

## IFRS in Focus

# IASB issues Improvements to IFRSs: 2009-2011 Cycle

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#### The Bottom Line

- The amendments impact the following standards:
  - IFRS 1 *First-time Adoption of International Financial Reporting Standards*
  - IAS 1 *Presentation of Financial Statements*
  - IAS 16 *Property, Plant and Equipment*
  - IAS 32 *Financial Instruments: Presentation*
  - IAS 34 *Interim Financial Reporting*
- The amendments are effective for annual periods beginning on or after 1 January 2013, with early application permitted, and must be applied retrospectively.

#### Introduction

On 17 May 2012, the International Accounting Standards Board (IASB) issued *Annual Improvements to IFRSs: 2009-2011 Cycle*, incorporating amendments to five International Financial Reporting Standards (IFRSs). This is the fourth collection of amendments issued under the annual improvements process, which is designed to make necessary, but non-urgent, amendments to IFRSs.

The amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. Entities are permitted to early adopt any individual amendment within the *Annual Improvements to IFRSs: 2009-2011 Cycle* without early adopting all other amendments.

For more information please see the following websites:

[www.iasplus.com](http://www.iasplus.com)

[www.deloitte.com](http://www.deloitte.com)

## The amendments

IFRS	Topic	Amendment
IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i>	Repeated application of IFRS 1	<p>An entity may apply IFRS 1 if its most recent previous annual financial statements did not contain an explicit and unreserved statement of compliance with IFRSs, even if the entity applied IFRS 1 in the past. An entity that does not elect to apply IFRS 1 must apply IFRSs retrospectively as if there was no interruption.</p> <p>An entity should disclose:</p> <ol style="list-style-type: none"> <li>the reason it stopped applying IFRSs;</li> <li>the reason it is resuming the application of IFRSs; and</li> <li>the reason it has elected not to apply IFRS 1, if applicable.</li> </ol>
	Borrowing costs	<p>Borrowing costs capitalised under previous GAAP before the date of transition to IFRSs may be carried forward without adjustment to the amount previously capitalised at the transition date.</p> <p>Borrowing costs incurred on or after the date of transition to IFRSs that relate to qualifying assets under construction at the date of transition should be accounted for in accordance with IAS 23 <i>Borrowing Costs</i>.</p> <p>A first-time adopter can choose to apply IAS 23 at a date earlier than the transition date.</p>
IAS 1 <i>Presentation of Financial Statements</i>	Clarification of the requirements for comparative information	<p>Additional comparative information is not necessary for periods beyond the minimum comparative financial statement requirements of IAS 1. If additional comparative information is provided, the information should be presented in accordance with IFRSs, including disclosure of comparative information for any additional statements included beyond the minimum comparative financial statement requirements. Presenting additional comparative information voluntarily would not trigger a requirement to provide a complete set of financial statements.</p> <p>An entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification which has a material effect on the information in the statement of financial position at the beginning of the preceding period would present the statement of financial position at the end of the current period and the beginning and end of the preceding period.</p> <p>Other than disclosure of certain specified information, related notes are not required to accompany the opening statement of financial position as at the beginning of the preceding period.</p> <p>An entity's first IFRS financial statements may include additional comparative information in accordance with previous GAAP to assist in explaining the effects of the transition to IFRS.</p>
IAS 16 <i>Property, Plant and Equipment</i>	Classification of servicing equipment	Spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise.
IAS 32 <i>Financial Instruments: Presentation</i>	Tax effect of distribution to holders of equity instruments	Income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 <i>Income Taxes</i> .
IAS 34 <i>Interim Financial Reporting</i>	Interim financial reporting and segment information for total assets and liabilities	The total assets and total liabilities for a particular reportable segment would be separately disclosed in interim financial reporting only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

### Observation

The amendments made are largely of the nature of clarifications or removals of unintended inconsistencies between IFRSs. However, the amendments to IAS 1 may be of interest as they reduce the amount of information from previous reporting periods which is required to be repeated in the event of a change in accounting policy, reclassification or restatement by limiting the requirement to present an additional statement of financial position to circumstances when the statement is materially affected and by clarifying that related notes to an additional statement of financial position are not required.

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