



To:	AASB Members	Date:	02 June 2010
From:	Joanna Spencer	Agenda Item:	4.4
Subject:	IFRS Interpretations Committee - Annual Improvements	File:	

Action

To note the review the IFRS Interpretations Committee is undertaking for the IASB's *Annual Improvements*.

Background

The IFRS Interpretations Committee (the Committee) is assisting the IASB by reviewing proposed improvements to IFRSs and making recommendations to the IASB. The Committee's specific involvement includes reviewing and deliberating issues for their inclusion in future exposure drafts of proposed amendments to IFRS and deliberating comments received on these EDs.

AASB staff have not reported on this aspect of the Committee's program before, and would welcome any feedback as to how AASB members would like this presented.

Presented below is a table which summarises the topic at hand and the Committee's recommendations.

Annual Improvements – 2009-2011	
Issues with recommendations to be added to the Annual Improvements	
Topic	Issue and Committee Recommendation
IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i> – Clarification of borrowing costs exemption	<p>IFRS 1 paragraph 23 is silent on accounting for borrowing costs at the date of transition to IFRSs. Some constituents question whether, on transition, borrowing costs capitalised in accordance with previous GAAP should be eliminated or carried forward. In addition, clarification as to how to account for borrowing costs incurred after transition for qualifying assets that are under construction at the date of transition, is also being sought.</p> <p>The Committee recommends amending the exemption for borrowing costs in IFRS 1. The proposed amendment will require an entity to apply IAS 23 <i>Borrowing Costs</i> requirement to borrowing costs incurred on qualifying assets from the transition date. Entities will not be required, at the date of transition, to restate the borrowing cost component of an asset that was determined in accordance with previous GAAP. However, IAS 23 may be applied from an earlier</p>

	date.
IAS 1 <i>Presentation of Financial Statements – Comparative Information</i>	<p>The Committee discussed issues in IAS 1 that relate to the requirements for comparative information specifically when an entity provides some, but not all, individual financial statements beyond the required comparative information.</p> <p>The IASB discussed the issue in March 2010 and decided that only one comparative period is required for a complete set of financial statements, but that any additional comparative information presented must be prepared in accordance with current IFRSs and with the same prominence as the required comparative information. Further, the IASB also decided that when there is a change in accounting policy, restatement or reclassification, an entity shall present an opening statement of financial position as at the beginning of the required comparative period regardless of whether an entity's financial statements present comparative information for earlier periods.</p> <p>The IASB's decisions are due to be included in an ED to be published in Q2 2010.</p>
IAS 16 <i>Property, Plant and Equipment – Clarification of accounting for servicing equipment</i>	<p>There is a perceived inconsistency in IAS 16 regarding the classification of servicing equipment as PPE or inventory. Some constituents consider that IAS 16 paragraph 8 requires servicing equipment to be classified as inventory, even if it is used during more than one period. Further, this paragraph unnecessarily introduces the additional 'used only in connection with' condition to the current definition of PPE.</p> <p>The Committee recommends amending IAS 16 to clarify that servicing equipment is PPE when an entity expects to use it in more than one period and inventory when the entity expects to use it in less than one period. It is also proposed to delete the requirement that spare parts and servicing equipment used during only one period in connection with an item of PPE be classified as PPE.</p>
Issues with recommendations not to be added to the Annual Improvements	
IAS 32 <i>Financial Instruments: Presentation – Clarification of the puttable instruments criteria for income trust units.</i>	<p>The Committee discussed a request to propose an amendment to guidance in IAS 32 to clarify that a put can be classified as equity if it has a contractual obligation to deliver cash, or another financial asset, to all existing holders of the instrument on a pro rata basis.</p> <p>The Committee decided not to propose an amendment because:</p> <ul style="list-style-type: none"> ▪ the IASB identified unique circumstances that justified the <i>Classification of Rights Issues (Amendment to IAS 32)</i> and that these circumstances do not exist in relation to the fact pattern in the request; ▪ it could be considered an additional exception to the definition of a financial liability which would be outside the scope of <i>Annual Improvements</i>; and ▪ it would only be effective for periods on or after 1 Jan 2012 and it is expected that the IASB will have issued a final standard on <i>Financial Instruments with Characteristics of Equity</i> by then.