Annual improvements to IFRS — the 2009 – 2011 cycle

The International Accounting Standards Board (the Board) has issued the *Annual Improvements to IFRSs — 2009 – 2011 Cycle*, which contains amendments to its standards and the related Basis for Conclusions. The annual improvements project provides a mechanism for making necessary, but non-urgent, amendments to IFRS.

This publication summarises the six amendments to five standards and highlights the potential implications for entities.

The effective date for the amendments is for annual periods beginning on or after 1 January 2013. Earlier application is permitted in all cases, provided that fact is disclosed.

**What you need to know**

- The *Annual Improvements to IFRSs — 2009 – 2011 Cycle* are non-urgent, but necessary, amendments to five standards
- The amendments are effective for annual periods beginning on or after 1 January 2013
- The amendments are applied retrospectively
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<td><strong>IFRS 1 First-time Adoption of International Financial Reporting Standards</strong></td>
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| Repeated application of IFRS 1 | Clarifies that an entity that has stopped applying IFRS may choose to either:  
(i) Re-apply IFRS 1, even if the entity applied IFRS 1 in a previous reporting period  
Or  
(ii) Apply IFRS retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (i.e., as if it had never stopped applying IFRS) in order to resume reporting under IFRS. | Prior to this amendment, it was not clear whether an entity was permitted or required to apply IFRS 1 more than once. This amendment clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS again, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS.  
If an entity re-applies IFRS 1 or applies IAS 8, additional disclosures are required. |
| Borrowing costs | Clarifies that, upon adoption of IFRS, an entity that capitalised borrowing costs in accordance with its previous GAAP, may carry forward, without adjustment, the amount previously capitalised in its opening statement of financial position at the date of transition.  
Once an entity adopts IFRS, borrowing costs are recognised in accordance with IAS 23 Borrowing Costs, including those incurred on qualifying assets under construction. | This amendment would allow an additional relief for entities adopting IFRS. Upon transition to IFRS, an entity will be allowed to retain its previously capitalised borrowing costs, without adjustment. After transition, borrowing costs, including those incurred for assets under construction, are recognised in accordance with IAS 23. |
| **IAS 1 Presentation of Financial Statements** | | |
| Clarification of the requirements for comparative information | Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period.  
An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements.  
In addition, the opening statement of financial position (known as the third balance sheet) must be presented in the following circumstances: when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. The opening statement would be at the beginning of the preceding period. For example, the beginning of the preceding period for a 31 December 2014 year-end would be 1 January 2013. However, unlike the voluntary comparative information, the related notes are not required to accompany the third balance sheet. | This amendment requires notes to the financial statements when additional comparative periods are voluntarily presented. Entities that present two comparative periods (e.g., US Foreign Private Issuers) would be required to provide supporting notes for all periods presented. However, when voluntary comparative information is presented, it does not need to be a complete set of financial statements (statement of financial position, profit or loss and other comprehensive income, changes in equity and cash flows). The information may consist of one or more statements.  
Also, the amendment requires entities to present a third balance sheet in the circumstances described, but supporting notes for the opening balance sheet are not required. This additional balance sheet provides users of the financial statements with a starting point to understand the impact of the change. |
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<td><strong>IAS 16 Property, Plant and Equipment</strong></td>
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<td>Classification of servicing equipment</td>
<td>Clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.</td>
<td>This amendment clarifies when certain assets are property, plant and equipment or inventory. This will help ensure that entities consistently record and present these assets.</td>
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<td><strong>IAS 32 Financial Instruments: Presentation</strong></td>
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<td>Tax effect of distributions to holders of equity instruments</td>
<td>Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders.</td>
<td>This amendment is unlikely to change the current tax treatment of distributions. While this clarification is helpful, some believe there are internal inconsistencies within IAS 12, such as the rate used to measure withholding tax. The apparent inconsistencies could mean the requirements are still unclear for preparers. The Board may address the inconsistencies in a subsequent project on IAS 12.</td>
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<td><strong>IAS 34 Interim Financial Reporting</strong></td>
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<td>Interim financial reporting and segment information for total assets and liabilities</td>
<td>Clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments. Total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity’s previous annual financial statements for that reportable segment.</td>
<td>This amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.</td>
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**How we see it**

Amendments made as part of the annual improvements project are generally intended to clarify requirements rather than result in substantive changes to current practice. However, management should re-evaluate existing policies, procedures or disclosures as a result of these amendments.
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EYG no. AU1180