

November 2011 IASB meetings

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IN THE HEADLINES

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The summary below combines the outcomes of the individual sessions from the IASB's meetings held in November 2011. In some sessions the IASB held joint discussions with the FASB.

Annual improvements

IFRS 8 Operating Segments: Aggregation of operating segments and identification of chief operating decision maker

With respect to making an amendment to IFRS 8, specifically excluding non-executive directors as part of CODM, the IASB decided that no further clarification of the requirements is necessary.

The IASB will include a proposed amendment to paragraph 22 of IFRS 8, requiring an additional disclosure on judgements made in application of the aggregation criteria. The proposed disclosures would include a brief description of:

- operating segments that have been aggregated; and
- the economic indicators that have been assessed in determining that the operating segments have 'similar economic characteristics' in accordance with paragraph 12 of IFRS 8.

IAS 7 Statement of Cash Flows: Classification of interest paid that is capitalised

All IASB members voted to include the issue regarding the classification of interest paid that is classified as part of the cost of an asset within the annual improvements project.

IAS 24 Related Party Disclosures: Key management personnel

The IASB tentatively decided to amend IAS 24 to identify entities that provide key management personnel (KMP) services as a related party of the reporting entity, and to require the separate disclosure of fees paid to related

parties in respect of KMP services. The IASB will include the proposed amendments in the next *Improvements to IFRSs* exposure draft.

The IASB discussed the staff recommendation that compensation provided to the management entity for KMP services would not be compensation as defined in IAS 24, i.e. the reporting entity is not required to provide disaggregated information relating to compensation, for instance share-based payment or long-term compensation.

The IASB tentatively decided to accept the staff proposal to seek further input on variable payments to related parties and to consider any proposals as part of the 2011/13 annual improvements project.

Annual improvements cycle for 2010/12: Issue not recommended for inclusion

The IASB agreed with the IFRS Interpretations Committee that the timing of recognition of compensation for items of property, plant and equipment that were impaired, lost or given up in paragraph 65 of IAS 16 *Property, Plant and Equipment* is sufficiently understood within IFRS and no clarification is needed.

Financial assets and financial liabilities: Offsetting project

In the light of additional feedback received regarding the amount of time that some entities would need to implement the clarifications to the application of the offsetting criteria, the IASB confirmed retrospective application of the converged offsetting disclosures in IFRS 7 for annual periods beginning on or after 1 January 2013.

The IASB also tentatively decided clarifications to the application of the offsetting criteria in IAS 32 and the deferral of the effective date to annual periods beginning on or after 1 January 2014.

Financial instruments project: Put options written over non-controlling interests

At its September 2011 meeting, the IASB voted not to amend the scope of IAS 32 to exclude put options written on non-controlling interest (NCI puts). However, the IASB clarified the accounting for subsequent changes in the measurement of the NCI put.

At its November 2011 meeting, the Interpretations Committee confirmed its willingness to consider this issue further. It asked the staff to obtain guidance from the IASB on how the Board would like it to take the issue forward.

At this meeting, the IASB voted to ask the Interpretations Committee to analyse the following two issues:

- whether changes in the measurement of the NCI put should be recognised in profit or loss or equity; and
- whether the clarification described in the bullet point above should be applied only to NCI puts or to both NCI puts and NCI forwards.

The staff will present this information to the Interpretations Committee at a future meeting.

Financial Instruments: classification and measurement

IFRS 9 Financial Instruments: Limited improvements

The IASB decided to consider making limited improvements to IFRS 9 and, in particular, to consider the interaction with the insurance contracts project. This decision enables the IASB to consider the FASB's classification and measurement model.

The IASB also decided to make any changes as soon as possible and to limit the scope of the project to minimise

potential disruption to those who have already applied, or who are close to applying, IFRS 9, and to assist in timely completion of the project.

Effective date of revised disclosure requirements deferred

The IASB decided that IFRS 9 (2009) and IFRS 9 (2010) should be amended to require application for annual periods beginning on or after 1 January 2015, rather than 1 January 2013.

The IASB also decided to require modified disclosures on transition from the classification and measurement requirements of IAS 39 to those of IFRS 9, instead of requiring the restatement of comparative-period financial statements for the initial application of the classification and measurement requirements of IFRS 9.

Furthermore, the IASB also decided that this disclosure would be required even if an entity chose to restate its comparatives for the effect of applying IFRS 9. Early application of IFRS 9 (2009) and IFRS 9 (2010) continues to be permitted.

With respect to the effective date for the modified disclosures, the IASB decided that an entity adopting IFRS 9 for reporting periods beginning:

- before 1 January 2012 need not restate prior periods and is not required to provide the modified disclosures at the date of initial application;
- from (and including) 1 January 2012 until (and including) 31 December 2012 shall restate prior periods unless it elects to provide the modified disclosures at the date of initial application instead of restating prior periods; or
- on 1 January 2013 or thereafter need not restate prior periods. However, the entity shall provide the modified disclosures at the date of initial application.

IFRS 10: transitional requirements

IFRS 10 Consolidated Financial Statements: Meaning of the date of initial application

In response to requests to clarify the transitional provisions in IFRS 10 the IASB decided to:

- add a definition of the date of initial application to IFRS 10 – this would be ‘the beginning of the reporting period in which IFRS 10 is applied for the first time’;
- add a paragraph in IFRS 10 (C3A) to clarify that an entity is not required to make adjustments to the accounting for its involvement with an entity that was disposed of, or whose control was lost, in the comparative period(s); and
- amend paragraphs C4 and C5 of IFRS 10 to clarify how the investor shall retrospectively adjust comparative periods when the consolidation conclusion changes between IAS 27 Consolidated and Separate Financial Statements/ SIC 12 Consolidation – Special Purpose Entities and IFRS 10.

Insurance contracts project

During the month, to 22 November 2011, the Boards discussed limited topics regarding insurance. The IASB and FASB focused their discussions on the recognition and presentation of explicit account balances.

See our publication [IFRS – Insurance Newsletter Issue 21](#) for more details.

Leases project

The IASB discussed:

- how a first-time adopter of IFRS would apply the proposed leases standard in its first IFRS financial statements;

- consequential amendments to the business combinations guidance in IFRS and US GAAP;
- transition issues related to business combinations;
- consequential amendments to the borrowing costs guidance in IFRS and US GAAP; and
- transition requirements for secured borrowings.

See our upcoming publication *IFRS – Leases Newsletter Issue 9* for more details.

Find out more

For more information on the meetings please see [IASB meetings](#), or speak to your usual KPMG contact.

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