The Standard supersedes SIC24 Earnings Per Share—Financial Instruments and Other Contracts that May Be Settled in Shares.

If the ultimate cost of benefits already earned at the balance sheet date is more than expectations, the entity will have to either increase its contributions or persuade employees to accept a reduction in benefits.

This Standard supersedes SIC24 Earnings Per Share—Financial Instruments and Other Contracts that May Be Settled in Shares.

Such a plan creates actuarial risk for the entity:

If the ultimate cost of benefits already earned at the balance sheet date is more than expected, the entity will have to either increase its contributions or persuade employees to accept a reduction in benefits.

For each business combination, one of the combining entities shall be identified as the acquirer.

The carrying amount of the research centre cannot be allocated on a reasonable basis to the individual cash-generating units.

EITF 983 includes the presumption that if a transferred set of activities and assets is in the development stage and has not commenced planned principal operations, the set cannot be a business.

Such issues arise in the accounting for expenditure on the exploration for, or development and extraction of, oil, gas and mineral deposits in extractive industries and in the case of insurance contracts.

By permitting entities to provide a more faithful representation of the amount of change in fair value that is attributable to changes in credit risk if they could do so.

The Board nonetheless observed that the requirement in IAS 22 to recognise only the amount of goodwill acquired by the parent based on the parent’s ownership interest, rather than the amount of goodwill controlled by the parent as a result of the business combination, is problematic.

For any such financial asset the entity shall recognise all cumulative changes in fair value in a separate component of equity until subsequent derecognition or impairment, when the entity shall reclassify that cumulative gain or loss from equity to profit or loss as a reclassification adjustment (see IAS 1 (revised 2007)).

The agenda for each meeting of the Trustees, the IASB, the SAC and the IFRIC is published in advance on the IASB’s Website, together with Observer Notes, which contain the substance of the papers tabled for the meeting.

**Cost of purchase**

The Standard omits the requirement in the previous version to disclose the results of operating activities as a line item on the face of the income statement.

As discussed in paragraphs BC21–BC23E, the Board amended IAS 39 in 2005 to address financial guarantee contracts.

Because the transaction between a lessor and a lessee is based on a lease agreement between them, it is appropriate to use consistent definitions.

When warrants subsequently lapse unexercised, this is not treated as a gain;

Instead the amount previously recognised when the warrants were issued remains within equity.

For example, an acquirer may attribute value to the existence of an assembled workforce, which is an existing collection of employees that permits the acquirer to continue to operate an acquired business from the acquisition date.

**Exceptions to the measurement principle**

During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date.

Goodwill arising in a business combination is measured as the excess of the cost of the combination over the acquirer’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities.

In this Standard, government assistance does not include the provision of infrastructure by improvement to the general transport and communication network and the supply of improved facilities such as irrigation or water reticulation which is available on an ongoing indeterminate basis for the benefit of an entire local community.

Option pricing models can be adapted to take into account this potential dilutive effect.

The systems generate estimates of cash flows based on the contractual terms of the instruments and other factors, including estimates of prepayments and defaults.

as the difference between the change in the fair value of the hedging instrument (see paragraph AG114(h)) and the change in the value of the entire hedged item that is attributable to changes in the hedged interest rate (including the effect that changes in the hedged interest rate have on the fair value of any embedded prepayment option);

**Offsetting a financial asset and a financial liability  (paragraphs 42–50)**

The entity has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset.

IAS 12 (revised) is effective for accounting periods beginning on or after 1 January 1998.

The major changes from the original IAS 12 are as follows.

For example, the franchisor may order supplies and arrange for their delivery to the franchisee at no profit.

When the entity retains an obligation for unsatisfactory performance not covered by normal warranty provisions;

Before obtaining control, Investor does not have significant influence over Investee, and accounts for its initial 20 per cent investment at fair value with changes in value included in profit or loss.

If fewer services are received, the transaction amount will be less than CU600,000.

The transaction is between the shareholders and the employees, not the entity and the employees.

Unbundling is required if both the following conditions are met:

Alternatively, a more simplistic approach might be applied.

The carrying amount of the cash-generating unit is CU500, which is the carrying amount of the mine (CU1,000) less the carrying amount of the provision for restoration costs (CU500).

Hedge accounting can be applied prospectively only from the date that the hedge relationship is fully designated and documented.

This could circumvent the prohibition in the IFRS on recognising restructuring provisions as part of allocating the cost of a combination.

As the difference between the change in the fair value of the hedging instrument (see paragraph AG114(h)) and the change in the value of the entire hedged item that is attributable to changes in the hedged interest rate (including the effect that changes in the hedged interest rate have on the fair value of any embedded prepayment option);

The examples do not constitute an exhaustive list;

Entity S enters into a CU100 million notional amount fiveyear payvariable, receivefixed interest rate swap with Counterparty C.

F.2.13 Fair value hedge: risk that could affect profit or loss

They exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal trading transactions of the entity.

Other operation of law.

Moreover, to reflect the effect of the internal swap the bank would in effect recognise the fixed rate loan at a floating interest rate and recognise an offsetting trading gain or loss in the income statement.

When an entity holds collateral (of financial or non-financial assets) and is permitted to sell or repledge the collateral in the absence of default by the owner of the collateral, it shall disclose:

A share option does not meet the definition of a liability, because it does not contain an obligation to transfer cash or other assets.

IAS 38 prescribes the accounting for identifiable intangible assets acquired in a business combination.

IAS 19 Employee Benefits requires that an entity measure the expected cost of and obligation for accumulating compensated absences at the amount the entity expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date.

However, costs that relate directly to a contract and are incurred in securing the contract are also included as part of the contract costs if they can be separately identified and measured reliably and it is probable that the contract will be obtained.

He believes that many of the exceptions, based on the desire to avoid systems changes, are unnecessary because they generally are unrelated to the second phase of the project on insurance contracts, and they create a disincentive to enhance systems before the second phase of that project is completed.

abnormal amounts of wasted materials, labour or other production costs;

An entity shall disclose the following information in the notes in the period in which a non-current asset (or disposal group) has been either classified as held for sale or sold:

Examples are financial liabilities classified as held for trading in accordance with IAS 39, bank overdrafts, and the current portion of noncurrent financial liabilities, dividends payable, income taxes and other nontrade payables.

The Board considered and rejected the above arguments made against the units of service method in principle.

Mr Leisenring dissents from the issue of the Amendment to IAS 19 Employee Benefits—Actuarial Gains and Losses, Group Plans and Disclosures.

its purchase price, including import duties and nonrefundable purchase taxes, after deducting trade discounts and rebates.

In the exceptional cases described in paragraph 53, when an entity cannot determine the fair value of the investment property reliably, it shall disclose:

If diluted earnings per share is reported for at least one period, it shall be reported for all periods presented, even if it equals basic earnings per share.

Thus, for example, unusual items, changes in accounting policies or estimates, and errors are recognised and disclosed on the basis of materiality in relation to interim period data to avoid misleading inferences that might result from nondisclosure.

an income statement;

Present value of 20 half-yearly interest payments of CU50, discounted at 11%

Transferred to initial carrying amount of hedged items

However, for other demandable liabilities, such as fixed term deposits that can be withdrawn only by the depositor incurring a significant penalty, it might imply an expected repayment date that is closer to that assumed for risk management.

The Board observed that for the acquirer to have, in effect, the ‘free choice’ to recognise a liability as part of allocating the cost of the business combination requires such a level of cooperation between the acquirer and acquiree that the acquiree, on the instructions of the acquirer, would enter into obligations to restructure the business before the formal transfer of control.

Most respondents to ED 4 agreed that a separate classification for noncurrent assets that are no longer held to be used is desirable.

The entity recognises the following amounts:

Adjusted weighted-average shares

The IFRIC noted that IAS 17 covers a broader range of leases than SFAS 13 and that there was no reason for restricting this Interpretation only to items of property, plant or equipment.

With respect to interest rate risk, IAS 39 prohibits hedge accounting for financial assets that are classified as held-to-maturity (IAS 39.79).

In considering this issue, the Board observed that IAS 22 did not permit an acquirer to recognise the acquiree’s contingent liabilities at the acquisition date as part of allocating the cost of a business combination.

To accomplish that, the private entity will arrange for a public entity to acquire its equity interests in exchange for the equity interests of the public entity.

the assets and liabilities of the legal subsidiary (the accounting acquirer) recognised and measured at their pre-combination carrying amounts.

Conversion of preference shares on 1 June

Providing the required analyses of those amounts in the notes could potentially involve the entity having to obtain significantly more information.

For the financial year that begins 1 July, Year 1 and ends 30 June, Year 2, the entity earns 10,000 pretax each quarter.

This Standard supersedes SIC-24 Earnings Per Share—Financial Instruments and Other Contracts that May Be Settled in Shares.

This would be the case, for example, if the transfer is to settle a shareholder’s personal obligation to an employee that is unrelated to employment by the entity, or if the shareholder and employee are related and the transfer is a personal gift because of that relationship.

Revaluation, net of related depreciation

A general price index may not be available for the periods for which the restatement of property, plant and equipment is required by this Standard.

In these circumstances, it may be necessary to use an estimate based, for example, on the movements in the exchange rate between the functional currency and a relatively stable foreign currency.

Such expenditure is accounted for under IAS 16.

For example, consider a contract that provides a specified investment return and includes an option for the policyholder to use the proceeds of the investment on maturity to buy a life-contingent annuity at the current annuity rates charged by the insurer to other new annuitants when the policyholder exercises the option.

The Board also concluded that:

Members of the IFRIC are appointed for fixed renewable terms of up to three years.

Entities need cash for essentially the same reasons however different their principal revenueproducing activities might be.

Therefore, the entity recognises the services received over the threeyear period, based on the grant date fair value of the shares.

No active market:

The fair value of a financial instrument on initial recognition is normally the transaction price (ie the fair value of the consideration given or received, see also paragraph AG76).

Whichever approach an entity adopts to reflect expectations about possible variations in the amount or timing of future cash flows, the result shall be to reflect the expected present value of the future cash flows, ie the weighted average of all possible outcomes.

This combination of measurement and recognition requirements can result in inconsistencies, which some refer to as ‘accounting mismatches’, between the accounting for an asset (or group of assets) and a liability (or group of liabilities).

In this case, the issued debt instrument does not give rise to any exposure to variability in cash flows since the interest payments are fixed.

However, under paragraph 87 a hedge of the foreign currency risk of a firm commitment could alternatively be accounted for as a cash flow hedge.

These requirements also use the term ‘an asset’ but apply equally to an individual asset and a cashgenerating unit.

If the risk period has already expired, that premium does not relate to an existing contractual obligation.

As a result, the Board decided:

This Standard requires an entity to recognise, as a minimum, a specified portion of the actuarial gains and losses that fall outside a ‘corridor’ of plus or minus 10%.

It is worth noting that economic mismatch is not necessarily eliminated by an assetliability management programme that involves investing in assets to provide the optimal riskreturn tradeoff for the package of assets and liabilities.

An entity shall present:

The conditions that must be satisfied for the counterparty to become entitled to receive cash, other assets or equity instruments of the entity, under a share-based payment arrangement.

Mr Schmid does not accept that measurement at the lower of carrying amount and fair value less costs to sell acts as a proxy for depreciation because, in most such cases, the fair value less costs to sell will be higher than the carrying amount as the fair value of such disposal groups will often reflect internally generated goodwill.

For example, on 31 December 20X1, Entity A holds a 35 per cent non-controlling equity interest in Entity B.

actuarial assumptions at 1 January 2004 and 31 December 2004 about future employee turnover rates do not reflect conditions that arose after those dates—such as a significant increase in estimated employee turnover rates as a result of a curtailment of the pension plan in 2005.

To recognise the sale of the asset at fair value and to recognise a gain on sale.

Defined benefit plans that share risks between various entities under common control, for example, a parent and its subsidiaries, are not multiemployer plans.

An entity need not apply IAS 21 The Effects of Changes in Foreign Exchange Rates (as revised in 2003) retrospectively to fair value adjustments and goodwill arising in business combinations that occurred before the date of transition to IFRSs.

Transactions within the scope of IFRS 3  Business Combinations

Two of the Trustees shall normally be senior partners of prominent international accounting firms.

If Entity A concludes that the hedge is no longer highly effective, it discontinues hedge accounting prospectively as from the date the hedge ceased to be highly effective in accordance with IAS 39.101.

The revised Standard requires that if one of the parties to a contract has one or more options as to how it is settled (eg net in cash or by exchanging shares for cash), the contract is a financial asset or a financial liability unless all of the settlement alternatives would result in equity classification.

In most cases, IAS 39.AG94 prohibits the use of written options as hedging instruments.

However, when refinancing or rolling over the obligation is not at the discretion of the entity (for example, there is no arrangement for refinancing), the entity does not consider the potential to refinance the obligation and classifies the obligation as current.

Measuring the identifiable assets acquired and liabilities and contingent liabilities assumed

The text of this edition of the Bound Volume includes the latest versions of all IFRSs (including IASs and Interpretations) approved up to 31 December 2005 and required to be applied on 1 January 2006 or from a future date.

(80,000 options × CU25 × 3/5) – CU800,000

The entity would recognise an expense for the CU100,000 shortfall.

If the rating downgrade in combination with other information provides evidence of impairment, the deterioration in creditworthiness often would be regarded as significant.

Appendix Examples of application of the consensus

the cost of parent J’s investment in subsidiary K is 180.

A transferred set of activities and assets must be selfsustaining to meet the EITF’s definition of a business.

Availability for immediate sale (paragraph 7)

In such cases, impairment testing can be regarded as an alternative technique for achieving a similar objective to amortisation (measuring the consumption of goodwill), rather than being in direct conflict with the method previously required by IAS 22.

This treatment of goodwill would also be consistent with the treatment of intangible assets.

For example, an entity may choose to disclose separately the change in fair value of those derivatives that in accordance with IAS 39 it categorises as held for trading, but the entity classifies as part of risk management activities outside the trading portfolio.

F.5.4Cash flow hedges:

forecast transaction occurs before the specified period

Average market forward exchange rate over the budget period.

Some contracts expose the issuer to financial risk, in addition to significant insurance risk.

Cash comprises cash on hand and demand deposits.

In giving these reasons, the entity shall describe the factor that played a significant role in determining that the asset has an indefinite useful life.

The Board concluded that for offsetting risk positions, entities could use midmarket prices to determine fair value, and hence may apply the bid or asking price to the net open position as appropriate.

The main difference is likely to be the inclusion of a control premium in the per-share fair value of the acquirer’s interest in the acquiree or, conversely, the inclusion of a discount for lack of control (also referred to as a minority discount) in the per-share fair value of the non-controlling interest.

Embedded guarantee of minimum equity returns available to the policyholder as either (a) a cash payment (b) a periodcertain annuity or (c) a lifecontingent annuity, at annuity rates set at inception.

It noted that in many cases, changes in the cash flows or fair value of a portion of a nonfinancial hedged item are difficult to isolate and measure.

The grant is conditional upon the completion of three years’ service.

Amortisation is usually recognised in profit or loss.

The fair value of an asset for which comparable market transactions do not exist is reliably measurable if (a) the variability in the range of reasonable fair value estimates is not significant for that asset or (b) the probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value.

This IFRS does not apply to changes in accounting policies made by an entity that already applies IFRSs.

Later, it considered practical issues arising from the application of its preferred measurement approach.

When an entity obtains financial or nonfinancial assets during the period by taking possession of collateral it holds as security or calling on other credit enhancements (eg guarantees), and such assets meet the recognition criteria in other Standards, an entity shall disclose:

When an entity supplies goods or services within a clearly identifiable operating cycle, separate classification of current and noncurrent assets and liabilities on the face of the balance sheet provides useful information by distinguishing the net assets that are continuously circulating as working capital from those used in the entity’s longterm operations.

This result is anomalous because fixed share options are usually more valuable at grant date than performancerelated share options.

Measurement of inventories

the amount of any excess recognised in profit or loss in accordance with paragraph 56, and the line item in the income statement in which the excess is recognised.

Other income and expense items, such as interest income and expense, and foreign exchange differences related to invested or borrowed funds, are also associated with the net monetary position.

derivatives should be measured at fair value;

Only a derivative instrument or a nonderivative financial asset or liability can be designated as a hedging instrument in a hedge of a foreign currency risk.

Because the tax base at 1 January 2004 of the items reclassified from intangible assets to goodwill (note 2) equalled their carrying amount at that date, the reclassification did not affect deferred tax liabilities.

Net cash used in financing activities

The IFRS grants limited exemptions from these requirements in specified areas where the cost of complying with them would be likely to exceed the benefits to users of financial statements.

Such funds generally have the following features:

assist preparers of financial statements in applying International Accounting Standards and in dealing with topics that have yet to form the subject of an International Accounting Standard;

An entity shall disclose the name of the entity’s parent and, if different, the ultimate controlling party.

Some national accounting standards and IAS 17 Accounting for Leases (superseded in 1997 by IAS 17 Leases) permitted prospective application of a requirement for lessees to capitalise finance leases.

However, provisions in local law, regulation or the entity’s governing charter that prohibit redemption only if conditions—such as liquidity constraints—are met (or are not met) do not result in members’ shares being equity.

IFRS 5 removes this scope exclusion and now eliminates the exemption from applying proportionate consolidation or the equity method when joint control of a joint venture is intended to be temporary.

IAS 16 requires each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item to be depreciated separately.

Het Amerikaanse softwarebedrijf PeopleSoft heeft het overnamebod van Oracle, ter waarde van 5,1 miljard dollar, gisteren officieel verworpen.

Therefore, the Board gave an exemption from providing comparative disclosure in the first year of application of IFRS 7 to any entity that both (a) is a firsttime adopter of IFRSs and (b) applies IFRS 7 before 1 January 2006.

Although these instruments are excluded from the scope of IFRS 7, they are within the scope of IAS 32 for the purpose of determining whether they meet the definition of equity instruments.

Both comprise individual balances that usually are expected to be paid within a short time (eg a few months or less) and replaced by new balances.

If no such obligation exists, the entity shall account for the transaction in accordance with the requirements applying to equitysettled sharebased payment transactions, in paragraphs 10–29.

However, in certain circumstances, it is necessary to apply the Standard to the separately identifiable components of a single contract or to a group of contracts together in order to reflect the substance of a contract or a group of contracts.

It will often be impossible or prohibitively expensive to settle or transfer an obligation at the balance sheet date.

Some entities use internal derivative contracts (internal hedges) to transfer risk exposures between different companies within a group or divisions within a single legal entity.

Increase your IFRS knowledge

An entity shall present separately any cumulative income or expense recognised directly in equity relating to a noncurrent asset (or disposal group) classified as held for sale.

Selection and application of accounting policies

Under IAS 16 Property, Plant and Equipment, as revised in 2003, an exchange of assets is normally measured at fair value.

expectations about possible variations in the amount or timing of those cash flows;

fair value hedge:

a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

Forward to sell shares

At an interim date, an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period is more useful.

Government grants whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire longterm assets.

In the process of applying the entity’s accounting policies, management makes various judgements, apart from those involving estimations, that can significantly affect the amounts recognised in the financial statements.

In particular, paragraph 45 of the IFRS requires an entity to disclose various reconciliations (see IG Example 10).

if not designated as a reportable segment despite its size, that segment may be combined into a separately reportable segment with one or more other similar internally reported segment that are also below all of the thresholds of significance in paragraph 35 (two or more business segments or geographical segments are similar if they share a majority of the factors in the appropriate definition in paragraph 9);

An entity shall determine the availability of a refund or a reduction in future contributions in accordance with the terms and conditions of the plan and any statutory requirements in the jurisdiction of the plan.

cumulative translation differences (paragraphs BC53–BC55);

A first-time adopter is also encouraged, but not required, to apply IFRS 2 to liabilities that were settled before 1 January 2005.

Therefore, the Board concluded that fundamental to identifying the acquirer in a business combination is a consideration of the relationship between the combining entities to determine which of them has, as a consequence of the combination, the power to govern the financial and operating policies of the other so as to obtain benefits from its activities.

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Under this method, the effect of differences between the reporting entity’s own domestic tax rate and the domestic tax rate in other jurisdictions does not appear as a separate item in the reconciliation.

Can an entity treat the cash flows for specified periods during which a financial asset or financial liability that is designated as a hedging instrument remains outstanding as a proportion of the hedging instrument under IAS 39.75, and exclude the other cash flows from the designated hedging relationship?

If such disclosure would be impracticable, that fact shall be disclosed, together with an explanation of why this is the case.

If on acquisition a subsidiary meets the criteria to be classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, it shall be accounted for in accordance with that Standard.

Net increase in cash

Application of option pricing models to unlisted and newly listed entities

The measurement of the assets is then deducted to arrive at a measurement of the book of contracts.

In contrast, direct methods measure the liability by discounting future cash flows arising from the book of insurance contracts only.

The Board had developed this proxy in the Exposure Draft because it had been informed that most entities (a) do not separate interest rate risk and prepayment risk for risk management purposes and hence (b) were unable to value the change in the value of the entire asset (including any embedded prepayment option) that is attributable to changes in the hedged interest rates.

However, the previous version of IAS 36 required that, in such circumstances, management’s best estimate of future market prices for the output should be used in estimating the future cash flows used to determine the unit’s value in use.

As noted in paragraph 2, this IFRS ...

After considering all of the above points, the Board concluded that the effects of early exercise, because of nontransferability and other factors, should be taken into account when estimating the fair value of the share option, either by modelling early exercise in a binomial or similar model, or using expected life rather than contracted life as an input into an option pricing model, such as the BlackScholesMerton formula.

Therefore, an impairment loss is not reversed just because of the passage of time (sometimes called the ‘unwinding’ of the discount), even if the recoverable amount of the asset becomes higher than its carrying amount.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation.

Meetings of the Trustees, the IASB, the SAC and the IFRIC are all open to public observation.

In years 4 and 5, some of the deferred and current tax income is recognised directly in equity, because the estimated (and actual) tax deduction exceeds the cumulative remuneration expense.

The Board also concluded that if amortisation of such goodwill were to continue after the date the IFRS is first applied, financial statements would suffer the same lack of comparability that persuaded the Board to reject a mixed approach to accounting for goodwill, ie allowing entities a choice between amortisation and impairment testing.

The loss of control can occur with or without a change in absolute or relative ownership levels.

For example, assume that an entity’s date of transition to IFRSs is 1 January 2004 and new information on 15 July 2004 requires the revision of an estimate made under previous GAAP at 31 December 2003.

In this case, a US dollar borrowing (or a portion of it) may be designated as a cash flow hedge of the anticipated sale of the ship financed by the borrowing provided the sale is highly probable, for example, because it is expected to occur in the immediate future, and the amount of the sales proceeds designated as being hedged is equal to the amount of the foreign currency borrowing designated as the hedging instrument.

The rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

fair value measurement of an insurance contract should reflect the credit characteristics of that contract, including the effect of policyholder protections and insurance provided by governmental bodies or other guarantors.

(1) there may be either a taxable temporary difference or a deductible temporary difference;

(2) where there is a deductible temporary difference, the resulting deferred tax asset is recognised to the extent that it is probable that sufficient taxable profit will be available (paragraph 41 of the Standard);

and (3) the deferred tax is recognised in profit or loss, see paragraph 58 of the Standard.)

Transfers that qualify for derecognition (see paragraph 20(a) and (c)(i))

interest cost (for an employee benefit plan)

The Board acknowledged the merits of these arguments, and recognised that by permitting a choice in IAS 39, entities could apply the accounting treatment required by US GAAP.

Amendment to IAS 39—The Fair Value Option (issued June 2005)

the carrying amount of intangible assets acquired in business combinations for which the agreement date was before the date the IFRS is issued (or at an earlier date if the entity elects to apply paragraph 85 of the IFRS) and reclassify as goodwill any that do not meet the criteria for separate recognition;

IFRIC Interpretation 1  Changes in Existing Decommissioning, Restoration and Similar Liabilities

Example 1 illustrates how the disclosure requirements of this Standard might be put into practice for a dairy farming entity.

Paragraphs 7–9 of the IFRS require a firsttime adopter to apply the current version of IFRSs, without considering superseded or amended versions.

An intangible asset is measured after initial recognition by applying the requirements of IAS 38.72–.8763–.78.

the measurement of a subsidiary that currently is within the scope of the exemptions would change from fair value as required by IAS 39 to the lower of cost and fair value less costs to sell.

Although they are similar in many ways to other businesses, mutual entities have distinct characteristics that arise primarily because their members are both customers and owners.

He is also concerned that nonderivative financial assets and financial liabilities may have been derecognised by firsttime adopters under previous GAAP that would not have been derecognised under the revised IAS 39.

Lenders are interested in information that enables them to determine whether their loans, and the interest attaching to them, will be paid when due.

A right of use requires the purchaser to have the ability to control the way in which the underlying asset is used during the term of the arrangement:

for example, the right for the purchaser’s employees to assist or supervise the operation of the asset.

to avoid difficult distinctions between changes in estimates and changes in the basis for making estimates.

The customer list would be amortised over management’s best estimate of its useful life, say 18 months.

F.3.4Foreign currency cash flow hedge

measured on the basis of the relative values of the operation disposed of and the portion of the cashgenerating unit retained, unless the entity can demonstrate that some other method better reflects the goodwill associated with the operation disposed of.

the yield curve component of the interest rate that is equal to the repricing period on the interest rate swap designated as the hedging instrument.

any related actuarial gains and losses and past service cost that, under paragraphs 92 and 96, had not previously been recognised.

costs of intangible assets have been capitalised in accordance with IAS 38 and are being amortised in profit or loss, but were deducted for tax purposes when they were incurred.

This Standard accepts the views in favour of permitting disclosure of the information concerning promised retirement benefits in a separate actuarial report.

Whether expenses arising from sharebased payment transactions are deductible, and if so, whether the amount of the tax deduction is the same as the reported expense and whether the tax deduction arises in the same accounting period, varies from country to country.

abnormally large changes after the balance sheet date in asset prices or foreign exchange rates;

Profit or loss attributable to ordinary equity holders of the parent entity (the numerator) divided by the weighted average number of ordinary shares outstanding during the period (the denominator).

However, they generally do not result in a transfer of the underlying primary financial instrument on inception of the contract, nor does such a transfer necessarily take place on maturity of the contract.

to comply with IAS 39, paragraph 9, availableforsale financial assets are those nonderivative financial assets that are designated as available for sale and those nonderivative financial assets that are not in any of the previous categories.

To apply paragraph 36, the entity shall first measure the fair value of the debt component, and then measure the fair value of the equity component—taking into account that the counterparty must forfeit the right to receive cash in order to receive the equity instrument.

Yield curve - Rates increase 200 basis points

As defined in paragraph 6, an asset’s cash-generating unit is the smallest group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Also, Entity A calculates the fair value of the CU8 million of the hedged assets as at 28 February 20X1 as CU8,009,518.

These include, for example, (a) the treatment of financial instruments with contingent settlement provisions as financial liabilities for the full amount of the conditional obligation, (b) the treatment of preference shares that are redeemable at the option of the holder as financial liabilities for the full amount of the conditional obligation, and (c) the treatment of financial instruments (puttable instruments) that give the holder the right to put the instrument back to the issuer for cash or another financial asset, the amount of which is determined by reference to an index, and which therefore has the potential to increase and decrease, as financial liabilities for the full amount of the conditional obligation.

Claims

recognise a reimbursement when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation.

Measuring hedge effectiveness

An example of these judgements is how management determines whether financial assets are heldtomaturity investments.

Recognition and Measurement  Illustrative Example

The Board noted that both anecdotal and research evidence supports this view.

However, for cash-settled transactions, the liability shall be remeasured at the end of each reporting period until it is settled.

Those unrealised gains must be deducted from other comprehensive income in the period in which the realised gains are reclassified to profit or loss to avoid including them in total comprehensive income twice.

the allocation of an impairment loss on a disposal group is consistent with the order of allocation of impairment losses in IAS 36 (paragraphs BC39–BC41).

Entity A has a legally enforceable right to set-off the amounts owing under each of the leases, and an intention to settle the rights and obligations under the leases on a net basis.

(Those based on climatic variables are sometimes referred to as ‘weather derivatives’.)

When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and there is objective evidence that the asset is impaired (see paragraph 59), the cumulative loss that had been recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised.

Other long-term employee benefits include, for example:

Profit attributable to ordinary equity holders of the parent entity Year 1

It shall be recognised in profit or loss when the asset is derecognised (unless IAS 17 requires otherwise on a sale and leaseback).

An entity shall disclose information that enables users of its financial statements to evaluate changes in the carrying amount of goodwill during the period.

It decided that an entity should apply the derecognition principles to a part of a financial asset only if that part contains no risks and rewards relating to the part not being considered for derecognition.

Such ordinary shares generate no proceeds and have no effect on profit or loss attributable to ordinary shares outstanding.

other short-term borrowings, for example, those which have a maturity period of three months or less.

The carrying amount of a deferred tax asset shall be reviewed at each balance sheet date.

Beta Co Statement of changes in equity

Accordingly, if there is a minority interest in a cashgenerating unit to which goodwill has been allocated, the carrying amount of that unit comprises:

loans and receivables are measured at amortised cost.

IFRS 7 Financial Instruments:

Disclosures

In developing disclosures about accounting policies for insurance contracts, an insurer might conclude that it needs to address the treatment of, for example, some or all of the following, if applicable:

if the entity uses an option pricing model that values American share options, such as a binomial model, the application of the model should take account of the inability to exercise the options during the vesting period.

This is especially true in the case of provisions, which by their nature are more uncertain than most other balance sheet items.

Although in the respondents’ example the choice is the supplier’s (rather than the purchaser’s), the IFRIC concluded that the critical matter is the end position of the entity (ie is there a lease?) not how it got to that position (ie whether it chose that outcome or it was imposed).

foreign operation

This Basis for Conclusions summarises the International Accounting Standards Board’s considerations in reaching the conclusions on revising IAS 39 Financial Instruments:

For example, some share options have a reload feature.

If not, the acquirer should consider other factors to determine whether the set is a business.

Paragraphs 66–108 set out the requirements for identifying the cashgenerating unit to which an asset belongs and determining the carrying amount of, and recognising impairment losses for, cashgenerating units and goodwill.

If the related asset is measured using the cost model:

A settlement occurs when an entity enters into a transaction that eliminates all further legal or constructive obligation for part or all of the benefits provided under a defined benefit plan, for example, when a lump-sum cash payment is made to, or on behalf of, plan participants in exchange for their rights to receive specified post-employment benefits.

This contract contains a deposit component (the loan) and an insurance component (waiver of the loan balance on death, equivalent to a cash death benefit).

A business combination may result in a parentsubsidiary relationship in which the acquirer is the parent and the acquiree a subsidiary of the acquirer.

Appendix A Segment definition decision tree

For example, all share call options are considered, whether held by the entity or another party.

IAS 27 Consolidated and Separate Financial Statements requires entities to use uniform accounting policies.

In these rare cases only, the entity shall instead:

ED 5 proposed that a cedant should apply IAS 36 Impairment of Assets to its reinsurance assets.

the reason for not reclassifying the amounts;

The deferred tax asset arising from the initial recognition of goodwill shall be recognised as part of the accounting for a business combination to the extent that it is probable that taxable profit will be available against which the deductible temporary difference could be utilised.

To give effect to the principle in paragraph 66(a), the acquirer shall disclose the following information for each business combination that was effected during the period:

single incidents that expose an insurer to risk under several different types of insurance contract.

a cash flow statement;

(CU12,000,000 × 5%) ÷ 4;

less taxes at 40%

information about exposures to market risk arising from embedded derivatives contained in a host insurance contract if the insurer is not required to, and does not, measure the embedded derivatives at fair value.

Although more informative, such an analysis is also more complex and costly to prepare.

In paragraph 39(b), ‘each income statement’ is amended to ‘each statement of comprehensive income or separate income statement presented’.

ED 2 did not propose a definition of the term ‘employees’.

B.27Example of calculating amortised cost:

All Standards and Interpretations issued under previous Constitutions continue to be applicable unless and until they are amended or withdrawn.

If an entity applies IFRS 3 (revised 2008) for an earlier period, the amendment shall also be applied for that earlier period.

Accounting by the holder of such a contract is excluded from the scope of IAS 39 and IFRS 4 (unless the contract is a reinsurance contract).

For some disclosures, such as discount rates or assumptions about future trends or general inflation, it may be relatively easy to disclose the assumptions used (aggregated at a reasonable but not excessive level, when necessary).

key management personnel of the entity or its parent;

Arrangements under which an entity retains the contractual rights to receive the cash flows of a financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients (paragraph 18(b))

Measurement of exploration and evaluation assets

IAS 21 The Effects of Changes in Foreign Exchange Rates

shares reserved for issue under options and contracts for the sale of shares, including terms and amounts;

Therefore, contrary to IAS 37, the acquirer recognises a contingent liability assumed in a business combination at the acquisition date even if it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

First, the effect of the third criterion in D3 (‘payments under the arrangement are made for the time that the item is made available for use rather than for actual use of the item’) was that a purchaser would always be required to assume some pricing risk in an arrangement for there to be a lease.

the basis of intersegment pricing.

In this case, after the revaluation requirements have been applied, an entity applies this Standard to determine whether the asset may be impaired.

If those economic benefits will not be taxable, the tax base of the asset is equal to its carrying amount.

If those contracts are not within the scope of IFRS 4 Insurance Contracts, they are within the scope of this Standard.

Recognition and Measurement (as revised in December 2003)

Net realisable value

if recoverable amount is value in use, the discount rate used in the current estimate and previous estimate (if any) of value in use.

Therefore, the IFRS requires it in the financial statements.

For equity-settled share-based payment transactions, the entity shall measure the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably.

Over the term of the sublease, the sublease payment obligations are satisfied with funds of an equal amount withdrawn from the separate investment account.

where the hedged item is a net position;

a cost that does not meet the definition of an asset at the end of an interim period is not deferred on the balance sheet either to await future information as to whether it has met the definition of an asset or to smooth earnings over interim periods within a financial year;

under national requirements inconsistent with IFRSs, using some individual IFRSs to account for items for which national requirements did not exist;

impairment losses recognised in profit or loss in accordance with IAS 36;

Entity A also concurrently agrees to repurchase the asset at the end of the lease for an amount equal to the sale price.

However, if some or all of the goodwill allocated to a cashgenerating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period.

In this context, ‘knowledgeable’ means that both the willing buyer and the willing seller are reasonably informed about the nature and characteristics of the investment property, its actual and potential uses, and market conditions at the balance sheet date.

share-based payment transactions (paragraphs 25B and 25C);

These costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it.

However, amortisation of that goodwill is not permitted and is therefore not included in the determination of the investor’s share of the associate’s profits or losses.

the amounts of additions to non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets (see IAS 19 Employee Benefits paragraphs 54–58) and rights arising under insurance contracts.

Regular way purchase or sale of a financial asset

These assets are usually consumed immediately.

(The ineffectiveness arising from (a) could be eliminated by designating as the hedged item a portion of the cash flows on the asset that are equivalent to the fixed leg of the swap.)

This Standard shall be applied retrospectively except as specified in paragraphs 105–108.

The fair value of each ordinary share of B at 30 September 20X1 is CU40.

details of any operations the entity has decided to dispose of as a result of the combination.

A condition upon which the exercise price, vesting or exercisability of an equity instrument depends that is related to the market price of the entity’s equity instruments, such as attaining a specified share price or a specified amount of intrinsic value of a share option, or achieving a specified target that is based on the market price of the entity’s equity instruments relative to an index of market prices of equity instruments of other entities.

The expected repricing dates are estimated at the inception of the hedge and throughout the term of the hedge, based on historical experience and other available information, including information and expectations regarding prepayment rates, interest rates and the interaction between them.

The Board discussed the following measurement bases, to decide which should be applied in principle:

the basis for determining investment returns credited to policyholders, such as whether the returns are fixed, based contractually on the return of specified assets or partly or wholly subject to the insurer’s discretion.

Many assets, for example, receivables and property, are associated with legal rights, including the right of ownership.

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

summary quantitative data about what it manages as capital.

An entity is permitted to apply the requirements of this IFRS to goodwill existing at or acquired after, and to business combinations occurring from, any date before the effective dates outlined in paragraphs 78–84, provided:

income tax receipts or payments.

Opening IFRS statement of financial position

The following terms are used in this Standard with the meanings specified in IAS 7 Cash Flow Statements;

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;

and IAS 18 Revenue:

BC20–BC23

Such liabilities, including derivatives that are liabilities, shall be measured at fair value except for a derivative liability that is linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, which shall be measured at cost.

An entity that has a past practice of selling the assets resulting from its loan commitments shortly after origination shall apply this Standard to all its loan commitments in the same class.

If, for example, segment result reflects depreciation expense, the depreciable asset must be included in segment assets.

Such a plan creates actuarial risk for the entity:

if the ultimate cost of benefits already earned at the end of the reporting period is more than expected, the entity will have to either increase its contributions or persuade employees to accept a reduction in benefits.

Any excess of fair value over carrying amount is recognised immediately.

Similarly, the investor entity uses IAS 31 to determine whether proportionate consolidation or the equity method is appropriate for such an investment.

The IFRS classifies an operation as discontinued at the date the operation meets the criteria to be classified as held for sale or when the entity has disposed of the operation.

For instruments for which there is neither an active market nor a recent market transaction, use a valuation technique.

The cumulative gain or loss to be recognised directly in equity is the difference between the fair value and the amortised cost on 31 December 2003, ie negative LC40 (= LC2,675 – LC2,715).

liabilities acquired from, or transferred to, other insurers.

The publication of an exposure draft, a Standard or a final Interpretation requires approval by nine of the fourteen members of the IASB.

Because the assets were allocated into time periods by allocating a percentage of the assets (rather than individual assets) into each time period, Entity A determines that it cannot ascertain into which specific time periods the sold assets were scheduled.

It thus promotes the rigorous and uniform application of IFRSs.

However, the most recent detailed calculation of such an asset’s recoverable amount made in a preceding period may be used in the impairment test for that asset in the current period, provided all of the following criteria are met:

To calculate basic earnings per share, the following imputed dividend per class A preference share is deducted to determine the profit or loss attributable to ordinary equity holders of the parent entity:

Under the terms of some schemes, employees can retain their share options or shares if they are classified as a ‘good leaver’, eg a departure resulting from circumstances not within the employee’s control, such as compulsory retirement, ill health or redundancy.

Currency rates

The Board’s discussions in these other projects are continuing and it would be premature to reach a conclusion in the context of portfolio hedging without considering the implications for these other projects.

As a consequence of a resolution by the Trustees, Part C of the revised Constitution approved on 24 May 2000 ceased to have effect.

Insurance contract within the scope of the IFRS (unless changes in the condition of the asset have an insignificant effect).

Its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10 per cent or more of the combined revenue, internal and external, of all operating segments.

A parent and all its subsidiaries.

For many entities, this might preclude the use of the BlackScholesMerton formula, which does not allow for the possibility of exercise before the end of the option’s life and may not adequately reflect the effects of expected early exercise.

the proposed approach was a fundamental change from that in the original IAS 39;

A financial asset that is transferred subject only to a deep out-of-the-money put option held by the transferee or a deep out-of-the-money call option held by the transferor is derecognised.

Future economic benefits flowing from an intangible asset, as stated in IAS 38.17, may include revenue from the sale of products or services, cost savings, or other benefits resulting from the use of the asset by the entity.

Impairment of property, plant and equipment(a)

It is inherent in the recognition of an asset or liability that the reporting entity expects to recover or settle the carrying amount of that asset or liability.

Actuarial assumptions are an entity’s best estimates of the variables that will determine the ultimate cost of providing postemployment benefits.

However, this approach differs from SFAS 123, which measures the deferred tax asset on the basis of the cumulative recognised expense.

The Board agreed that if an entity revises its estimates of payments or receipts, it should adjust the carrying amount of the financial instrument to reflect actual and revised estimated cash flows.

When an entity’s balance sheet date changes and the annual financial statements are presented for a period longer or shorter than one year, an entity shall disclose, in addition to the period covered by the financial statements:

In considering the issue described in paragraph BC176(a), the Board noted that a prepayable item can be viewed as a combination of a nonprepayable item and a prepayment option.

Forward interest rates obtained from Schedule VI are used to forecast interest payments on variable rate financial instruments and expected rollovers of short-term assets and liabilities.

The situation described in paragraph 18(b) (when an entity retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients) occurs, for example, if the entity is a special purpose entity or trust, and issues to investors beneficial interests in the underlying financial assets that it owns and provides servicing of those financial assets.

An entity may compensate employees for absence for various reasons including vacation, sickness and short-term disability, maternity or paternity, jury service and military service.

in a business combination achieved in stages, the acquisition-date fair value of the acquirer’s previously held equity interest in the acquiree.

In paragraph AG51(a), ‘on its balance sheet’ is amended to ‘in its statement of financial position’.

The equityindex feature is an insurance contract (unless the lifecontingent payments are insignificant), because the policyholder benefits from it only when the insured event occurs.

For example, it may be appropriate to include non-production overheads or the costs of designing products for specific customers in the cost of inventories.

a change in performance conditions, thereby changing the probability of vesting (increase and decrease).

If it is impracticable to apply a particular requirement of paragraphs 10–35 to comparative information that relates to annual periods beginning before 1 January 2005, an entity shall disclose that fact.

understandability

This amount represents the difference between the fair value amount allocated to the liability component and the repurchase price of CU1,700.

The major components of tax expense (income) shall be disclosed separately.

The exchange differences referred to in paragraph 39(c) result from:

Where ordinary shares are issued but not fully paid, they are treated in the calculation of basic earnings per share as a fraction of an ordinary share to the extent that they were entitled to participate in dividends during the period relative to a fully paid ordinary share.

However, the Board concluded that it could prohibit these provisions without undermining other components of existing approaches.

If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount shall not be immediately recognised as income by a sellerlessee.

The initial accounting for a business combination involves identifying and determining the fair values to be assigned to the acquiree’s identifiable assets, liabilities and contingent liabilities and the cost of the combination.

This raises the question how to account for the debit side of the entry.

Furthermore, ED 5 proposed a requirement for the issuer of an investment contract containing such a feature to recognise a liability measured at no less than the amount that would result from applying IAS 39 to the guaranteed element of the contract.

Some respondents suggested that a contract should not be regarded as an insurance contract if the insurancecontingent rights and obligations expire after a very short time.

An entity need not apply IAS 21 The Effects of Changes in Foreign Exchange Rates (as revised in 2003) retrospectively to fair value adjustments and goodwill arising in business combinations that occurred before the date of transition to IFRSs.

If the entity does not apply IAS 21 retrospectively to those fair value adjustments and goodwill, it shall treat them as assets and liabilities of the entity rather than as assets and liabilities of the acquiree.

In addition, if the recoverable amounts of any of those units (groups of units) are based on the same key assumption and the aggregate carrying amount of goodwill or intangible assets with indefinite useful lives allocated to them is significant in comparison with the entity’s total carrying amount of goodwill or intangible assets with indefinite useful lives, an entity shall disclose that fact, together with:

If there is no servicing fee specified or the fee to be received is not expected to compensate the entity adequately for performing the servicing, a liability for the servicing obligation is recognised at fair value.

Agency transactions.

when the entity’s continuing involvement takes the form of a cashsettled option or similar provision on the transferred asset, the extent of the entity’s continuing involvement is measured in the same way as that which results from noncash settled options as set out in (b) above.

Entity A has an obligation to deliver CU98,000 in cash to Entity B in exchange for CU95,000 worth of shares (CU95 × 1,000).

It incorporates the requirements of the deleted paragraphs 91─95.

Although no precise limit has been determined, as the number of segments that are reportable in accordance with paragraphs 13–18 increases above ten, the entity should consider whether a practical limit has been reached.

The following example illustrates the application of IFRS 2 to one particular type of plan—an employee share purchase plan.

Any resultant exchange differences shall be recognised as income or expense immediately, except that an entity shall continue to apply its existing accounting policy for exchange gains and losses related to hedges of the currency risk of a forecast transaction;

manufacturing plants

A contract that gives the holder the right, but not the obligation, to subscribe to the entity’s shares at a fixed or determinable price for a specified period of time.

The machine’s recoverable amount (ie higher of value in use and fair value less costs to sell) is determined on the basis of a value in use calculation.

In addition, IASB staff issue a newsletter after each IFRIC meeting.

deferred tax assets and assets arising from employee benefits.

BIllustrative disclosures

Parent J’s date of transition to IFRSs is 1 January 2004.

Under its previous GAAP, parent J did not consolidate its 75 per cent subsidiary K, acquired in a business combination on 15 July 2001.

In considering these comments, the Board decided that impairment losses should be recognised only if they have been incurred.

All other assets shall be classified as non-current.

In deciding how to recognise, measure, classify, or disclose an item for interim financial reporting purposes, materiality shall be assessed in relation to the interim period financial data.

However, if a firsttime adopter adopts the IAS 23 allowed alternative treatment, the IFRS requires retrospective application of that treatment, even for periods before the effective date of IAS 23 (paragraph 9 of the IFRS).

Components of financial statements

In a reverse acquisition, some of the owners of the legal acquiree (the accounting acquirer) might not exchange their equity interests for equity interests of the legal parent (the accounting acquiree).

Disclosure of accounting policies

However, the Board also concluded that it is important to provide guidance to address the questions raised in practice.

the extent to which insurance risks are assessed and managed on an entitywide basis.

Swiss Life, de grootste Zwitserse levensverzekeraar, die ook in ons land actief is, kijkt eveneens aan tegen financiële tekorten bij een van zijn dochters, de investeringsgroep PEH (Private Equity Holding).

Government grants, including non-monetary grants at fair value, shall not be recognised until there is reasonable assurance that:

Other reserves may be established if national tax law grants exemptions from, or reductions in, taxation liabilities when transfers to such reserves are made.

Returning to the first question in paragraph BC200, when the Board developed ED 2 it developed an approach whereby the fair value of the shares or share options granted, measured at grant date and allowing for all vesting conditions, is divided by the number of units of service expected to be received to determine the deemed fair value of each unit of service subsequently received.

For example, if previous calculations show that an asset’s recoverable amount is significantly greater than its carrying amount, the entity need not re-estimate the asset’s recoverable amount if no events have occurred that would eliminate that difference.

the growth rate used to extrapolate cash flow projections beyond the period covered by the most recent budgets/forecasts, and the justification for using any growth rate that exceeds the longterm average growth rate for the products, industries, or country or countries in which the entity operates, or for the market to which the unit (group of units) is dedicated.

Professor Barth, Mr Garnett and Professor Whittington dissented.

Rather, it highlights a need to reconsider the view taken in IAS 38 that an intangible asset can never exist in respect of an inprocess research project and can exist in respect of an inprocess development project only once all of the criteria for deferral in IAS 38 have been satisfied.

Disclosures should be consistent with how management perceives its activities and risks, and the objectives, policies and processes that management uses to manage those risks.

The principal issues in accounting for property, plant and equipment are the recognition of the assets, the determination of their carrying amounts and the depreciation charges and impairment losses to be recognised in relation to them.

for the purpose of paragraph 67(b), salary increases do not lead to further benefits, even though the amount of the benefits is dependent on final salary;

This is the starting point for its accounting under IFRSs.

An entity need not present its opening IFRS balance sheet in its first IFRS financial statements.

For example, if the employee ceases employment during the fiveyear period, the shares must nevertheless remain in the plan until the end of the fiveyear period.

For property, plant and equipment, such disclosure may arise from changes in estimates with respect to:

for a pre-existing non-contractual relationship (such as a lawsuit), fair value.

Noncurrent Assets Held for Sale and Discontinued Operations

For example, the spot rate of 6.38 per cent is used to discount the interest cash flow that is expected to be paid in Period 3, but it is discounted for only two periods because it will occur two periods after the forecast transaction.

Research or development expenditure that:

In some cases, the arrangement is incorporated in the articles or other bylaws of the joint venture.

Entities that are exempted in accordance with paragraph 10 of IAS 27 from consolidation, paragraph 13(c) of IAS 28 Investments in Associates from applying the equity method or paragraph 2 of this Standard from applying proportionate consolidation or the equity method may present separate financial statements as their only financial statements.

In other words, the grant date valuation should be reduced to allow for the possibility of forfeiture due to failure to satisfy the vesting conditions.

Paragraph 39(a) of the IFRS requires an insurer to disclose its objectives, policies and processes for managing risks arising from insurance contracts and the methods used to manage those risks.

If a guarantee provided by the entity for default losses on the transferred asset prevents a transferred asset from being derecognised because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the transferred asset continues to be recognised in its entirety and the consideration received is recognised as a liability.

value increases at a decreasing rate as the term lengthens.

The difference, at the date the terms are amended, between the fair value of the consideration the holder receives on conversion of the instrument under the revised terms and the fair value of the consideration the holder would have received under the original terms is recognised as a loss in profit or loss.

the revenue, expenses and pre-tax profit or loss of discontinued operations;

the contract transfers significant insurance risk from the cedant to the reinsurer (which does not occur if the probability of a significant variation in either the amount or timing of payments by the reinsurer is remote);

clarified the applicability of shadow accounting (paragraphs BC181–BC184).

Lease classification is made at the inception of the lease.

Paragraph 55 requires the discount rate used to be a pre-tax rate.

significant changes with a favourable effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, the asset is used or is expected to be used.

It does not expect all share options granted to vest because it does not expect all employees to complete three years’ service.

As noted above, the Board decided that it should not, in the first phase of its Business Combinations project, rule out the possibility of a combination occurring (other than a combination involving the formation of a joint venture) in which one of the combining entities does not obtain control of the other combining entity or entities.

Paragraphs 8–17 specify when recoverable amount shall be determined.

Paragraph 130 requires an entity to identify the change in estimates that causes the increase in estimated service potential.

The entity might conclude, however, that the equity component of the combined instrument may be sufficiently significant to preclude it from obtaining a reliable estimate of the entire instrument.

The following additional information is also relevant for the preparation of the statements of cash flows:

the end of the latest period presented in the entity’s most recent annual financial statements under previous GAAP.

In paragraph 27(c), ‘in equity’ is amended to ‘in other comprehensive income’.

If no impairment exists, the carrying amount of the goodwill remains at 180 (paragraph B2(g)).

The Board noted that an undesirable consequence of such an amendment could be that entities would deliberately underhedge a hedged item in a cash flow hedge so as to reduce recognised ineffectiveness.

If the commitment expires without the entity making the loan, the fee is recognised as revenue on expiry.

In such circumstances, the owners of the combining businesses could avoid the requirement to apply the purchase method by contractually agreeing that all the essential strategic operating, investing, and financing decisions require the consent of a majority of the owners.

Once the entity is committed to the restructuring:

For example, if an entity’s policy has generally been to increase dividends by approximately 3 per cent per year, its estimated option value should not assume a fixed dividend amount throughout the option’s life unless there is evidence that supports that assumption.

matching of costs with revenues

The International Accounting Standards Board developed this revised IAS 36 as part of its project on business combinations.

there is no need to add them separately.

Based on the Framework, a liability for terminating or reducing the activities of the acquiree does not exist at the acquisition date unless at that date there is a present obligation (legal or constructive) for the costs of terminating or reducing the acquiree’s activities arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.

The non-monetary assets and liabilities of an entity are measured in its functional currency (see IAS 21 The Effects of Changes in Foreign Exchange Rates).