Straight away
IFRS bulletin from PwC

13 December 2013

IASB publishes exposure draft on improvements project 2012-14 cycle

What is the issue?

The IASB has published an exposure draft for the 2012-14 cycle of the annual improvements project, with amendments that would affect 4 standards.

The proposed amendments affect IFRS 5, IFRS 7, IAS 19 and IAS 34, and they are expected to apply for annual periods beginning on or after 1 January 2016. The deadline for comments is 13 March 2014.

The following is a summary of the proposed amendments.

IFRS 5, 'Non-current assets held for sale and discontinued operations'

The amendment clarifies that, when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution', or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. This means that the asset (or disposal group) does not need to be reinstated in the financial statements as if it had never been classified as 'held for sale' or 'held for distribution' simply because the manner of disposal has changed.

The amendment also rectifies an omission in the standard by explaining that the guidance on changes in a plan of sale should be applied to an asset (or disposal group) which ceases to be held for distribution but is not reclassified as 'held for sale'.

IFRS 7, 'Financial instruments: Disclosures'

The exposure draft proposes two amendments to IFRS 7.

1. *Servicing contracts*

If an entity transfers a financial asset to a third party under conditions which do not allow the transferor to derecognise the asset, IFRS 7 requires the entity to disclose the nature of the arrangement. These disclosures include the extent of any continuing involvement with the asset and the risks to which the reporting entity is exposed as a result.

The amendment provides guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement. The amendment is to be retrospective but limited to the beginning of the earliest period presented. A consequential amendment to IFRS 1 is included to give the same relief to first-time adopters.

2. *Interim financial statements*

The amendment clarifies that the additional disclosure required by the amendments to IFRS 7, 'Disclosure – Offsetting financial assets and financial liabilities is not specifically required for all interim periods, unless required by IAS 34.

IAS 19, 'Employee benefits'

The amendment clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds or not is based on corporate bonds in that currency, and not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used.

IAS 34, 'Interim financial reporting'

The amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. The amendment further amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information.

Am I affected?

The proposed amendments will not affect every entity. However, if you are affected, the impact could be significant.

What do I need to do?

Please read the proposed amendments in their entirety, to determine the impact on you, and consider commenting on the proposed amendments.