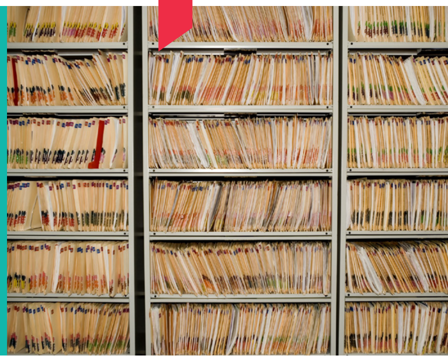
EXPOSURE DRAFT
ANNUAL IMPROVEMENTS TO IFRSs (2012 – 2014 CYCLE)
INTERNATIONAL FINANCIAL REPORTING BULLETIN 2013/27



Summary

The International Accounting Standards Board (IASB) has issued Exposure Draft 2013/11 *Annual Improvements to IFRSs 2012–2014 Cycle* (the ED) for public comment, which sets out proposed amendments to four IFRSs.

The proposed amendments address the following IFRSs:

Standard	Proposed amendment(s) relate to:
IFRS 5 ***Non-current Assets Held for Sale and Discontinued Operations*** *(Prospective application)*	– Reclassification of an asset (or disposal group) between held for sale and held for distribution to owners, and vice versa – Disposal groups held for distribution to owners from which individual assets/liabilities are removed.
IFRS 7 ***Financial Instruments: Disclosures*** *(Retrospective application)*	– The interaction between servicing contracts and a transferor's continuing involvement in transferred financial assets – Removal of a reference to interim financial statements in the effective date and transition requirements for Disclosures — *Offsetting Financial Assets and Financial Liabilities* (Amendments to IFRS 7).
IAS 19 ***Employee Benefits*** *(Retrospective application)*	– The level (country or currency) at which high-quality corporate bonds and government bonds used to estimate the discount rate for post-employment benefit obligations are identified.
IAS 34 ***Interim Financial Reporting*** *(Retrospective application)*	– The location and cross-referencing of other disclosures required by paragraph 16A of IAS 34.

It is proposed that the amendments, if finalised, would be applied retrospectively with early application permitted, with the exception of the amendment to IFRS 5 which would be applied prospectively. The proposed effective date in the ED is for periods beginning on or after 1 January 2016.

The ED has been published with a 90 day consultation period, with comments due by 13 March 2014.

STATUS
Exposure Draft

EFFECTIVE DATE
To be confirmed

ACCOUNTING IMPACT
May be significant for entities that are required, or opt to, prepare separate financial statements.

Proposed amendments

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

***Issue:* Changes in methods of disposal**

The ED proposes to amend various parts of IFRS 5.26 to 29 so that an entity does not change the classification, presentation and measurement of an asset (or disposal group) in circumstances in which an entity either:

(a) Reclassifies an asset (or disposal group) directly from being held for distribution to owners to being held for sale, or

(b) Reclassifies an asset (or disposal group) directly from being held for sale to being held for distribution to owners.

The ED also proposes that when an individual asset/liability is removed from a disposal group held for distribution to owners, the remainder of the disposal group would continue to be accounted for as held for distribution to owners provided the relevant criteria continue to be met.

IFRS 7 *Financial Instruments: Disclosures*

***Issue:* Servicing contracts**

IFRS 7.42E and 42H set out disclosure requirements when transferred financial assets are derecognised in their entirety, but where the transferor has continuing involvement in the assets (as set out in paragraphs 42C and B30).

The ED proposes to amend paragraph B30 and add paragraph B30A, to clarify:

- That the term 'payment' in the context of paragraph B30 does not include cash flows of the transferred financial asset that an entity collects and is required to remit to the transferee, and
- The right to earn a fee for servicing a transferred financial asset is generally considered to be continuing involvement for the purposes of applying the disclosure requirements of IFRS 7.42E and 42H.

Continuing involvement arises because the servicer normally has an interest in the future performance of the transferred financial asset, in terms of whether the servicing fee is received. However, an entity would be required to assess the servicing contract in accordance with paragraphs 42C and B30 in making such a determination. However, the assessment would not be affected by whether the fee is expected to provide adequate compensation for the service.

The ED includes two examples of circumstances in which a transferor would have continuing involvement in transferred financial assets. These are when a servicing fee is dependent on:

- The amount or timing of the cash flows collected from the transferred financial asset, and
- Performance, or non-performance, of the transferred financial asset.

***Issue:* Applicability of the amendments to IFRS 7 to condensed interim financial statements**

The ED proposes removing '*…and interim periods within those annual periods…*' from IFRS 7.44R regarding the effective date of *Disclosures — Offsetting Financial Assets and Financial Liabilities* (Amendments to IFRS 7), issued by the IASB in December 2011.

This would mean that amended offsetting disclosures would only need to be made in interim financial statements if they were specifically required by the requirements of IAS 34 *Interim Financial Statements*.

IAS 19 *Employee Benefits*

***Issue:* Discount rate: regional market issue**

The ED proposes amendments to IAS 19.83 in respect of actuarial assumptions and the discount rate. High quality corporate bonds used to estimate the discount rate for post-employment benefit obligations would be those in the same currency, rather than the same country, as the defined benefit obligation.

IAS 34 *Interim Financial Reporting*

IAS 34.16A requires entities to make a number of additional disclosures in their interim financial statements, in addition to those about significant events and transactions. The ED proposes that these disclosures could either be:

- In the interim financial statements themselves, or
- Cross-referenced to other parts of the interim financial report.

What should entities do in response to the ED?

Entities should consider whether any of the proposed amendments would have a significant effect on their financial statements. These include:

- Entities that have servicing arrangements related to previously transferred financial assets (in particular, those with service fees that are dependent on the future performance of the transferred financial asset)
- Entities with defined benefit obligations in jurisdictions that apply a common shared currency (for example, the Eurozone)
- Entities that prepare interim financial statements as part of a longer interim financial report.

Effective date and comment period

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