Grant Thornton
An instinct for growth™

IFRS News

Quarter 2 2013

Welcome to IFRS News – a quarterly update from the Grant Thornton International IFRS team. IFRS News offers a summary of the more significant developments in International Financial Reporting Standards (IFRS) along with insights into topical issues and comments and views from the Grant Thornton International IFRS team.

Our second edition of 2013 starts with a detailed look at the IASB's new proposals on accounting for the impairment of financial instruments before considering other items in the IASB's 'pipeline'.

We then go on to IFRS-related news at Grant Thornton before turning to a more general round-up of financial reporting developments relevant to IFRS preparers. We finish with the implementation dates of newer Standards that are not yet mandatory and a list of IASB publications that are out for comment.

IASB unveils new proposals for impairment of financial assets

Long-awaited proposals vie for acceptance with alternative US approach

The IASB has issued the Exposure Draft 'Financial Instruments: Expected Credit Losses'. It contains proposals aimed at rectifying what was perceived to be a major weakness in accounting during the financial crisis of 2007/8, namely the recognition of credit losses at too late a stage.

The proposals follow on from two earlier exposure documents, a November 2009 Exposure Draft and a 'Supplementary Document' published in January 2011. Should these latest proposals be finalised, they will be incorporated as a chapter in IFRS 9 'Financial Instruments' – the Standard that will eventually replace IAS 39 'Financial Instruments: Recognition and Measurement'. The proposals will affect all entities that hold debt-type financial assets or issue commitments to extend credit that are not accounted for at fair value through profit or loss.

Background to the proposals

During the financial crisis, the delayed recognition of credit losses on loans (and some other financial assets) was identified as a major weakness in the performance of IAS 39. This was because the 'incurred loss' model used under that Standard delays the recognition of credit losses until there is evidence that a credit loss event has occurred. In addition, IAS 39 was criticised for the complexity arising from the use of different ways of measuring impairment for different categories of asset.

Instruments that will be within the scope of the proposals:

- loans and other debt-type financial assets measured at amortised cost
- loans and other debt-type financial assets measured at fair value through other comprehensive income*
- trade receivables
- lease receivables
- loan commitments (for the issuer)
- financial guarantee contracts (for the guarantor)

* the IASB has proposed the introduction of this measurement category in its November 2012 Exposure Draft 'Classification and Measurement: Limited Amendments to IFRS 9 (Proposed amendments to IFRS 9 (2010)'.

The main proposals

The Exposure Draft proposes an alternative to the incurred loss model that would use more forward-looking information. The perceived complexity of IAS 39 would also be addressed by applying the same impairment model to all financial instruments that are subject to impairment accounting.

Under the proposals, recognition of credit losses would no longer be dependent on the entity first identifying a credit loss event. An entity would instead consider a broader range of information when assessing credit risk and measuring expected credit losses, including:

- past events, such as experience of historical losses for similar financial instruments
- current conditions
- reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the financial instrument.

In applying this more forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low.

'12-month expected credit losses' are recognised for the first of these two categories while 'lifetime expected credit losses' are recognised for the second category.

What are '12-month expected credit losses'?

12-month expected credit losses are calculated by multiplying the probability of a default occurring on the instrument in the next 12 months by the total (lifetime) expected credit losses that would result from that default.

They are **not** the expected cash shortfalls over the next 12 months. They are also **not** the credit losses on financial instruments that are forecast to actually default in the next 12 months.

What are 'lifetime expected credit losses'?

Lifetime expected credit losses are the expected shortfalls in contractual cash flows, taking into account the potential for default at any point during the life of the financial instrument.

As noted above, an asset moves from 12-month expected credit losses to lifetime expected credit losses when there has been a significant deterioration in credit quality since initial recognition and the credit risk is more than 'low'. Hence the 'boundary' between 12-month and lifetime losses is based both on the change in credit risk and the absolute level of risk at the reporting date.

There is also a third stage in the model. For assets for which there is objective evidence of impairment, interest is calculated based on the amortised cost net of the loss provision.

It is envisaged that entities will be able to use their current risk management systems as a basis for implementing these proposals.

The three-stage process

The three-stage process proposed in the Exposure Draft as a means of reflecting the general pattern of deterioration of credit quality of a financial instrument can be illustrated below.

This three-stage model is symmetrical – in other words financial assets are reclassified back from stages 2 or 3 (lifetime expected losses) to stage 1 (12-months expected losses) if an earlier significant deterioration in credit quality subsequently reverses, or the absolute level of credit risk becomes low.

Deterioration in credit quality

Stage 1

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk at the reporting date
- 12-month expected credit losses are recognised
- interest revenue is calculated on the gross carrying amount of the asset (ie without reduction for expected credit losses).

Stage 2

- financial instruments that have deteriorated significantly in credit quality since initial recognition (unless they have low credit risk at the reporting date) but that do not have objective evidence of a credit loss event
- lifetime expected credit losses are recognised
- but interest revenue is still calculated on the asset's gross carrying amount.

Stage 3

- financial assets that have objective evidence of impairment at the reporting date
- lifetime expected credit losses are recognised
- interest revenue is calculated on the net carrying amount (ie reduced for expected credit losses).

Credit risk = low

Credit risk > low

A simplified approach for certain assets

In developing the proposals, there was concern that the process of determining whether to recognise 12-month or lifetime expected credit losses was not justifiable for instruments such as trade receivables and lease receivables.

As a result, the IASB has included two simplifications in its proposals:

1) for 'short term' trade receivables, an entity should always recognise a loss allowance at an amount equal to lifetime expected credit losses. Practical expedients, such as use of a provisioning matrix, are permitted.
2) for 'long-term' trade receivables (ones which constitute financing transactions under IAS 18 'Revenue') and lease receivables, entities would be allowed to choose an accounting policy to always recognise a loss allowance at an amount equal to lifetime expected credit losses.

Grant Thornton International comment

Given that the comment periods on the IASB Exposure Draft and on the FASB's CECL Exposure Draft overlap, we can expect respondents to compare and contrast the two expected credit loss models and to express a preference for one over the other. Loan loss provisioning is an area where an internationally-converged solution would be highly preferable – even if the two Boards' overall financial instruments reforms are not fully converged in other areas. It is therefore encouraging that the Boards have committed to jointly re-deliberate their proposals in the light of respondents' comments. We acknowledge that achieving convergence in this area will be challenging but we encourage the Boards to use their best endeavours to do so.

Convergence with US GAAP

Like the IASB's current standard IAS 39, US GAAP also uses an incurred loss impairment model at the moment. The two Boards have therefore been working together to develop a more forward-looking model based on expected credit losses and in December 2012, the US Financial Accounting Standards Board (FASB) issued its proposals for a 'current expected credit loss' (CECL) model.

Unlike the IASB Exposure Draft, however, the FASB proposals make no distinction between those financial instruments that have deteriorated in credit quality since initial recognition and those that have not. Instead expected credit losses are always recognised at what the IASB describes in its proposals as lifetime expected credit losses.

Accordingly, the FASB proposal would generally result in larger loan loss provisions. Both proposals would result in so-called 'day-1 losses' (losses arising immediately on originating or purchasing debt assets) – an outcome that some commentators consider counter-intuitive – but the day-1 loss would be higher under the FASB proposal. While some of the information that is used to estimate and measure expected credit losses is consistent under both the IASB and FASB models, this is a significant difference.

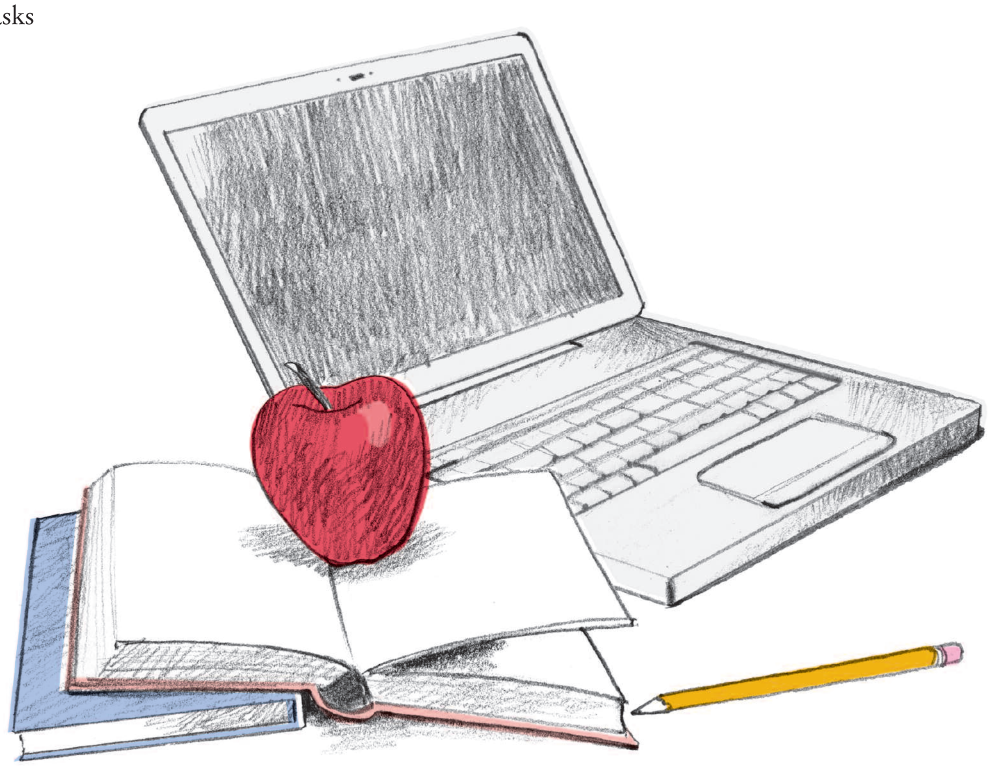
EFRAG to conduct field-testing of impairment proposals in Europe

EFRAG and the National Standard Setters ANC, ASCG, FRC and OIC have invited companies to participate in a field-test on how the IASB's proposed impairment requirements will affect the assessment of the amount, timing and uncertainty of future cash flows of financial assets that are measured at amortised cost and fair value through other comprehensive income, including trade receivables and lease receivables.

The purpose of the exercise is to identify whether or not the proposals for the expected credit losses model address the weaknesses of the existing incurred loss impairment model in IAS 39. Additionally, the exercise addresses the operationality and the impact and costs related to the expected credit losses model. In particular, the field-test asks questions on:

- how the expected credit losses model reflects the amount, timing and uncertainty of future cash flows
- whether the requirements are clear and operational
- the impact of the proposed expected credit losses model
- the costs and benefits of the proposed expected credit losses model.

The field test started on 15 April 2013 and completed questionnaires should be returned by 2 June 2013.



Grant Thornton International responds to the IASB's proposals to amend IFRS 9's classification and measurement criteria

Grant Thornton International's IFRS Team has submitted its comment letter on the IASB Exposure Draft 'Classification and Measurement: Limited Amendments to IFRS 9 – Proposed amendments to IFRS 9 (2010)'.

In our letter we express support for the Board's efforts to provide relief for certain types of financial instruments which would be classified at fair value under the current requirements of IFRS 9 'Financial Instruments'. We suggest however that the proposals do not go far enough to address legitimate concerns raised and that as a result, certain types of financial instrument for which amortised cost measurement may provide more meaningful information will continue to be classified at fair value.

With regard to the other main proposal in the Exposure Draft, the introduction of an additional 'fair value through other comprehensive income' (FVTOCI) category, we note that its introduction will compromise the reduction in complexity that was offered by the original version of IFRS 9. On balance, however, we support its introduction.

Proposed amendments to IAS 19

The IASB has issued 'Defined Benefit Plans: Employee Contributions (Proposed amendments to IAS 19)'. The Exposure Draft proposes a simplified approach for accounting for some arrangements in which employees or third parties contribute to the cost of defined benefit pension plans. It also aims to clarify how such contributions should be attributed to periods of service when required.

Some defined benefit plans require employees or third parties to contribute to the cost of the plan. Contributions by employees reduce the cost of the benefits to the entity. The Exposure Draft addresses the accounting for contributions from employees or third parties when the requirement for such contributions is set out in the formal terms of a defined benefit plan. It proposes that such contributions may be recognised as a reduction in the service cost in the same period in which they are payable if, and only if, they are linked solely to the employee's service rendered in that period. An example would be contributions that are a fixed percentage of an employee's salary, so the percentage of the employee's salary does not depend on the employee's number of years of service to the employer.

The suggested change is in effect a practical expedient to help users in accounting for such situations, and also reflects common practice under the pre-2011 version of IAS 19. Without it, all contributions from employees or third parties to a defined benefit plan that relate to service would need to be attributed to periods of service as a negative benefit. This would involve complex calculations however, which could potentially lead to confusion in practice.

Novation of derivatives and continuation of hedge accounting

The IASB has published proposals for amendments to IAS 39 'Financial Instruments: Recognition and Measurement' relating to the novation of derivatives and the continuation of hedge accounting.

The objective of the proposed amendments is to introduce a narrow scope exception to the requirement for the discontinuation of hedge accounting in IAS 39. Specifically, they propose an exception when a derivative that has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of new laws or regulations, provided specific conditions are met.

In the context of the Exposure Draft, novation of the derivative contract is the substitution of the original counterparty to the contract for a new central counterparty. Legislative changes arising from the G20's (Group of Twenty Finance Ministers and Central Bank Governors) commitment to improve the transparency and regulatory oversight of over-the-counter derivatives in an internationally consistent and non-discriminatory way has meant that this is a current issue for many entities holding derivatives. As these new laws or regulations could come into effect in some jurisdictions very soon, the IASB published its Exposure Draft with a short (30-day) comment period which expired on 2 April.

IASB issues request for information on rate regulation

IASB looks to identify a range of rate-regulatory schemes in order to help determine scope of research project

The IASB has issued a Request for Information as an early step in its reactivated 'Rate-regulated Activities' research project.

In July 2009 the IASB published the Exposure Draft 'Rate-regulated Activities', which focused on a particular type of rate-regulatory scheme. Respondents at the time expressed divergent views as to how the consequences of rate regulation should be reflected in financial statements, if at all. Many suggested that the scope of the project should be expanded to look at a wider variety of rate regulation in order to identify common characteristics from which accounting guidance might be developed.

The original rate-regulated activities project was suspended in September 2010 but has recently been restarted. The objective of the Request for Information is to identify a range of rate-regulatory schemes to help determine the scope of the research project. In particular it asks specific questions about the objectives of rate regulation and how those objectives are reflected in the rate-setting mechanisms employed by rate regulators.

The IASB intends to use the facts gathered through this process along with other research to develop a Discussion Paper that will analyse the common features of rate regulation.

Grant Thornton International IFRS Top 20 Tracker – 2013 edition

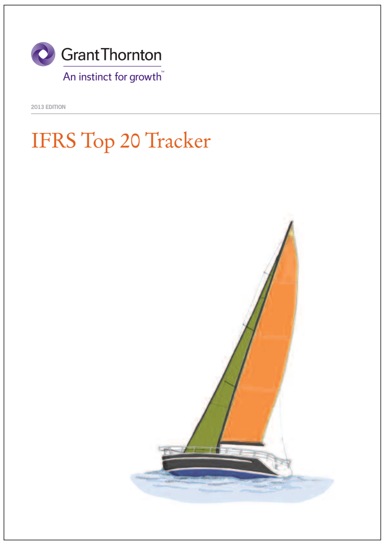
The Grant Thornton International IFRS team has published the 2013 edition of its 'IFRS Top 20 Tracker'.

The 2013 edition again takes management through twenty of the top disclosure and accounting issues identified by Grant Thornton International as potential challenges for IFRS preparers.

Key themes driving selection of the issues in the 2013 edition are:

- the need for consistency between a company's financial statements and its management commentary
- the effect that adverse economic conditions may have on a company's financial statements, with particular emphasis on the applicability of the going concern assumption
- key areas of interest for regulators
- challenging areas of accounting
- recent and forthcoming changes in financial reporting.

To obtain a copy of the publication, please get in touch with your local IFRS contact.

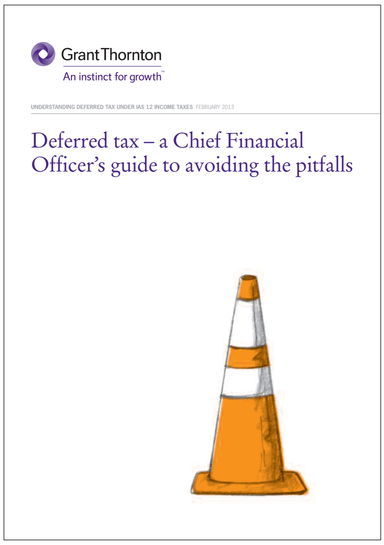


Deferred tax – a Chief Financial Officer's guide to avoiding the pitfalls

Grant Thornton International has released a revised version of its guide 'Deferred tax – a Chief Financial Officer's guide to avoiding the pitfalls'.

The revised guide has been updated to reflect changes and updates made to IAS 12 'Income Taxes' up to 31 December 2012 and is intended for Chief Financial Officers (CFOs) of businesses that prepare financial statements under IFRS. It illustrates IAS 12's approach to the calculation of deferred tax balances and summarises the approach to calculating the deferred tax provision in order to help CFOs prioritise and identify key issues.

To obtain a copy of the publication, please get in touch with your local IFRS contact.

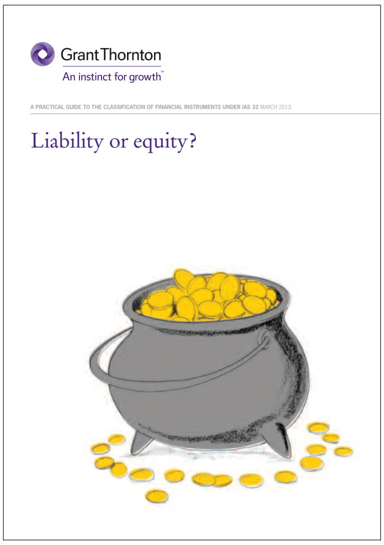


Updated version of guide to liability or equity classification under IAS 32

Grant Thornton International has released a revised version of its guide 'Liability or equity? A practical guide to the classification of financial instruments under IAS 32'.

The new edition reflects amendments that have been made to IAS 32 'Financial Instruments: Presentation' since the Guide was first published in 2009 together with our latest thinking on some of the more problematic areas of interpretation in the Standard.

To obtain a copy of the publication, please get in touch with your local IFRS contact.



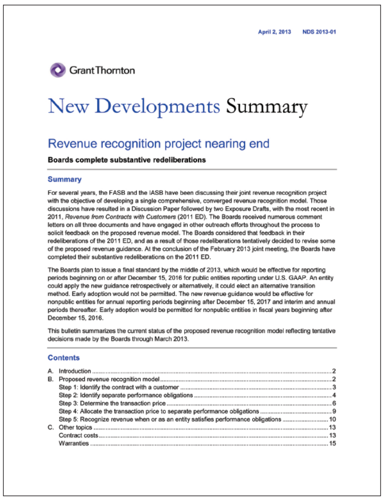
US firm reports on latest revenue recognition deliberations

Our US member firm Grant Thornton LLP, has released a 'New Developments Summary' outlining the latest deliberations of the IASB and the US Financial Accounting Standards Board (FASB) as they move towards finalising their joint project on revenue recognition.

For several years now, the FASB and the IASB have been discussing their joint project with the objective of developing a single comprehensive, converged revenue recognition model. Those discussions have resulted in a number of documents being issued for public discussion, the most recent being the 2011 Exposure Draft 'Revenue from Contracts with Customers'.

Since the publication of that Exposure Draft, the two Boards have undertaken extensive outreach. Our US firm's bulletin updates the proposals included in the 2011 ED to reflect the tentative decisions reached by the Boards in their latest redeliberations.

Barring any unforeseen problems, the Boards plan to issue a final standard with converged guidance on revenue recognition in the middle of 2013. When finalised, the proposed guidance will replace IAS 18 'Revenue', IAS 11 'Construction Contracts' and most of the revenue recognition guidance in US GAAP. The Bulletin entitled 'Revenue recognition project nearing end' can be viewed on our US firm's website www.grantthornton.com.



April 2, 2013 NDS 2013-01

Grant Thornton

New Developments Summary

Revenue recognition project nearing end

Boards complete substantive redeliberations

Summary

For several years, the FASB and the IASB have been discussing their joint revenue recognition project with the objective of developing a single comprehensive, converged revenue recognition model. Those discussions have resulted in a Discussion Paper followed by two Exposure Drafts, with the most recent in 2011, *Revenue from Contracts with Customers* (2011 ED). The Boards received numerous comment letters on all three documents and have engaged in other outreach efforts throughout the process to solicit feedback on the proposed revenue model. The Boards considered that feedback in their redeliberations of the 2011 ED, and as a result of those redeliberations tentatively decided to revise some of the proposed revenue guidance. At the conclusion of the February 2013 joint meeting, the Boards have completed their substantive redeliberations on the 2011 ED.

The Boards plan to issue a final standard by the middle of 2013, which would be effective for reporting periods beginning on or after December 15, 2016 for public entities reporting under U.S. GAAP. An entity could apply the new guidance retrospectively or alternatively, it could elect an alternative transition method. Early adoption would not be permitted. The new revenue guidance would be effective for nonpublic entities for annual reporting periods beginning after December 15, 2017 and interim and annual periods thereafter. Early adoption would be permitted for nonpublic entities in fiscal years beginning after December 15, 2016.

This bulletin summarizes the current status of the proposed revenue recognition model reflecting tentative decisions made by the Boards through March 2013.

Contents

Grant Thornton International announces 2013 IFRS regional training

Grant Thornton International's IFRS Team has announced its plans for global IFRS training in 2013. Partners and staff from Grant Thornton member firms will be able to attend training in four regions throughout the world:
- Miami
- Dubai
- Dusseldorf
- Singapore.

The provision of global training is just one of a number of means by which Grant Thornton International promotes high-quality, consistent application of IFRSs throughout its international network of member firms.

The course content will focus on:

New standards and interpretations
Addressing practical application issues related to those IFRSs and amendments that have recently come into effect, including:
- the 'consolidation package' guidance (IFRS 10, 11, 12 and the revised IAS 27, 28)
- latest developments for investment entities (amendments to IFRS 10);
- fair value (IFRS 13)
- employee benefits (IAS 19)

Common application issues
Topical focus on
- IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'
- IAS 40 'Investment Properties'
- IAS 16 'Property, Plant and Equipment' targeting common regulatory report findings

General IFRS update
Analysis of the latest IASB and IFRIC developments and reminder of IFRS resources provided by Grant Thornton International.

Spotlight on our IFRS Interpretations Group

Grant Thornton International's IFRS Interpretations Group (IIG) consists of a representative from each of our member firms in the United States, Canada, Singapore, Australia, South Africa, India, the United Kingdom, France, Sweden and Germany as well as members of the Grant Thornton International IFRS team. It meets in person twice a year to discuss technical matters which are related to IFRS.

Each quarter we throw a spotlight on one of the members of the IIG. This quarter we focus on Sweden's representative:

Eva Törning, Sweden
Eva Törning is the accounting technical partner of Grant Thornton Sweden. Eva joined Grant Thornton in 2009 and has over thirty years' experience in financial reporting. During that time she has worked at the Ministry of Justice, with the Swedish Accounting Standards Board and as auditor and financial manager both in Sweden and overseas. Eva is currently a member of the Accounting Policy Group within the Institute for the Accountancy Profession in Sweden. Eva has written three books in accounting and financial reporting – one of which is aimed at university studies. Eva also lectures extensively and writes articles on financial reporting.

Round-up

Highlights of IASB survey on financial information disclosures

The IASB has released highlights of a survey conducted recently on financial information disclosures. The IASB received 225 responses from across Africa, Asia, Europe and North America, identifying various factors that have contributed to what is commonly perceived to be a disclosure overload problem. The highlights included:

- over 80 per cent of respondents agreed that improvements could be made to the way financial information is disclosed
- most preparers of financial statements identified the primary problem as disclosure requirements being too extensive with not enough being done to exclude immaterial information
- concerns that preparers, auditors and regulators are approaching financial reporting as an exercise in compliance rather than as a means of communication.

The full results of the IASB's survey will be published as part of a Feedback Statement, which will also summarise feedback received from the Disclosure Forum hosted by the IASB in January and how the IASB intends to respond to that feedback.

FEE analysis of combined and carve-out financial statements under IFRS

The European Federation of Accountants (FEE) has published a paper entitled 'Combined and Carve-out Financial Statements – Analysis of Common Practices'.

The paper is intended to enhance the debate and share common practices on what FEE regards as being the highly technical and insufficiently explored subject matter of combined and carve-out financial statements.

The paper builds on a 2011 FEE Discussion Paper 'Combined Financial Statements', reflecting comment letters that were received on that paper and additional research subsequently undertaken by FEE. It summarises the most common issues and challenges encountered when preparing combined and carve-out financial statements in compliance with IFRS as well as the most common practices used to address them.

The paper is available on the FEE website (**http://www.fee.be**).

EFRAG publishes three Bulletins on the revision of the IFRS Conceptual Framework

EFRAG and the national standard-setters of France, Germany, Italy and the United Kingdom have announced that they will work together in partnership to promote discussion, and to ensure that European views are influential in the debate on the IFRS Conceptual Framework. In relation to this objective, they have published the following three Bulletins on this topic:

- **Prudence** – considering the role of prudence when developing accounting standards.
- **Reliability of financial information** – discussing whether the replacement of reliability with faithful representation and the loss of the idea of a trade-off between relevance and reliability is appropriate.
- **Uncertainty** – considering whether uncertainty is best dealt with solely as a matter of measurement or whether it should continue to play a role in either or both the definition of an element and the recognition criteria.

Comments on the three Bulletins are invited by 5 July 2013.

EFRAG letter on macro hedging

The European Financial Reporting Advisory Group (EFRAG) has submitted a letter to the IASB outlining the results of its analysis of the impact on macro hedge relationships of the consequential amendments proposed by the September 2012 Review Draft 'IFRS 9 General hedge accounting' on existing macro hedge relationships under IAS 39.

The letter highlights a number of concerns including:

- significant uncertainty over whether existing IAS 39 compliant portfolio hedge accounting practices will continue to be possible under the Review Draft
- the significant risk that entities will be required to change their IAS 39 compliant portfolio hedge accounting practices twice.

The IASB is currently deliberating its general hedge accounting project following comments on the Review Draft. It will address macro hedging separately later in the year.

ESMA publishes enforcement decisions

The European Securities and Markets Authority (ESMA) has published a fresh batch of extracts from its confidential database of enforcement decisions taken by European national enforcers.

The publication of these decisions is designed to inform market participants about European national enforcers' views on whether various accounting practices are in accordance with IFRS (as adopted in the European Union). ESMA considers that the publication of these decisions, together with the rationale behind them, will contribute to a consistent application of IFRS in the European Union.

Topics covered in the latest batch of extracts, thirteenth in the series, include:

Standard	Topic
IAS 39 'Financial Instruments: Recognition and Measurement'	• recognition of financial expense on financial liabilities measured at amortised cost
IAS 38 'Intangible Assets'	• intangible assets with indefinite useful life
IFRIC 12 'Service Concession Arrangements'	• presentation of revenue and expenses related to service concession arrangements
IAS 36 'Impairment of Assets'	• value in use calculation
IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and IAS 40 'Investment Property'	• assessment of materiality of an error
IAS 24 'Related Party Disclosures' and IAS 34 'Interim Financial Reporting'	• related party disclosures in interim financial statements
IFRS 3 'Business Combinations'	• definition of a business
IFRS 7 'Financial Instruments: Disclosures' and IAS 39 'Financial Instruments: Recognition and Measurement'	• disclosures related to fair value of financial instruments
IAS 36 'Impairment of Assets'	• discount rate in value in use calculation
IAS 16 'Property, Plant and Equipment'	• residual value of property

UK issues its version of the IFRS for SMEs

The UK's Financial Reporting Council has issued FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' providing succinct accounting and reporting requirements for unlisted entities in the UK.

The requirements in FRS 102 are based on the IASB's International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) but with significant alterations based on feedback received during the UK's consultation process. Most notably the UK has amended the IFRS for SMEs to include accounting options in current FRS and permitted by IFRS, but not included in the IFRS for SMEs. For example, the ability to revalue property, plant and equipment. The UK has also modified the IFRS for SMEs in terms of the scope of entities eligible to apply it.

The Standard will be effective from 1 January 2015, but may be adopted early for accounting periods ending on or after 31 December 2012.

Korea reports on its move to IFRS

The Korean Accounting Standards Board (KASB) has released a report on the lessons learned from the country's adoption of IFRS (listed companies in Korea have been required to use IFRS since 2011). The report outlines the background to Korea's adoption of IFRS, the steps it undertook in preparation for and during the transition to IFRS, and recommendations for countries and companies considering the move to IFRS.

International Integrated Reporting Council (IIRC)

On 16 April the IIRC published a consultation draft of an International Framework for Integrated Reporting. The IIRC is a coalition of regulators, investors, companies, standard setters, the accounting profession and non-governmental organisations. The goal of integrated reporting is to provide stakeholders with a concise communication about how an organisation's strategy, governance, performance and prospects lead to the creation of value over the short, medium and long term. The draft framework proposes various guiding principles as to the content of an integrated report and how information is presented. Such reports would complement rather than replace more established forms of corporate reporting, including financial statements, and would include elements of:

- organisational overview and external environment
- governance
- opportunities and risks
- strategy and resource allocation
- business model
- performance
- future outlook.

The IIRC and IASB recently have formalised an agreement for the two organisations to deepen their cooperation on the IIRC's work to develop an integrated corporate reporting framework. Grant Thornton has supported this work in various ways including participating in the IIRC's pilot programme.

The consultation draft can obtained at **www.theiirc.org** and is open for comment until 15 July 2013.

Effective dates of new standards and IFRIC interpretations

The table below lists new IFRS Standards and IFRIC Interpretations with an effective date on or after 1 January 2011. Companies are required to make certain disclosures in respect of new Standards and Interpretations under IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

New IFRS Standards and IFRIC Interpretations with an effective date on or after 1 January 2011

Title	Full title of Standard or Interpretation	Effective for accounting periods beginning on or after	Early adoption permitted?
IFRS 9	Financial Instruments	1 January 2015	Yes (extensive transitional rules apply)
IFRS 10, 12 and IAS 27	Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)	1 January 2014	Yes
IAS 32	Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	1 January 2014	Yes (but must also make the disclosures required by Disclosures – Offsetting Financial Assets and Financial Liabilities)
IFRS 10, 11 and 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance – Amendments to IFRS 10, IFRS 11 and IFRS 12	1 January 2013	Yes
Various	Annual Improvements 2009-2011 Cycle	1 January 2013	Yes
IFRS 1	Government Loans – Amendments to IFRS 1	1 January 2013	Yes
IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)	1 January 2013	Not stated (but we presume yes)
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013	Yes
IFRS 13	Fair Value Measurement	1 January 2013	Yes
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013	Yes
IFRS 11	Joint Arrangements	1 January 2013	Yes (but must apply IFRS 10, IFRS 12, IAS 27 and IAS 28 at the same time)
IFRS 10	Consolidated Financial Statements	1 January 2013	Yes (but must apply IFRS 11, IFRS 12, IAS 27 and IAS 28 at the same time)
IAS 28	Investments in Associates and Joint Ventures	1 January 2013	Yes (but must apply IFRS 10, IFRS 11, IFRS 12 and IAS 27 at the same time)
IAS 27	Separate Financial Statements	1 January 2013	Yes (but must apply IFRS 10, IFRS 11, IFRS 12 and IAS 28 at the same time)

New IFRS Standards and IFRIC Interpretations with an effective date on or after 1 January 2011

Title	Full title of Standard or Interpretation	Effective for accounting periods beginning on or after	Early adoption permitted?
IFRS Practice Statement	Management Commentary: A framework for presentation	No effective date as non-mandatory guidance	Not applicable
IAS 19	Employee Benefits (Revised 2011)	1 January 2013	Yes
IAS 1	Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)	1 July 2012	Yes
IAS 12	Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12)	1 January 2012	Yes
IFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendments to IFRS 1)	1 July 2011	Yes
IFRS 7	Disclosures – Transfers of Financial Assets (Amendments to IFRS 7)	1 July 2011	Yes
Various	Annual Improvements 2010	1 January 2011 unless otherwise stated (some are effective from 1 July 2010)	Yes
IFRIC 14	Prepayments of a Minimum Funding Requirement – Amendments to IFRIC 14	1 January 2011	Yes
IAS 24	Related Party Disclosures	1 January 2011	Yes (either of the whole Standard or of the partial exemption for government-related entities)

Open for comment

This table lists the documents that the IASB currently has out to comment and the comment deadline. Grant Thornton International aims to respond to each of these publications.

Current IASB documents

Document type	Title	Comment deadline
Request for Information	Request for Information: Rate Regulation	30 May 2013
Exposure Draft	Financial Instruments: Expected Credit Losses	5 July 2013
Exposure Draft	Defined Benefit Plans: Employee Contributions (Proposed amendments to IAS 19)	25 July 2013

Grant Thornton
An instinct for growth™

www.gti.org