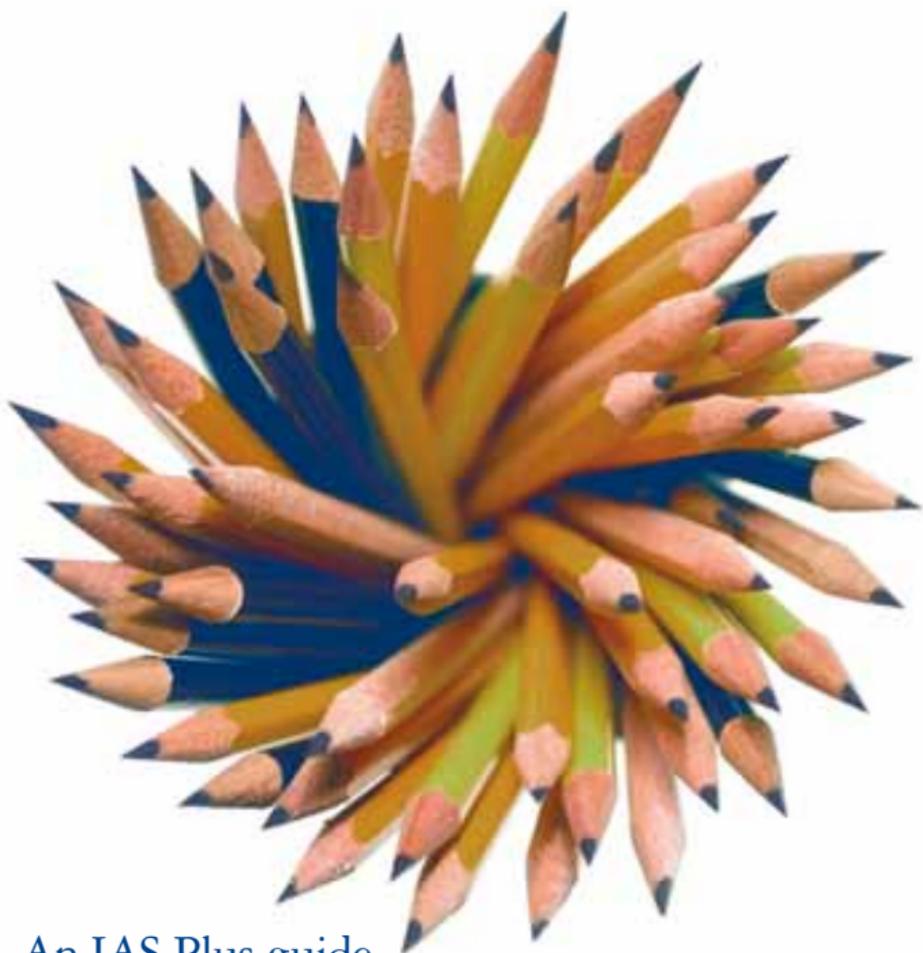


IFRSs in your pocket 2008



An IAS Plus guide

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Foreword

This seventh edition of IFRSs in your Pocket brings the booklet up to date for developments up to the first quarter of 2008. We cover the same material that has made this publication a world-wide favourite – background information on the structure and workings of the IASB; analysis of the use of IFRSs around the world; summaries of all current Standards and Interpretations; and up-to-date details of IASB and IFRIC agenda projects. It is an ideal guide for entities contemplating a move to IFRSs, as well an update for veterans already reporting under the IFRS framework.

2008 can be considered a ‘peaceful’ year in terms of implementation of IFRSs – the Board has adhered to its commitment not to require the adoption of new Standards or any major amendments to existing Standards before 1 January 2009. The only really significant requirements effective from 1 January 2008 apply to service concession arrangements – IFRIC 12 will have a resounding impact on entities within that sector. But, in general, having grappled with the significant impact of IFRS 7 for 2007 year ends, entities have been provided with a welcome breathing space. It is important that they make use of that breathing space to prepare for the onslaught in 2009. IFRS 8 will require careful consideration in terms of identifying reportable segments and adapting reporting systems. The completion of the Board’s business combinations project and the publication of the revised IFRS 3 and IAS 27 (effective from 1 July 2009) have provided technical specialists with ample fodder for the foreseeable future. Keep your eyes out for our comprehensive guide on the subject, which we anticipate publishing in May this year.

You can keep up to date on later developments in the arena of international financial reporting via our IAS Plus website www.iasplus.com. We believe that it is the most comprehensive source of news about international financial reporting on the internet – please check in regularly.

Ken Wild
Global IFRS leader
Deloitte Touche Tohmatsu
April 2008

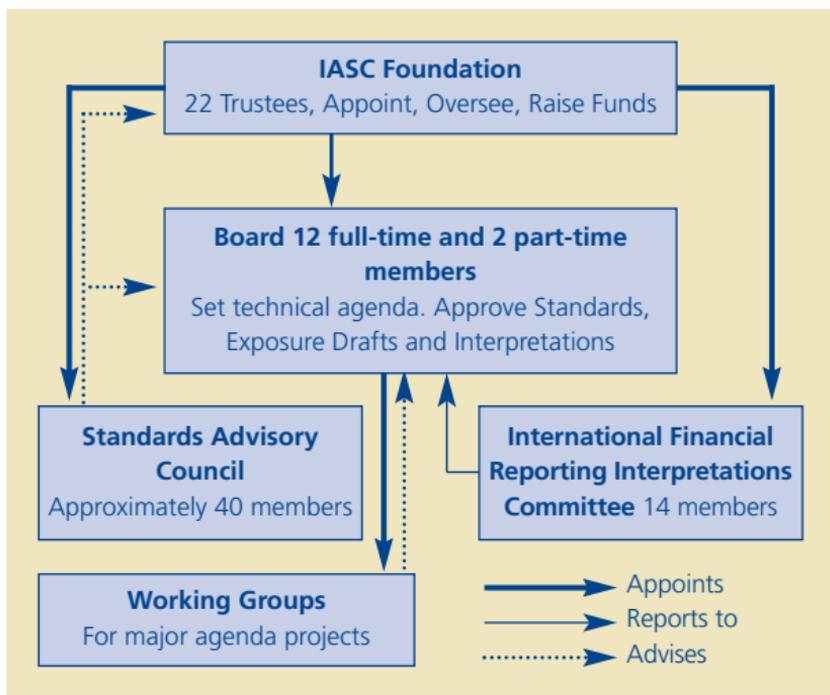
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Abbreviations

ARC	Accounting Regulatory Committee of the EC
CESR	Committee of European Securities Regulators
DP	Discussion Paper
EC	European Commission
ED	Exposure Draft
EEA	European Economic Area (EU 27 + 3 countries)
EFRAG	European Financial Reporting Advisory Group
EITF	Emerging Issues Task Force (of FASB)
EU	European Union (27 countries)
FASB	Financial Accounting Standards Board (US)
FEE	European Accounting Federation
GAAP	Generally Accepted Accounting Principle(s)
IAS(s)	International Accounting Standard(s)
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee (predecessor to the IASB)
IASCF	IASC Foundation (parent body of the IASB)
IFAC	International Federation of Accountants
IFRIC	International Financial Reporting Interpretations Committee of the IASB, and interpretations issued by that committee
IFRS(s)	International Financial Reporting Standard(s)
IOSCO	International Organization of Securities Commissions
SAC	Standards Advisory Council (advisory to the IASB)
SEC	Securities and Exchange Commission (US)
SIC	Standing Interpretations Committee of the IASC, and interpretations issued by that committee
SME(s)	Small and medium-sized entity(ies)

IASB structure



IASB Foundation

Geographical balance: six Trustees from North America, six from Europe, six from the Asia/Oceania region, four from any area (subject to establishing overall geographical balance).

Backgrounds of Trustees: constitution requires an appropriate balance of professional backgrounds, including auditors, preparers, users, academics, and other officials serving the public interest.

International Accounting Standards Board

Geographical balance: not specified, except that the Trustees should ensure that the Board is not dominated by any particular constituency or geographical interest.

Backgrounds of Board members: an appropriate mix of recent practical experience among auditors, preparers, users and academics – including at least one with previous experience in each of these fields.

2008-2009 constitution review

IASCF Trustees are undertaking a comprehensive review of the structure and constitution to be completed by the end of 2009. The Trustees have fast-tracked several proposals that they expect to resolve before the end of 2008. These are:

- to create a monitoring group that would oversee and appoint Trustees;
- to enlarge the IASB from 14 to 16 members; and
- to specify a geographical balance within the IASB.

Members of the IASB

Sir David Tweedie, Chairman Sir David became the first IASB Chairman on 1 January 2001, having served from 1990-2000 as the first full-time Chairman of the UK Accounting Standards Board. Before that, he was national technical partner for KPMG and was a professor of accounting in his native Scotland. He has worked on international standard-setting issues both as the first Chairman of the G4+1 and as a member of the IASC. Term expires 30 June 2011.

Thomas E. Jones, Vice-Chairman As the former Principal Financial Officer of Citicorp and Chairman of the IASC Board, Tom Jones brings extensive experience in standard setting and the preparation of financial statements for financial institutions. A British citizen, Mr. Jones has worked in Europe and the US. Term expires 30 June 2009.

Mary E. Barth As a part-time Board member, Mary Barth, a US citizen, retains her position as Senior Associate Dean of the Graduate School of Business at Stanford University. Professor Barth was previously a partner at Arthur Andersen. Term expires 30 June 2009.

Stephen Cooper Appointed August 2007. As a part-time Board member, Stephen Cooper also serves as Managing Director and head of valuation and accounting research at UBS Investment Bank. He has also been a member of the Corporate Reporting User Forum, and of the IASB's Analysts' Representative Group and Financial Statement Presentation working group. Term expires 30 June 2012.

Philippe Danjou Philippe Danjou has previously served as director of the accounting division of the Autorité des Marchés Financiers (AMF), the French securities regulator. He was also Executive Director of the French Ordre des Experts Comptables (OEC) from 1982 to 1986, and has acted in various advisory roles for European and international accounting and auditing groups. Term expires 30 June 2011.

Jan Engstrom Jan Engstrom, a Swedish citizen, has held senior financial and operating positions with the Volvo Group, including serving on the management board and as Chief Financial Officer. He also was Chief Executive Officer of Volvo Bus Corporation. Term expires 30 June 2009.

Robert P. Garnett Mr. Garnett was the Executive Vice President of Finance for Anglo American plc, a South African company listed on the London Stock Exchange. He has worked as a preparer and analyst of financial statements in his native South Africa. He serves as Chairman of IFRIC. Term expires 30 June 2010.

Members of the IASB

Gilbert G elard Having been a partner at KPMG in his native France, Gilbert G elard has extensive experience with French industry. Mr. G elard speaks eight languages and is a former member of the French standard-setting body (CNC). He was also a member of the former IASC Board. Term expires 30 June 2010.

James J. Leisenring Jim Leisenring has worked on issues related to accounting standard setting over the past three decades, as the Vice Chairman and later as Director of International Activities of the FASB in the United States. While at the FASB, Mr. Leisenring served for several years as the FASB's observer at meetings of the former IASC Board. Term expires 30 June 2010.

Warren McGregor Mr. McGregor developed an intimate knowledge of standard-setting issues with his work over 20 years at the Australian Accounting Research Foundation, where he ultimately became the Chief Executive Officer. Term expires 30 June 2011.

John T. Smith Mr. Smith was previously a partner at Deloitte & Touche (USA). He was a member of the FASB's Emerging Issues Task Force, Derivatives Implementation Group, and Financial Instruments Task Force. He served on the IASC Task Force on Financial Instruments and chaired the IASC's IAS 39 Implementation Guidance Committee. He has also been a member of the IASC, SIC and IFRIC. Term expires 30 June 2012.

Tatsumi Yamada Tatsumi Yamada was a partner at the Japanese member firm of PricewaterhouseCoopers. He brings extensive experience with international standard setting as a Japanese member of the former IASC Board between 1996 and 2000. Term expires 30 June 2011.

Zhang Wei-Guo Appointed July 2007. From 1997 to 2007, Zhang Wei-Guo was Chief Accountant of the China Securities Regulatory Commission (CSRC). Before joining the CSRC, Dr Zhang was a professor at Shanghai University of Finance and Economics (SUFE) where he also received his PhD in economics. Term expires 30 June 2012.

One vacancy.

IASB due process

Formal due process for projects normally, but not necessarily, involves the following steps:

- ask staff to identify and review the issues associated with a potential agenda topic and to consider the application of the Framework to the issues;
- study national accounting requirements and practice and exchange views about the issues with national standard-setters;
- consult the Standards Advisory Council about the advisability of adding the topic to the IASB's agenda;*
- form an advisory group (generally called a 'working group') to advise the IASB and its staff on the project;
- publish for public comment a discussion document (usually called a Discussion Paper, which will often include the Board's preliminary views on some of the issues in the project);
- publish for public comment an Exposure Draft approved by at least nine votes of the IASB, including therein any dissenting opinions held by IASB members (in Exposure Drafts, dissenting opinions are referred to as 'alternative views');*
- publish within an Exposure Draft a basis for conclusions;
- consider all comments received within the comment period on discussion documents and Exposure Drafts;*
- consider the desirability of holding a public hearing and of conducting field-tests and, if considered desirable, holding such hearings and conducting such tests;
- approve of a Standard by at least nine votes of the IASB and include in the published Standard any dissenting opinions;* and
- publish within a Standard a basis for conclusions, explaining, among other things, the steps in the IASB's due process and how the IASB dealt with public comments on the Exposure Draft.

* Steps required by the IASCF Constitution.

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- Office hours: Monday-Friday 09:30-17:30 London time

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Elizabeth Hickey	Director of Technical Activities	ehickey@iasb.org
Wayne S. Upton	Director of Research	wupton@iasb.org
Paul Pacter	Director of Standards for SMEs	ppacter@iasb.org

IASB chronology

- 1973** Agreement to establish IASC signed by representatives of the professional accountancy bodies in Australia, Canada, France, Germany, Japan, Mexico, Netherlands, United Kingdom/Ireland and United States.
- Steering committees appointed for IASC's first three projects.
- 1975** First final IASs published: IAS 1 (1975) *Disclosure of Accounting Policies*, and IAS 2 (1975) *Valuation and Presentation of Inventories in the Context of the Historical Cost System*.
- 1982** The IASC Board is expanded to up to 17 members, including 13 country members appointed by the Council of the International Federation of Accountants (IFAC) and up to 4 representatives of organisations with an interest in financial reporting. IFAC recognises and will look to IASC as the global accounting standard-setter.
- 1989** European Accounting Federation (FEE) supports international harmonisation and greater European involvement in IASC. IFAC adopts a public-sector guideline to require government business enterprises to follow IASs.
- 1994** IASC Advisory Council established, with responsibilities for oversight and finances.
- 1995** European Commission supports the agreement between IASC and International Organization of Securities Commissions (IOSCO) to complete core standards and concludes that IASs should be followed by European Union multinationals.
- 1996** US SEC announces its support of the IASC's objective to develop, as expeditiously as possible, accounting standards that could be used in preparing financial statements for the purpose of cross-border offerings.
- 1997** Standing Interpretations Committee (SIC) is formed. 12 voting members. Mission to develop interpretations of IASs for final approval by the IASC.
- Strategy Working Party is formed to make recommendations regarding the future structure and operation of IASC.

IASB chronology

- 1998** IFAC/IASC membership expands to 140 accountancy bodies in 101 countries.
- IASC completes the core standards with approval of IAS 39.
- 1999** G7 Finance Ministers and International Monetary Fund urge support for IASs to “strengthen the international financial architecture”.
- IASC Board unanimously approves restructuring into 14-member board (12 full-time) under an independent board of trustees.
- 2000** IOSCO recommends that its members allow multinational issuers to use IASC standards in cross-border offerings and listings.
- Ad hoc nominating committee is formed, chaired by US SEC Chairman Arthur Levitt, to nominate the Trustees who will oversee the new IASB structure.
- IASC member bodies approve IASC’s restructuring and a new IASC Constitution.
- Nominating committee announces initial Trustees.
- Trustees name Sir David Tweedie (chairman of the UK Accounting Standards Board) as the first Chairman of the restructured IASB.
- 2001** Members and new name of IASB announced. IASC Foundation formed. On 1 April 2001, the new IASB assumes its standard-setting responsibilities from the IASC. Existing IASs and SICs adopted by IASB.
- IASB moves into its new offices at 30 Cannon Street, London.
- IASB meets with chairs of its eight liaison national accounting standard-setting bodies to begin coordinating agendas and setting out convergence goals.
- 2002** SIC is renamed as the International Financial Reporting Interpretations Committee (IFRIC) with a mandate not only to interpret existing IASs and IFRSs but also to provide timely guidance on matters not addressed in an IAS or IFRS.
- Europe requires IFRSs for listed companies starting 2005.
- IASB and FASB issue joint agreement on convergence.
- 2003** First final IFRS and first IFRIC draft Interpretation published.
- Improvements project completed – major revisions to 14 IASs.

2004 Extensive discussions about IAS 39 in Europe, leading to EC endorsement with two sections of IAS 39 'carved out'.

Webcasting of IASB meetings begins.

First IASB Discussion Paper and first final IFRIC Interpretation.

IFRSs 2 through 6 are published.

IFRICs 1 through 5 are published.

2005 IASB Board member becomes IFRIC chairman.

Constitutional changes.

US SEC 'roadmap' to eliminating IFRS-US GAAP reconciliation.

EC eliminates fair value option IAS 39 'carve-out'.

Meetings of Working Groups opened to public.

IFRS 7 is published.

IFRICs 6 and 7 are published (and IFRIC 3 withdrawn).

2006 Updated IASB/FASB agreement on convergence.

IASB issues statement on working relationships with other standard setters.

IASB announces that no new major Standards will be effective before 2009.

IFRS 8 is published.

IFRICs 8 through 12 are published.

2007 IFRIC expanded from 12 to 14 members.

US SEC drops requirement for reconciliation to US GAAP for foreign IFRS registrants and invites comments on use of IFRSs by US domestic registrants.

Revisions to IAS 1 and IAS 23 are published.

IFRICs 13 and 14 are published.

Board proposes separate IFRS for small and medium-sized entities (SMEs).

IASB chronology

2008 IOSCO statement urging entities to clearly state whether they comply in full with IFRSs as adopted by the IASB.

Through March – revised IFRS 3 and IAS 27 (Phase II of Business Combinations project) are issued, and IFRS 2 (vesting conditions and cancellations) and IAS 32 (puttable instruments and obligations arising on liquidation) are amended.

Use of IFRSs around the world

Use of IFRSs for domestic reporting by listed companies as of March 2008. We keep this table up to date, and also have information about the use of IFRSs by unlisted companies, at www.iasplus.com/country/useias.htm

Location	IFRSs not permitted	IFRSs permitted	Required for some domestic listed companies	Required for all domestic listed companies
Abu Dhabi (UAE)		X		
Albania	No stock exchange. Companies use Albania GAAP			
American Samoa	No stock exchange. Companies may use IFRSs.			
Argentina	X			
Armenia				X
Aruba		X		
Austria				X (a)
Australia				X (b)
Azerbaijan	X			
Bahamas				X
Bahrain				X
Barbados				X
Bangladesh	X			
Belgium				X (a)
Belarus			Banks from 2008	
Belize	No stock exchange. Companies may use IFRSs.			
Benin	X			
Bermuda		X		
Bhutan	X			
Bolivia		X		
Bosnia and Herzegovina				All large and medium-sized
Botswana				X
Brazil	X			From 2010
Brunei				
Darussalam	No stock exchange. Companies may use IFRSs.			

Use of IFRSs around the world

Location	IFRSs not permitted	IFRSs permitted	Required for some domestic listed companies	Required for all domestic listed companies
Bulgaria				X
Burkina Faso	X			
Cambodia	No stock exchange. Companies may use IFRSs.			
Cayman Is.		X		
Canada	X			From 2011
Chile	X			From 2009
China	X			
Cote D'Ivoire	X			
Colombia	X			
Costa Rica				X
Croatia				X
Cuba	X			
Cyprus				X (a)
Czech Republic				X (a)
Denmark				X (a)
Dominica		X		
Dominican Republic				X
Dubai (UAE)			Banks	
Ecuador				X
Egypt				X
El Salvador		X		
Estonia				X (a)
Finland				X (a)
Fiji				X
France				X (a)
Germany				X (a)
Georgia				X
Ghana				X
Gibraltar		X		
Greece				X (a)
Greenland	No stock exchange. Companies may use IFRSs.			

Location	IFRSs not permitted	IFRSs permitted	Required for some domestic listed companies	Required for all domestic listed companies
Guam	No stock exchange. Companies use US GAAP.			
Guatemala			X	
Guyana				X
Haiti				X
Honduras				X
Hong Kong				X (c)
Hungary				X (a)
Iceland				X (a)
India	X			
Indonesia	X			
Iran	X			
Ireland				X (a)
Israel		X		
Italy				X (a)
Jamaica				X
Japan	X			
Jordan				X
Kazakhstan				X
Kenya				X
Korea (South)	Korean equivalents of IFRSs permitted for listed companies other than banks from 2009. Required from 2011.			
Kuwait				X
Kyrgyzstan				X
Laos		X		
Latvia				X (a)
Lebanon				X
Liechtenstein				X (a)
Lesotho		X		
Lithuania				X (a)
Luxembourg				X (a)
Macau	No stock exchange. Companies may use IFRSs.			

Use of IFRSs around the world

Location	IFRSs not permitted	IFRSs permitted	Required for some domestic listed companies	Required for all domestic listed companies
Macedonia				X
Malawi				X
Maldives		X		
Malaysia	X			
Mali	X			
Malta				X (a)
Mauritania	No stock exchange. IFRSs not permitted			
Mauritius				X
Mexico	X			
Moldova	X			
Montenegro				X
Morocco		Non-banks	Banks	
Mozambique		Non-banks	Banks	
Myanmar		X		
Namibia				X
Netherlands				X (a)
NL Antilles		X		
Nepal				X
New Zealand				X (b)
Nicaragua				X
Niger	X			
Norway				X (a)
Oman				X
Pakistan	X			
Panama				X
Papua New Guinea				X
Paraguay		X		
Peru				X
Philippines	X (d)			
Poland				X (a)
Portugal				X (a)

Location	IFRSs not permitted	IFRSs permitted	Required for some domestic listed companies	Required for all domestic listed companies
Qatar				X
Reunion	No stock exchange. Companies may use IFRSs.			
Romania				X (a)
Russian Federation		Non-banks	Banks	
Samoa	No stock exchange. Companies may use IFRSs.			
Saudi Arabia	X			
Serbia				X
Sierra Leone	No stock exchange (one is being developed). IFRSs required for all.			
Singapore	X (d)			
Slovenia				X (a)
Slovak Republic				X (a)
South Africa				X
Spain				X (a)
Sri Lanka		X		
Suriname		X		
Sweden				X (a)
Syria	X			
Swaziland		X		
Switzerland		X		
Taiwan	X			
Tajikistan				X
Tanzania				X
Thailand	X			
Togo	X			
Trinidad and Tobago				X
Tunisia	X			
Turkey				X (e)
Uganda		X		
Ukraine				X
United Kingdom				X (a)

Use of IFRSs around the world

Location	IFRSs not permitted	IFRSs permitted	Required for some domestic listed companies	Required for all domestic listed companies
United States	X			
Uruguay	X (f)			
Uzbekistan	X			
Vanuatu	No stock exchange. Companies may use IFRSs.			
Venezuela				X
Vietnam	X			
Virgin Islands (British)		X		
Virgin Islands (US)	No stock exchange. Companies use US GAAP.			
Yemen	No stock exchange. Companies may use IFRSs.			
Zambia		X		
Zimbabwe		X		

- (a) Audit report and basis of presentation refer to IFRSs as adopted by the EU.
- (b) Compliance with IFRSs is stated in a note and audit report.
- (c) Local standards identical to IFRSs, but some effective dates and transition provisions differ.
- (d) Most IFRSs adopted, but some significant modifications were made.
- (e) Turkish companies may follow English version of IFRSs, or Turkish translation. If the latter, because of the translation delay, audit report and basis of presentation refer to 'IFRSs as adopted for use in Turkey'.
- (f) By law, all companies must follow IFRSs existing at 19 May 2004. The auditor's report refers to conformity with Uruguayan GAAP.

Use of IFRSs in Europe

European Accounting Regulation effective from 2005

Listed companies To implement a 'financial reporting strategy' adopted by the European Commission in June 2000, the European Union in 2002 approved an Accounting Regulation requiring all EU companies listed on a regulated market (about 8,000 companies in total) to follow IFRSs in their consolidated financial statements starting in 2005. The IFRS requirement applies not only in the 27 EU countries but also in the three European Economic Area countries. Most large companies in Switzerland (not an EU or EEA member) also use IFRSs.

Non-EU companies listed on regulated EU stock markets have been permitted to continue to use their national GAAPs pending EC assessment of the equivalency of the national GAAP to IFRSs. In December 2007, the European Commission extended this exemption until 31 December 2011 for countries that have clear plans either to converge their national GAAPs with IFRSs (in which case the EC will assess equivalency) or to adopt IFRSs in full as their national GAAP.

Unlisted companies and separate-company statements EU Member States may extend the IFRS requirement to non-listed companies and to separate-company statements. Details regarding the use of IFRSs by unlisted companies and in separate-company financial statements in EU/EEA countries are available on www.iasplus.com

Endorsement of IFRSs for use in Europe

Under the EU Accounting Regulation, IFRSs must be individually endorsed for use in Europe. The endorsement process involves the following steps:

- EU translates the IFRSs into all European languages;
- the private-sector European Financial Reporting Advisory Group (EFRAG) gives its views to the European Commission (EC);
- the EC's Standards Advice Review Group (SARG) gives its views to the EC on EFRAG's recommendations;
- the EC's Accounting Regulatory Committee makes an endorsement recommendation; and
- the EC submits the endorsement proposal to the European Parliament's Regulatory Procedure with Scrutiny Committee, and to the 27-member Council of the EU. Both must approve endorsement or the proposal is sent back to the EC for further consideration.

Use of IFRSs around the world

By the end of March 2008, the EC had voted to endorse all IASs (except for recent amendments to IAS 1, IAS 23, and IAS 27), IFRSs 1 through 8 (except for the 2008 revision to IFRS 3 and recent amendments to IFRS 2 and IAS 32), and all Interpretations except IFRICs 12, 13 and 14 – but with one carve-out from IAS 39 *Financial Instruments: Recognition and Measurement*. The carve-out allows the use of fair value hedge accounting for interest rate hedges of core deposits on a portfolio basis.

Enforcement of IFRSs in Europe

European securities markets are regulated by individual member states, subject to certain regulations adopted at the EU level. EU-wide regulations include:

- standards adopted by the Committee of European Securities Regulators (CESR), a consortium of national regulators. Standard No. 1, Enforcement of Standards on Financial Information in Europe, sets out 21 high level principles that EU member states should adopt in enforcing IFRSs. Standard No. 2, Coordination of Enforcement Activities, adopts guidelines for implementing Standard No. 1;
- the Directive on Statutory Audit of Annual Accounts and Consolidated Accounts was issued in September 2006. The new Directive replaced the 8th Directive and amended the 4th and 7th Directives. Among other things, the Directive adopted International Standards on Auditing throughout the EU and required Member States to form auditor oversight bodies; and
- amendments to EU directives that establish the collective responsibility of board members for a company's financial statements.

The European Group of Auditors' Oversight Bodies (EGAOB) was formed by the EC in late 2005.

In February 2006, the EC formed a Roundtable for Consistent Application of IFRSs. The Roundtable convened for the first time in May 2006. The function of the Roundtable is to identify, at an early stage, emerging and potentially problematic accounting issues in relation to consistent application of IFRSs and to bring them to the attention of the IASB and IFRIC.

A plan for cooperation on overlapping enforcement issues, including financial reporting, was agreed to in late 2005 by the European groups of bank regulators, insurance regulators and securities regulators. During 2007, CESR published two batches of IFRS enforcement decisions covering over 25 topics.

A plan is under development by CESR to make published financial reports of listed companies available electronically throughout Europe.

Use of IFRSs in the United States

SEC recognition of IFRSs

Of the approximately 15,000 companies whose securities are registered with the US Securities and Exchange Commission, over 1,100 are foreign companies. Prior to November 2007, if these foreign companies submitted IFRS or local GAAP financial statements rather than US GAAP, a reconciliation of net income and net assets to US GAAP figures was required.

In November 2007, the SEC voted to allow foreign companies to submit financial statements prepared using IFRSs as issued by the IASB without having to include a reconciliation of the IFRS figures to US GAAP. This new rule applies to financial statements covering years ended after 15 November 2007.

In August 2007, the SEC published for public comment a 'Concept Release' to stimulate debate on whether to allow US domestic issuers to submit IFRS financial statements for the purpose of complying with the rules and regulations of the SEC. It is expected that certain US companies will have a choice between using IFRSs and US GAAP by 2011.

IFRS-US GAAP convergence

The Norwalk Agreement

In October 2002, following a joint meeting at the offices of the FASB in Norwalk, Connecticut, the FASB and the IASB formalised their commitment to the convergence of US GAAP and IFRSs by issuing a memorandum of understanding (commonly referred to as the 'Norwalk Agreement'). The two Boards pledged to use their best efforts to:

- make their existing financial reporting standards fully compatible as soon as is practicable; and
- co-ordinate their future work programmes to ensure that, once achieved, compatibility is maintained.

'Compatible' does not mean word-for-word identical standards, but rather that there are no significant differences between the two sets of standards.

Road map for convergence 2006-2008

In February 2006, the IASB and the FASB released a 'roadmap' that identified short- and long-term convergence projects with steps and milestones toward achieving convergence.

Short-term projects

For the projects identified as short-term, the goal by 2008 is to reach a conclusion about whether major differences in those few focussed areas should be eliminated through one or more short-term standard-setting projects and, if so, to complete or substantially complete work in those areas. The remaining topics for short-term convergence include:

IASB

- Joint ventures (Exposure Draft (ED) proposing to remove proportionate consolidation option for jointly controlled entities and clarify definition issued September 2007).

FASB

- Investment properties.
- Research and development (research is under way).
- Subsequent events (removed in September 2007 from the FASB agenda as a separate project and included in the codification project, which was released for a one-year verification phase in January 2008).

Joint

- Impairment (research is under way).
- Income taxes (ED planned for second quarter of 2008).

Long-term projects

The goal for 2008 for the projects listed below is to have made significant progress in the following areas identified for improvement (IASB status shown in brackets):

- Conceptual framework (ED on objectives and Discussion Papers (DPs) on measurement and reporting entity planned for 2008).
- Fair value measurement guidance (SFAS 157 used by IASB as basis for a DP).
- Financial statement presentation – Phase B (DP planned for 2008).
- Post-employment benefits (DP issued March 2008).
- Revenue recognition (DP planned for second quarter of 2008).
- Liabilities and equity (DP issued February 2008).
- Financial instruments (DP issued March 2008).
- Derecognition (staff research report expected in 2008).
- Consolidations, including special purpose entities (DP planned for second half of 2008).
- Intangible assets (research is under way).
- Leases (DP planned for 2009).

More specific goals have been set for each individual project.

Use of IFRSs in Canada

Currently, domestic Canadian companies listed in the United States are allowed to use US GAAP for domestic reporting, but not IFRSs. All other Canadian companies must use Canadian GAAP. Foreign issuers in Canada are permitted to use IFRSs or a limited group of non-Canadian national GAAPs. In August 2006, the Accounting Standards Board of Canada (AcSB) published a detailed *Implementation Plan for Incorporating International Financial Reporting Standards into Canadian GAAP*. In February 2008, the AcSB confirmed that all IFRSs will be adopted as Canadian GAAP word-for-word effective for profit-orientated publicly-accountable enterprises in 2011. At the same time, Canadian securities regulators announced tentative proposals to:

- accept IFRS filings starting in 2009;
- require financial statements to be described as conforming to IFRSs as adopted by the IASB; and
- prohibit Canadian companies registered in the United States from using US GAAP, rather than IFRSs, by 2013.

Use of IFRSs in Asia-Pacific

Asia-Pacific jurisdictions are taking a variety of approaches toward convergence of GAAP for domestic listed companies with IFRSs.

Requirement for IFRSs in place of national GAAP

No Asia-Pacific jurisdictions require IFRSs for all domestic listed companies.

All national standards are virtually word-for-word IFRSs

Australia, Hong Kong, Korea (effective 2011, permitted in 2009), New Zealand and Sri Lanka (effective 2011) are taking this approach. Effective dates and transitions may differ from IFRSs. New Zealand has eliminated some accounting policy options and added some disclosures and guidance.

Nearly all national standards are word-for-word IFRSs

The Philippines and Singapore have adopted most IFRSs word-for-word, but have made some significant modifications.

Some national standards are close to word-for-word IFRSs

India, Malaysia, Pakistan and Thailand have adopted selected IFRSs quite closely, but significant differences exist in other national standards, and there are time lags in adopting new or amended IFRSs. India has announced a plan to adopt IFRSs in full as Indian Financial Reporting Standards effective 2011.

Use of IFRSs around the world

IFRSs are looked to in developing national GAAP

This is done to varying degrees in Indonesia, Japan, Taiwan and Vietnam, but significant differences exist.

In February 2006, China adopted a new Basic Standard and 38 new Chinese Accounting Standards generally consistent with IFRSs with few exceptions.

Some domestic listed companies may use IFRSs

This is true in China (companies listed in Hong Kong), Hong Kong (companies based in Hong Kong but incorporated elsewhere), Laos and Myanmar.

Recent pronouncements

Effective for 31 December 2007 year ends

New Standard

IFRS 7 Financial Instruments: Disclosures

Amendments to Standards

Amendments to IAS 1 Capital Disclosures

Revised Guidance on Implementing IFRS 4

New Interpretations

IFRIC 7 Applying the Restatement Approach under
IAS 29 *Financial Reporting in
Hyperinflationary Economies*

IFRIC 8 Scope of IFRS 2

IFRIC 9 Reassessment of Embedded Derivatives

IFRIC 10 Interim Financial Reporting and Impairment

Recent pronouncements

Available for early adoption for 31 December 2007 year ends

New Standard		Effective for annual periods beginning on or after
IFRS 8	Operating Segments	1 January 2009
Amendments to Standards		
Amendments to IFRS 2	Vesting Conditions and Cancellations	1 January 2009
Amendments to IAS 1	Revised requirements for presentation of some financial statements, and revised terminology throughout	1 January 2009
Amendments to IAS 23	Removal of option to expense all borrowing costs	1 January 2009
Amendments to IAS 32 and IAS 1	Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
New Interpretations		
IFRIC 11	IFRS 2 – Group and Treasury Share Transactions	1 March 2007
IFRIC 12	Service Concession Arrangements	1 January 2008
IFRIC 13	Customer Loyalty Programmes	1 July 2008
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008

Recent pronouncements

Available for adoption after 2007

Revised Standards		Effective
IFRS 3(2008)	Business Combinations	Prospectively for business combinations where the acquisition date is on or after the beginning of the first annual period beginning on or after 1 July 2009. Earlier application permitted – but only for annual periods beginning on or after 30 June 2007. Must adopt IAS 27(2008) from the same date.
IAS 27(2008)	Consolidated and Separate Financial Statements	Annual periods beginning on or after 1 July 2009. Earlier application permitted. Must adopt IFRS 3(2008) from the same date – therefore effectively prohibited from adopting for annual periods beginning before 30 June 2007.

Summaries of current Standards

On pages 30 to 95, we have summarised the provisions of all International Financial Reporting Standards in issue at 31 March 2008, as well as the Preface to IFRSs and the Framework for the Preparation and Presentation of Financial Statements.

These summaries are intended as general information and are not a substitute for reading the entire Standard.

The requirements of IAS 30 *Disclosures in Financial Statements of Banks and Similar Institutions*, and the disclosure requirements previously included in IAS 32 have been deleted from this edition, as they have been superseded by IFRS 7 with effect from 1 January 2007.

Since our last edition, the IASB has issued substantially revised versions of IFRS 3 *Business Combinations*, IAS 1 *Presentation of Financial Statements* and IAS 27 *Consolidated and Separate Financial Statements*. These revised Standards will not be effective until 2009. However, to avoid confusion and because early adoption is permitted (see Standards for detail), we have included in this guide the revised versions of these Standards (and consequential amendments to other Standards). For information about the previous versions, please refer to earlier editions of IFRSs in your Pocket.

Throughout these summaries, we have also adopted the general terminology changes arising from IAS 1(2007). Revised titles are used for financial statements (e.g. 'statement of financial position' instead of 'balance sheet'), and Standards (e.g. IAS 10 is referred to as *Events after the Reporting Period*).

Preface to International Financial Reporting Standards

Adoption

Adopted by the IASB in May 2002.

Summary

Covers, among other things:

- the objectives of the IASB;
- the scope of IFRSs;
- due process for developing IFRSs and Interpretations;
- equal status of 'black letter' and 'grey letter' paragraphs;

- policy on effective dates; and
- use of English as the official language.

Framework for the Preparation and Presentation of Financial Statements

Adoption

Approved by the IASC Board in April 1989.

Adopted by the IASB in April 2001.

All of the requirements of the Framework are currently under reconsideration as part of the joint IASB/FASB Conceptual Framework project.

Summary

The Framework:

- Defines the objective of general purpose financial statements. The objective is to provide information about the financial position, performance and changes in financial position of an entity that is useful to a wide range of users in making economic decisions.
- Identifies the qualitative characteristics that make information in financial statements useful. The Framework identifies four principal qualitative characteristics: understandability, relevance, reliability and comparability.
- Defines the basic elements of financial statements and the concepts for recognising and measuring them in financial statements. Elements directly related to financial position are assets, liabilities and equity. Elements directly related to performance are income and expenses.

IFRS 1 First-time Adoption of International Financial Reporting Standards

Effective date	First IFRS financial statements for a period beginning on or after 1 January 2004.
Objective	To prescribe the procedures when an entity adopts IFRSs for the first time as the basis for preparing its general purpose financial statements.
Summary	<p>Overview for an entity that adopts IFRSs for the first time (by an explicit and unreserved statement of compliance with IFRSs) in its annual financial statements for the year ended 31 December 2007:</p> <ul style="list-style-type: none">• Select accounting policies based on IFRSs in force at 31 December 2007.• Prepare at least 2007 and 2006 financial statements and restate retrospectively the opening statement of financial position by applying the IFRSs in force at 31 December 2007, except for those matters dealt with in specific exemptions in IFRS 1:<ul style="list-style-type: none">– the opening statement of financial position is prepared at 1 January 2006 at the latest (but may be earlier if the entity elects to present more than one year of comparative information under IFRSs);– the opening statement of financial position is presented in the entity's first IFRS financial statements (therefore, three statements of financial position); and– if a 31 December 2007 adopter reports selected financial data (but not full financial statements) on an IFRS basis for periods prior to 2006, in addition to full financial statements for 2006 and 2007, that does not change the fact that its opening IFRS statement of financial position is as of 1 January 2006.
Interpretations	None.

Useful Deloitte publication

First-time adoption: A guide to IFRS 1

Application guidance for the “stable platform” Standards effective in 2005. Available for download at www.iasplus.com/dttpubs/pubs.htm

IFRS 2 Share-based Payment

Effective date

Annual periods beginning on or after 1 January 2005.

Amended in January 2008 to clarify the definition of vesting conditions and the accounting treatment of cancellations by the counterparty to a share-based arrangement. Amendments effective 1 January 2009, with earlier application permitted.

Objective

To prescribe the accounting for transactions in which an entity receives or acquires goods or services either as consideration for its equity instruments or by incurring liabilities for amounts based on the price of the entity's shares or other equity instruments of the entity.

Summary

- All share-based payment transactions are recognised in the financial statements, using a fair value measurement basis.
- An expense is recognised when the goods or services received are consumed.
- IFRS 2 applies to both public and non-public entities. However, if the fair value of equity instruments of non-public entities cannot be measured reliably, intrinsic value measurements are used.
- In principle, transactions in which goods or services are received as consideration for equity instruments of the entity are measured at the fair value of the goods or services received. Only if the fair value of the goods or services cannot be measured reliably is the fair value of the equity instruments granted used.

- For transactions with employees and others providing similar services, the entity measures the fair value of the equity instruments granted, because it is typically not possible to estimate reliably the fair value of employee services received.
- For transactions measured at the fair value of the equity instruments granted (such as transactions with employees), fair value is estimated at grant date.
- For transactions measured at the fair value of the goods or services received, fair value is estimated at the date of receipt of those goods or services.
- For goods or services measured by reference to the fair value of the equity instruments granted, in general, vesting conditions, except market conditions, are not taken into account when estimating the fair value of the shares or options at the relevant measurement date (as specified above). Instead, vesting conditions are taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the amount recognised for goods or services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.
- The January 2008 amendments restrict the definition of vesting condition to include only service conditions and performance conditions, and amend the definition of performance conditions to require the completion of a service period in addition to specified performance targets.
- The fair value of equity instruments granted is based on market prices, if available, and takes into account the terms and conditions on which those equity instruments were granted. In the absence of market prices, fair value is estimated using a valuation model to estimate what the price of those equity instruments would have been on the measurement date in an arm's length

transaction between knowledgeable, willing parties. IFRS 2 does not specify which particular valuation model should be used.

Interpretations

IFRIC 8 *Scope of IFRS 2*

IFRIC 8 clarifies that IFRS 2 applies to share-based payment transactions in which the entity cannot specifically identify some or all of the goods or services received.

IFRIC 11 *IFRS 2 Group and Treasury Share Transactions* (effective from 1 March 2007)

IFRIC 11 clarifies the application of IFRS 2 to certain share-based payment arrangements involving the entity's own equity instruments and to arrangements involving equity instruments of the entity's parent.

Useful Deloitte publication

Share-based payments: A guide to IFRS 2

2nd edition (June 2007). Guidance on applying IFRS 2 to many common share-based payment transactions. Available for download at www.iasplus.com/dttpubs/pubs.htm

IFRS 3(2008) *Business Combinations*

Effective date

Revised IFRS 3(2008) issued January 2008, replacing IFRS 3(2004) effective for business combinations in periods beginning on or after 1 July 2009. Earlier application permitted – but not for periods beginning before 30 June 2007.

See earlier editions of IFRSs in your Pocket for a summary of the requirements of IFRS 3(2004).

Core principle

An acquirer of a business recognises the assets acquired and liabilities assumed at their acquisition-date fair values and discloses information that enables users to evaluate the nature and financial effects of the acquisition.

Summary

- A business combination is a transaction or event in which an acquirer obtains control of one or more businesses. A business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return directly to investors or other owners, members or participants.
- IFRS 3 does not apply to the formation of a joint venture, combinations of entities or businesses under common control, nor to the acquisition of an asset or a group of assets that do not constitute a business.
- The acquisition method (called the 'purchase method' in the previous version of the Standard) is used for all business combinations.
- Steps in applying the acquisition method are:
 1. Identification of the 'acquirer' – the combining entity that obtains control of the acquiree.
 2. Determination of the 'acquisition date' – the date on which the acquirer obtains control of the acquiree.
 3. Recognition and measurement of the identifiable assets acquired, the liabilities assumed and any non-controlling interest (NCI, formerly called minority interest) in the acquiree.
 4. Recognition and measurement of goodwill or a gain from a bargain purchase.
- Assets and liabilities are measured at their acquisition-date fair values (with a limited number of specified exceptions). An entity may elect to measure NCI either at (a) fair value or (b) the NCI's proportionate share of the fair value of the identifiable net assets of the acquiree (option is available on a transaction-by-transaction basis).

- Goodwill is measured as the difference between:
 - the aggregate of (a) the acquisition-date fair value of the consideration transferred, (b) the amount of any NCI, and (c) in a business combination achieved in stages (see below), the acquisition-date fair value of the acquirer's previously-held equity interest in the acquiree; and
 - the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed (measured in accordance with IFRS 3).
- If the difference above is negative, the resulting gain is recognised as a bargain purchase in profit or loss.
- For business combinations achieved in stages, if the acquirer increases an existing equity interest so as to achieve control of the acquiree, the previously-held equity interest is remeasured at acquisition-date fair value and any resulting gain or loss is recognised in profit or loss.
- If the initial accounting for a business combination can be determined only provisionally by the end of the first reporting period, the combination is accounted for using provisional values. Adjustments to provisional values within one year relating to facts and circumstances that existed at the acquisition date. No adjustments after one year except to correct an error in accordance with IAS 8.
- Consideration for the acquisition includes the acquisition-date fair value of contingent consideration. Changes to contingent consideration resulting from events after the acquisition date are recognised in profit or loss.

Current Standards

- All acquisition-related costs (e.g. finder's fees, professional or consulting fees, costs of internal acquisition department) are recognised in profit or loss except for costs to issue debt or equity securities, which are recognised in accordance with IAS 39 and IAS 32 respectively.
- In addition, IFRS 3 provides guidance on some specific aspects of business combinations including:
 - business combinations achieved without the transfer of consideration;
 - reverse acquisitions;
 - identifying intangible assets acquired;
 - pre-existing relationships between the acquirer and the acquiree (e.g. reacquired rights); and
 - the reassessment of the acquiree's contractual arrangements at the acquisition date.

Interpretations

None.

Useful Deloitte publication

Publication of a guide to IFRS 3(2008) and related aspects of IAS 27(2008) anticipated May 2008. The guide will supplement the IASB's own guidance for applying these Standards and address practical implementation issues. Following publication, will be available for download at www.iasplus.com/dttpubs/pubs.htm

IFRS 4 *Insurance Contracts*

Effective date

Annual periods beginning on or after 1 January 2005.

Objective

To prescribe the financial reporting for insurance contracts until the IASB completes the second phase of its project on insurance contracts.

Summary

- Insurers are exempted from applying the IASB Framework and certain existing IFRSs.

- Catastrophe reserves and equalisation provisions are prohibited.
- Requires a test for the adequacy of recognised insurance liabilities and an impairment test for reinsurance assets.
- Insurance liabilities may not be offset against related reinsurance assets.
- Accounting policy changes are restricted.
- New disclosures are required.
- Financial guarantee contracts are in the scope of IAS 39, unless the issuer had previously (prior to initial adoption of IFRS 4) asserted explicitly that it regards such contracts as insurance contracts and has used accounting applicable to insurance contracts. In this instance, the issuer may elect to apply either IAS 39 or IFRS 4.

Interpretations None.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Effective date Annual periods beginning on or after 1 January 2005.

Objective To prescribe the accounting for non-current assets held for sale, and the presentation and disclosure of discontinued operations.

Summary

- Introduces the classification 'held for sale' (available for immediate sale and disposal within 12 months is highly probable) and the concept of a disposal group (a group of assets to be disposed of in a single transaction, including any related liabilities also transferred).
- Non-current assets or disposal groups held for sale are measured at the lower of carrying amount and fair value less costs to sell.
- Such non-current assets held for sale (whether individually or as part of a disposal group) are not depreciated.

- A non-current asset classified as held for sale, and the assets and liabilities in a disposal group classified as held for sale, are presented separately in the statement of financial position.
- A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale and (a) represents a separate major line of business or major geographical area of operations, (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or (c) is a subsidiary acquired exclusively with a view to resale.
- An entity presents as a single amount in the statement of comprehensive income the sum of the profit or loss of discontinued operations for the period and the gain or loss arising on the disposal of discontinued operations (or the remeasurement of the assets and liabilities of discontinued operations as held for sale). Therefore, the statement of comprehensive income is effectively divided into two sections – continuing operations and discontinued operations.

Interpretations

None.

Useful Deloitte publication

Assets held for sale and discontinued operations: A guide to IFRS 5

Published March 2008. Guidance on applying IFRS 5. Available for download at www.iasplus.com/dttpubs/pubs.htm

IFRS 6 *Exploration for and Evaluation of Mineral Resources*

Effective date	Annual periods beginning on or after 1 January 2006.
Objective	To prescribe the financial reporting for the exploration for and evaluation of mineral resources until the IASB completes a comprehensive project in this area.
Summary	<ul style="list-style-type: none"> • IFRS 6 does not require or prohibit any specific accounting policies for the recognition and measurement of exploration and evaluation assets. An entity is permitted to continue to use its existing accounting policies provided that they comply with the requirements of paragraph 10 of IAS 8, i.e. that they result in information that is relevant to the economic decision-making needs of users and that is reliable. • The Standard grants a temporary exemption from applying paragraphs 11 and 12 of IAS 8 – which specify a hierarchy of sources of IFRS GAAP in the absence of a specific Standard. • Requires an impairment test when there is an indication that the carrying amount of exploration and evaluation assets exceeds recoverable amount. • Allows impairment to be assessed at a level higher than the ‘cash-generating unit’ under IAS 36, but measures impairment in accordance with IAS 36 once it is assessed. • Requires disclosure of information that identifies and explains amounts arising from exploration and evaluation of mineral resources.
Interpretations	None.

IFRS 7 *Financial Instruments: Disclosures*

Effective date	Annual periods beginning on or after 1 January 2007.
Objective	To prescribe disclosures that enable financial statement users to evaluate the significance of financial instruments to an entity, the nature and extent of their risks, and how the entity manages those risks.
Summary	<ul style="list-style-type: none">• IFRS 7 requires disclosure of information about the significance of financial instruments for an entity's financial position and performance. These include:<ul style="list-style-type: none">– disclosures relating to the entity's financial position – including information about financial assets and financial liabilities by category, special disclosures when the fair value option is used, reclassifications, derecognitions, pledges of assets, embedded derivatives and breaches of terms of agreements;– disclosures relating to the entity's performance in the period – including information about recognised income, expenses, gains and losses; interest income and expense; fee income; and impairment losses; and– other disclosures – including information about accounting policies, hedge accounting and the fair values of each class of financial asset and financial liability.• IFRS 7 requires disclosure of information about the nature and extent of risks arising from financial instruments:<ul style="list-style-type: none">– qualitative disclosures about exposures to each class of risk and how those risks are managed; and– quantitative disclosures about exposures to each class of risk, separately for credit risk, liquidity risk and market risk (including sensitivity analyses).

Interpretations

None.

Useful Deloitte publication**iGAAP 2007: Financial instruments: IAS 32, IAS 39 and IFRS 7 explained**

3rd edition (March 2007). Guidance on how to apply these complex Standards, including illustrative examples and interpretations. Information at www.iasplus.com/dttpubs/pubs.htm

IFRS 8 *Operating Segments***Effective date**

Annual periods beginning on or after 1 January 2009. Supersedes IAS 14 from that date, or date of earlier application.

Core principle

An entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

Summary

- IFRS 8 applies to the consolidated financial statements of a group with a parent (and to the separate or individual financial statements of an entity):
 - whose debt or equity instruments are traded in a public market; or
 - that files, or is in the process of filing, its (consolidated) financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market.
- An operating segment is a component of an entity:
 - that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);

- whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
 - for which discrete financial information is available.
- Guidance is provided on which operating segments are reportable (generally 10% thresholds).
 - At least 75% of the entity's revenue must be included in reportable segments.
 - IFRS 8 does not define segment revenue, segment expense, segment result, segment assets or segment liabilities, nor does it require segment information to be prepared in conformity with the accounting policies adopted for the entity's financial statements.
 - Some entity-wide disclosures are required even when an entity has only one reportable segment. These include information about each product and service or groups of products and services.
 - Analyses of revenues and certain non-current assets by geographical area are required from all entities – with an expanded requirement to disclose revenues/assets by individual foreign country (if material), irrespective of the entity's organisation.
 - There is also a requirement to disclose information about transactions with major external customers (10% or more of the entity's revenue).

Interpretations

None.

Useful Deloitte publication

IFRS 8 Operating Segments: A disclosure checklist

Sets out in detail the disclosures required by IFRS 8. Available for download at www.iasplus.com/fs/fs.htm

IAS 1(2007) *Presentation of Financial Statements*

Effective date	Annual periods beginning on or after 1 January 2009 with earlier application permitted. Supersedes IAS 1(2003) from date of application.
Objective	To set out the overall framework for presenting general purpose financial statements, including guidelines for their structure and the minimum content.
Summary	<ul style="list-style-type: none"> • Fundamental principles underlying the preparation of financial statements, including going concern assumption, consistency in presentation and classification, accrual basis of accounting, and materiality. • Assets and liabilities, and income and expenses, are not offset unless offsetting is permitted or required by another IFRS. • Comparative prior-period information is presented for amounts shown in the financial statements and notes. • Financial statements are generally prepared annually. If the end of the reporting period changes, and financial statements are presented for a period other than one year, additional disclosures are made. • A complete set of financial statements comprises: <ul style="list-style-type: none"> – a statement of financial position; – a statement of comprehensive income; – a statement of changes in equity; – a statement of cash flows; – notes; and – (only when an accounting policy has been applied retrospectively or items in the financial statements have been restated or reclassified) a statement of financial position as at the beginning of the earliest comparative period. (Therefore, in these limited circumstances, generally three statements of financial position).

- Entities may use titles for the individual financial statements other than those used above.
- IAS 1 specifies minimum line items to be presented in the statement of financial position, statement of comprehensive income and statement of changes in equity, and includes guidance for identifying additional line items. IAS 7 provides guidance on line items to be presented in the statement of cash flows.
- In the statement of financial position, current/non-current distinction is used for assets and liabilities unless presentation in order of liquidity provides reliable and more relevant information.
- The statement of comprehensive income includes all items of income and expense – (i.e. all ‘non-owner’ changes in equity) including (a) components of profit or loss and (b) other comprehensive income (i.e. items of income and expense that are not recognised in profit or loss as required or permitted by other IFRSs) These items may be presented either:
 - in a single statement of comprehensive income (in which there is a sub-total for profit or loss); or
 - in a separate income statement (displaying components of profit or loss) and a statement of comprehensive income (beginning with profit or loss and displaying components of other comprehensive income).
- Analysis of expenses recognised in profit or loss may be provided by nature or by function. If presented by function, specific disclosures by nature are provided in the notes.
- The statement of changes in equity presents:
 - total comprehensive income for the period;
 - the effects on each component of equity of retrospective application or retrospective restatement in accordance with IAS 8;

- transactions with owners in their capacity as owners; and
- for each component of equity, a reconciliation between the opening and closing balances, separately disclosing each change.
- IAS 1 specifies minimum note disclosures which include information about:
 - accounting policies followed;
 - the judgements that management has made in the process of applying the entity's accounting policies that have the most significant effect on the amounts recognised in the financial statements; and
 - capital structure and compliance with capital requirements.
- An appendix to IAS 1 includes illustrative statements of financial position, statements of comprehensive income and statements of changes in equity.

Interpretations

SIC-29 Service Concession Arrangements: Disclosure

Disclosure is required if an entity agrees to provide services that give the public access to major economic or social facilities.

Useful Deloitte publications

IAS 1(2007) Presentation of Financial Statements: A compliance checklist

Supplements Deloitte's presentation and disclosure checklist to reflect the disclosures required by the revised IAS 1.

IFRS model financial statements

Illustrating the layout of financial statements, and the presentation and disclosure requirements of IFRSs.

Available for download at www.iasplus.com/fs/fs.htm

IAS 2 *Inventories*

Effective date	Annual periods beginning on or after 1 January 2005.
Objective	To prescribe the accounting treatment for inventories, including cost determination and expense recognition.
Summary	<ul style="list-style-type: none">• Inventories are stated at the lower of cost and net realisable value (NRV).• Costs include purchase cost, conversion cost (materials, labour and overheads), and other costs to bring inventory to its present location and condition, but not foreign exchange differences.• For inventory items that are not interchangeable, specific costs are attributed to the specific individual items of inventory.• For interchangeable items, cost is determined on either a First In First Out (FIFO) or weighted average basis. Last In First Out (LIFO) is not permitted.• When inventories are sold, the carrying amount is recognised as an expense in the period in which the related revenue is recognised.• Write-downs to NRV are recognised as an expense in the period of the write-down. Reversals arising from an increase in NRV are recognised as a reduction of the inventory expense in the period in which they occur.
Interpretations	None.

IAS 7 *Statement of Cash Flows*

Effective date	Periods beginning on or after 1 January 1994. Title amended by IAS 1(2007) effective 1 January 2009.
Objective	To require the presentation of information about historical changes in an entity's cash and cash equivalents by means of a statement of cash flows that classifies cash flows during the period according to operating, investing and financing activities.
Summary	<ul style="list-style-type: none"> • The statement of cash flows analyses changes in cash and cash equivalents during a period. • Cash equivalents include investments that are short-term (less than three months from date of acquisition), readily convertible to a known amount of cash, and subject to an insignificant risk of changes in value. Generally exclude equity investments. • Cash flows from operating, investing and financing activities are separately reported. • Cash flows arising from operating activities are reported using either the direct (recommended) or the indirect method. • Cash flows arising from taxes on income are classified as operating unless they can be specifically identified with financing or investing activities. • The exchange rate used for translation of transactions denominated in a foreign currency and the cash flows of a foreign subsidiary is the rate in effect at the date of the cash flows. • Aggregate cash flows relating to obtaining or losing control of subsidiaries and other business units are presented separately and classified as investing activities, with specified additional disclosures.

Current Standards

- Investing and financing transactions that do not require the use of cash are excluded from the statement of cash flows, but separately disclosed.
- Illustrative statements of cash flows are included in appendices to IAS 7.

Interpretations

None.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

Effective date

Annual periods beginning on or after 1 January 2005.

Objective

To prescribe the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in estimates, and errors.

Summary

- Hierarchy for choosing accounting policies:
 - IASB Standards and Interpretations, taking into account any relevant IASB implementation guidance;
 - in the absence of a directly applicable IFRS, look to the requirements and guidance in IFRSs dealing with similar and related issues; and the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the Framework for the Preparation and Presentation of Financial Statements; and
 - management may also consider the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards, other accounting literature, and accepted industry practices.
- Accounting policies are applied consistently to similar transactions.

- An accounting policy is changed only if required by an IFRS, or if the change results in reliable and more relevant information.
- If a change in accounting policy is required by an IFRS, the pronouncement's transition requirements are followed. If none are specified, or if the change is voluntary, the new accounting policy is applied retrospectively by restating prior periods. If restatement is impracticable, the cumulative effect of the change is included in profit or loss. If the cumulative effect cannot be determined, the new policy is applied prospectively.
- Changes in accounting estimates (e.g. change in useful life of an asset) are accounted for in the current year, or future years, or both (no restatement).
- All material errors are corrected by restating comparative prior period amounts and, if the error occurred before the earliest period presented, by restating the opening statement of financial position.

Interpretations

None.

*IAS 10 Events after the Reporting Period***Effective date**

Annual periods beginning on or after 1 January 2005. Title amended by IAS 1(2007) effective 1 January 2009.

Objective

To prescribe:

- when an entity should adjust its financial statements for events after the end of the reporting period; and
- disclosures about the date when the financial statements were authorised for issue, and about events after the end of the reporting period.

Summary

- Events after the end of the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue.
- Adjusting events – the financial statements are adjusted to reflect those events that provide evidence of conditions that existed at the end of the reporting period (such as resolution of a court case after the end of the reporting period).
- Non-adjusting events – the financial statements are not adjusted to reflect events that arose after the end of the reporting period (such as a decline in market prices after year end, which does not change the valuation of investments at the end of the reporting period). The nature and impact of such events are disclosed.
- Dividends proposed or declared on equity instruments after the end of the reporting period are not recognised as a liability at the end of the reporting period. Disclosure is required.
- Financial statements are not prepared on a going concern basis if events after the end of the reporting period indicate that the going concern assumption is not appropriate.
- An entity discloses the date its financial statements are authorised for issue.

Interpretations

None.

IAS 11 *Construction Contracts*

Effective date

Periods beginning on or after 1 January 1995.

Objective

To prescribe the accounting treatment for revenue and costs associated with construction contracts in the financial statements of the contractor.

Summary

- Contract revenue comprises the amount agreed in the initial contract together with variations in contract work, claims, and incentive payments to the extent that it is probable that they will result in revenues and can be measured reliably.
- Contract costs comprise costs that relate directly to the specific contract, costs that are attributable to general contract activity and that can be reasonably allocated to the contract, together with such other costs as are directly attributable to the customer under the terms of the contract.
- Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of contract activity (the percentage of completion method of accounting).
- If the outcome cannot be estimated reliably, no profit is recognised. Instead, contract revenue is recognised only to the extent that contract costs incurred are expected to be recovered, and contract costs are expensed as incurred.
- If it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately.

Interpretations

None.

IAS 12 *Income Taxes*

Effective date Periods beginning on or after 1 January 1998. Certain revisions effective for periods beginning on or after 1 January 2001.

Objective To prescribe the accounting treatment for income taxes.

To establish the principles and provide guidance in accounting for the current and future tax consequences of:

- the future recovery (settlement) of carrying amounts of assets (liabilities) recognised in an entity's statement of financial position, and
- transactions and other events of the current period that are recognised in an entity's financial statements.

Summary

- Current tax liabilities and assets are recognised for current and prior period taxes, measured at the rates applicable for the period.
- A temporary difference is a difference between the carrying amount of an asset or liability and its tax base.
- Deferred tax liabilities are recognised for the future tax consequences of all taxable temporary differences with three exceptions:
 - where the deferred tax liability arises from the initial recognition of goodwill;
 - the initial recognition of an asset/liability other than in a business combination which, at the time of the transaction, does not affect either the accounting or the taxable profit; and
 - differences arising from investments in subsidiaries, branches and associates and interests in joint ventures (e.g. due to undistributed profits) where the entity is able to control the timing of the reversal of the difference and it is probable that the reversal will not occur in the foreseeable future.

- A deferred tax asset is recognised for deductible temporary differences, unused tax losses, and unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised, with the following exceptions:
 - a deferred tax asset arising from the initial recognition of an asset/liability, other than in a business combination, which, at the time of the transaction, does not affect the accounting or the taxable profit; and
 - assets arising from deductible temporary differences associated with investments are recognised only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available to utilise the difference.
- Deferred tax liabilities (assets) are measured at the tax rates expected to apply when the liability is settled or the asset is realised, based on tax rates/laws that have been enacted or substantively enacted by the end of the reporting period.
- Deferred tax assets and liabilities are not discounted.
- Deferred taxes asset and liabilities are presented as non-current items in the statement of financial position.

Interpretations

SIC 21 Income Taxes – Recovery of Revalued Non-Depreciable Assets

The measurement of a deferred tax liability or asset arising from revaluation is based on the tax consequences from the sale of the asset rather than through use.

SIC 25 Income Taxes – Changes in the Tax Status of an Entity or its Shareholders

The current and deferred tax consequences of the change are included in profit or loss for the period unless those consequences relate to transactions or events that were recognised outside profit or loss.

IAS 14 *Segment Reporting*

Effective date	Periods beginning on or after 1 July 1998. Superseded by IFRS 8 (effective in 2009).
Objective	To establish principles for reporting financial information by line of business and by geographical area.
Summary	<ul style="list-style-type: none">• IAS 14 applies to entities whose equity or debt securities are publicly traded and to entities in the process of issuing securities to the public. Also, any entity voluntarily providing segment information must comply with the requirements of IAS 14.• An entity looks to its organisational structure and internal reporting system for the purpose of identifying its business segments and geographical segments.• If internal segments are not geographical or products/service-based, then the entity looks to next lower level of internal segmentation to identify reportable segments.• Guidance is provided on which segments are reportable (generally 10% thresholds).• One basis of segmentation is primary and the other secondary.• Segment information is reported based on the same accounting policies as the consolidated group or entity.• IAS 14 sets out disclosure requirements for primary and secondary segments, with considerably less disclosure for the secondary segments.
Interpretations	None.

IAS 16 *Property, Plant and Equipment*

Effective date	Annual periods beginning on or after 1 January 2005.
Objective	To prescribe the principles for the initial recognition and subsequent accounting for property, plant and equipment.
Summary	<ul style="list-style-type: none">• Items of property, plant, and equipment are recognised as assets when it is probable that the future economic benefits associated with the asset will flow to the entity, and the cost of the asset can be measured reliably.• Initial recognition is at cost, which includes all costs necessary to get the asset ready for its intended use. If payment is deferred, interest is recognised.• Subsequent to acquisition, IAS 16 allows a choice of accounting model:<ul style="list-style-type: none">– cost model: the asset is carried at cost less accumulated depreciation and impairment; or– revaluation model: the asset is carried at a revalued amount, which is fair value at revaluation date less subsequent depreciation and impairment.• Under the revaluation model, revaluations are carried out regularly. All items of a given class are revalued.<ul style="list-style-type: none">– Revaluation increases are credited to equity.– Revaluation decreases are charged first against the revaluation surplus in equity related to the specific asset, and any excess against profit or loss.• When the revalued asset is disposed of, the revaluation surplus in equity remains in equity and is not reclassified to profit or loss.• Components of an asset with differing patterns of benefits are depreciated separately.

Current Standards

- Depreciation is charged systematically over the asset's useful life. The depreciation method reflects the pattern of benefit consumption. The residual value is reviewed at least annually and is the amount the entity would receive currently if the asset were already of the age and condition expected at the end of its useful life. Useful life is also reviewed annually. If operation of an item of property, plant and equipment (e.g. an aircraft) requires regular major inspections, when each major inspection is performed, its cost is recognised in the carrying amount of the asset as a replacement, if the recognition criteria are satisfied.
- Impairment of property, plant and equipment is assessed under IAS 36.
- All exchanges of property, plant and equipment are measured at fair value, including exchanges of similar items, unless the exchange transaction lacks commercial substance or the fair value of neither the asset received nor the asset given up is reliably measurable.

Interpretations None.

IAS 17 *Leases*

Effective date Annual periods beginning on or after 1 January 2005.

Objective To prescribe, for lessees and lessors, the appropriate accounting policies and disclosures for finance and operating leases.

Summary

- A lease is classified as a finance lease if it transfers substantially all risks and rewards incidental to ownership. Examples:
 - lease covers substantially all of the asset's life; and/or
 - present value of lease payments is substantially equal to the asset's fair value.

- All other leases are classified as operating leases.
- A lease of both land and buildings is split into land and building elements. Land element is generally an operating lease. Building element is an operating or finance lease based on the criteria in IAS 17. However, separate measurement of the land and buildings elements is not required if the lessee's interest in both land and buildings is classified as an investment property under IAS 40 and the fair value model is adopted.
- Finance leases – Lessee's Accounting:
 - asset and liability are recognised at the lower of the present value of minimum lease payments and the fair value of the asset;
 - depreciation policy is as for owned assets; and
 - finance lease payments are apportioned between interest expense and reduction in liability.
- Finance leases – Lessor's Accounting:
 - receivable is recognised at an amount equal to the net investment in the lease; and
 - finance income is recognised based on a pattern reflecting a constant periodic rate of return on the lessor's net investment.
- Operating leases – Lessee's Accounting:
 - lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the pattern of benefit.
- Operating leases – Lessor's Accounting:
 - assets held for operating leases are presented in the lessor's statement of financial position according to the nature of the asset; and

- lease income is recognised on a straight-line basis over the lease term, unless another systematic basis is more representative of the pattern of benefit.
- Lessors spread initial direct costs over the lease term (immediate expensing prohibited).
- Accounting for sale and leaseback transactions depends on whether these are essentially finance or operating leases.

Interpretations

SIC 15 *Operating Leases – Incentives*

Lease incentives (such as rent-free periods) are recognised by both the lessor and the lessee as a reduction of rental income and expense, respectively, over the lease term.

SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*

If a series of transactions involves the legal form of a lease and can only be understood with reference to the series as a whole, then the series is accounted for as a single transaction.

IFRIC 4 *Determining whether an Arrangement contains a Lease*

IFRIC 4 addresses arrangements that do not take the legal form of a lease but which convey rights to use assets in return for a payment or a series of payments. An arrangement that meets the following criteria is, or contains, a lease that is accounted for in accordance with IAS 17, both from the lessee and lessor perspectives:

- the fulfilment of the arrangement depends upon a specific asset (either explicitly or implicitly in the arrangement); and
- the arrangement conveys the right to control the use of the underlying asset. IFRIC 4 provides further guidance to identify when this situation exists.

IAS 18 *Revenue*

Effective date	Periods beginning on or after 1 January 1995.
Objective	To prescribe the accounting treatment for revenue arising from sales of goods, rendering of services and from interest, royalties and dividends.
Summary	<ul style="list-style-type: none"> • Revenue is measured at the fair value of the consideration received/receivable. • Recognition: <ul style="list-style-type: none"> – from sale of goods: when significant risks and rewards have been transferred to buyer, seller has lost effective control, and amount can be reliably measured; – from rendering of services: percentage of completion method; – for interest, royalties, and dividends: when it is probable that economic benefits will flow to the entity. <p>Interest – using the effective interest method as set out in IAS 39.</p> <p>Royalties – on an accrual basis in accordance with the substance of the agreement.</p> <p>Dividends – when shareholder’s right to receive payment is established.</p>

Interpretations**SIC 31 Revenue – Barter Transactions Involving Advertising Services**

Revenue from barter transactions involving advertising services is recognised only if substantial revenue is also received from non-barter transactions.

IFRIC 13 Customer Loyalty Programmes (effective 1 July 2008)

Award credits granted to customers as part of a sales transaction are accounted for as a separately identifiable component of the sales transaction(s), with the consideration received or receivable allocated between the award credits and the other components of the sale.

IAS 19 *Employee Benefits*

Effective date	Periods beginning on or after 1 January 1999. Later revisions effective for various periods from 1 January 2001 to 1 January 2006.
Objective	To prescribe the accounting and disclosure for employee benefits, including short-term benefits (wages, annual leave, sick leave, annual profit-sharing, bonuses and non-monetary benefits); pensions; post-employment life insurance and medical benefits; other long-term employee benefits (long-service leave, disability, deferred compensation, and long-term profit-sharing and bonuses), and termination benefits.
Summary	<ul style="list-style-type: none">• Underlying principle: the cost of providing employee benefits is recognised in the period in which the entity receives services from the employee, rather than when the benefits are paid or payable.• Short-term employee benefits (payable within 12 months) are recognised as an expense in the period in which the employee renders the service. Unpaid benefit liability is measured at undiscounted amount.• Profit-sharing and bonus payments are recognised only when the entity has a legal or constructive obligation to pay them and the costs can be reliably estimated.• Post-employment benefit plans (such as pensions and health care) are categorised as either defined contribution plans or defined benefit plans.• For defined contribution plans, expenses are recognised in the period the contribution is payable.• For defined benefit plans, a liability is recognised in the statement of financial position equal to the net of:<ul style="list-style-type: none">– the present value of the defined benefit obligation (the present value of expected future payments required to settle the obligation resulting from employee service in the current and prior periods);

- deferred actuarial gains and losses and deferred past service cost; and
- the fair value of any plan assets at the end of the reporting period.
- Actuarial gains and losses may be
 - (a) recognised immediately in profit or loss,
 - (b) deferred up to a maximum, with any excess amortised in profit or loss (the ‘corridor approach’), or
 - (c) recognised immediately in other comprehensive income.
- Plan assets include assets held by a long-term employee benefit fund and qualifying insurance policies.
- For group plans, the net cost is recognised in the separate financial statements of the entity that is legally the sponsoring employer unless a contractual agreement or stated policy for allocating the cost exists.
- Long-term employee benefits are recognised and measured the same way as post-employment benefits under a defined benefit plan. However, unlike defined benefit plans, actuarial gains and losses and past service cost are always recognised immediately in profit or loss.
- Termination benefits are recognised when the entity is demonstrably committed to terminating one or more employees before the normal retirement date or to providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Interpretations

IFRIC 14 IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

IFRIC 14 addresses three issues:

- when refunds or reductions in future contributions should be regarded as ‘available’ in the context of paragraph 58 of IAS 19;
- how a minimum funding requirement might affect the availability of reductions in future contributions; and
- when a minimum funding requirement might give rise to a liability.

IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*

Effective date	Periods beginning on or after 1 January 1984.
Objective	To prescribe the accounting for, and disclosure of, government grants and other forms of government assistance.
Summary	<ul style="list-style-type: none">• Government grants are recognised only when there is reasonable assurance that the entity will comply with the conditions attached to the grants, and the grants will be received. Non-monetary grants are usually recognised at fair value, although recognition at nominal value is permitted.• Grants are recognised in profit or loss over the periods necessary to match them with the related costs.• Income-related grants are either presented separately as income or as a deduction in reporting the related expense.• Asset-related grants are either presented as deferred income in the statement of financial position, or deducted in arriving at the carrying amount of the asset.• Repayment of a government grant is accounted for as a change in accounting estimate with different treatment for income- and asset-related grants.
Interpretations	<p>SIC 10 <i>Government Assistance – No Specific Relation to Operating Activities</i></p> <p>Government assistance to entities that is aimed at encouragement or long-term support of business activities either in certain regions or industry sectors is treated as a government grant under IAS 20.</p>

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

Effective date	Annual periods beginning on or after 1 January 2005.
Objective	To prescribe the accounting treatment for an entity's foreign currency transactions and foreign operations.
Summary	<ul style="list-style-type: none"> • First, the entity's functional currency is determined (i.e. the currency of the primary economic environment in which the entity operates). • Then all foreign currency items are translated into the functional currency: <ul style="list-style-type: none"> – transactions are recognised on the date that they occur using the transaction-date exchange rate for initial recognition and measurement; – at the end of subsequent reporting periods: <ul style="list-style-type: none"> – non-monetary items carried at historical cost continue to be measured using transaction-date exchange rates; – monetary items are retranslated using the closing rate; and – non-monetary items carried at fair value are measured at valuation-date exchange rates. • Exchange differences arising on settlement of monetary items and on translation of monetary items at a rate different than when initially recognised are included in profit or loss, with one exception. Exchange differences arising on monetary items that form part of the reporting entity's net investment in a foreign operation are recognised in the consolidated financial statements that include the foreign operation in other comprehensive income. Such differences are reclassified from equity to profit or loss on disposal of the net investment.

Current Standards

- The results and financial position of an entity whose functional currency is not the currency of a hyperinflationary economy are translated into a different presentation currency using the following procedures:
 - assets and liabilities for each statement of financial position presented (including comparatives) are translated at the closing rate at the date of that statement of financial position;
 - income and expenses for each period presented (including comparatives) are translated at exchange rates at the dates of the transactions; and
 - all resulting exchange differences are recognised as other comprehensive income.
- Special rules for translating into a presentation currency the results and financial position of an entity whose functional currency is hyperinflationary.

Interpretations

SIC 7 Introduction of the Euro

Explains how to apply IAS 21 when the Euro was first introduced, and when new EU members join the Eurozone.

IAS 23 *Borrowing Costs*

Effective date

Periods beginning on or after 1 January 1995.

Revised Standard issued March 2007 and effective 1 January 2009 (earlier application permitted) will remove the option to use the expense model referred to below.

Objective

To prescribe the accounting treatment for borrowing costs.

Summary

- Borrowing costs include interest, amortisation of discounts or premiums on borrowings, and amortisation of ancillary costs incurred in the arrangement of borrowings.

- Two accounting models:
 - expense model: all borrowing costs recognised as an expense when incurred (no longer permitted from 1 January 2009); and
 - capitalisation model: borrowing costs directly attributable to the acquisition or construction of a qualifying asset are capitalised as part of the cost of that asset, but only when it is probable that these costs will result in future economic benefits to the entity, and the costs can be measured reliably. All other borrowing costs that do not satisfy the conditions for capitalisation are expensed when incurred.
- A qualifying asset is one that requires a substantial period of time to make it ready for its intended use or sale. Examples include manufacturing plants, investment properties and some inventories.
- If funds are borrowed generally and used for the purpose of obtaining the qualifying asset, a capitalisation rate (weighted average of borrowing costs applicable to the general outstanding borrowings during the period) is applied to expenditure incurred during the period, to determine the amount of borrowing costs eligible for capitalisation.

Interpretations

None.

*IAS 24 Related Party Disclosures***Effective date**

Annual periods beginning on or after 1 January 2005.

Objective

To ensure that financial statements draw attention to the possibility that the financial position and results of operations may have been affected by the existence of related parties.

Summary

- Related parties are parties that control or have significant influence over the reporting entity (including parent entities, owners and their families, major investors, and key management personnel) and parties that are controlled or significantly influenced by the reporting entity (including subsidiaries, joint ventures, associates, and post-employment benefit plans).
- The Standard requires disclosure of:
 - relationships involving control, even when there have been no transactions;
 - related party transactions; and
 - management compensation (including an analysis by type of compensation).
- For related party transactions, disclosure is required of the nature of the relationship and of sufficient information to enable an understanding of the potential effect of the transactions.
- Examples of related party transactions disclosable under the Standard:
 - purchases or sales of goods;
 - purchases or sales of assets;
 - rendering or receiving of services;
 - leases;
 - transfers of research and development;
 - transfers under licence agreements;
 - transfers under finance arrangements (including loans and equity contributions);
 - provision of guarantees or collateral; and
 - settlement of liabilities on behalf of the entity or by the entity on behalf of another party.

Interpretations

None.

IAS 26 *Accounting and Reporting by Retirement Benefit Plans*

Effective date	Periods beginning on or after 1 January 1998.
Objective	To specify the measurement and disclosure principles for the financial reports of retirement benefit plans.
Summary	<ul style="list-style-type: none"> • Sets out the reporting requirements for both defined contribution and defined benefit plans, including a statement of net assets available for benefits and disclosure of the actuarial present value of promised benefits (split between vested and non-vested). • Specifies the need for actuarial valuation of the benefits for defined benefits and the use of fair values for plan investments.
Interpretations	None.

IAS 27(2008) *Consolidated and Separate Financial Statements*

Effective date	<p>Annual periods beginning on or after 1 July 2009. Revised IAS 27 issued January 2008 will supersede IAS 27(2003) from that date. Earlier application permitted – but only if IFRS 3(2008) is applied from the same date (therefore, effectively, not permitted for periods beginning before 30 June 2007).</p> <p>See earlier editions of IFRSs in your Pocket for a summary of the requirements of IAS 27(2003).</p>
Objective	<p>To prescribe:</p> <ul style="list-style-type: none"> • requirements for preparing and presenting consolidated financial statements for a group of entities under the control of a parent; • how to account for changes in the level of ownership interests in subsidiaries, including the loss of control of a subsidiary; and • how to account for investments in subsidiaries, jointly controlled entities and associates in separate financial statements.

Summary

- A subsidiary is an entity controlled by another entity, the parent. Control is the power to govern the operating and financial policies.
- Consolidated financial statements are financial statements of a group (parent and subsidiaries) presented as those of a single economic entity.
- When a parent-subsidiary relationship exists, consolidated financial statements are required.
- Consolidated financial statements include all subsidiaries. No exemption for 'temporary control' or 'different lines of business' or 'subsidiary that operates under severe long-term funds transfer restrictions'. However, if, on acquisition, a subsidiary meets the criteria to be classified as held for sale under IFRS 5, it is accounted for under that Standard.
- Intragroup balances, transactions, income and expenses are eliminated in full.
- All entities in the group use the same accounting policies.
- The end of the reporting period of a subsidiary cannot be more than three months different from the end of the reporting period of the group.
- Non-controlling interests (NCI, previously called minority interest) are reported in equity in the statement of financial position separately from the equity of the owners of the parent. Total comprehensive income is allocated between NCI and the owners of the parent even if this results in the NCI having a deficit balance.
- Partial disposal of an investment in a subsidiary while control is retained is accounted for as an equity transaction with owners, and gain or loss is not recognised.
- Partial disposal of an investment in a subsidiary that results in loss of control triggers remeasurement of the residual holding to fair value. Any difference between fair value and carrying amount is a gain or loss on the disposal, recognised in profit or loss. Thereafter, apply IAS 28, IAS 31 or IAS 39, as appropriate, to the residual holding.

- In the parent's separate financial statements: investments in subsidiaries, associates and joint ventures (other than those that are classified as held for sale under IFRS 5) are accounted for either at cost or as investments under IAS 39.

Interpretations

SIC-12 Consolidation – Special Purpose Entities

An entity consolidates a special purpose entity (SPE) when, in substance, it controls the SPE. SIC-12 provides indicators of control.

Useful Deloitte publication

Publication of a guide to IFRS 3(2008) and related aspects of IAS 27(2008) anticipated May 2008. The guide will supplement the IASB's own guidance for applying these Standards and address practical implementation issues. Following publication, will be available for download at www.iasplus.com/dttpubs/pubs.htm

IAS 28 *Investments in Associates*

Effective date

Annual periods beginning on or after 1 January 2005 (1 July 2009 for consequential amendments arising from IAS 27(2008)).

Objective

To prescribe the investor's accounting for investments in associates over which it has significant influence.

Summary

- Applies to all investments in which an investor has significant influence unless the investor is a venture capital firm, mutual fund or unit trust, and it elects to measure such investments at fair value through profit or loss under IAS 39.
- Interests in associates that are classified as held for sale in accordance with IFRS 5 are accounted for in accordance with that Standard.
- Otherwise, the equity method is used for all investments in associates over which the entity has significant influence.

Current Standards

- Rebuttable presumption of significant influence if investment held, directly and indirectly, is more than 20% of associate.
- Under the equity method, the investment is initially recorded at cost. It is subsequently adjusted by the investor's share of the investee's post acquisition change in net assets.
- Investor's statement of comprehensive income reflects its share of the investee's post-acquisition profit or loss.
- Associate's accounting policies are the same as those of the investor.
- The end of the reporting period of an associate cannot be more than three months different from the investor's end of the reporting period.
- Even if consolidated financial statements are not prepared (e.g. because the investor has no subsidiaries) equity accounting is used. However, the investor does not apply the equity method when presenting 'separate' financial statements as defined in IAS 27. Instead, the investor accounts for the investment either at cost or as an investment under IAS 39.
- Impairment is assessed in accordance with IAS 36. The impairment indicators in IAS 39 also apply.
- The 2008 amendments (effective 1 July 2009) address the accounting treatment when significant influence over an associate is lost. On loss of significant influence, the investment is remeasured to its fair value at that date, with the gain or loss recognised in profit or loss. Thereafter, IAS 39 is applied to the remaining holding.

Interpretations

None.

IAS 29 *Financial Reporting in Hyperinflationary Economies*

Effective date Periods beginning on or after 1 January 1990.

Objective To prescribe specific standards for entities reporting in the currency of a hyperinflationary economy, so that the financial information provided is meaningful.

Summary

- The financial statements of an entity that reports in the currency of a hyperinflationary economy are stated in terms of the measuring unit current at the end of the reporting period.
- Comparative figures for prior period(s) are restated into the same current measuring unit.
- Generally an economy is hyperinflationary when there is 100% inflation over 3 years.

Interpretations **IFRIC 7 *Applying the Restatement Approach under IAS 29***

When the economy of an entity's functional currency becomes hyperinflationary, the entity applies the requirements of IAS 29 as though the economy had always been hyperinflationary.

IAS 31 *Interests in Joint Ventures*

Effective date Annual periods beginning on or after 1 January 2005 (1 July 2009 for consequential amendments arising from IAS 27(2008)).

Objective To prescribe the accounting treatment required for interests in joint ventures (JVs), regardless of the structure or legal form of the JV activities.

Summary

- Applies to all investments in which an investor has joint control unless the investor is a venture capital firm, mutual fund or unit trust, and it elects to measure such investments at fair value through profit or loss under IAS 39.

- The key characteristic of a JV is a contractual arrangement to share control. JVs may be classified as jointly controlled operations, jointly controlled assets or jointly controlled entities. Different recognition principles for each type of JV.
- Jointly controlled operations: venturer recognises the assets it controls, and expenses and liabilities it incurs, and its share of income earned, in both its separate and consolidated financial statements.
- Jointly controlled assets: venturer recognises its share of the joint assets, any liabilities that it has incurred directly, and its share of any liabilities incurred jointly with the other venturers, income from the sale or use of its share of the output of the joint venture, its share of expenses incurred by the joint venture, and expenses incurred directly in respect of its interest in the joint venture. These rules apply to both separate and consolidated financial statements.
- Jointly controlled entities: two accounting policy choices are permitted:
 - proportionate consolidation: under this method the venturer's statement of financial position includes its share of the assets that it controls jointly and its share of the liabilities for which it is jointly responsible. Its statement of comprehensive income includes its share of the income and expenses of the jointly controlled entity; and
 - the equity method, as described in IAS 28.
- Interests in jointly controlled entities that are classified as held for sale in accordance with IFRS 5 are accounted for in accordance with that Standard.
- Even if consolidated financial statements are not prepared (e.g. because the venturer has no subsidiaries), proportionate consolidation/equity accounting is used for jointly controlled entities. However, in the venturer's 'separate' financial statements as defined in

IAS 27, interests in jointly controlled entities are accounted for either at cost or as investments under IAS 39.

- The 2008 amendments (effective 1 July 2009) address the accounting treatment when joint control over a jointly controlled entity is lost. On loss of joint control the investment is remeasured to its fair value at that date, with the gain or loss recognised in profit or loss. Thereafter, IAS 28 or IAS 39, as appropriate, is applied to the remaining holding.

Interpretations

SIC 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*

Recognition of proportionate share of gains or losses on contributions of non-monetary assets in exchange for an equity interest is generally appropriate.

IAS 32 *Financial Instruments: Presentation*

Effective date

Annual periods beginning on or after 1 January 2005. Disclosure provisions superseded on adoption of IFRS 7, effective 1 January 2007.

1 January 2009 for 2008 amendments dealing with puttable financial instruments and obligations arising on liquidation.

Objective

To prescribe principles for classifying and presenting financial instruments as liabilities or equity, and for offsetting financial assets and liabilities.

Summary

- Issuer's classification of an instrument either as a liability or an equity instrument:
 - based on substance, not form, of the instrument;
 - classification is made at the time of issue and is not subsequently altered;

- an instrument is a financial liability if the issuer may be obligated to deliver cash or another financial asset or the holder has a right to demand cash or another financial asset. An example is mandatorily redeemable preference shares;
 - an instrument that does not give rise to such a contractual obligation is an equity instrument; and
 - interest, dividends, gains and losses relating to an instrument classified as a liability are reported as income or expense as appropriate.
- The 2008 amendments (effective 2009 with early application permitted) provide that puttable instruments and instruments that impose on the entity an obligation to deliver a pro-rata share of net assets only on liquidation that (a) are subordinate to all other classes of instruments and (b) meet additional criteria, are classified as equity instruments even though they would otherwise meet the definition of a liability.
 - At issue, an issuer classifies separately the debt and equity components of a single compound instrument such as convertible debt and debt issued with detachable rights or warrants.
 - A financial asset and a financial liability are offset and the net amount reported when, and only when, an entity has a legally enforceable right to set off the amounts, and intends either to settle on a net basis or simultaneously.
 - Cost of treasury shares is deducted from equity, and resales of treasury shares are equity transactions.
 - Costs of issuing or reacquiring equity instruments are accounted for as a deduction from equity, net of any related income tax benefit.

Interpretations**IFRIC 2 *Members' Shares in Co-operative Entities and Similar Instruments***

These are liabilities unless the co-op has the legal right not to redeem on demand. These requirements may also be impacted by the 2008 amendments (see above).

Useful Deloitte publication**iGAAP 2007: Financial instruments: IAS 32, IAS 39 and IFRS 7 explained**

3rd edition (March 2007). Guidance on how to apply these complex Standards, including illustrative examples and interpretations. Information at www.iasplus.com/dttpubs/pubs.htm

IAS 33 *Earnings per Share***Effective date**

Annual periods beginning on or after 1 January 2005.

Objective

To prescribe principles for determining and presenting earnings per share (EPS) amounts in order to improve performance comparisons between different entities in the same period and between different accounting periods for the same entity. Focus of IAS 33 is on the denominator of the EPS calculation.

Summary

- Applies to publicly-traded entities, entities in the process of issuing such shares, and any other entity voluntarily presenting EPS.
- An entity presents basic and diluted EPS:
 - for each class of ordinary share that has a different right to share in profit for the period;
 - with equal prominence;
 - for all periods presented.
- If an entity presents only a statement of comprehensive income, EPS is reported in that statement. If it presents both a statement of comprehensive income and a separate income statement, EPS is reported only in the separate income statement.

- EPS is reported for profit or loss attributable to equity holders of the parent entity, for profit or loss from continuing operations attributable to equity holders of the parent entity, and for any discontinued operations (this last item can be in the notes).
- In consolidated financial statements, EPS reflects earnings attributable to the parent's shareholders.
- Dilution is a reduction in EPS or an increase in loss per share on the assumption that convertible instruments are converted, that options or warrants are exercised, or that ordinary shares are issued when specified conditions are met.
- Basic EPS calculation:
 - earnings numerator: after deduction of all expenses including tax, and after deduction of non-controlling interests and preference dividends; and
 - denominator: weighted average number of shares outstanding during the period.
- Diluted EPS calculation:
 - earnings numerator: the profit for the period attributable to ordinary shares is increased by the after-tax amount of dividends and interest recognised in the period in respect of the dilutive potential ordinary shares (such as options, warrants, convertible securities and contingent insurance agreements), and adjusted for any other changes in income or expense that would result from the conversion of the dilutive potential ordinary shares;
 - denominator: adjusted for the number of shares that would be issued on the conversion of all of the dilutive potential ordinary shares into ordinary shares; and
 - anti-dilutive potential ordinary shares are excluded from the calculation.

Interpretations

None.

IAS 34 *Interim Financial Reporting*

Effective date	<p>Periods beginning on or after 1 January 1999.</p> <p>Statements included in an interim financial report are affected by the 2007 revisions to IAS 1 (effective 1 January 2009).</p>
Objective	To prescribe the minimum content of an interim financial report and the recognition and measurement principles for an interim financial report.
Summary	<ul style="list-style-type: none"> • Standard applies only when an entity is required or elects to publish an interim financial report in accordance with IFRSs. • Local regulators (not IAS 34) mandate: <ul style="list-style-type: none"> – which entities should publish interim financial reports; – how frequently; and – how soon after the end of an interim period. • An interim financial report is a complete or condensed set of financial statements for a period shorter than an entity's full financial year. • Minimum components of an interim financial report are: <ul style="list-style-type: none"> – condensed statement of financial position; – condensed statement of comprehensive income presented either as a condensed single statement or a condensed separate income statement and a condensed statement of comprehensive income; – condensed statement of changes in equity; – condensed statement of cash flows; and – selected explanatory notes. • Prescribes the comparative periods for which interim financial statements are required to be presented.

Current Standards

- Materiality is based on interim financial data, not forecasted annual amounts.
- The notes in an interim financial report provide an explanation of events and transactions significant to understanding the changes since the last annual financial statements.
- Same accounting policies as used in annual financial statements.
- Revenue and costs are recognised when they occur, not anticipated or deferred.
- Change in accounting policy – restate previously reported interim periods.

Interpretations

IFRIC 10 *Interim Financial Reporting and Impairment*

Where an entity has recognised an impairment loss in an interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost, that impairment is not reversed in subsequent interim financial statements nor in annual financial statements.

Useful Deloitte publication

Interim financial reporting: A guide to IAS 34

2nd edition (June 2007). Guidance on the requirements of the Standard, model interim financial report and compliance checklist. Available for download at www.iasplus.com/dttpubs/pubs.htm

IAS 36 *Impairment of Assets*

Effective date

Applies to goodwill and intangible assets acquired in business combinations for which the agreement date is on or after 31 March 2004, and to all other assets prospectively for periods beginning on or after 31 March 2004.

Objective

To ensure that assets are carried at no more than their recoverable amount, and to prescribe how recoverable amount is calculated.

Summary

- IAS 36 applies to all assets except inventories (see IAS 2), assets arising from construction contracts (see IAS 11), deferred tax assets (see IAS 12), assets arising from employee benefits (see IAS 19), financial assets (see IAS 39), investment property measured at fair value (see IAS 40), and biological assets related to agricultural activity measured at fair value less estimated point-of-sale costs (see IAS 41).
- An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount.
- An impairment loss is recognised in profit or loss for assets carried at cost; and treated as a revaluation decrease for assets carried at revalued amount.
- Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.
- Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset, and from its disposal at the end of its useful life.
- Discount rate is the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. The discount rate used does not reflect risks for which future cash flows have been adjusted and is the rate of return that investors would require if they were to choose an investment that would generate cash flows equivalent to those expected from the asset.
- At the end of each reporting period, assets are reviewed to look for any indication that an asset may be impaired. If impairment is indicated, the asset's recoverable amount is calculated.
- Goodwill and other intangibles with indefinite useful lives are tested for impairment at least annually, and recoverable amount calculated.

Current Standards

- If it is not possible to determine the recoverable amount for an individual asset, then the recoverable amount of the asset's cash-generating unit is determined. The impairment test for goodwill is performed at the lowest level within the entity at which goodwill is monitored for internal management purposes, provided that the unit or group of units to which goodwill is allocated is not larger than an operating segment under IFRS 8 (or, prior to the adoption of IFRS 8, a segment under IAS 14).
- Reversal of prior years' impairment losses is permitted in certain instances (prohibited for goodwill).

Interpretations

IFRIC 10 *Interim Financial Reporting and Impairment*

Where an entity has recognised an impairment loss in an interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost, that impairment is not reversed in subsequent interim financial statements nor in annual financial statements.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets

Effective date

Periods beginning on or after 1 July 1999.

Objective

To prescribe criteria for recognising and measuring provisions, contingent liabilities and contingent assets, and to ensure that sufficient information is disclosed in the notes to the financial statements to enable users to understand their nature, timing and amount.

Summary

- A provision is recognised only when a past event has created a legal or constructive obligation, an outflow of resources is probable, and the amount of the obligation can be estimated reliably.

- The amount recognised as a provision is the best estimate of the settlement amount at the end of the reporting period.
- Provisions are reviewed at the end of each reporting period to adjust for changes in estimate.
- Provisions are utilised only for original purposes.
- Examples of provisions may include onerous contracts, restructuring provisions, warranties, refunds and site restoration.
- Planned future expenditure, even where authorised by the board of directors or equivalent governing body, is excluded from recognition, as are accruals for self-insured losses, general uncertainties, and other events that have not yet taken place.
- A contingent liability arises when:
 - there is a possible obligation to be confirmed by a future event that is outside the control of the entity; or
 - a present obligation may, but probably will not, require an outflow of resources; or
 - a sufficiently reliable estimate of the amount of a present obligation cannot be made (this is rare).
- Contingent liabilities require disclosure only (no recognition). If the possibility of outflow is remote, then no disclosure.
- A contingent asset arises when the inflow of economic benefits is probable, but not virtually certain, and occurrence depends on an event outside the control of the entity.
- Contingent assets require disclosure only. If the realisation of income is virtually certain, the related asset is not a contingent asset and recognition is appropriate.

Interpretations

IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*

Provisions are adjusted for changes in the amount or timing of future costs and for changes in the market-based discount rate.

IFRIC 5 *Rights to Interests Arising from Decommissioning, Restoration and Environmental Funds*

IFRIC 5 deals with the accounting, in the financial statements of the contributor, for interests in decommissioning, restoration and environmental rehabilitation funds established to fund some or all of the costs of decommissioning assets or to undertake environmental rehabilitation.

IFRIC 6 *Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment (WE&EE)*

IFRIC 6 provides guidance on the accounting for liabilities for waste management costs. Specifically, it considers the appropriate trigger for recognition of an obligation to contribute to the costs of disposing of waste equipment based on the entity's share of the market in a measurement period. The Interpretation concludes that the event that triggers liability recognition is participation in the market during a measurement period.

IAS 38 *Intangible Assets*

Effective date

Applies to intangible assets acquired in business combinations for which the agreement date is on or after 31 March 2004, and to all other intangible assets prospectively for periods beginning on or after 31 March 2004.

Objective

To prescribe the accounting treatment for recognising, measuring and disclosing all intangible assets that are not dealt with specifically in another IFRS.

Summary

- An intangible asset, whether purchased or self-created, is recognised if:
 - it is probable that the future economic benefits that are attributable to the asset will flow to the entity; and
 - the cost of the asset can be measured reliably.
- Additional recognition criteria for internally-generated intangible assets.
- All research costs are charged to expense when incurred.
- Development costs are capitalised only after technical and commercial feasibility of the resulting product or service have been established.
- Intangible assets, including in-process research and development, acquired in a business combination are recognised separately from goodwill if they arise as a result of contractual or legal rights, or they are separable from the business. In these circumstances, the recognition criteria (probability of inflow of future economic benefits and reliable measurement – see above) are always considered to be satisfied.
- Internally-generated goodwill, brands, mastheads, publishing titles, customer lists, start-up costs, training costs, advertising costs and relocation costs are never recognised as assets.
- If an intangible item does not meet both the definition and the recognition criteria for an intangible asset, expenditure on the item is recognised as an expense when it is incurred, except if the cost is incurred as part of a business combination, in which case it forms part of the amount recognised as goodwill at the acquisition date.

- For the purpose of accounting subsequent to initial acquisition, intangible assets are classified as:
 - indefinite life: no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. (Note – ‘indefinite’ does not mean ‘infinite’); and
 - finite life: a limited period of benefit to the entity.
- Intangible assets may be accounted for using a cost model or a revaluation model (permitted only in limited circumstances – see below). Under the cost model, assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.
- If an intangible asset has a quoted market price in an active market (which is uncommon), an accounting policy choice of a revaluation model is permitted. Under the revaluation model, the asset is carried at a revalued amount, which is fair value at revaluation date less any subsequent depreciation and any subsequent impairment losses.
- The cost (residual value is normally zero) of an intangible asset with a finite useful life is amortised over that life. Impairment testing under IAS 36 is required whenever there is an indication that the carrying amount exceeds the recoverable amount of the intangible asset.
- Intangible assets with indefinite useful lives are not amortised but are tested for impairment on an annual basis. If recoverable amount is lower than the carrying amount, an impairment loss is recognised. The entity also considers whether the intangible continues to have an indefinite life.

- Under the revaluation model, revaluations are carried out regularly. All items of a given class are revalued (unless there is no active market for a particular asset). Revaluation increases are recognised in other comprehensive income and accumulated in equity. Revaluation decreases are charged first against the revaluation surplus in equity related to the specific asset, and any excess against profit or loss. When the revalued asset is disposed of, the revaluation surplus remains in equity and is not reclassified to profit or loss.
- Normally, subsequent expenditure on an intangible asset after its purchase or completion is recognised as an expense. Only rarely are the asset recognition criteria met.

Interpretations

SIC 32 *Intangible Assets – Web Site Costs*

Certain initial infrastructure development and graphic design costs incurred in web site development may be capitalised.

IAS 39 *Financial Instruments: Recognition and Measurement*

Effective date

Annual periods beginning on or after 1 January 2005, except the 2004 and 2005 revisions for the fair value option, cash flow hedge accounting of forecast intragroup transactions, and financial guarantee contracts are effective 1 January 2006.

Objective

To establish principles for recognising, derecognising and measuring financial assets and financial liabilities.

Summary

- All financial assets and financial liabilities, including all derivatives and certain embedded derivatives, are recognised in the statement of financial position.

- Financial instruments are initially measured at fair value on date of acquisition or issue. Usually this is the same as cost, but sometimes an adjustment is required.
- An entity has an option of recognising normal purchases and sales of securities in the market place consistently either at trade date or settlement date. If settlement-date accounting is used, IAS 39 requires recognition of certain value changes between trade and settlement dates.
- For the purpose of measuring a financial asset subsequent to initial recognition, IAS 39 classifies financial assets into four categories:
 1. Loans and receivables not held for trading.
 2. Held-to-maturity (HTM) investments, such as debt securities and mandatorily redeemable preference shares, that the entity intends and is able to hold to maturity. If an entity sells any HTM investments (other than in exceptional circumstances), all of its other HTM investments are reclassified as available-for-sale (category 4 below) for the current and next two financial reporting periods.
 3. Financial assets measured at fair value through profit or loss, which includes those held for trading (short-term profit-taking) and any other financial asset that the entity designates (the 'fair value option'). Derivative assets are always in this category unless they are designated as hedging instruments.
 4. Available-for-sale financial assets (AFS) – all financial assets that do not fall into one of the other three categories. This includes all investments in equity instruments that are not measured at fair value through profit or loss. Additionally, an entity may designate any loans and receivables as AFS.

- The use of the 'fair value option' (3 above) is restricted to those financial instruments designated on initial recognition into one of the following categories:
 - those that are classified as held for trading;
 - where the fair value option eliminates an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on different bases;
 - those that are part of a group of financial assets, financial liabilities, or both that are managed, and their performance is evaluated by management, on a fair value basis in accordance with a documented risk management or investment strategy; and
 - those that contain one or more embedded derivatives, except if the embedded derivative does not modify significantly the associated cash flows or it is clear with little or no analysis that separation is prohibited.
- Subsequent to initial recognition:
 - all financial assets in categories 1 and 2 above are carried at amortised cost, subject to a test for impairment;
 - all financial assets in category 3 above are carried at fair value, with value changes recognised in profit or loss; and
 - all financial assets in category 4 above (AFS) are measured at fair value in the statement of financial position, with value changes recognised in other comprehensive income, subject to impairment testing. If the fair value of an AFS asset cannot be measured reliably, the asset is carried at cost.

- After acquisition, most financial liabilities are measured at original recorded amount less principal repayments and amortisation. Three categories of liabilities are measured at fair value with value changes recognised in profit or loss:
 - derivative liabilities;
 - liabilities held for trading (short sales); and
 - any liabilities that the entity designates, at issuance, to be measured at fair value through profit or loss (the ‘fair value option’ – see above).
- Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction. The IAS 39 fair value hierarchy:
 - best is quoted market price in an active market;
 - otherwise use a valuation technique that makes maximum use of market inputs and includes recent arm’s length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, and option pricing models.
- IAS 39 establishes conditions for determining when control over a financial asset or liability has been transferred to another party and, therefore, when it should be removed from the statement of financial position (derecognised). Derecognition is not permitted to the extent to which the transferor has continuing involvement in an asset or a portion of an asset it has transferred.
- Hedge accounting (recognising the offsetting effects of fair value changes of both the hedging instrument and the hedged item in the same period’s profit or loss) is permitted in certain circumstances, provided that the hedging relationship is clearly defined, measurable, and actually effective.

IAS 39 provides for three types of hedges:

- fair value hedge: if an entity hedges a change in fair value of a recognised asset or liability or firm commitment, the change in fair values of both the hedging instrument and the hedged item are recognised in profit or loss when they occur;
 - cash flow hedge: if an entity hedges changes in the future cash flows relating to a recognised asset or liability or a highly probable forecast transaction, then the change in fair value of the hedging instrument is recognised in other comprehensive income until such time as those future cash flows occur; and
 - hedge of a net investment in a foreign entity: this is treated as a cash flow hedge.
- A hedge of foreign currency risk in a firm commitment may be accounted for as a fair value hedge or as a cash flow hedge.
 - The foreign currency risk of a highly probable intragroup transaction is permitted to qualify as the hedged item in a cash flow hedge in the consolidated financial statements, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and the foreign currency risk will affect the consolidated financial statements.
 - If the hedge of a forecast intragroup transaction qualifies for hedge accounting, any gain or loss that is recognised in other comprehensive income in accordance with the hedging rules in IAS 39 is reclassified from equity to profit or loss in the same period or periods in which the foreign currency risk of the hedged transaction affects profit or loss.
 - A portfolio hedge of interest rate risk (hedging an amount rather than a specific asset or liability) can qualify as a fair value hedge.

Interpretations

IFRIC 9 *Reassessment of Embedded Derivatives*

Generally, determination as to whether to account for an embedded derivative separately from the host contract is made when the entity first becomes a party to the host contract, and is not subsequently reassessed.

A first-time adopter of IFRSs makes its assessment based on conditions existing when the entity became party to the hybrid contract, not when it adopts IFRSs.

An entity only revisits its assessment if the terms of the contract change, and the expected future cash flows of the embedded derivative, the host contract, or both, change significantly relative to the previously expected cash flows on the contract.

IAS 39 guidance

Implementation guidance is provided in the IASB's annual bound volume of IFRSs.

Useful Deloitte publication

iGAAP 2007: Financial instruments: IAS 32, IAS 39 and IFRS 7 explained

3rd edition (March 2007). Guidance on how to apply these complex Standards, including illustrative examples and interpretations. Information at www.iasplus.com/dttpubs/pubs.htm

IAS 40 *Investment Property*

Effective date

Annual periods beginning on or after 1 January 2005.

Objective

To prescribe the accounting treatment for investment property and related disclosures.

Summary

- Investment property is land or buildings held (whether by the owner or under a finance lease) to earn rentals or for capital appreciation or both.

- IAS 40 does not apply to owner-occupied property or property that is being constructed or developed for future use as investment property, or property held for sale in the ordinary course of business.
- An entity chooses either the fair value model or the cost model:
 - fair value model: investment property is measured at fair value, and changes in fair value are recognised in profit or loss; and
 - cost model: investment property is measured at depreciated cost less any accumulated impairment losses. Fair value of the investment property is disclosed.
- The chosen measurement model is applied to all of the entity's investment property.
- If an entity uses the fair value model but, when a particular property is acquired, there is clear evidence that the entity will not be able to determine fair value on a continuing basis, the cost model is used for that property – and it must continue to be used until disposal of the property.
- Change from one model to the other is permitted if it will result in a more appropriate presentation (highly unlikely for change from fair value to cost model).
- A property interest held by a lessee under an operating lease can qualify as investment property provided that the lessee uses the fair value model of IAS 40. In this case, the lessee accounts for the lease as if it were a finance lease.

Interpretations

None.

IAS 41 *Agriculture*

Effective Date	Periods beginning on or after 1 January 2003.
Objective	To prescribe accounting for agricultural activity – the management of the biological transformation of biological assets (living plants and animals) into agricultural produce.
Summary	<ul style="list-style-type: none">• All biological assets are measured at fair value less estimated point-of-sale costs, unless fair value cannot be measured reliably.• Agricultural produce is measured at fair value at the point of harvest less estimated point-of-sale costs. Because harvested produce is a marketable commodity, there is no 'measurement reliability' exception for produce.• Any change in the fair value of biological assets during a period is reported in profit or loss.• Exception to fair value model for biological assets: if there is no active market at the time of recognition in the financial statements, and no other reliable measurement method, then the cost model is used for the specific biological asset only. The biological asset is measured at depreciated cost less any accumulated impairment losses.• Quoted market price in an active market generally represents the best measure of the fair value of a biological asset or agricultural produce. If an active market does not exist, IAS 41 provides guidance for choosing another measurement basis.• Fair value measurement stops at harvest. IAS 2 applies after harvest.
Interpretations	None.

IFRIC 12 *Service Concession Arrangements*

Note: This Interpretation draws from several Standards and is included separately due to its complexity and significance.

Effective date	Periods beginning on or after 1 January 2008.
Objective	To address the accounting by private sector operators involved in the provision of public sector infrastructure assets and services. The Interpretation does not address the accounting for the government (grantor) side of such arrangements.
Summary	<ul style="list-style-type: none"> • For all arrangements falling within the scope of the Interpretation (essentially those where the infrastructure assets are not controlled by the operator), the infrastructure assets are not recognised as property, plant and equipment of the operator. Rather, depending on the terms of the arrangement, the operator recognises: <ul style="list-style-type: none"> – a financial asset – where the operator has an unconditional right to receive a specified amount of cash or other financial asset over the life of the arrangement; or – an intangible asset – where the operator’s future cash flows are not specified (e.g. where they will vary according to usage of the infrastructure asset); or – both a financial asset and an intangible asset where the operator’s return is provided partially by a financial asset and partially by an intangible asset.

Current IASB agenda projects

Our www.iasplus.com website has the latest information about the IASB and IFRIC agenda projects and research topics, including summaries of decisions reached at each IASB and IFRIC meeting.

The following is a summary of the IASB's agenda projects at 31 March 2008.

* Convergence project with FASB

Topic	Project	Status
Annual Improvements	Minor amendments to IFRS:	
	<ul style="list-style-type: none">• 2007• 2008	Final IFRS planned for second quarter of 2008. ED planned for second half of 2008.
Common Control Transactions	Addresses the accounting for combinations between entities or businesses under common control in the acquirer's consolidated and separate financial statements.	Added to agenda in December 2007. Timing of work yet to be determined.

Topic	Project	Status
Conceptual Framework*	<p>The project is being addressed in eight phases:</p> <p>A Objectives and qualitative characteristics</p> <p>B Elements and recognition</p> <p>C Measurement</p> <p>D Reporting entity</p> <p>E Presentation and disclosure</p> <p>F Purpose and status of framework</p> <p>G Applicability to not-for-profit entities</p> <p>H Other issues, if necessary</p>	<p>DP on Phase A was issued in July 2006.</p> <p>ED on Phase A planned for second quarter of 2008.</p> <p>DP on Phase B planned for 2009.</p> <p>DP on Phase C planned for second half of 2008.</p> <p>DP on Phase D planned for second quarter of 2008.</p> <p>IASB has not yet determined timing of other phases.</p>
Consolidation, including Special Purpose Entities*	<p>The objective of the project is to provide more rigorous guidance on the concept of 'control' as the basis for preparing consolidated financial statements.</p>	<p>DP planned for second half of 2008.</p>
Earnings per Share	<p>Amendment of IAS 33 re treasury stock method and several other issues.</p>	<p>ED planned for second quarter of 2008.</p>

Agenda projects

Topic	Project	Status
Emission trading schemes	Addresses the accounting for emission trading rights, including any government grants associated with such rights but will not address government grants more generally.	Added to agenda in December 2007. Timing of work yet to be determined.
Fair value measurement guidance*	To provide guidance to entities on how they should measure the fair value of assets and liabilities when required by other Standards.	DP wrap-around of SFAS 157 <i>Fair Value Measurement</i> was issued in November 2006. ED planned for 2009.
Financial Instruments: Exposures Qualifying for Hedge Accounting	The development of guidance on risk exposures for which hedge accounting is permitted under IAS 39.	Final IFRS planned for second half of 2008.
Financial statement presentation (performance reporting)*	In two phases: 1. Which financial statements and comparative information. 2. Presentation in the financial statements.	1. Final IFRS was issued in September 2007. 2. DP planned for second quarter of 2008.

Topic	Project	Status
Government grants	The objective of this project is to improve IAS 20.	Work has been deferred pending completion of the Liabilities (IAS 37 amendments) project. The revised timetable has not yet been announced.
IFRS 1 amendment	Cost of investment in a subsidiary in separate financial statements of parent.	Revised ED was issued in February 2007. Final amendment planned for second quarter of 2008.
IFRS 2 amendment	Group cash-settled share-based payment transactions (IFRS 2 and IFRIC 11).	ED was issued in December 2007.
Impairment*	Reconsideration of IAS 36 <i>Impairment of Assets</i> .	Staff research is in progress.
Income taxes*	Aimed at reducing the differences between IAS 12 <i>Income Taxes</i> and the US standard, SFAS 109 <i>Accounting for Income Taxes</i> .	ED planned for second quarter of 2008. Final IFRS planned for 2009.
Insurance contracts-Phase II	The objective of the project is to take a fresh look at accounting for insurance contracts.	DP was issued in May 2007. Ed planned for 2009.

Agenda projects

Topic	Project	Status
Joint arrangements*	Replacement of IAS 31 <i>Interests in Joint Ventures</i> with a Standard that reduces options and focusses on underlying rights and obligations.	ED was issued in September 2007. Final IFRS planned for second half 2008.
Leases*	The objective of the project is to improve the accounting for leases by developing an approach that is more consistent with the conceptual framework definitions of assets and liabilities.	DP planned for 2009.
Liabilities (IAS 37 amendments)	The objective of the project is to improve the requirements relating to identification and recognition of liabilities.	ED was issued in June 2005. Final IFRS planned for 2009.
Management commentary	<ul style="list-style-type: none"> • Added to agenda in December 2007. • Objective of this project is to develop a model for a narrative report that would accompany but be presented outside of the financial statements. • The output would be a best practice guidance document. 	IASB issued a DP for comment in October 2005. Timing of further work yet to be determined.

Topic	Project	Status
Post-employment benefits (including pensions)	<p>The project includes:</p> <ul style="list-style-type: none"> • a targeted series of improvements to IAS 19 to be completed within a four-year period; and • a comprehensive review of the existing pension accounting model in conjunction with FASB. 	<p>DP issued March 2008. ED planned for 2009.</p>
Related Party Disclosures	<p>The main objectives of the project are to address:</p> <ul style="list-style-type: none"> • the requirements in IAS 24 for entities with significant state ownership when they transact with similar entities; and • a number of changes required in the detail of the definition of related party. 	<p>ED was issued in February 2007. Final IFRS planned for second quarter of 2008.</p>
Revenue recognition*	<p>The objective of the project is to develop general principles for determining when revenue should be recognised in the financial statements.</p>	<p>DP planned for second quarter of 2008.</p>
(IFRS for) Small and Medium-sized Entities	<p>The objective of the project is to develop an International Financial Reporting Standard for entities that do not have public accountability.</p>	<p>ED was issued in February 2007. Final IFRS planned for second half of 2008.</p>

IASB active research topics

* Convergence project with FASB

Topic	Status
Derecognition*	<ul style="list-style-type: none"> • Staff research paper being developed.
Reducing Complexity in Reporting Financial Instruments *	<ul style="list-style-type: none"> • To develop standards for the reporting of financial instruments that are principle-based and less complex. • DP issued March 2008.
Intangible assets*	<ul style="list-style-type: none"> • To develop a consistent approach to recognition and measurement of intangible assets, (including purchased and internally-generated intangible assets) not related to a business combination. • Staff research paper being developed. • Decision in December 2007 not to add this project to the agenda but to continue as a research project.
Extractive activities	<ul style="list-style-type: none"> • To focus on the factors influencing the estimation of reserves and resources and the major reserve reporting codes and classification systems used in the extractive industries. • A group of national standard setters is developing a discussion paper.
Liabilities and equity*	<ul style="list-style-type: none"> • To provide a more relevant and comparable depiction of financial instruments with characteristics of equity, liabilities or both. • DP issued February 2008.

Interpretations

Interpretations of IASs and IFRSs are developed by the International Financial Reporting Interpretations Committee (IFRIC), which replaced the Standing Interpretations Committee (SIC) in 2002. Interpretations are part of IASB's authoritative literature. Therefore, financial statements may not be described as complying with International Financial Reporting Standards unless they comply with all the requirements of each applicable Standard and each applicable Interpretation.

IFRIC Interpretations

The following Interpretations have been issued by the International Financial Reporting Interpretations Committee (IFRIC) starting in 2004 through 31 March 2008:

- IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*
- IFRIC 2 *Members' Shares in Co-operative Entities and Similar Instruments*
- IFRIC 3 – withdrawn
- IFRIC 4 *Determining whether an Arrangement contains a Lease*
- IFRIC 5 *Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*
- IFRIC 6 *Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment*
- IFRIC 7 *Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies*
- IFRIC 8 *Scope of IFRS 2*
- IFRIC 9 *Reassessment of Embedded Derivatives*
- IFRIC 10 *Interim Financial Reporting and Impairment*
- IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions*
- IFRIC 12 *Service Concession Arrangements*
- IFRIC 13 *Customer Loyalty Programmes*
- IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

Interpretations

SIC Interpretations

The following Interpretations, issued by the Standing Interpretations Committee (SIC) from 1997-2001, remain in effect. All other SIC Interpretations have been superseded by amendments to IASs or new IFRSs issued by the IASB:

- SIC-7 *Introduction of the Euro*
- SIC-10 *Government Assistance – No Specific Relation to Operating Activities*
- SIC-12 *Consolidation – Special Purpose Entities*
- SIC-13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*
- SIC-15 *Operating Leases – Incentives*
- SIC-21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets*
- SIC-25 *Income Taxes – Changes in the Tax Status of an Entity or its Shareholders*
- SIC-27 *Evaluating the Substance of Transactions in the Legal Form of a Lease*
- SIC-29 *Service Concession Arrangements: Disclosures*
- SIC-31 *Revenue – Barter Transactions Involving Advertising Services*
- SIC-32 *Intangible Assets – Web Site Costs*

Items not added to IFRIC agenda

We maintain on www.iasplus.com a list of over 130 issues that the IFRIC considered adding to its agenda but decided not to do so. In each case, the IFRIC announces its reason for not taking the issue onto its agenda. By their nature, those announcements provide helpful guidance in applying IFRSs. You will find the list at www.iasplus.com/ifric/notadded.htm

IFRIC due process

In February 2007, the Trustees of the IASC Foundation published the Due Process Handbook for the International Financial Reporting Interpretations Committee (IFRIC). A copy may be downloaded from the IASB's website www.iasb.org

The IFRIC approves draft and final Interpretations if not more than four of the fourteen IFRIC members vote against. Final Interpretations must then be approved by the IASB (at least nine votes in favour).

IFRIC current agenda issues

Standard	Topic	Status
IAS 18 <i>Revenue</i>	Real Estate Sales	Draft Interpretation D21 issued
	Customer Contributions	Draft Interpretation D24 issued
IAS 21 <i>The Effects of Changes in Foreign Exchange Rates</i>	Hedges of a Net Investment in a Foreign Operation	Draft Interpretation D22 issued
IAS 27 <i>Consolidated and Separate Financial Statements</i>	Distributions of Non-cash Assets to Owners	Draft Interpretation D23 issued
IAS 39 <i>Financial Instruments: Recognition and Measurement</i>	Derecognition of financial assets	Active

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IASB

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Some national standard-setting bodies

Australian Accounting Standards Board	www.aasb.com.au
Canadian Accounting Standards Board	www.acsbcanada.org
China Accounting Standards Committee	www.casc.gov.cn/internet/internet/en.html
Conseil National de la Comptabilité (France)	www.minefi.gouv.fr/directions_services/CNCompta/
German Accounting Standards Board	www.drsc.de
Japan Accounting Standards Board	www.asb.or.jp/index_e.php
Korea Accounting Standards Board	http://eng.kasb.or.kr
New Zealand Financial Reporting Standards Board and New Zealand Accounting Standards Review Board	www.nzica.com www.asrb.co.nz
Accounting Standards Board (United Kingdom)	www.frc.org.uk/asb
Financial Accounting Standards Board (USA)	www.fasb.org

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Presentation and disclosure checklist	Checklist incorporating all of the presentation and disclosure requirements of Standards.
Model financial statements	Model financial statements illustrating the presentation and disclosure requirements of IFRSs.
iGAAP 2007 Financial instruments: IAS 32, IAS 39 and IFRS7 explained	3rd edition (March 2007). Guidance on how to apply these complex Standards, including illustrative examples and interpretations.
First-time adoption: A guide to IFRS 1	Application guidance for the "stable platform" standards effective in 2005.
Share-based payments: A guide to IFRS 2	Guidance on applying IFRS 2 to many common share-based payment transactions.
Business combinations: A guide to IFRS 3	Supplements the IASB's own guidance for applying this Standard.
Assets held for sale and discontinued operations: A guide to IFRS 5	Detailed summaries and explanations of the requirements of the Standard, including examples of application and discussion of evolving literature.
Interim financial reporting: A guide to IAS 34	Guidance on applying the interim reporting standard, including a model interim financial report and an IAS 34 compliance checklist.

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