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Summary of New Accounting Standards 2011

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The following amendments to standards are mandatory for the first time for the financial year beginning on 1 January 2011.

- **SFAS 1 (Revised 2009), "Presentation of Financial Statements"**

The previous version of SFAS 1 required the presentation of an income statement that included items of income and expense recognised in profit or loss. It required items of income and expense not recognised in profit or loss to be presented in the statement of changes in equity, together with owner changes in equity.

SFAS 1 now requires all changes in equity arising from transactions with owners in their capacity as owners (ie owner changes in equity) to be presented separately from non-owner changes in equity. The standard requires entities to present a statement of comprehensive income, setting out all items of income and expense, (that is, all non-owner changes in equity) and gives entity a choice as to whether they present comprehensive income within a single statement or in two statements.

The revised standard introduces a requirement to include a statement of financial position as at the beginning of the earliest comparative period whenever the entity applies an accounting policy retrospectively or makes a retrospective restatement or when it reclassifies items in its financial statements.

- **SFAS 2 (Revised 2009), "Statements of Cash Flows"**

The revised standard clarifies that cash flows arising from changes in ownership interests in a subsidiary that do not result in a loss of control should be classified as cash flows from financing activities. Since these changes, such as subsequent purchase or sale of a subsidiary's equity instruments, are accounted for as equity transactions, the resulting cash flows are classified in the same way as other transactions with owners.

- **SFAS 3 (Revised 2010), "Interim Financial Reporting"**

The revised standard allows an interim financial report to contain either a complete or condensed set of financial statements. The minimum content of a condensed set of interim financial statements is a condensed statement of financial position, a condensed statement of comprehensive income (in one or two statements), a condensed statement of cash flows, a condensed statement of changes in equity, and selected explanatory notes.

The standard requires the interim statement of comprehensive income to contain the current interim period and cumulatively for the current financial year to date, with comparative statements of comprehensive income for the comparable interim periods (current and year-to-date). The statement of financial position is presented with a comparative as of the end of immediately preceeding financial year.

- **SFAS 4 (Revised 2009), "Consolidated and Separate Financial Statements"**

The revised standard adopts the economic entity model which treats all providers of equity capital as the entity's shareholders, even when they are not shareholders in the parent company. A partial disposal of an interest in a subsidiary in which the parent company retains control does not result in a gain or loss but in an increase or decrease in equity. A partial disposal of an interest in a subsidiary in which the parent company loses control but retains an interest (say an associate) triggers recognition of gain or loss on the entire interest. A gain or loss is recognised on the portion that has been disposed of; a further holding gain is recognised on the interest retained, being the difference between the fair value of the interest and the book value of the interest. Both are recognised in the income statement.

The term "minority interest" is now changed to "non-controlling interest". Non-controlling interest must be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The revised standard also removes the exclusion of a subsidiary from consolidation when there are severe long-term restrictions that impair a subsidiary's ability to transfer funds to the parent. Similar to previous standard, an entity is consolidated if a parent company gains control over the entity. When assessing the control, the revised standard now requires an entity consider the existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by another entity.

When an entity elects to present separate financial statements, investments in subsidiaries, jointly controlled entities and associates must be accounted for at cost or in accordance with PSAK 55 (Revised 2007), "Financial Instruments: Recognition and Measurement".

- **SFAS 5 (Revised 2009), "Operating Segments"**

The revised standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. As such, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.

- **SFAS 7 (Revised 2009), "Related Party Disclosures"**

The standard enhances the guidance of disclosure of related party relationships, transactions and outstanding balances, including commitments. It also makes clear that a member of the key management personnel is a related party, which in turn requires the disclosure of each category of remuneration and compensation of the key management personnel.

- **SFAS 8 (Revised 2010), "Events after the Reporting Period"**

There is no significant change in the revised standard.

- **SFAS 12 (Revised 2009), "Interests in Joint Ventures"**

This revised standard adds guidance for venturer with interest in a jointly controlled entity. A venturer should recognise its interest in a jointly controlled entity using either proportionate consolidation or equity method.

- **SFAS 15 (Revised 2009), "Investments in Associates"**

The revised standard requires an entity to consider the existence and effect of potential voting rights that are currently exercisable or convertible when assessing whether an entity has significant influence. The standard further clarifies that an investor must consider not only the carrying amount of its investment in the equity of the associate but also its other long-term interests in the associate when recognising its share of losses of the associate.

- **SFAS 19 (Revised 2010), "Intangible Assets".**

The standard enhances the guidance on identifiability of intangible assets and provides guidance on how to measure the fair value of an intangible asset acquired in a business combination.

The revised standard introduces that intangible assets may have an indefinite useful life and allows an entity to measure intangible assets either at cost or revalued amount. Intangible assets with indefinite useful lives should not be amortised and is tested annually for impairment or whenever there is an indication that the intangible asset may be impaired.

- **SFAS 22 (Revised 2010), "Business Combination"**

The revised standard provides definition of a business. It requires the use of acquisition method in business combinations and eliminates the choice to use pooling of interest method. In the revised standard, there is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair vale or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

Any pre-existing accumulated amortisation of goodwill is eliminated to its cost. As such, the new cost of goodwill is its carrying amount as of the initial implementation of the revised standard. On the other hand, any previously recognised negative goodwill should be derecognised with an adjustment to the opening balance of retained earnings.

- **SFAS 23 (Revised 2010), "Revenue"**

There is no significant change in this standard. The revised standard provides an appendix which accompanies, but is not part of SFAS 23. The appendix contains examples focusing on particular aspects of a transaction, such as "bill and hold" sales, agency transaction, license fees and royalties, among others.

- **SFAS 25 (Revised 2009), "Accounting Policies, Changes in Accounting Estimates and Errors"**

The requirements for selection and application of accounting policies in SFAS 1 have been transferred to this revised standard. The revised version also eliminates the concept of "fundamental error" and "extraordinary items" and now defines "material omissions" or "misstatements", "impracticable", "prior period errors" and "change in accounting estimate". The revised standard now requires, rather than encourages, disclosure of an impending change in accounting policy when an entity has yet to implement a new IFRS that has been issued but not yet come into effect. It also requires disclosure of known or reasonably estimable information relevant to assessing the possible impact that application of the new standard will have on the entity's financial statements in the period of initial application.

- **SFAS 48 (Revised 2009), "Impairment of Assets"**

The revised standard requires entity to conduct annual impairment review for three types of asset (goodwill, intangible assets with an indefinite useful life and assets that are not yet ready for use) in addition to assets being tested for impairment when there is an impairment indicator.

Similar to previous standard, a reversal should be recognised only if it arises from a change in the estimates used to calculate the recoverable amount.

However, the revised standard does not allow reversal of goodwill impairment in any circumstances.

This revised standard provides more guidance on how to measure the recoverable amount of an intangible asset with an indefinite useful life, identify the cash-generating unit to which an asset belongs, allocate goodwill to cash generating unit, and testing cash generating unit with goodwill for impairment.

- **SFAS 57 (Revised 2009), "Provisions, Contingent Liabilities and Contingent Assets".**

There is no significant change to the standard, except for a clearer guidance on certain transactions.

- **SFAS 58 (Revised 2009), "Non-Current Assets, Held for Sale and Discontinued Operations"**

This revised standard provides guidance on accounting for discontinued operations as in previous standard, and accounting for assets held for sale. An entity should classify a non-current asset (or disposal company) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. However, an entity should not classify as held for sale a non-current asset (or disposal company) that is to be abandoned unless it meets certain criteria.

An entity should measure a non-current asset (or disposal company) classified as held for sale at the lower of its carrying amount and fair value less cost to sell.

- **Interpretation of Statement of Financial Accounting Standards ("ISFAS") 7, "Consolidation of Special Purpose Entities"**

There is no significant change in this interpretation. In principle, this interpretation requires an SPE to be consolidated when the substance of the relationship between an entity and the SPE indicates that the SPE is controlled by that entity.

- **ISFAS 9, "Changes in Existing Decommissioning, Restoration and Similar Liabilities".**

This interpretation provides guidance on how to account for the effect of changes in the measurement of existing decommissioning, restoration and similar liabilities. The changes in measurement might result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or a change in discount rate.

- **ISFAS 10, "Customer Loyalty Programs"**

ISFAS 10 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement, and the consideration receivable from the customer is allocated between the components of the arrangement using fair values.

- **ISFAS 11, "Distribution of Non-cash Assets to Owners"**

This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends.

- **ISFAS 12, "Jointly Controlled Entities: Non-monetary Contributions by Venturers"**

This interpretation provides guidance on accounting for venturer's non-monetary contributions to a jointly controlled entity in exchange for an equity interest in the joint controlled entity that is accounted for using either the equity method or proportionate consolidation.

In principle, when a venturer transfers assets to the joint venture in exchange for an equity interest in the joint venture, the accounting is the same as that for transactions in the normal course of operations between a venturer and a jointly controlled entity. Gains or losses are recognised in income by the venturer to the extent of the equity interest of other venturers and investors at the time of the contribution.

- **ISFAS 13, "Hedges of Net Investment in Foreign Operation"**

This interpretation addresses issues on the nature of the hedged risk and the amount of the hedged item, where the hedging instrument can be held and the amount that should be reclassified from equity to profit or loss on disposal of the foreign operation.

- **ISFAS No. 14, "Intangible Assets - Website Costs"**

This interpretation provides guidance on the accounting treatment on internal expenditure incurred by an entity on the development and operation of its own web site for internal or external access.

- **ISFAS No. 17, "Interim Financial Reporting and Impairment"**

This interpretation provides guidance as to whether an entity should reverse impairment losses recognised in an interim period on goodwill or investment in equity securities and financial assets carried at costs if a loss would have been recognised, or a smaller loss would have been recognised, had an impairment assessment been made only at the end of a subsequent reporting period. This interpretation does not allow an entity to reverse an impairment loss recognised in a previous interim period in respect of goodwill or investment in equity securities and financial assets carried at costs.