IFRS LINK

IASB publishes amendments to IFRS 10, IFRS 12 and IAS 28

The IASB issued amendments to IFRS 10, IFRS 12 and IAS 27 as far back as October 2012, granting an exception in relation to the consolidation of subsidiaries if the parent company meets the definition of an investment entity. In such a case, the subsidiary is not consolidated but is instead presented at fair value in the financial statements. The IFRS Interpretations Committee subsequently received different queries in connection with the implementation of the exception. This prompted the IASB in June 2014 to issue ED/2014/2 Investment Entities – Applying the Consolidation Exception (proposed amendments to IFRS 10 and IAS 28).

The amendments pronounced by the IASB on 18 December 2014 serve to clarify three questions in relation to the application of the exception from the duty to consolidate pursuant to IFRS 10 if the parent company meets the definition of an investment entity:

- an entity can also apply the consolidation exception if its parent company measures its subsidiaries at fair value pursuant to IFRS 10
- a subsidiary that provides services that relate to the parent's investment activities is not consolidated if the subsidiary itself is an investment entity
- if an investor that does not meet the definition of an investment entity applies the equity method to an associate or joint venture, it can retain the fair value measurement that the investee applies to its equity investments in subsidiaries. The ban on retaining the fair value measurement in the case of an investment entity joint venture previously provided for in the draft ED/2014/2 has thus been removed.

In addition, and contrary to the draft, the IASB has included in the amendment a provision that an investment entity which measures all of its subsidiaries at fair value must make the disclosures on investment entities required by IFRS 12.

Note: The amendments to IFRS 10, IFRS 12 and IAS 28 are subject to mandatory adoption for annual periods beginning on or after 1 January 2016. Earlier application is permitted subject to EU endorsement. The decision regarding recognition of the standard by the EU is expected in Q4/2015. The amendment is available for download on the IASB website in return for a fee.

IASB publishes amendments to IAS 1 – Disclosure Initiative

On 18 December 2014, the IASB published amendments to IAS 1. These amendments are part of the IASB's Disclosure Initiative, which comprises a series of sub-projects. The initiative aims to result in improvements to IAS 1 and IAS 7 in the short term. Another objective in the medium term is to fundamentally re-examine the development of presentation and disclosure requirements in the IFRS financial statements (including disclosures in the notes) and

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to develop improvements in the corresponding principles (principles of disclosure). This is to be used as a basis for a fundamental review of all standards.

The amendments to IAS 1 mainly involve the following points:

- assessing the materiality of disclosures in the financial statements - the materiality principle in IAS 1 extends to all parts of the financial statements. Disclosures that result explicitly from other standards can be waived for reasons of immateriality.
- explanations regarding aggregation and disaggregation of items in the statement of financial position and statement of comprehensive income
- structure of disclosures in the notes - the disclosures in the notes do not necessarily have to be made in the order specified in IAS 1.114. Disclosures should be made in the order of their understandability and comparability. Entities can determine their own order; for example, accounting options can be presented together with the respective item.
- presentation of the significant accounting policies - the guidance in IAS 1 concerning the identification of significant accounting policies as part of the disclosures in the notes will be deleted, as it was not seen as helpful.
- presentation of other comprehensive income attributable to associates and joint ventures recognised using the equity method

Note: The amendments to IAS 1 are subject to mandatory adoption for annual periods beginning on or after 1 January 2016. Early adoption is permitted subject to EU endorsement. The decision regarding recognition of the standard by the EU is expected in Q4/2015. The amendment is available for download on the IASB website in return for a fee.

Annual Improvements to IFRSs (2012-2014 Cycle)

On 26 September 2014, the IASB published the amendments as part of the Annual Improvements to IFRSs 2012-2014 Cycle.

Amendments are proposed to four financial reporting standards.

- IFRS 5: Non-current Assets Held for Sale and Discontinued Operations
  The amendment provides for the inclusion of special guidance in IFRS 5 for cases where an entity reclassifies an asset from the 'held for sale' category to the 'held for distribution' category or vice versa. Guidance will also be introduced for cases where 'held for distribution' accounting is ceased.
- IFRS 7: Financial Instruments: Disclosures
  Clarification is provided regarding under which conditions the management of a transferred financial instrument is a continuing involvement and thus has to be reported. Furthermore, the disclosures on offsetting financial assets and financial liabilities do not specifically have to be included in all interim reporting pursuant to IAS 34.
- IAS 19: Employee Benefits
  The amendments to IAS 19 relate to determining the discount rate. The planned amendments propose that high-quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability.
- IAS 34: Interim Financial Reporting
  Disclosures and information which contrary to IAS 34 are not presented in the interim financial statements themselves but elsewhere in the annual report should include a cross-reference in the interim financial statements.

Note: The amendments as part of the Annual Improvements to IFRSs 2012-2014 Cycle are subject to mandatory adoption for annual periods beginning on or after 1 January 2016. Early adoption is permitted subject to EU endorsement. The decision regarding recognition of the amendment by the EU is expected in Q3/2015. The amendment is available for download on the IASB website in return for a fee.

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 (Consolidated Financial Statements) and IAS 28 (Investments in Associates and Joint Ventures) eliminate inconsistencies between the two standards.

IFRS 10 provides for full gain or loss recognition if a subsidiary that was previously fully consolidated is contributed to an associate or joint venture and therefore has to be deconsolidated. By contrast, IAS 28 (revised 2011) provides only for partial gain or loss recognition in the amount of the unrelated investors' interests for non-financial assets contributed to associates or joint ventures. In future, a uniform principle is to be applied: if a business as defined in IFRS 3 is transferred, full gain or loss recognition takes place at the investor.

If, on the other hand, what is transferred is not a business (eg sale or contribution of individual assets), only the gain or loss on the unrelated investors' interests in the investee is recognised.

Note: The amendments to IFRS 10 and IAS 28 are subject to mandatory adoption for annual periods beginning on or

after 1 January 2016. Earlier application is permitted subject to EU endorsement. The decision regarding recognition of the amendment by the EU is expected in Q4/2015.
The amendment is available for download on the IASB website in return for a fee.

ED/2014/6 Disclosure Initiative – Amendments to IAS 7

On 18 December 2014, the IASB published ED/2014/6 Disclosure Initiative (Proposed amendments to IAS 7) for comments.

The proposed amendments aim to improve the information provided to users of financial statements with regard to an entity's financing activities and liquidity. This objective is to be achieved firstly by means of a mandatory reconciliation for liabilities from financing activities to be presented in the notes to the financial statements. Secondly, the disclosures regarding existing restrictions on the entity's cash and cash equivalents are to be extended.

An entity must provide a reconciliation of liability items in the statement of financial position for which cash flows are classified or could be classified as financing activities in the statement of cash flows. This reconciliation must include opening balances in the statement of financial position, changes during the reporting period and closing balances in the statement of financial position. An explanatory example is included with the proposed amendments. No reconciliation is required for equity items.

The draft also includes extended disclosures about cash and cash equivalents with restrictions that could affect the entity's decision to use those amounts. These also include tax liabilities arising on the repatriation of foreign cash and cash equivalents.

Note: The draft does not contain any proposed date of first-time application. However, it does propose that the amendments should be applicable prospectively without additional transition provisions.
Statements can be submitted to the IASB up until 17 April 2015. This draft is available for download on the IASB website.

ED/2014/5 Classification and Measurement of Share-based Payment Transactions (IFRS 2)

On 26 November 2014, the IASB published ED/2014/5 Classification and Measurement of Share-based Payment Transactions (Proposed amendments to IFRS 2).

The amendments proposed in the draft relate to the following matters for which IFRS 2 does not yet provide any guidance and the accounting treatment of which is not uniform in practice:

- taking vesting conditions (service conditions, market conditions and other performance conditions) into account in the measurement of cash-settled share-based payment transactions
- classification of share-based payment transactions with net settlement features, and
- accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The proposed amendments include clarification on the accounting for cash-settled share-based payment transactions. So far, IFRS 2 states only that the liability incurred for cash-settled share-based payment transactions must be recognised at fair value. However, the standard does not provide any guidance on the effects of vesting conditions on the fair value of the liability incurred. The amendment proposes that the accounting of cash-settled share-based payment transactions should follow the approach used for equity-settled share-based payments. This would mean that, unlike the market conditions, the vesting conditions would not flow into the estimate of the fair value on the valuation date.

The proposed amendments also include classification rules for share-based payment transactions that an entity settles without withholding tax (i.e. net). If this arrangement is classified as equity-settled without the feature of withholding tax, the net settlement does not change the classification.

The proposed amendments also contain rules on accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the

transaction from cash-settled to equity-settled. Such modifications are not currently dealt with in IFRS 2. Therefore the IASB is proposing that in such cases the liability recognised in respect of the original cash-settled share-based payment should be derecognised and the equity-settled share-based payment should be recognised at modification-date fair value to the extent that services have been rendered up to the modification date. Any differences between the carrying amount of the liability and the amount recognised in equity must be recorded in profit or loss immediately.

Note: While no date of first-time application is proposed, the draft does state that early adoption should be permissible. It is intended that the amendments to IFRS 2 will apply prospectively. Retrospective application is also to be possible provided that an entity has all information necessary to do so without the use of hindsight. Statements can be submitted to the IASB up until 25 March 2015. The draft can be found on the website of the IASB. This draft is available for download on the IASB website.

ED/2014/4 Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value

On 16 September 2014, the IASB published ED/2014/4 Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value (Proposed amendments to IFRS 10, IFRS 12, IAS 27, IAS 28 and IAS 36 and Illustrative Examples for IFRS 13). The amendments set out how to determine the unit of account for measurement at fair value of investments in subsidiaries, joint ventures and associates. To date it is unclear whether the investment as a whole (including any package mark-ups) should be used to determine fair value or whether the fair value is derived from the value of an individual investment.

The IASB wishes to use the draft to clarify that in principle the entire investment package should be measured. However, the fair value of quoted investments is the product of the individual financial instruments multiplied by the quantity of financial instruments held. The same applies with regard to determining the recoverable amount for cash-generating units (CGUs) based on the fair value less costs of disposal, provided that entities are allocable to these CGUs that are quoted in an active market.

Last but not least, the draft includes an illustrative example for IFRS 13.48 (portfolio exception). The example illustrates that available observable market prices (Level 1) must be used to measure a group of financial assets and liabilities with the same market risks.

Note: A date for first-time application has not yet been proposed. However, it is intended that the amendments to IFRS 12 and IAS 36 will apply prospectively, whereas the amendments to IFRS 10, IAS 27 and IAS 28 are to be taken into account by adjusting the opening balances on the date of first-time application.
The comment period ended on 31 December 2014. This draft is available for download on the IASB website.

ED/2014/3 Recognition of Deferred Tax Assets for Unrealised Losses (IAS 12)

On 20 August 2014, the IASB published ED/2014/3 Recognition of Deferred Tax Assets for Unrealised Losses (Proposed Amendments to IFRS 12).

The draft serves to clarify various questions regarding the recognition of deferred tax assets for unrealised losses resulting from the fair value changes of debt instruments and recognised in other comprehensive income.

In the draft, the IASB clarifies the following:

- an unrealised loss on a fixed-rate debt instrument measured at fair value leads to a deductible temporary difference if the tax base of the debt instrument corresponds to its cost. This applies regardless of whether the holder expects to hold the instrument to maturity in order to recover the nominal value or to sell the instrument.
- the carrying amount of an asset does not constitute the upper limit for estimating probable future taxable profits.
- when estimating future taxable profits, tax deductions from the reversal of deductible temporary differences must be excluded.
- if tax law distinguishes between the different types of taxable profits, a separate assessment of whether a deferred tax asset must be recognised must be performed for each part of the taxable profit.
- IAS 12 is to be supplemented to include rules that clarify how future taxable profit is to be determined for assessing the usability of deductible temporary differences.

Note: The draft does not contain any proposed effective date. The comment period ended on 18 December 2014. This draft is available for download on the IASB website.

Other Standard Setters

EFRAG – Draft endorsement advice on IFRS 15 (Revenue Recognition)

On 15 October 2014, EFRAG published draft endorsement advice on IFRS 15 Revenue from Contracts with Customers. In it, EFRAG assessed the new rules in the standard both in terms of the criteria for endorsement by the EU and the costs and benefits that would arise from the implementation of the amendments in the EU.

In both cases, EFRAG comes to the conclusion that endorsement for use in Europe is to be recommended. As far as the effective date is concerned, EFRAG is requesting statements of whether it is realistic to adopt the standard from 1 January 2017. The comment period ended 15 December 2014.

EFRAG - Adoption of IFRS 9 back on the agenda

The decision whether to adopt IFRS 9 Financial Instruments was postponed at EU level in 2012 until the IASB had issued a final version of IFRS 9 in order to be able to assess the standard as a whole. After the IASB issued a final version of IFRS 9 in July 2014, the EU Commission requested that EFRAG assess the new standard.

The new EFRAG status report states that adoption of IFRS 9 for use in Europe can be expected in the second half of 2015.

Adoption of IFRS by the EU

EU Endorsement

EU Endorsement Status Report

The following table contains standards and interpretations that have not yet been adopted by the EU and those that have been adopted since our last edition (endorsement). This information is based on the EU Endorsement Status Report dated 9 January 2015 as issued by EFRAG (European Financial Reporting Advisory Group).

Standards	IASB entry into force	EU endorsement
IFRS 9 Financial Instruments (24 July 2014)	1 January 2018	H2/2015
IFRS 14 Regulatory Deferral Accounts (30 January 2014)	1 January 2016	to be decided
IFRS 15 Revenue from Contracts with Customers (28 May 2014)	1 January 2017	Q2/2015

Amendments to standards

Standards	IASB entry into force	EU endorsement
IFRS 10, IFRS 12 and IAS 28: Investment Entities - Applying the Consolidation Exception (18 December 2014)	1 January 2016	Q4/2015
IAS 1 - Disclosure Initiative (18 December 2014)	1 January 2016	Q4/2015
Annual Improvements to IFRSs (2012-2014 Cycle) (25 September 2014) (standards affected: IFRS 5, IFRS 7, IAS 19 and IAS 34)	1 January 2016	Q3/2015

IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (11 September 2014)	1 January 2016	Q4/2015
IAS 27 - Equity Method in Separate Financial Statements (12 August 2014)	1 January 2016	Q3/2015
IAS 16 and 41- Accounting for Bearer Plants (30 June 2014)	1 January 2016	Q1/2015
IAS 16 and 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (12 May 2014)	1 January 2016	Q1/2015
IFRS 11 - Amendments concerning Acquisitions of Interests in Joint Operations (6 May 2014)	1 January 2016	Q1/2015
IAS 19 Defined Benefit Plans: Employee Contributions (21 November 2013)	1 July 2014	17 December 2014
Annual Improvements to IFRSs (2010-2012 Cycle) (12 December 2013) (standards affected: IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, IAS 38, IFRS 1, IFRS 3, IFRS 13)	1 July 2014	17 December 2014
Annual Improvements to IFRSs (2011-2013 Cycle) (12 December 2013) (standards affected: IFRS 1, IFRS 3, IFRS 13, IAS 40)	1 July 2014	18 December 2014

Notes regading annual financial statements

We already introduced the following standards to you in earlier editions of our IFRS Link. As the preparation of the annual financial statements is already underway, we wish to remind you below of the main changes for the current and the coming fiscal years.

New rules subject to mandatory adoption as of the 31 December 2014 reporting date

Standards	Title/Content	Effective date	EU Endorsement
IFRS 10	Consolidated Financial Statements	1 January 2014	11 December 2012
IFRS 11	Joint Arrangements	1 January 2014	11 December 2012
IFRS 12	Disclosures of Interests in Other Entites	1 January 2014	11 December 2012
Amend. IFRS 10 IFRS11, IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities. Transitional Provisions	1 January 2014	4 April 2013
Amend. IFRS 10, IFRS 12, IAS 27	Separate Financial Statements – Exception from the Consolidation Duty for Investment Entities	1 January 2014	20 November 2013
IAS 27	Separate Financial Statements (revised 2011)	1 January 2014	11 December 2012
IAS 28	Investments in Associates and Joint Ventures (revised 2011)	1 January 2014	11 December 2012
Amend. IAS 32	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	1 January 2014	13 December 2012
Amend. IAS 36	Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014	19 December 2013

Standards	Title/Content	Effective date	EU Endorsement
Amend. IAS 39 / IFRS 9	Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014	19 December 2013

New rules subject to voluntary adoption as of the 31 December 2014 reporting date

Standards	Title/Content	Effective date	EU Endorsement
IFRIC 21	Levies	1 January 2014	13 June 2014
AIP 2011-2013	IASB Annual Improvement Project 2011-2013	1 July 2014	18 December 2014
AIP 2010-2012	IASB Annual Improvement Project 2010-2012	1 July 2014	17 December 2014
Amend. IAS 19	Employee Benefits	1 July 2014	17 December 2014

Standards applicable after the reporting date – so far without EU endorsement

Standards	Title/Content	Effective Date	EU Endorsement
IFRS 9	Financial Instruments (24 July 2014)	1 January 2018	H2 2015
IFRS 14	Regulatory Deferral Accounts (30 January 2014)	1 January 2016	open
IFRS 15	Revenue from Contracts with Customers (28 May 2014)	1 January 2017	Q2 2015
Amend. IFRS 10, IFRS 12, IAS 28	Applying the Consolidation Exception (18 December 2014)	1 January 2016	Q4 2015

Standards	Title/Content	Effective Date	EU Endorsement
Amend. IAS 1	Disclosure Initiative (18 December 2014)	1 January 2016	Q4 2015
AIP 2012-2014	IASB Annual Improvement Project 2012-2014 (25 September 2014)	1 January 2016	Q3 2015
Amend. IFRS 10, IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (11 September 2014)	1 January 2016	Q4 2015
Amend. IAS 27	Use of the Equity Method in Separate Financial Statements (12 August 2014)	1 January 2016	Q3 2015
Amend. IAS 16, IAS 41	Agriculture: Bearer Plants (30 June 2014)	1 January 2016	Q1 2015
Amend. IAS 16, IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation (12 May 2014)	1 January 2016	Q1 2015
Amend. IFRS 11	Accounting for Acquisitions of Interests in Joint Operations (6 May 2014)	1 January 2016	Q1 2015

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