Grant Thornton

IFRS News

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 2010 looks ahead to some of the new Standards that will affect companies when preparing their financial statements for the year ending 30 June, and the challenges that those Standards will bring. It then goes on to report on some recent developments around the world, as more and more countries move towards the adoption of IFRS.

We then turn our attention to IFRS-related news at Grant Thornton, as well as a more general round up of activities affecting the IASB. We end with an overview of the proposals that the IASB currently has out for comment, and the implementation dates of newer Standards that are not yet mandatory.

Standards about to take effect

Companies with a year end of 30 June 2010 will be the first to be required to adopt a range of new Standards

With so many Standards and Amendments being issued by the IASB, it can be hard to keep track. For this reason, we include a table of effective dates at the end of IFRS News.

Companies preparing their financial statements to a year end date of 30 June or later will need to pay particular attention as some important changes came into effect for annual periods commencing on or after 1 July 2009. We outline below the Standards in concern, and their main effects.

IFRS 3 'Business Combinations (revised 2008)' (IFRS 3R)

The revised Standard for Business Combinations introduces important changes to the accounting requirements for mergers and acquisitions. These developments are accompanied by new requirements for transactions with non-controlling interests (a new term for 'minority interests') and the loss of control of a subsidiary. The following box highlights some of the major changes and their implications:

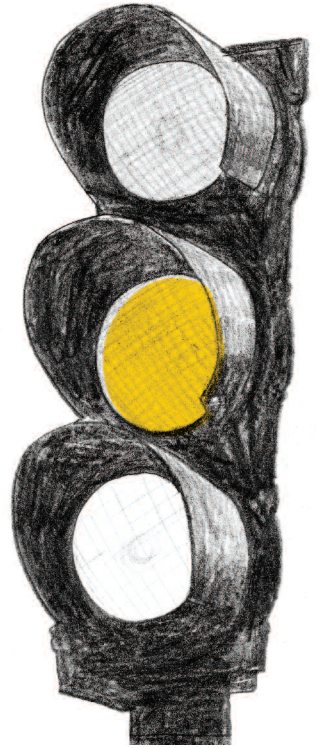
Major changes	Implications
• goodwill is measured only at the acquisition date – it is determined as the consideration transferred, plus the fair value of any previously held investment, the amount of any non-controlling interest less the fair values* of the identifiable assets and liabilities (*a few exceptions exist)	• the 'business combination achieved in stages' approach no longer applies • some business combinations may result in gains or losses being recognised in the income statement as any previous stake held is re-measured to fair value at the date of acquisition
• minority interests are termed 'non-controlling interests' and may be measured either at – fair value; or – the proportionate interest in the identifiable net assets. • If fair value is used, the effect is that 100% of the goodwill of the acquiree is recognised even if the parent's interest in the acquiree is less than 100% (sometimes referred to as the 'full goodwill' method).	• where fair value is selected, there will be a change to the amount recognised for goodwill which will have an ongoing effect on the mechanics of the consolidation process • where entities continue to account for non-controlling interests at their proportionate interest in the identifiable net assets of the subsidiary, there will be little change other than to terminology
• contingent consideration is measured at fair value at the acquisition date • there is no requirement for payments to be probable before recognition occurs • if the contingent consideration arrangement gives rise to a financial liability, any subsequent changes are recorded in the income statement	• increases the importance of the initial assessment of fair values • the immediate effect of contingent consideration on the statement of financial position and the potential impact on profit or loss should be considered when negotiating acquisitions

Major changes	Implications
• costs of the combination are recorded as an expense in the income statement	• negative impact on profit or loss should be considered in assessing the overall impact of the combination
• additional guidance is given on determining what is part of the consideration for the business combination	• consideration arrangements will need to be analysed for payments that are not part of the consideration for the business combination, such as – payments made for post-combination employee services – payments to settle a pre-existing business relationship • the structuring of the business combination will need to be carefully considered so as to avoid any undesired effects on earnings arising from the introduction of this additional guidance
• greater clarity over the recognition criteria for intangible assets	• a greater number of intangible assets may need to be recognised. For example, leases which are not at market rates

IFRS 3R is required to be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. Earlier application is permitted (subject to the requirements of local legislation). If IFRS 3R is applied before its effective date, however, then IAS 27 'Consolidated and Separate Financial Statements (revised 2008)' (IAS 27R) must also be applied at the same time.

The amendments to IAS 27 must be applied for annual periods beginning on or after 1 July 2009. Although the general requirement is to apply the amendments retrospectively, the most significant amendments are applied prospectively.

As noted above, where IFRS 3R is applied before the effective date, IAS 27R must also be applied at the same time.



IAS 27 'Consolidated and Separate Financial Statements (revised 2008)' (IAS 27R)

A revised version of IAS 27 accompanies IFRS 3R, and makes the following significant changes:

- transactions with non-controlling interests in which control is not gained or lost (eg part disposals of interests in a subsidiary and purchases of shares held by non-controlling interests) are accounted for as equity transactions. No income statement gain or loss is recorded and no adjustment is made to goodwill
- on loss of control of a subsidiary, any retained investment is recognised at its fair value at the date control is lost. This fair value is included in the calculation of the gain or loss.

IFRIC 17 'Distribution of Non-cash Assets to Owners'

IFRIC 17 applies to distributions of non-cash assets (eg property, plant and equipment or a business) by an entity to its owners, and to distributions that give owners a choice of receiving either non-cash assets or a cash alternative. It does not apply to the distribution of a non-cash asset that is ultimately controlled by the same party or parties before and after the distribution (eg where a business is transferred within a group by a dividend). IFRIC 17 also has no effect on the accounting for dividends paid in the company's own shares.

Under IFRIC 17, companies are required to:

- measure a liability to distribute non-cash assets as a dividend to owners at the fair value of the assets to be distributed
- on settlement recognise in profit or loss any difference between the carrying amount of the assets distributed and the carrying amount of the dividend payable.

IFRIC 17 must be applied for annual periods beginning on or after 1 July 2009. Retrospective application is not permitted. Earlier application is permitted.

Where an entity applies IFRIC 17 for a period beginning before 1 July 2009, it must apply IFRS 3 'Business Combinations (revised 2008)' and IAS 27 'Consolidated and Separate Financial Statements (revised 2008)'.

Other new Standards

Eligible Hedged Items

'Eligible Hedged Items', an amendment to IAS 39 Financial Instruments: Recognition and Measurement, aims to clarify the application of some of IAS 39's requirements on designation of a risk or a portion of cash flows for hedge accounting purposes.

IFRS 1 'First-time Adoption of International Financial Reporting Standards'

A revised version of IFRS 1 is effective for periods beginning on or after 1 July 2009. The revised version has an improved structure but does not contain any technical changes.

Limited exemption from comparative IFRS 7 disclosures for first-time adopters

Amendment to IFRS 1 provides first-time adopters with a limited exemption from the requirement to provide comparatives when applying the improved disclosures about financial instruments recently included in IFRS 7

The IASB has published 'Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (Amendment to IFRS 1)'. The Amendment to IFRS 1 'First-time Adoption of International Financial Reporting Standards' enables first-time adopters to benefit from the same relief from comparatives available to those already using IFRSs when applying 'Improving Disclosures about Financial Instruments (Amendments to IFRS 7)' for the first time.

Grant Thornton International comment

We agree with the introduction of the Amendment to IFRS 1, which provides transitional relief for first-time adopters consistent with the transition provisions available to existing IFRS preparers.

'Improving Disclosures about Financial Instruments (Amendments to IFRS 7)' was itself issued in 2009, with the aim of getting companies to explain more clearly how they determine the fair value of their financial instruments and improving the disclosure of their liquidity risk. The Amendments to IFRS 7 provided that in the first year of their application, an entity did not need to provide comparative information for the disclosures required. A corresponding change was not made to IFRS 1 however. The IASB's new amendment to IFRS 1 removes this anomaly.

The Amendment to IFRS 1 is effective for annual periods beginning on or after 1 July 2010. Earlier application is permitted.

SEC makes statement on potential adoption of IFRS in the US

US to make decision in 2011 on whether to incorporate IFRS into the US financial reporting system and, if so, how and when

The United States Securities and Exchange Commission (SEC) has issued a Statement reaffirming its support for the global convergence of accounting standards. The Statement recognises that IFRS has the best potential to function as the single set of global accounting standards, and states that a final decision will be taken in 2011 on whether IFRS will be incorporated into the US financial reporting system.

The SEC however also identified several issues that must still be evaluated before a decision can be made on the use of IFRS. To that end, the SEC directed its staff to develop a Work Plan to address those issues, which accompanies the SEC Statement.

Completion of the Work Plan, and completion of the joint IASB and US Financial Accounting Standards Board convergence projects, will enable the SEC to decide in 2011 whether to incorporate IFRS into the US financial reporting system and, if so, how and when.

the Commission also announced that it is not pursuing the option of early adoption of IFRS for certain US issuers at this time

It is anticipated that if the SEC does decide in 2011 to incorporate IFRS into the US financial reporting system, US companies would be required to report under IFRS no earlier than 2015.

The Work Plan

The Work Plan, which has been approved by the SEC, will address many of the factors that those commenting on the proposed Roadmap encouraged the SEC to consider in its evaluation of whether and how to incorporate IFRS into the US financial reporting system.

The following factors to be explored relate to the characteristics of IFRS and the way in which those Standards are set, as well as certain transitional considerations.

Characteristics of IFRS and the IASB's standard-setting process

- sufficient development and application of IFRS
- independence of standard setter for the benefit of investors.

Transitional considerations

- investor understanding and education regarding IFRS
- effect of a change in accounting standards on US laws or regulations other than securities laws
- impact of implementation for issuers
- readiness of preparers and auditors.

In determining whether IFRS are sufficiently developed and applied, the SEC staff believe the following areas need to be evaluated:

- the extent to which IFRS is comprehensive
- the auditability and enforceability of IFRS
- the extent to which financial statements prepared under IFRS are comparable within and across jurisdictions.

The SEC Statement is also notable for withdrawing a proposal in its 2008 Roadmap which would have allowed a limited number of US issuers to use IFRS in filings with the SEC beginning with fiscal years ending on or after 15 December 2009. It is however expected that early use of IFRS will still be a viable option if the SEC decides to require the use of IFRSs in due course.

Grant Thornton International comment

Gary Illiano, Grant Thornton LLP, National Partner-in-Charge of International and Domestic Accounting commented:

"Although many of us were hoping the SEC would have set a definitive date for conversion to IFRS, we are happy that the Commission has both reaffirmed its commitment to IFRS as the single set of global standards and reconfirmed its decision will be forthcoming in 2011. This takes us a few more miles down the road to IFRS, but at a pace that prevents a major accident along the way."

India announces phased convergence to IFRS

As India's approach to IFRS convergence becomes clearer, the focus shifts to companies which need to take immediate steps to achieve economic and sustainable IFRS reporting

The Core Group set up by India's Ministry of Corporate Affairs (see the January 2010 edition of IFRS News) has announced that going forward there will be two separate sets of accounting standards under the Indian Companies Act.

The first of these would comprise Indian Accounting Standards which have been converged with IFRS (the Converged Standards). These would be applied to specified classes of companies on a phased basis (see table).

The second set would consist of the existing Indian Accounting Standards and would be applicable to all other companies. In particular, these Standards would cover non-listed companies which have a net worth of Rs. 500 crores or less and whose shares or other securities are not listed on stock exchanges outside India, as well as small and medium companies.

A separate roadmap addressing the transition to IFRS for banking and insurance companies will be submitted by a sub-group of the Core Group.

Five immediate steps

Grant Thornton India recommends that companies which will under the phased approach need to move to the Converged Standards, take the following steps:

- assess potential impacts on financial results, IT infrastructure, business processes, HR policies, etc in your organisation
- budget costs, obtain board sponsorship and mobilise an IFRS project team
- evaluate feasibility and costs of redeploying internal resources
- set key timelines and milestones – develop detailed project plan for transition
- formalise investor communication strategy

Phase	Companies covered	Opening statement of financial position*	First financial statements
Phase I	• companies that are part of NSE – Nifty 50 Index • companies that are part of BSE Sensex 30 Index • companies that have shares or other securities listed in overseas stock exchanges; and • listed and unlisted companies with net worth in excess of Rs 1000 Crores	1 April 2011	31 March 2012
Phase II	• listed & unlisted companies with net worth in excess of Rs 500 Crores but not exceeding Rs. 1000 Crores	1 April 2013	31 March 2014
Phase III	• listed entities with net worth of Rs 500 Crores or less	1 April 2014	31 March 2015

* for companies with a year-end other than 31 March, the conversion of the opening statement of financial position will be made in relation to the first statement of financial position made after 31 March.

Brazil signs Memorandum of Understanding with IASB

End of 2010 set as target date for full convergence with IFRS

The move towards the adoption of IFRS in Brazil gathered pace in January 2010 with the signing of a Memorandum of Understanding (MoU) between the Brazilian Federal Council of Accounting, the Brazilian Accounting Pronouncements Committee and the IASB. The MoU sets the end of 2010 as the target date for full convergence with IFRS and establishes a framework for future co-operation between the organisations.

Brazilian listed companies and financial institutions are required to adopt IFRS for financial years ending on or after 31 December 2010.

The MoU sets a goal of eliminating the remaining differences between Brazilian GAAP and IFRS by the end of 2010. Brazilian GAAP will effectively cease to exist for these companies from this date, with their accounts being published under IFRS.

For other entities in Brazil, the IFRS for Small and Medium-sized Entities (IFRS for SMEs) will be available for use. Although many of the smallest entities are expected to continue to apply the simplified accounting system currently permitted under Brazilian law, many other companies are expected to apply the IFRS for SMEs either voluntarily or because they are requested to do so by providers of finance.

The MoU reinforces the greater participation between the Brazilian standard-setting community and the IASB. Amaro Luiz de Oliveira Gomes was appointed last year as a full-time IASB board member for a five-year term. Together, these moves underline the increasing acceptance around the world of IFRS as a single set of high-quality global accounting standards.

IAS 37 'Measurement of Liabilities' deadline extended

The IASB has extended the comment period on its Exposure Draft 'Measurement of Liabilities' from 12 April 2010 to 19 May.

As discussed in January 2010's IFRS News, the IASB has re-exposed only one part of the proposals it had originally issued in 2005. The overall changes are however sufficiently wide for many businesses to be affected and the decision not to re-expose the entire proposed Standard has been controversial.

A particular concern has been the proposal to remove the criterion in IAS 37 under which an obligation is recognised as a liability only if it is probable (ie more likely than not) that there will be an outflow of resources from the entity. Under the proposed Standard, an entity would estimate the expected value to fulfil its obligation (ie the probability-weighted average of the outflows for the range of possible outcomes). The proposed change would particularly affect the litigation-prone pharmaceutical and tobacco industries.

the decision not to re-expose the entire proposed Standard has been controversial

The IASB has now placed a working draft of the proposed new IFRS on its website and, in response to concerns raised by constituents, has also extended the original comment deadline. This will give commentators a chance to assess the full impact of all the proposed changes when responding to the IASB.

IASB changes tack on Income Taxes project

Having analysed the comments received on its March 2009 Exposure Draft 'Income Tax', the IASB has decided to postpone a fundamental review of the accounting for income tax to sometime in the future and has changed the objective of this project to resolving problems encountered in practice under IAS 12.

The scope of the project will now consider:

- uncertain tax positions (but only after the revision of IAS 37 is finalised)
- deferred tax on property re-measurement at fair value.

The Board of the IASB has also decided to introduce the following proposals that were generally supported by respondents to the March 2009 Exposure Draft:

- the introduction of an initial step to consider whether the recovery of an asset or settlement of a liability will affect taxable profit
- the recognition of a deferred tax asset in full and an offsetting valuation allowance to the extent necessary
- guidance on assessing the need for a valuation allowance
- guidance on substantive enactment
- the allocation of current and deferred taxes within a group that files a consolidated tax return.

Other pipeline news

Classification and measurement of financial liabilities

Having decided not to address the classification and measurement of financial liabilities in the first chapters of IFRS 9 (see January 2010's edition of IFRS News), the IASB has continued to deliberate the treatment of these instruments.

During its March meeting, the IASB Board confirmed its previous tentative decision that financial liabilities designated under the fair value option should be shown at full fair value on the statement of financial position, with the change in fair value recognised in profit or loss. The Board also decided that the portion of the change in fair value attributable to a company's 'own credit risk' will be transferred from profit or loss to Other Comprehensive Income (a 'two step' approach).

For other non-derivative liabilities the IASB has tentatively decided to retain most aspects of IAS 39's existing approach. This includes IAS 39's requirements to identify and separate embedded derivatives (except where 'closely-related'). A consequence of this decision (if carried forward) is that IFRS 9's requirements for assets and liabilities would not be symmetrical. Accordingly, some of the hoped-for simplification benefits will not be achieved.

It is expected that these decisions will now be formally published in an Exposure Draft for public comment. The Exposure Draft will consider whether the 'two step' approach discussed above is appropriate, and whether there are better alternatives to it.

IASB and FASB publish proposals on reporting entity concept

The IASB and US Financial Accounting Standards Board have published an Exposure Draft on the reporting entity concept. The proposals form part of a joint project to develop a common and improved conceptual framework that provides the basis for developing future accounting standards.

The Exposure Draft seeks to define a reporting entity and proposes that an entity should consolidate entities under its control for financial reporting purposes. Under the proposals, an entity controls another entity when it has the power to direct the activities of that other entity to generate benefits for itself.

IFRS Taxonomy 2010

The International Accounting Standards Committee Foundation has published an Exposure Draft of the IFRS Taxonomy 2010.

The proposed IFRS Taxonomy 2010 is a translation of IFRSs as issued at 1 January 2010 into XBRL (eXtensible Business Reporting Language).

the proposed taxonomy integrates the IFRSs and the IFRS for SMEs into a single taxonomy for the first time

XBRL is a technology developed for the automation of business information requirements, including the preparation, sharing and analysis of financial statements. IFRS XBRL is effectively a dictionary of data tags. Each tag describes a specific piece of information that may be included in a set of IFRS financial statements, facilitating the electronic analysis of the statements using software tools.

XBRL is rapidly becoming the format of choice for the electronic filing of financial information – particularly within jurisdictions reporting under IFRSs – because it facilitates simpler and faster filing and comparison of IFRS financial data by companies, regulators, investors, analysts and other users of the IFRS Taxonomy.

The proposed taxonomy contains significant architectural improvements when compared with the 2009 version and integrates the IFRS for SMEs for the first time.

Grant Thornton International IFRS Top 20 Tracker – 2010 edition

The Grant Thornton International IFRS team has published the 2010 edition of its IFRS Top 20 Tracker.

The 2010 edition again takes management through 20 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 2010 edition are:

- the continued impact of the global financial crisis, with economic and market conditions remaining difficult in many areas of the world
- areas of focus for regulators with responsibility for enforcement of financial reporting requirements
- more recent changes to Standards and Interpretations, which affect both first-time adopters and companies already reporting under IFRS.

The Tracker is intended to highlight some of the key issues that clients of the member firms within Grant Thornton International are dealing with currently. It provides a reference for management to help them focus on these matters.

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

Other Grant Thornton News

Indian partner in Financier Worldwide round-table

Sai Venkateshwaran, the IFRS practice leader for Grant Thornton India, participated in a round-table organised by Financier Worldwide in February.

The round-table looked at the benefits and challenges of using IFRS as a single set of global accounting standards, and considered questions such as:

- what are the implications of converting from a rules-based to a principles-based accounting system?
- what are some of the macro-level challenges faced by countries that are currently rolling out IFRS, such as managing changes to existing legal and regulatory requirements?
- how should companies prepare to manage the costs associated with the transition to IFRS compliance?

Grant Thornton UK webcast on hedge accounting

Grant Thornton UK LLP's Assurance team has presented a webcast for clients giving an outline of IAS 39's hedge accounting requirements.

The webcast can be accessed on Grant Thornton UK LLP's website (www. grant-thornton.co.uk).

The webcast includes:

- an outline of hedge accounting requirements
- an explanation of the various stages of a transaction
- a practical case study demonstration, including use of effectiveness tests and hedge documentation.

Grant Thornton International comments on Management Commentary Exposure Draft

The Grant Thornton International IFRS team has commented on the IASB's Exposure Draft 'Management Commentary'.

While we believe that there is a good case for developing mandatory international requirements in this area, there are complex audit, legislative, cultural and practical issues that will need to be explored at an international level before this can happen. In particular, the risk of litigation relating to forward-looking information in some jurisdictions may act as a significant barrier to the acceptance of an IFRS in this area.

We therefore support the IASB's decision to develop a high-level, principles-based guidance document at this stage. We believe a document of this nature will contribute to improved management commentary, particularly in jurisdictions that do not have well developed requirements in this area.

Other Grant Thornton News

Grant Thornton US paper on Private Company Financial Reporting

Grant Thornton LLP, our member firm in the United States, has released 'Private Company Financial Reporting', a white paper examining developments regarding accounting standards for private businesses.

To date, the concept of differential reporting for private companies has been rejected in the US. However, following recent developments around the world, including the publication of the International Financial Reporting Standard for Small and Medium-sized Entities, the issue is on the agenda again.

Grant Thornton LLP's white paper outlines the case for a re-examination of private company accounting standards, showing how gradual changes to the financial reporting model have altered the very nature of financial statements, driving a wedge between the objectives of financial reporting for publicly traded companies and those of private companies. In particular, it notes how the focus of financial reporting has somewhat shifted away from reporting net income to future cash flows.

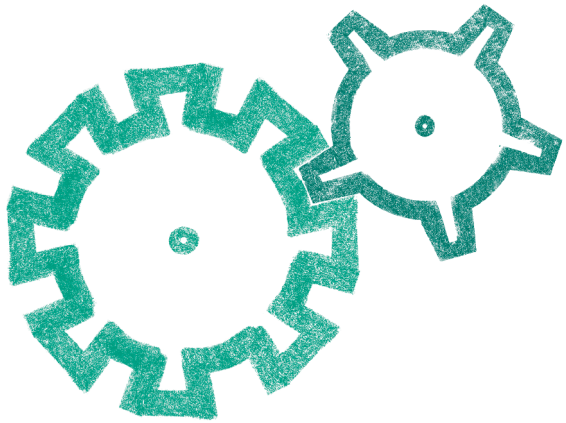
The white paper concludes by noting that while the best outcome would perhaps be a single objective and a single set of standards for all entities in the United States, the unique needs of the global capital markets and their importance may indicate that a different set of standards for investors and creditors in those markets may be the best solution to meet their needs. It adds that other standards, more reflective of accountability and local legal considerations, may better address the needs of private companies and not-for-profit organizations.

Grant Thornton member firms to benefit from regional IFRS training

The Grant Thornton International IFRS team will present a series of advanced IFRS training courses for the partners and staff of its member firms in 2010. The IFRS team plans to hold regional training courses in Malaysia, the United States, the Netherlands, Turkey and South Africa.

In addition to these regional courses, the Grant Thornton International IFRS team presents quarterly technical updates for the partners and staff of its member firms via webcast.

Together these initiatives serve to promote high-quality, consistent application of IFRSs throughout Grant Thornton International's network of member firms.



Other Grant Thornton News

Grant Thornton US updates IFRS comparison guide

Grant Thornton LLP, our member firm in the United States, has released an updated version of its publication 'Comparison between US GAAP and International Financial Reporting Standards'.

The publication is intended to help readers identify the major areas of similarity and difference between current US GAAP and IFRS. It will also assist those new to either US GAAP or IFRS to gain an appreciation of their major requirements.

Edition 1.4 (December 31, 2009) has been updated for standards issued through December 31, 2009. In addition, the US GAAP references in the publication have been updated to include citations from both pre-Codification literature and their Codification counterparts.

The guide can be downloaded from Grant Thornton LLP's website (www.grantthornton.com).

Grant Thornton UK surveys IFRS in the media industry

Grant Thornton UK LLP has released its fourth survey of accounting practices in the media industry. The latest survey looks at the effects of the introduction of IFRS across UK media companies which are quoted on either the London Stock Exchange Full List or the Alternative Investment Market.

The survey focuses in particular on:

- business combinations;
- intellectual property rights; and
- revenue recognition and segmentation.

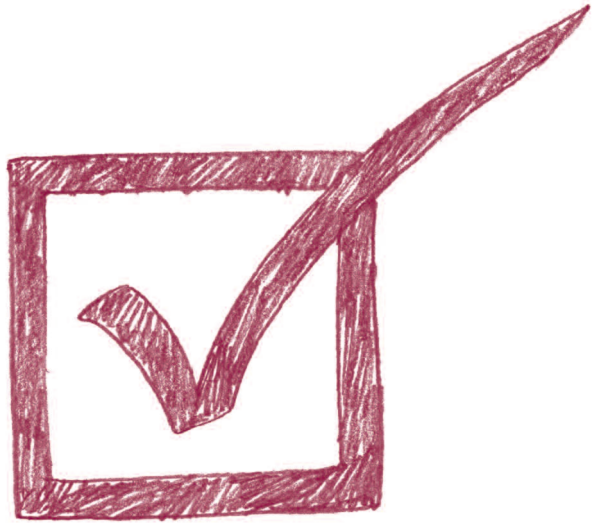
The survey can be downloaded from Grant Thornton UK LLP's website (www.grant-thornton.co.uk).

South African partner in panel discussion at the Johannesburg Stock Exchange

Frank Timmins, Head of Risk Management and Professional Standards at Grant Thornton South Africa participated in a panel discussion on the Impairment of Financial Assets in March.

The panel discussion, which was sponsored by the South African Institute of Chartered Accountants and Standard Bank, took place at the Johannesburg Stock Exchange and looked at the IASB Exposure Draft 'Amortised Cost and Impairment of Financial Assets'.

The panel comprised experts in accounting, credit modelling, and the analysis of financial statements, and also included an IASB Board member, Bob Garnett. They focused on the impact that can be expected to arise on company results if the Exposure Draft is issued as a final Standard in its current form.



Appointments

International

April Mackenzie, Global Head of Public Policy for Grant Thornton International, has been appointed to the Board of Trustees for the International Valuation Standards Council (IVSC).

The IVSC is charged with developing robust and transparent procedures for performing international valuations through a single set of globally recognised valuations standards, acceptable to the world's capital markets organisations, market participants and regulators, which will meet the challenges of a fast-changing global economy. The Board of Trustees to which April has been appointed, is responsible for the overall strategic direction and funding of the IVSC.

IFRS for SMEs

In this section, we look at developments in the use of the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) around the world.

Training material available

The International Accounting Standards Committee Foundation (IASC Foundation) has published two batches of training material for the IFRS for SMEs.

The training material, which is available on the IASB website (http://go.iasb.org/smetraining), is designed to assist companies and accounting practitioners in applying the IFRS for SMEs. The IASC Foundation intends for there to eventually be 35 stand-alone training modules to complement the 35 sections of the IFRS for SMEs itself. So far 17 of these modules have been completed.

The IASC Foundation is also holding a programme of 'Train-the-Trainers' workshops around the world. Workshops have already been held in India and Malaysia, and further ones are planned for later in the year in Africa, the Middle East, Latin America and the Caribbean.

SME Implementation Group formed

The Trustees of the International Accounting Standards Committee Foundation (IASC Foundation) have approved the terms of reference and operating procedures for a new SME Implementation Group (SMEIG). The mission of the SMEIG will be to support the international adoption of the IFRS for SMEs and monitor its implementation. It will have two main responsibilities:

- to consider implementation questions raised by users of the IFRS for SMEs, with a view to developing proposed guidance in the form of questions and answers (Q&As) that would be made publicly available. The Q&As would be approved by the IASB and would be non-mandatory guidance.
- to consider, and make recommendations to the IASB on the need to amend the IFRS:
  (i) for implementation issues that cannot be addressed by Q&As, and
  (ii) for new and amended IFRSs that have been adopted since the IFRS for SMEs was issued or last amended.

The IASC Foundation is currently considering applications for appointment to the SMEIG.

IFRS for SMEs

Adoption of the IFRS for SMEs

The following countries have adopted the IFRS for SMEs in the last quarter:

Country	Available to*
Brazil	• SMEs may choose to apply the IFRS for SMEs
Botswana	• available as an alternative to full IFRSs for most companies with fewer than 100 employees
Cambodia	• all companies except for 'public interest entities' (financial institutions, publicly traded entities, and large entities), which must use full IFRSs
Ethiopia	• all commodities dealers are now required to use the IFRS for SMEs
Guyana	• SMEs may choose to apply either the IFRS for SMEs or full IFRSs
Hong Kong	• eligible SMEs may use a modified version of the IFRS for SMEs entitled 'the Hong Kong Financial Reporting Standard for Private Entities'
Lebanon	• SMEs over a certain size may choose either the IFRS for SMEs or full IFRSs provided they are not listed on the Beirut Stock Exchange
Namibia	• public or private companies may use the IFRS for SMEs provided: – they do not have public accountability – the founding document or other regulation requires compliance with a fair presentation framework as contemplated by the International Federation of Accountants – legal provisions or other regulations do not require compliance with another specific financial reporting framework.
Philippines	• the IFRS for SMEs must be used by entities that have total assets of between P3 million and P350 million or total liabilities of between P3 million and P250 million, and which are not otherwise required to use full IFRS. 'Micro entities' below those thresholds can choose to voluntarily adopt the IFRS for SMEs
Sierra Leone	• profit seeking entities that are not required to use full IFRSs may use the IFRS for SMEs for reporting periods commencing 1 January 2010. For reporting periods commencing 1 January 2011, use of the IFRS for SMEs is mandatory
Trinidad and Tobago	• SMEs may choose to apply either the IFRS for SMEs or full IFRSs
Venezuela	• the IFRS for SMEs is voluntary (permitted) for financial statements for the year ending 31 December 2010 and mandatory for the year ending 31 December 2011

* The table gives a highly summarised view of the requirements for use in the different jurisdictions listed and should not be relied upon. Further research will be necessary for a proper understanding of the requirements in individual jurisdictions.

IFRS for SMEs

IFRS for SMEs in the European Union

The European Commission has concluded an initial consultation of the possible role of the IFRS for SMEs in the European Union. In responding, Grant Thornton International expressed strong support for the new Standard and recommended that member states should be allowed to decide when and how to introduce it in their jurisdiction.

In the meantime the European Financial Reporting Advisory Group (EFRAG) has released a draft version of the advice it intends to provide to the European Commission on the compatibility of the IFRS for SMEs with Europe's existing accounting legislation. EFRAG's draft conclusion is that there are just seven detailed aspects of the IFRS for SMEs that are incompatible with the current text of the European Union's Accounting Directives.

Grant Thornton International comment

Andrew Watchman, executive director of International Financial Reporting for Grant Thornton International, commented:

"We recognise that financial reporting by non-listed companies currently serves different roles and purposes in different Member States (for example, in some countries the accounting is linked closely with the tax system). This situation means that an EU-wide agreement on IFRS for SMEs, including criteria for the types or sizes of company that should use it, will be very hard to achieve in the short term. We believe instead that the EU should allow each Member State to decide which entities within their own jurisdiction are permitted or required to apply this new Standard."

Translations of the IFRS for SMEs

The IASB continues to progress its work on translating the IFRS for SMEs into foreign languages.

Translations into Chinese, Spanish, Italian and Romanian have already been completed, with translations into Arabic, Czech, French, Japanese, Serbian, and Turkish in progress. There are also proposals for translations into Armenian, Khmer, Macedonian, Polish, Portuguese, Russian, and Ukrainian.

Round-up

IASB Chairman addresses the European Union

Sir David Tweedie, IASB Chairman, addressed the Council of the European Union (ECOFIN) in March on the IASB's progress towards achieving the G20's call for a single set of global accounting standards by June 2011.

Sir David informed ECOFIN that the IASB remained on schedule to achieve the June 2011 target, and that it plans to publish seven joint proposals with its counterpart in the United States in the next quarter. More generally, he drew attention to the way in which the IASB has stepped up its efforts to engage a broader range of interested parties in the early stages of development of its Standards.

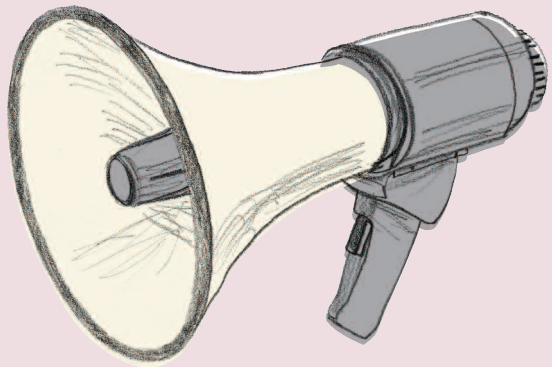
Sir David also reported on the IASB's progress towards replacing IAS 39 'Financial Instruments: Recognition and Measurement', mentioning their commitment to pursuing a more forward looking provisioning model in Phase II of that project. He also suggested the possible use of an additional Regulatory Income Statement, in which a 'through the cycle provision' could be included, as a way of providing regulators with additional information to meet their prudential objectives.

IASC Foundation Trustees announce governance enhancements and name changes

The Trustees of the International Accounting Standards Committee Foundation, the oversight body of the IASB, has completed the second part of its five-yearly Constitution Review.

Following a public consultation, a number of changes aimed at enhancing the Foundation's public accountability, stakeholder engagement and operational effectiveness have been announced.

One of the changes is to the Foundation's own name, which will become the IFRS Foundation. The names of the International Financial Reporting Interpretations Committee (IFRIC) and the Standards Advisory Council also change, to the IFRS Interpretations Committee and the IFRS Advisory Council respectively. The IASB's name remains unchanged however.



Round-up

Major changes in the Constitution

- introduction of three-yearly public consultations on the IASB's future technical agenda
- emphasis on adoption of IFRS and the strategy of convergence
- a commitment to a 'principle-based' approach to the development of IFRSs
- specific designation of investors as a target audience for financial information
- a requirement for due process and the introduction of a provision to accelerate the due process in the most exceptional of circumstances
- creation of vice-chairs for both the Trustees and the IASB
- improved language to account for a broad range of stakeholders, both by type and location
- reduction in duration of possible second term of IASB members to ensure they retain practical experience
- names in use across the organisation to be streamlined

(see previous page)

Research on the new definition of an asset

The European Financial Reporting Advisory Group (EFRAG) and the Autorité des Normes Comptables (ANC) have jointly published on their websites a Research Paper on the proposed new Definition of an Asset tentatively adopted by the IASB and FASB.

The paper tests the proposed new definition of an asset against a series of 12 economic arrangements. The purpose of the analysis is to test whether the proposed new definition would work and be an improvement on the existing IASB definition of an asset.

IVSC publishes revised guidance for the valuation of intangible assets

The International Valuation Standards Council (IVSC), international standard setter for valuation, has published an updated Guidance Note on the valuation of intangible assets.

The adoption around the world of IFRS has greatly increased the need for consistency and transparency in the valuation of such assets. The revised Guidance Note identifies the principal techniques that are recognised for the valuation of intangible assets such as brands, intellectual property and customer relationships, and gives guidance on how these are to be applied.

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
Exposure Draft	Measurement of Liabilities in IAS 37 – Proposed amendments to IAS 37	19 May 2010
Exposure Draft	Financial Instruments: Amortised Cost and Impairment	30 June 2010
Exposure Draft	Conceptual Framework for Financial Reporting: The Reporting Entity	15 July 2010
Discussion Paper	Extractive Industries	30 July 2010

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 2009. 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 2009

Title	Full title of Standard or Interpretation	Effective for accounting periods beginning on or after	Early adoption permitted?
IFRS 9	Financial Instruments	1 January 2013	Yes (extensive transitional rules apply)
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)
IFRS 1	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (Amendment to IFRS 1)	1 July 2010	Yes
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010	Yes
IAS 32	Classification of Rights Issues (Amendment to IAS 32)	1 February 2010	Yes
IFRS for SMEs	International Financial Reporting Standard for Small and Medium-sized Entities	Immediately subject to approval within the individual jurisdiction	N/A
IFRS 1	Additional Exemptions for First-time Adopters (Amendments to IFRS 1)	1 January 2010	Yes
IFRS 2	Group Cash-settled Share-based Payment Transactions (Amendments to IFRS 2)	1 January 2010	Yes

Effective dates of new standards and IFRIC interpretations

New IFRS Standards and IFRIC Interpretations with an effective date on or after 1 January 2009

Title	Full title of Standard or Interpretation	Effective for accounting periods beginning on or after	Early adoption permitted?
IFRS 1	First-time Adoption of International Financial Reporting Standards (Revised 2008)	1 July 2009	Yes
IAS 39	Amendment to IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items	1 July 2009	Yes
IFRIC 17	Distributions of Non-cash Assets to Owners	1 July 2009	Yes (but must also apply IFRS 3 Revised 2008, IAS 27 Revised 2008 and IFRS 5 (as amended by IFRIC 17))
IFRS 3	Business Combinations (Revised 2008)	1 July 2009	Yes (but only for periods beginning on or after 30 June 2007, and in conjunction with IAS 27 Revised 2008)
IAS 27	Consolidated and Separate Financial Statements	1 July 2009	Yes (but must be applied in conjunction with IFRS 3 Revised 2008)
IFRIC 18	Transfers of Assets from Customers	Transfers of assets on or after 1 July 2009	Yes provided the valuations and other information needed to apply the Interpretation to past transfers were obtained at the time those transfers occurred

Effective dates of new standards and IFRIC interpretations

New IFRS Standards and IFRIC Interpretations with an effective date on or after 1 January 2009

Title	Full title of Standard or Interpretation	Effective for accounting periods beginning on or after	Early adoption permitted?
IAS 32 and IAS 1	Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements: Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009	Yes (but must be applied in conjunction with related amendments to IAS 39, IFRS 7 and IFRIC 2)
IFRS 1 and IAS 27	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements	1 January 2009	Yes
IFRS 7	Amendments to IFRS 7 Financial Instruments Disclosures: Improving Disclosures about Financial Instruments	1 January 2009	Yes
IFRS 2	Amendment to IFRS 2 Share-based Payment: Vesting Conditions and Cancellations	1 January 2009	Yes
IAS 1	Presentation of Financial Statements	1 January 2009	Yes
IAS 23	Amendments to IAS 23 Borrowing Costs	1 January 2009	Yes
IFRS 8	Operating Segments	1 January 2009	Yes
IFRIC 15	Agreements for the Construction of Real Estate	1 January 2009	Yes
Various	Annual Improvements to IFRSs 2008	1 January 2009 (unless otherwise stated)	Yes

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