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EDITORIAL

The IASB (International Accounting Standards Board) has issued a number of new standards and has amended others, making further progress with the convergence project undertaken with the FASB (Financial Accounting Standards Board) in the US to align more closely International Financial Reporting Standards (IFRS) and US generally accepted accounting principles (GAAP). The SEC is expected, "later this year", to make its long-awaited announcement on the adoption and method of adoption of IFRS.

The boards have also decided to re-expose their amended proposals for both revenue recognition and lease accounting – a welcome development given the volume of comments received on the original exposure drafts on these key topics.

Again, there is considerable activity on XBRL (eXtensible Business Reporting Language) and the IFRS Taxonomy – a trend that is likely to continue.

Paul Ginman

Chief operating officer and technical director, Baker Tilly International

AMENDMENTS TO STANDARDS

IASB Improvements to Accounting for Off Balance Sheet Activities and Joint Arrangements

In May the IASB completed its improvements to the accounting requirements for off balance sheet activities and joint arrangements.

The IASB issued IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities. As a result IFRS and US GAAP have been brought broadly into alignment regarding off balance sheet activities.

IFRS 10 identifies the concept of control as the key factor (and provides guidance to help assess this) in determining whether an entity should be included within the consolidated financial statements of the parent company. It replaces SIC-12 Consolidation – Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements.

IFRS 11 focuses on the substance of arrangements rather than the legal form and concentrates on rights and obligations arising. Jointly controlled entities are required to be accounted for using the equity method and proportional consolidation is now prohibited. It supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities – Non-monetary Contributions by Venturers.

IFRS 12 is a new standard dealing with the disclosure requirements for all forms of interests in other entities.

In September the effect analysis for IFRS 10 (which includes the effect analysis for IFRS 12) and the effect analysis for IFRS 11 were made available for download on the IFRS Foundation website. These analyses include case studies to illustrate the potential impact and the new requirements of the standards.

The three standards are effective from 1 January 2013. Early adoption is permitted.

IASB and FASB Issue Fair Value Measurement and Disclosure Requirements

The IASB and the FASB issued new guidance in May on fair value measurement and disclosure requirements under IFRS and US GAAP.

IFRS 13 Fair Value Measurement issued by the IASB and an update to topic 820 issued by FASB completed one major plank of the IFRS and US GAAP convergence project.

There is no extension to the use of fair value accounting but there is further guidance on its application where permitted or required by other standards.

IFRS 13 includes a precise definition of fair value, referring to the exit price, and describes the fair value measurement principles and disclosure requirements for use under IFRS. It is effective from 1 January 2013.

The US GAAP Update supersedes most of the guidance in Topic 820 providing greater clarity and aligning the wording with IFRS 13.

IASB and FASB Issue Amendments to Improve Presentation of Items of Other Comprehensive Income

The IASB and FASB issued amendments in June to improve and align the presentation requirements for items of other comprehensive income (OCI) in financial statements prepared under IFRS and US GAAP.

The amendments to IAS 1 Presentation of Financial Statements require items included in OCI, which may be recycled to profit or loss, to be grouped together and other items, which are not recycled, to be grouped separately.

The FASB issued an Update to Topic 220: Presentation of Comprehensive Income which aligns US GAAP with IFRS regarding the presentation of OCI.

The changes do not deal with the question of which items should be presented in OCI, or the recycling of items through profit or loss, but merely the presentation.

The amendments to IAS 1 are effective for financial years commencing on or after 1 July 2012.

IASB Improvements to Accounting for Post-employment Benefits

The IASB amended IAS19 Employee Benefits to improve the accounting for pensions and post-employment benefits.

The key changes are summarised as follows:

- Elimination of the “corridor method” by which gains and losses are deferred

- Improvement to presentation of changes in assets and liabilities including separation of re-measurements to OCI
- Enhancement of disclosure requirements regarding characteristics of defined benefit plans and the risks to which the reporting entity is exposed via participation in these plans.

The amendments are intended to provide a clearer description of the effects on financial position, performance and cash flows, arising from obligations under defined benefit plans. Elimination of the “corridor method” promotes comparability with US GAAP.

The amended version of IAS 19 is effective for financial years commencing on or after 1 January 2013. Early adoption is permitted.

EXPOSURE DRAFTS

IASB and FASB Re-expose Revenue Recognition Proposals

In June the IASB and FASB agreed to re-expose their revised revenue recognition proposals to enable interested parties to review the revisions following the comments made on the original exposure draft published in June 2010.

The planned timing of the re-exposure was originally indicated to be during the third quarter of 2011, this has now been deferred to the fourth quarter, with a further comment period of 120 days.

IASB and FASB to Re-expose Leasing Proposals

In July the IASB and FASB announced that they intend to re-expose their proposals on lease accounting.

The boards have made revisions to the proposals following comments received from interested parties on the exposure draft issued in August 2010. The decision to re-expose the proposals reflects the extent of the differences between the revised proposals and the original exposure draft.

The boards re-affirmed their intention that lease obligations and the related right-to-use should be included on the balance sheet, but they have made a number of other changes in response to comments received.

IASB Proposal to Adjust Effective Date of IFRS 9

The IASB published in August an exposure draft, for comment, proposing to amend the effective date of IFRS 9 to 1 January 2015; the effective date was originally 1 January 2013.

The reason for the deferral was the alignment of the effective dates of all phases of the IFRS 9 project.

Entities will be permitted to apply IFRS 9 before the revised effective date. The proposed change relates to the date upon which IFRS 9 would become mandatory.

IASB Proposal to Exempt Investment Entities from Consolidation

In August the IASB published an exposure draft, Investment Entities, which proposes a definition for investment entities as a separate type of entity that would be exempt from the accounting requirements in IFRS 10 Consolidated Financial Statements.

Investment entities are entities that pool investments and currently IFRS 10 would require consolidation if such an entity controls an investee. The exposure draft details various criteria that an entity would be required to satisfy in order to qualify as an investment entity. Investment entities would not be required to consolidate their investments but would account for them at fair value through profit or loss. The exposure draft also sets out disclosure requirements regarding the nature and type of investments made by the investment entity.

The proposals arise from a joint project undertaken by the IASB and FASB. The FASB proposals (Financial Services—Investment Companies (Topic 946): Amendments to the Scope, Measurement, and Disclosure Requirements), published in October, however, differ from the IASB proposals, as FASB extends the consolidation exemption to investment entities which are owned by a larger group that is not an investment entity.

Both the IASB and the FASB exposure drafts are open for comment until 5 January 2012.

IASB Proposal to Amend IFRS 1

In October the IASB published, for comment, a proposed amendment to IFRS 1 dealing with accounting for government loans.

If the exposure draft is adopted, IFRS 1 First-time Adoption of International Financial Reporting Standards, would be amended to prescribe how first-time adopters account for government loans with a below-market rate of interest on transition to IFRS.

The amendment would grant first-time adopters the same relief afforded by IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, to existing preparers.

The exposure draft is open for comment until 5 January 2012.

XBRL AND IFRS TAXONOMY

IFRS Foundation Publishes Illustrative XBRL Examples

In April the IFRS Foundation published 12 illustrative examples in XBRL for the IFRS Taxonomy 2011.

The examples are wide-ranging (including: illustrative financial statements for small and medium-sized entities; the primary

financial statements; and various notes to the financial statements) and show how the IFRS Taxonomy 2011 should be used to tag IFRS financial statements. They are available to download from the IFRS Foundation website.

Updated Global Filing Manual for XBRL Published by the Interoperable Taxonomy Architecture Project

The Interoperable Taxonomy Architecture Project published an update in April to The Global Filing Manual.

The Global Filing Manual, originally published in October 2010, contains a set of aligned XBRL filing rules providing guidance on preparation, filing and validation of XBRL filings created using the IFRS Taxonomy and the US GAAP Taxonomy.

The update brings in new rules relating to iXBRL (Inline XBRL) following adoption of iXBRL in jurisdictions including Denmark and the UK. iXBRL is used to embed XBRL into an HTML (HyperText Markup Language) document, enabling documents to be viewed in an Internet browser.

IFRS Taxonomy 2011 Interim Releases

The IFRS Foundation published in July an interim release of the IFRS Taxonomy 2011 taking account of IFRS 11 and IFRS 13 (see above) which were issued in May 2011.

In August a further interim release was published for the amendments to IAS 1 and the issue of IAS 19 (see above) in June 2011.

The IFRS Taxonomy 2011 interim releases will be incorporated and consolidated in the IFRS Taxonomy 2012; this is due to be issued as a public draft in the first quarter of 2012.

IFRS Foundation Publishes IFRS Taxonomy Enhancements

In September the IFRS Foundation published, after issuing an exposure draft for comment, an interim release of the IFRS Taxonomy 2011 for common-practice concepts.

The interim release contains supplementary tags reflecting commonly encountered disclosures in IFRS financial statements. The tags are designed to enhance comparability of financial information across the world and across industries.

When the tags are finalised they may be applied to items in primary financial statements and notes, thereby reducing the number of entity specific tags.

The interim release completes the first part of a project to extend the core taxonomy for the most common concepts used in financial statements.

OTHER DOCUMENTS

SME Implementation Group Q&A Guidance

In June the SME Implementation Group published its first Q&A guidance, after exposure for comment.

The guidance deals with whether a parent entity, that is itself not publicly accountable, may present its separate financial statements in accordance with the IFRS for SMEs if it is part of a group presenting consolidated financial statements under full IFRS.

The guidance is set out in Q&A 2011/01 Use of the IFRS for SMEs in a Parent's Separate Financial Statements. The Q&A can be viewed at the IFRS Foundation website.

SME Implementation Group Guidance

The SME Implementation Group has published in April, for comment, three draft questions and answer documents (Q&As) regarding the IFRS for SMEs.

The topics covered by the Q&As are:

- Captive insurance subsidiaries
- Interpretation of "traded in a public market"
- Investment funds with only a few participants.

In September a further five draft Q&As were published for comment. These cover the following topics:

- Application of the IFRS for SMEs for periods ending before the IFRS for SMEs was issued
- Interpretation of "undue cost or effort" and "impracticable"
- Requirement in jurisdictions for "fall back" to full IFRS
- Departure from a principle in the IFRS for SMEs
- Prescription, by local regulation, of the format of financial statements.

The Q&As can be viewed at the IFRS Foundation website.

IASB and FASB Convergence Programme Progress Report

Earlier in the year the IASB and FASB published a progress report on the IFRS and US GAAP convergence programme.

The report includes:

- Five projects completed – consolidated financial statements, joint arrangements, post employment benefits, fair value measurement and presentation of other comprehensive income
- Prioritisation of three projects – financial instruments, leasing and revenue recognition and priority given to insurance accounting
- Timescale – the boards agreed to extend the timetable, beyond June 2011, for further work and consultation on the remaining priority projects. The completion target was revised to the

second half of 2011; and for insurance accounting the target for the US was revised to the first half of 2012.

IASB Public Consultation on Future Work Programme

The IASB published a consultation document in July. The document invites input from interested parties on the areas of financial reporting which require priority for improvement.

Previously the IASB's strategic direction has been influenced by the need to support those jurisdictions adopting IFRSs in the "first wave" and the convergence project with US GAAP. As this work is now largely complete, the board is encouraging views on new issues requiring attention.

The consultation period closes on 30 November 2011.

IASB Interpretation on Accounting for Stripping Costs in Surface Mining

The IASB issued in October an Interpretation, developed by the IFRS Interpretations Committee, clarifying the accounting requirements for stripping costs in the production phase of a surface mine.

The clarification is intended to address the diversity in practice in accounting for the process of removing waste from a surface mine.

The Interpretation prescribes when the stripping process gives rise to the recognition of an asset and how to measure the asset.

The Interpretation, IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine, is effective for periods commencing on or after 1 January 2013. Early adoption is permitted.

IASB Work Plan – Projected Timetable as of 30 September 2011

	Next Major Project Milestone				
	2011 Q4	2012 H1	2012 H2	MoU	Joint
Financial Crisis Related Projects					
IFRS 9 : Financial instruments (replacement of IAS 39)					
Deferral of mandatory effective date of IFRS 9 [ED, comments due 21 October 2011]	Comment Period				
Impairment	Re-exposure or Review draft			✓	✓
Hedge accounting					
General hedge accounting	Review draft	Target IFRS		✓	
Macro hedge accounting	Publish ED				
Asset and liability offsetting [Amendments to IFRS 7 and IAS 32]	Target IFRS			✓	✓
Consolidation – Investment entities [1] [ED, comments due 5 January 2012]					
Replacement of IAS 27	Comment Period				✓
[1] An equivalent exposure draft from the FASB, Investment Companies will be published in the fourth quarter of 2011.					
Memorandum of Understanding Projects					
Leases		ED (Re-exposure)	Target IFRS	✓	✓
Revenue recognition		ED (Re-exposure)	Target IFRS	✓	✓
Other Projects					
Insurance contracts		Review draft or revised ED			✓
Annual improvements 2009-2011 [ED, comments due 21 October 2011]	Comment period				
Annual improvements 2010-2012	ED				
Amendment to IFRS 1 (prospective application of IAS 20)	ED				
IFRIC 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i> [Ratified September 2011]	IFRIC 20				
Agenda Consultation					
Three-yearly public consultation [Comments due 30 November 2011]	Comment period				

Abbreviations

AD	Agenda Decision (to add the topic to the active agenda)
PS	IFRS Practice Statement
Ballot	All Board decisions and formal voting completed
RT	Roundtables
DP	Discussion Paper
RV	Request for Views
ED	Exposure Draft
TBD	To be determined
IFRS	International Financial Reporting Standard



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WorldHeadquarters

25 Farringdon Street
London EC4A 4AB
United Kingdom

T. +44 (0)20 3201 8800

F. +44 (0)20 3201 8801

E. info@bakertillyinternational.com

www.bakertillyinternational.com