International Financial Reporting Standard

Improvements to IFRSs

May 2010

IMPLEMENTATION GUIDANCE – AMENDMENTS

[IFRS 1 & 7]

[Related to AASB 2010-4]

Amendments to the guidance on implementing IFRS 1 *First-time Adoption of International Financial Reporting Standards*

Paragraphs IG8 and IG51 are amended (new text is underlined and deleted text is struck through).

IG8 An entity may elect to use one of the following amounts as the deemed cost of an item of property, plant and equipment:

(a) ...

(c) fair value at the date of an event such as a privatisation or initial public offering (paragraph D8 of the IFRS); ~~or~~

(d) an allocation of an amount determined under previous GAAP that meets the criteria in paragraph D8A of the IFRS~~.~~; or

(e) the carrying amount under previous GAAP of an item of property, plant and equipment that is used, or was previously used, in operations subject to rate regulation (paragraph D8B of the IFRS).

IG51 If an entity's amortisation methods and rates in accordance with previous GAAP would be acceptable in accordance with IFRSs, the entity does not restate the accumulated amortisation in its opening IFRS statement of financial position. Instead, the entity accounts for any change in estimated useful life or amortisation pattern prospectively from the period when it makes that change in estimate (paragraph 14 of the IFRS and paragraph 104 of IAS 38). However, in some cases, an entity's amortisation methods and rates in accordance with previous GAAP may differ from those that would be acceptable in accordance with IFRSs (for example, if they were adopted solely for tax purposes and do not reflect a reasonable estimate of the asset's useful life). If those differences have a material effect on the financial statements, the entity adjusts the accumulated amortisation in its opening IFRS statement of financial position retrospectively so that it complies with IFRSs (paragraph 14 of the IFRS). However, if an entity uses the exemption in paragraph D8B, it uses the carrying amount of the intangible asset at the date of transition to IFRSs as deemed cost as if it had acquired an intangible asset with the same remaining service potential for that amount at the date of transition to IFRSs. Subsequent amortisation is based on that deemed cost and starts from the date of transition to IFRSs.

Amendment to guidance on implementing IFRS 7 *Financial Instruments: Disclosures*

A heading and paragraphs IG3 and IG4 are deleted (new text is underlined and deleted text is struck through).

Introduction

~~Materiality~~

IG3–IG4 [Deleted] ~~IAS 1 *Presentation of Financial Statements* notes that a specific disclosure requirement in an IFRS need not be satisfied if the information is not material. IAS 1 defines materiality as follows:~~

> ~~Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.~~

~~IG4~~ ~~IAS 1 also explains that definition as follows:~~

> ~~Assessing whether an omission or misstatement could influence economic decisions of users, and so be material, requires consideration of the characteristics of those users. The *Framework for the Preparation and Presentation of Financial Statements* states in paragraph 25 that 'users are assumed to have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information with reasonable diligence.' Therefore, the assessment needs to take into account how users with such attributes could reasonably be expected to be influenced in making economic decisions.~~

