one relating to the appropriateness of management’s use of the going concern assumption, and a second statement as to whether any material uncertainties relating to the going concern were identified based on the audit work performed. Essentially, this would make explicit what is implicit today, based on the requirements of the auditing standards,” says Dan.

The IAASB recognises that in order to make these statements more understandable for users, clarifications may be needed to both the accounting and auditing standards to provide a common framework for preparers and auditors regarding the going concern assessment and related disclosures. Many stakeholders have encouraged the IAASB to work with the IASB to explore this further, and efforts in this regard are underway.

Many take the view that having auditors pointing to important areas of the financial statements would not result in the auditor providing original information about the entity, and that doing so may lead to more thoughtful disclosures by management and improve the quality of financial reporting overall. – Dan Montgomery
Changes such as these may indeed result in the auditor’s report becoming more informative, and therefore more valuable, for users. However, Dan clarifies, “Many believe that the type of change necessary to appropriately respond to the information needs of users cannot be achieved by changes to the auditor’s report alone. There is a strong view by some that a more holistic approach that considers the roles and responsibilities of other parties in the financial reporting process is needed. Therefore, it is important that efforts to improve auditor reporting are synchronised with improvements to corporate governance and financial reporting more broadly.”

What’s next?
The Invitation to Comment is open for comment until 8 October 2012. Public roundtables have been held in New York and Brussels, and another is scheduled for early October 2012 in Kuala Lumpur. The IAASB is seeking views from a wide range of stakeholders; input from preparers would be particularly helpful as the Board considers the future of auditor reporting. The IAASB will continue deliberations during 2012 and 2013, with plans to issue an exposure draft in June 2013.

Dan Montgomery
Dan is Ernst & Young’s Global Leader for Assurance Standards, Methodology and Implementation. He has been a member of the IAASB since January 2009 and the IAASB Deputy Chair since January 2012. He is also the Chair of the Board’s Auditor Reporting Task Force. He is actively involved in the development of auditing and assurance standards both globally and in the United States, having previously served on the US AICPA Auditing Standards Board. Dan also has many years of experience in auditing public and private companies, as well as entrepreneurial businesses, in a number of industry sectors.
IFRS update

What’s new?

The following table shows new publications issued by the IASB since the last edition of IFRS Outlook.

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<th>Projects</th>
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<tr>
<td>Review draft of the standard on general hedge accounting</td>
<td>On 7 September 2012, the IASB posted to its website a draft of the forthcoming general hedge accounting requirements that will be added to IFRS 9 Financial Instruments. The Board is not seeking comments on the draft, which is available for information purposes. The draft will remain on the website until early December 2012, after which time, the Board intends to proceed to finalise the draft document. It can be accessed at <a href="http://www.ifrs.org/Current-Projects/IASB-Projects/Financial-Instruments-A-Replacement-of-IAS-39-Financial-Instruments-Recognition/Phase-III-Hedge-accounting/Pages/Draft-of-IFRS-General-Hedge-Accounting.aspx">www.ifrs.org/Current-Projects/IASB-Projects/Financial-Instruments-A-Replacement-of-IAS-39-Financial-Instruments-Recognition/Phase-III-Hedge-accounting/Pages/Draft-of-IFRS-General-Hedge-Accounting.aspx</a></td>
</tr>
<tr>
<td>IFRS for Small-Medium Enterprises (IFRS for SMEs)</td>
<td>The IASB published July/August 2012 IFRS for SMEs Update. This is a staff summary of news relating to IFRS for SMEs and can be accessed at <a href="http://www.ifrs.org/IFRS-for-SMEs/Pages/Update.aspx">www.ifrs.org/IFRS-for-SMEs/Pages/Update.aspx</a></td>
</tr>
<tr>
<td>IFRS Formula Linkbase 2012</td>
<td>The IFRS Foundation published Formula Linkbase 2012, an updated version of the formula prototype which was released in October 2011. The 2012 formulae are designed to work with the IFRS Taxonomy 2012. It can be accessed at <a href="http://www.ifrs.org/tools/Pages/Formula-Linkbase-2012.aspx">http://www.ifrs.org/tools/Pages/Formula-Linkbase-2012.aspx</a></td>
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Current discussions

The IASB and the FASB¹ (together, the Boards) continued to re-deliberate key projects, including: leases; revenue; financial instruments: classification and measurement and impairment and insurance.

The IFRIC met on 18-19 September 2012 to deliberate a number of issues including:

- The accounting for: contingent payments for the separate purchase of property, plant and equipment and intangible assets; and variable payments made by an operator to a grantor in service concession arrangements
- Determining the effective interest rate of Greek government bonds
- Accounting for employee benefits in the nature of contribution-based promises
- Measurement of net defined benefit obligations with employee contributions
- Purchase of a right to use land
- Valuation of biological assets using the residual method
- Accounting for the purchase of a non-controlling interest when the consideration includes non-cash items
- Impairment of investments in associates
- Accounting for telecommunication towers
- Accounting for a reverse acquisition transaction where the acquiree is not a business

Updates from the IASB and the IFRIC meetings can be found at www.ifrs.org/Updates.

¹US Financial Accounting Standards Board
The following is a list of IFRS publications issued since the last edition of *IFRS Outlook*. The publications are all available at www.ey.com/ifrs.

**IFRS Developments Issues 38 – 40**

**Issue 38: Financial instruments: classification and measurement – joint deliberations now complete**

This edition summarises the tentative decisions the Boards made at their meetings in July 2012 on: accounting for reclassification of financial assets and related disclosures; and the transitional provisions and disclosure requirements that will accompany the limited modifications to IFRS 9: *Financial Instruments*.

**Issue 39: Draft interpretation on levies**

This edition summarises the clarifications proposed in *Draft Interpretation DI/2012/1 Levies Charged by Public Authorities on Entities that Operate in a Specific Market*.

**Issue 40: The general hedge accounting project on the home straight**

This edition summarises the main proposals in the Review Draft of the standard on general hedge accounting, issued by the IASB on 7 September 2012, and compares them to the proposals contained in the Exposure Draft issued in December 2010.

**Applying IFRS**

**Applying IFRS: Leases project on the brink of re-exposure**

This edition takes a closer look at the tentative decisions of the Boards to revise their lease proposals and highlights some of the key differences between the revised proposals and current accounting.

**Applying IFRS in the wind industry: Cleantech Matters – IFRS for the wind industry**

The Global Cleantech Center has issued the first edition of *Cleantech Matters – IFRS for the wind industry*. This report provides insights on the key IFRS issues in the wind industry and related accounting guidance.

**Other Publications**

**IFRS changes impacting the banking industry – an update for the CFO**

Financial institutions reporting under IFRS continue to face a steady flow of new standards and interpretations. The volume of changes will be substantial over the next three or four years. The challenge for preparers is to gain an understanding of what lies ahead, consider the timing of adoption and plan for timely implementation of the changes. This publication for CFOs provides an overview of both finalised and forthcoming changes in standards that are of particular significance for financial institutions.

**Upcoming Publications**

**IFRS Core Tools**

This issue of the Core Tools will comprise:

- IFRS Update for the financial year ending 31 December 2012
- Good Group (International) Limited – Illustrative financial statements for the year ended 31 December 2012
- International GAAP® Disclosure Checklist (September 2012)

Our IFRS Core Tools are designed as practical building blocks, which are free and provide a comprehensive basis for clients and our client-service teams to keep up with the changing landscape of IFRS. The tools are updated as of 30 September 2012 and reflect the changes for the year ending 31 December 2012.
In line with Ernst & Young’s commitment to minimise its impact on the environment, this document has been printed on paper with a high recycled content.

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About Ernst & Young’s International Financial Reporting Standards Group
The move to International Financial Reporting Standards (IFRS) is the single most important initiative in the financial reporting world, the impact of which stretches far beyond accounting to affect every key decision you make, not just how you report it. We have developed the global resources — people and knowledge — to support our client teams. And we work to give you the benefit of our broad sector experience, our deep subject matter knowledge and the latest insights from our work worldwide. It’s how Ernst & Young makes a difference.