Briefing Sheet

Reminder: effective dates of IFRSs

December 2010, **Issue 227**

This Briefing Sheet serves as a reminder of newly effective standards and standards issued but not yet effective for interim and annual periods ending **31 December 2010**.

The standards, interpretations and amendments to standards and interpretations (collectively referred to as "standards" or "requirements") are grouped into three parts:

Part I Standards that are required to be applied in annual and interim periods ending on 31 December 2010.

Part II Standards that are required to be applied in interim periods related to annual periods beginning after 1 January 2010. However, these standards are not required to be applied in annual periods ending on 31 December 2010 or interim periods related to annual periods beginning before 1 January 2010, but can be early adopted unless otherwise indicated. Additional disclosures are required when such a standard is early adopted.

Part III Standards which are not required yet to be applied in either interim or annual periods, but which can be early adopted. Additional disclosures are required when such a standard is early adopted.

Entities with annual reporting periods ending **31 December 2010** also can use Parts II and III in considering the disclosure that should be made to comply with paragraph 30 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

This Briefing Sheet does not cover accounting guidance that currently is in progress with the IASB. The official standards, amendments to standards, interpretations or other information referred to herein should be read for more complete information on the new requirements and their transitional provisions.

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Summary

The following is a summary of all of the newly effective standards, amendments and interpretations by effective date.

	Effective Date[1]	Standard, Amendment or Interpretation
Part I	Acquisitions with a date of acquisition on or after the beginning of the first annual period beginning on or after 1 July 2009	IFRS 3 *Business Combinations* (revised 2008)
	1 July 2009	IAS 27 *Consolidated and Separate Financial Statements* (amended 2008)
		IFRS 1 *First-time Adoption of International Financial Reporting Standards* (revised 2008)
		Amendments to IAS 39 – Eligible Hedged Items
		IFRIC 17 *Distributions of Non-cash Assets to Owners*
		Improvements to IFRSs 2008 – Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*
		Improvements to IFRSs 2009 – various standards
	1 January 2010	*Improvements to IFRSs 2009* – various standards
		Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters
		Amendments to IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions
Part II	1 February 2010	Amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
	1 July 2010	IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*
		Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters
		Improvements to IFRSs 2010 – various standards
Part III	1 January 2011	IAS 24 *Related Party Disclosures* (revised 2009)
		Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction
		Improvements to IFRSs 2010 – various standards
	1 January 2013	IFRS 9 *Financial Instruments*

1. Effective date is for periods beginning on or after the stated date, unless otherwise indicated.

Part I: Standards that are effective for annual and interim periods ending on 31 December 2010

Standard, Amendment or Interpretation	Summary of Requirements
IFRS 3 *Business Combinations* (revised 2008)	The IASB issued a revised version of the business combinations standard. Some of the main changes to the standard are as follows: • The revised standard also applies to business combinations involving only mutual entities and to business combinations achieved by contract alone. • The definition of a business has been amended to clarify that it can include a set of activities and assets that are not being operated as a business, as long as an acquirer is capable of operating the set as a business. • All business combinations are accounted for by applying the acquisition method (previously the purchase method). • The acquirer can elect to measure any non-controlling (previously minority) interest at fair value at the acquisition date, or at its proportionate interest in the fair value of the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis. • Subsequent recognition of deferred tax assets acquired in a business combination that did not satisfy the criteria for recognition at the acquisition date would be recognised in profit or loss. This standard applies prospectively to acquisitions with a date on or after the beginning of the first annual period beginning on or after 1 July 2009. However, as an exception, the subsequent adjustment of deferred tax assets recognised in a business combination accounted for under IFRS 3 (2004) is accounted for under the revised standard. If an entity early adopts IFRS 3 (2008), then the amendments to IAS 27 (see below) and consequential amendments to other standards are applied at the same time. For more information, refer to Briefing Sheet – Issue 81. NOTE: The consequential amendments to other standards as a result of the release of IFRS 3 (2008) and IAS 27 (2008), in some instances, could result in significant changes. For entities that do not early adopt these standards, care should be taken in ensuring the correct version of the standard is used.
IAS 27 *Consolidated and Separate Financial Statements* (amended 2008)	The IASB amended IAS 27 to reflect changes to the accounting for non-controlling (previously minority) interest. The amendments deal primarily with the accounting for changes in ownership interests in subsidiaries after control is obtained, the accounting for the loss of control of subsidiaries, and the allocation of profit or loss to controlling and non-controlling interests in a subsidiary. Significant changes include: • changes in a parent's ownership interest in a subsidiary after control is obtained that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). Accordingly, acquisitions of additional non-controlling interests are accounted for as equity transactions and disposals of equity interests while retaining control are accounted for as equity transactions; • transactions resulting in a loss of control would cause a gain or loss to be recognised in profit or loss; and • losses applicable to the non-controlling interests, including negative other comprehensive income, are allocated to non-controlling interests even if doing so causes the non-controlling interests to have a negative balance.

Standard, Amendment or Interpretation	Summary of Requirements
IAS 27 *Consolidated and Separate Financial Statements* (amended 2008) (continued)	If an entity early adopts the amendments to IAS 27 then it also applies IFRS 3 (2008) and the consequential amendment to other standards at the same time. The amendments apply retrospectively except for: • the requirement to attribute comprehensive income between controlling and non-controlling interests even if this results in non-controlling interest having a negative balance; • accounting for changes in ownership interests after control is obtained; and • remeasuring to fair value any retained non-controlling equity investment upon a loss of control. For more information, refer to Briefing Sheet – Issue 81. NOTE: The consequential amendments to other standards as a result of the release of IFRS 3 (2008) and IAS 27 (2008), in some instances, could result in significant changes. For entities that do not early adopt these standards, care should be taken in ensuring the correct version of the standard is used.
IFRS 1 *First-time Adoption of International Financial Reporting Standards* (revised 2008)	The IASB issued a revised version of this standard with an improved structure but no changes to technical content. For more information, refer to Briefing Sheet – Issue 114.
Amendments to IAS 39 – Eligible Hedged Items	These amendments to IAS 39 clarify how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. For more information, refer to Briefing Sheet – Issue 100.
IFRIC 17 *Distributions of Non-cash Assets to Owners*	This interpretation provides guidance in respect of distributions of non-cash assets to owners acting in their capacity as owners. Distributions within the scope of IFRIC 17 are measured at the fair value of the assets to be distributed. Any gain or loss on settlement of the liability for the dividend payable is recognised in profit or loss. The scope of IFRS 5 was expanded to include distributions of non-cash assets to owners. The interpretation applies prospectively. For more information, refer to Briefing Sheet – Issue 115.
Improvements to IFRSs 2008 – Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*	The amendments specify that: • if an entity is committed to a plan to sell a subsidiary, then it would classify all of that subsidiary's assets and liabilities as held for sale when the held for sale criteria in paragraphs 6 to 8 of IFRS 5 are met; this applies regardless of the entity retaining an interest (other than control) in the subsidiary; and • disclosures for discontinued operations are required by the parent when a subsidiary meets the definition of a discontinued operation. If an entity applies the IFRS 5 amendments to periods beginning before 1 July 2009, then it also applies amended IAS 27 (2008) at the same time. The amendments apply prospectively from the date the entity first applied IFRS 5, subject to the transition requirements in paragraph 45 of IAS 27 (2008).
Improvements to IFRSs 2009	The IASB issued amendments to various standards collectively referred to as "Improvements to IFRSs". For more information, refer to Briefing Sheet – Issue 134.

Standard, Amendment or Interpretation	**Summary of Requirements**
Improvements to IFRSs 2009 – Amendments to IFRS 2 *Share-based Payments* and IFRS 3 *Business Combinations* (revised 2008)	The amendments clarify that business combinations as defined in IFRS 3 (2008) are outside the scope of IFRS 2, notwithstanding that they may be outside the scope of IFRS 3. Therefore business combinations amongst entities under common control and the contribution of a business upon the formation of a joint venture will not be accounted for under IFRS 2. Early application is required if IFRS 3 (2008) is adopted early.
Improvements to IFRSs 2009 – Amendments to IAS 38 *Intangible Assets*	The amendments clarify that: • an intangible asset that is separable only together with a related contract, identifiable asset or liability is recognised separately from goodwill together with the related item; and • complementary intangible assets with similar useful lives may be recognised as a single asset. The amendments also describe valuation techniques commonly used by entities when measuring the fair value of intangible assets acquired in a business combination for which no active market exists. These amendments apply prospectively. Early application is required if IFRS 3 (2008) is adopted early.
Improvements to IFRSs 2009 – Amendments to IFRIC 9 *Reassessment of Embedded Derivatives*	The IASB amended the scope of IFRIC 9 so that embedded derivatives in contracts acquired in business combinations as defined in IFRS 3 (2008), joint venture formations and common control transactions remain outside the scope of IFRIC 9. The amendments apply prospectively. Early application is required if IFRS 3 (2008) is adopted early.
Improvements to IFRSs 2009 – Amendments to IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*	The amendments remove the restriction that prevented a hedging instrument from being held by a foreign operation that itself is being hedged. The amendments apply prospectively.
Improvements to IFRSs 2009 – Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*	The amendments clarify that the required disclosures for non-current assets (or disposal groups) classified as held for sale or discontinued operations are specified in IFRS 5. The amendments apply prospectively.
Improvements to IFRSs 2009 – Amendments to IFRS 8 *Operating Segments*	The amendments clarify that segment information with respect to total assets is required only if such information is regularly reported to the chief operating decision maker.
Improvements to IFRSs 2009 – Amendments to IAS 1 *Presentation of Financial Statements*	The amendments clarify that the classification of the liability component of a convertible instrument as current or non-current is not affected by terms that could, at the option of the holder of the instrument, result in settlement of the liability by the issue of equity instruments.

Standard, Amendment or Interpretation	Summary of Requirements
Improvements to IFRSs 2009 – Amendments to IAS 7 *Statement of Cash Flows*	The amendments clarify that only expenditures that result in the recognition of an asset can be classified as a cash flow from investing activities.
Improvements to IFRSs 2009 – Amendments to IAS 17 *Leases*	The IASB deleted guidance stating that a lease of land with an indefinite economic life normally is classified as an operating lease, unless at the end of the lease term title is expected to pass to the lessee. The amendments clarify that when a lease includes both the land and building elements, an entity should determine the classification of each element based on paragraphs 7 – 13 of IAS 17, taking account of the fact that land normally has an indefinite economic life.
Improvements to IFRSs 2009 – Amendments to IAS 36 *Impairment of Assets*	The amendments clarify that the largest unit to which goodwill should be allocated is the operating segment level as defined in IFRS 8 before applying the aggregation criteria of IFRS 8. The amendments apply prospectively.
Improvements to IFRSs 2009 – Amendments to IAS 39 *Financial Instruments: Recognition and Measurement*	The amendments: • provide additional guidance on determining whether loan prepayment penalties result in an embedded derivative that needs to be separated; • clarify that the scope exemption in IAS 39 paragraph 2(g) is restricted to forward contracts, i.e. not options, between an acquirer and a selling shareholder to buy or sell an acquiree that will result in a business combination at a future acquisition date within a reasonable period normally necessary to obtain any required approvals and to complete the transaction; and • clarify that the gains or losses on a cash flow hedge should be reclassified from other comprehensive income to profit or loss during the period that the hedged forecast cash flows impact profit or loss. The amendments apply prospectively to all unexpired contracts from the date of adoption.
Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters*	The IASB provided additional optional exemptions for first-time adopters of IFRSs that will: • permit entities to not reassess the determination of whether an arrangement contains a lease if the same assessment as that required by IFRIC 4 was made under previous GAAP; and • allow entities in the oil and gas industry to use their previous GAAP carrying amounts as deemed cost at the date of transition for oil and gas assets. For more information, refer to Briefing Sheet – Issue 145.
Amendments to IFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*	The IASB amended IFRS 2 to require an entity receiving goods or services (receiving entity) in either an equity-settled or a cash-settled share-based payment transaction to account for the transaction in its separate or individual financial statements. This principle even applies if another group entity or shareholder settles the transaction (settling entity) and the receiving entity has no obligation to settle the payment. Retrospective application is subject to the transitional requirements in IFRS 2. For more information, refer to Briefing Sheet – Issue 140.

Part II: Standards effective for periods beginning after 1 January 2010

Effective Date[1]	Standard, Amendment or Interpretation	Summary of Requirements
1 February 2010	*Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues*	The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. For more information, refer to Briefing Sheet – Issue 157.
1 July 2010	IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*	This interpretation provides guidance on the accounting for debt for equity swaps. For more information, refer to Briefing Sheet – Issue 163.
	Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters	The amendment provides the same relief to first-time adopters as was given to current users of IFRSs upon adoption of the Amendments to IFRS 7. The amendment also clarifies the transitional provisions of the Amendments to IFRS 7. For more information, refer to Briefing Sheet – Issue 170.
	Improvements to IFRSs 2010	The IASB issued amendments to various standards with various effective dates. Included in Part II are the amendments effective for annual periods beginning on or after 1 July 2010; amendments effective for annual periods beginning on or after 1 January 2011 are included in Part III. For more information, refer to Briefing Sheet – Issue 185.
	Improvements to IFRSs 2010 – Amendments to IFRS 3 *Business Combinations*	The amendments: • clarify that contingent consideration arising in a business combination previously accounted for in accordance with IFRS 3 (2004) that remains outstanding at the adoption date of IFRS 3 (2008) continues to be accounted for in accordance with IFRS 3 (2004); • limit the accounting policy choice to measure non-controlling interests upon initial recognition at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets to instruments that give rise to a present ownership interest and that currently entitle the holder to a share of net assets in the event of liquidation; and • expand the current guidance on the attribution of the market-based measure of an acquirer's share-based payment awards issued in exchange for acquiree awards between consideration transferred and post-combination compensation cost when an acquirer is obliged to replace the acquiree's existing awards to encompass voluntarily replaced unexpired acquiree awards.
	Improvements to IFRSs 2010 – Amendments to IAS 27 *Consolidated and Separate Financial Statements*	The amendments clarify that the consequential amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates,* IAS 28 and IAS 31 resulting from IAS 27 (2008) should be applied prospectively, with the exception of amendments resulting from renumbering.

1. The effective date is for annual periods beginning on or after the stated date, unless otherwise indicated.

Part III: Standards not yet effective

Effective Date[1]	Standard, Amendment or Interpretation	Summary of Requirements
1 January 2011	IAS 24 *Related Party Disclosures* (revised 2009)	The revised IAS 24 *Related Party Disclosures* amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. For more information, refer to Briefing Sheet – Issue 158.
	Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction	These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. For more information, refer to Briefing Sheet – Issue 164.
	Improvements to IFRSs 2010 – IFRS 1 *First-time Adoption of IFRSs*	The amendments: • clarify that IAS 8 is not applicable to changes in accounting policies occurring during the period covered by an entity's first IFRS financial statements; • introduce guidance for entities that publish interim financial information under IAS 34 *Interim Financial Reporting* and change either their accounting policies or use of the IFRS 1 exemptions during the period covered by their first IFRS financial statements; • extend the scope of paragraph D8 of IFRS 1 so that an entity is permitted to use an event-driven fair value measurement as deemed cost for some or all of its assets when such revaluation occurred during the reporting periods covered by its first IFRS financial statements; and • introduce an additional optional deemed cost exemption for entities to use the carrying amounts under previous GAAP as deemed cost at the date of transition to IFRSs for items of property, plant and equipment or intangible assets used in certain rate-regulated activities.
	Improvements to IFRSs 2010 – IFRS 7 *Financial Instruments: Disclosures*	The amendments add an explicit statement that qualitative disclosure should be made in the contact of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the IASB amended and removed existing disclosure requirements.
	Improvements to IFRSs 2010 – IAS 1 *Presentation of Financial Statements*	The amendments clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income also is required to be presented, but may be presented either in the statement of changes in equity or in the notes.
	Improvements to IFRSs 2010 – IAS 34 *Interim Financial Reporting*	The amendments add examples to the list of events or transactions that require disclosure under IAS 34 and remove references to materiality in IAS 34 that describes other minimum disclosures.
	Improvements to IFRSs 2010 – IFRIC 13 *Customer Loyalty Programmes*	The amendments clarify that the fair value of award credits takes into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits.

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Effective Date[1]	Standard, Amendment or Interpretation	Summary of Requirements
1 January 2013	IFRS 9 *Financial Instruments*	**Standard issued November 2009 (IFRS 9 (2009))** IFRS 9 (2009) is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 (2009) retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. Prior periods need not be restated if an entity adopts the standard for reporting periods beginning before 1 January 2012. For more information, refer to Briefing Sheet – Issue 164.
		Standard issued October 2010 (IFRS 9 (2010)) IFRS 9 (2010) adds the requirements related to the classification and measurement of financial liabilities, and derecognition of financial assets and liabilities to the version issued in November 2009. It also includes those paragraphs of IAS 39 dealing with how to measure fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset, as well as the requirements of IFRIC 9 *Reassessment of Embedded Derivatives*. For more information, refer to Briefing Sheet – Issue 219.

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If you would like further information on any of the matters discussed in this issue of *Briefing Sheet*, please talk to your usual local KPMG contact or call any of KPMG firms' offices.

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