

THE BALANCING ITEMS



cutting through complexity

The IASB has published *Annual Improvements to IFRSs 2012–14 Cycle* as part of its process to make non-urgent but necessary amendments to IFRS.



A new cycle of improvements to IFRS

This *IFRS Newsletter: The Balancing Items* brings into focus the narrow-scope amendments to IFRS.

The IASB's annual improvements provide a streamlined process for dealing efficiently with a collection of non-urgent amendments to IFRS. This new cycle of improvements contains amendments to the following four standards.

- *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*
 - Changes in method for disposal
- *IFRS 7 Financial Instruments: Disclosures*
 - 'Continuing involvement' for servicing contracts
 - Offsetting disclosures in condensed interim financial statements
- *IAS 19 Employee Benefits*
 - Discount rate in a regional market sharing the same currency – e.g. the eurozone
- *IAS 34 Interim Financial Reporting*
 - Disclosure of information 'elsewhere in the interim financial report'

FINAL AMENDMENTS

IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*

Changes in method for disposal

IFRS 5 is amended to clarify that:

- if an entity changes the method of disposal of an asset (or disposal group) – i.e. reclassifies an asset (or disposal group) from held-for-distribution to owners to held-for-sale (or vice versa) without any time lag – then the change in classification is considered a continuation of the original plan of disposal and the entity continues to apply held-for-distribution or held-for-sale accounting. At the time of the change in method, the entity measures the carrying amount of the asset (or disposal group) and recognises any write-down (impairment loss) or subsequent increase in the fair value less costs to sell/distribute of the asset (or disposal group); and
- if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held-for-distribution, then it ceases held-for-distribution accounting in the same way as it would cease held-for-sale accounting.

Any change in method of disposal or distribution does not, in itself, extend the period in which a sale has to be completed.

IFRS 7 *Financial Instruments: Disclosures*

‘Continuing involvement’ for servicing contracts

IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognised in their entirety. A servicer is deemed to have continuing involvement if it has an interest in the future performance of the transferred asset – e.g. if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset; however, the collection and remittance of cash flows from the transferred financial asset to the transferee is not, in itself, sufficient to be considered ‘continuing involvement’.

Offsetting disclosures in condensed interim financial statements

IFRS 7 is also amended to clarify that the additional disclosures required by *Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)* are not specifically required for inclusion in condensed interim financial statements for all interim periods; however, they are required if the general requirements of IAS 34 *Interim Financial Reporting* require their inclusion.

IAS 19 *Employee Benefits*

Discount rate in a regional market sharing the same currency – e.g. the eurozone

The IASB has amended IAS 19 to clarify that high-quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid. Consequently, the depth of the market for high-quality corporate bonds should be assessed at the currency level and not at the country level.

IAS 34 *Interim Financial Reporting*

Disclosure of information ‘elsewhere in the interim financial report’

IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements, may be disclosed “elsewhere in the interim financial report” – i.e. incorporated by cross-reference from the interim financial statements to another part of the interim financial report (e.g. management commentary or risk report). The interim financial report is incomplete if the interim financial statements and any disclosure incorporated by cross-reference are not made available to users of the interim financial statements on the same terms and at the same time.

NEXT STEPS

Effective from 1 January 2016

The amendments are effective for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

Transition

The amendments to IFRS 7 and IAS 34 are applied retrospectively, in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, except that the IFRS 7 amendments relating to servicing contracts need not be applied for any period presented that begins before the annual period for which the entity first applies those amendments.

The amendment to IFRS 5 is applied prospectively in accordance with IAS 8 to changes in methods of disposal that occur on or after 1 January 2016.

The amendment to IAS 19 is applied from the beginning of the earliest comparative period presented in the first financial statements in which the entity applies the amendment, with any initial adjustment recognised in retained earnings at the beginning of that period.

Annual Improvements to IFRSs – Next cycle

The IASB has decided not to proceed with the *Annual Improvements to IFRSs 2013–2015 Cycle* due to a lack of proposed amendments. The IASB has initiated a new cycle for 2014–2016, for which an exposure draft is expected in Q2 2015.

FIND OUT MORE

We provide publications, including the *IFRS Newsletters* and *New on the Horizon*, on the IASB's major projects. *IFRS Newsletter: The Balancing Items* provides a round-up of the Board's other activities.

Visit KPMG's *Global IFRS Institute* at kpmg.com/ifrs to access KPMG's most recent publications on the IASB's major projects.



Our [IFRS – revenue](#) hot topics page brings together our materials on the new revenue standard. Our *In the Headlines* summarises the key business impacts, while our *Issues In-Depth* provides more detailed analysis and observations.



Our [IFRS – financial instruments](#) hot topics page brings together our materials on the new financial instruments standard. Our *In the Headlines* summarises the key business impacts, while our *First Impressions* provides more detailed insights.



Our [IFRS – leases](#) hot topics page brings together our material on the leases project, including our *IFRS Newsletter: Leases* and our suite of publications on the IASB's re-exposure draft on leases published in May 2013.



Our [IFRS – insurance](#) hot topics page brings together our materials on the insurance project, including our *IFRS Newsletter: Insurance* and our suite of publications on the IASB's re-exposure draft on insurance contracts published in June 2013.



Our [IFRS Breaking News](#) page brings you the latest need-to-know information on international standards in the accounting, audit and regulatory space.

© 2014 KPMG IFRG Limited, a UK company, limited by guarantee. All rights reserved.

KPMG International Standards Group is part of KPMG IFRG Limited.

Publication name: *IFRS Newsletter: The Balancing Items*

Publication number: Issue 7

Publication date: September 2014

The KPMG name, logo and “cutting through complexity” are registered trademarks or trademarks of KPMG International.

KPMG International Cooperative (“KPMG International”) is a Swiss entity. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

The *IFRS Newsletter: The Balancing Items* contains links to third party websites not controlled by KPMG IFRG Limited. KPMG IFRG Limited accepts no responsibility for the content of such sites or that these links will continue to function. The use of third party content is to be governed by the terms of the site on which it is hosted and KPMG IFRG Limited accepts no responsibility for this.

kpmg.com/ifrs

This *IFRS Newsletter: The Balancing Items* brings into focus the narrow-scope amendments to IFRS

If you would like further information on any of the matters discussed in this Newsletter, please talk to your usual local KPMG contact or call any of KPMG firms' offices.