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 fourth and final edition of 2010 is dominated by the effects of the IASB's strategy for convergence with US GAAP. We lead with an analysis of the IASB Exposure Draft 'Leases'. The Exposure Draft proposes that all leases would be recognised on the lessee's balance sheet, a proposal that would radically alter the financial position of many companies. We then discuss the numerous other Exposure Drafts that have been issued in the last quarter as the IASB's convergence strategy gathers pace.

We then move on to look at a round up of 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.

IASB proposes fundamental changes to lease accounting

Distinction between operating and finance leases to disappear

The IASB and the US Financial Accounting Standards Board have published joint proposals which would radically alter the financial reporting of leases. The proposals, contained in the Exposure Draft 'Leases', are one of the major projects included in the Memorandum of Understanding between the two Boards.

Under current requirements, the accounting for a lease depends upon its classification. Classification as an operating lease results in the lessee not recording any assets or liabilities in the Statement of Financial Position (the balance sheet). The Exposure Draft proposes to remove this distinction, thereby eliminating off-balance sheet accounting for operating leases.

In its place, the Exposure Draft proposes to introduce a single accounting model for lessees to apply to all leases. Under this model, a lessee would recognise a 'right of use asset' representing its right to use the underlying asset and a liability to pay lease rentals.

For lessors, a new hybrid accounting model would apply. Lessors would account for lease transactions either through a:

- performance obligation approach (to be used where the lease exposes the lessor to significant risks and benefits associated with the underlying asset) or a
- derecognition approach (for all other leases).

Under the derecognition approach, the lessor would take part of the underlying asset off its balance sheet and record a right to receive lease payments from the lessee instead. As a result, a lessor could potentially record a gain or loss on commencement of the lease under this approach.

Grant Thornton International comment

The proposals are a response to concerns raised by investors and other users of financial statements about the current lease accounting model. IAS 17's distinction between finance leases (on-balance sheet) and operating leases (off-balance sheet, with lease payments simply recognised over the lease term) can have the effect that two quite similar leases are accounted for very differently. This affects comparability and creates incentives to design leases to fall just within the operating (off-balance sheet) category.

As discussed in the box opposite, recognising all leases on the balance sheet could lead to substantial increases in reported assets and liabilities for entities that use operating leases, with consequent implications for assets and performance ratios. As a result, the proposals may well encounter significant opposition from the leasing industry and major lessees.

Preparer questionnaire

Separately from the Exposure Draft, the IASB also published a preparer questionnaire on leases. The questionnaire surveys lessors and lessees on their use of, and accounting for, leases. It is part of the IASB's out-reach project on the topic.

Under the performance obligation approach, however, the lessor would keep the underlying asset on its balance sheet and record a right to receive lease payments and a liability to permit the lessee to use the underlying asset. The lessor would then record income over the life of the lease.

Assets and liabilities recognised by lessees and lessors would be recognised and carried at amortised cost in the balance sheet, based upon the present value of payments over the term of the lease. They would be measured on a basis that:

a) assumes the longest possible lease term that is more likely than not to occur, taking into account the effect of any options to extend or terminate the lease
b) uses an expected outcome technique to reflect the lease payments, including contingent rentals and expected payments under term option penalties and residual value guarantees, specified by the lease
c) is updated when changes in facts or circumstances indicate that there would be a significant change in those assets or liabilities since the previous reporting period.

Commercial Implications

For lessees that currently use operating leases, the proposals in the Exposure Draft could lead to substantial increases in reported assets and liabilities. The following are some of the potentially significant commercial implications that may need to be considered as a result:

Issue	Implication
Balance sheet implications	• asset and performance ratios will be affected by the recognition of all leased assets on the balance sheet • gearing calculations in particular may be affected by the increase in the lessee's reported borrowings. The effect on loan agreements and bank covenants may need to be considered • entities subject to regulation may need to hold more capital.
Profit and loss implications	• for leases that are currently treated as operating leases, the proposed model will result in earlier recognition of rental expense as a result of using the effective interest rate to amortise the lease liability • it will however be possible to measure short-term leases (less than 12 months) on an undiscounted basis. This would mean that short-term lease rentals would be calculated on a straight-line basis, providing a potential incentive for lease structuring.
Judgements and estimates	• estimates of expected contingent rentals, residual value guarantees and term option penalties will be needed. Preparers will need to devote time to assessing the probability of different outcomes, and estimating the amount and timing of cash flows for those items in order to comply with the proposed expected outcome approach • potential lease renewals and contingent rents will need to be reassessed at each reporting date and adjusted accordingly • the costs of preparing an entity's financial statements may increase due to the complexity and greater subjectivity that would be introduced.

IFRS 7 amended to improve disclosures relating to transfers of financial assets

'Disclosures – Transfers of Financial Assets (Amendments to IFRS 7)' amends the disclosures required under IFRS 7, to help users of financial statements evaluate the risk exposures relating to more complex transfers of financial assets and the effect of those risks on an entity's financial position.

The intention behind the Amendments is to improve IFRS 7's existing disclosure requirements and reduce the differences with US GAAP disclosure requirements. The additional disclosures required are designed to provide information that enables users:

a) to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities; and

b) to evaluate the nature of, and risks associated with, any continuing involvement of the reporting entity in financial assets that are derecognised in their entirety.

IAS 39's actual derecognition requirements have not changed, as these were seen as having performed favourably during the financial crisis.

Grant Thornton International comment

The Amendments aim to address perceived deficiencies in the disclosure of more complex transfers of financial assets (eg those involving securitisations of financial assets) that were exposed during the financial crisis. Simple derecognition transactions such as the straight-forward sale of a financial asset should not be affected by the Amendments.

The changes are aimed at providing users with better information to evaluate the risk exposures relating to transfers of financial assets. For example, where a reporting entity has derecognised financial assets in their entirety but has continuing involvement in them, it has to disclose the amount that best represents the entity's maximum exposure to loss from its continuing involvement and how that amount has been determined. Similarly where an entity has transferred financial assets in such a way that part or all of the transferred financial assets do not qualify for derecognition, then it has to explain the nature of the risks and rewards and make certain quantitative disclosures.

The Amendments are limited to improving disclosure requirements. The IASB has concluded that the existing financial asset derecognition criteria remain fit for purpose and need not be replaced in the near future.

IASB completes first stage of its conceptual framework project

The IASB and the US Financial Accounting Standards Board (FASB) have published the first two chapters of an updated conceptual framework, marking the completion of the first phase of their joint project to develop an improved conceptual framework for IFRSs and US generally accepted accounting practices (GAAP).
The overall objective of the project is to create a sound foundation for future accounting standards that will be principles-based, internally consistent and internationally converged.

The new chapters published build on the existing IASB and FASB frameworks and deal with the objective and qualitative characteristics of financial reporting. Qualitative characteristics are attributes that make financial information useful. They are now categorised as either fundamental characteristics (relevance and faithful representation) or enhancing characteristics (comparability, timeliness, verifiability and understandability) that distinguish more useful information from less useful information.

The overall objective is to create a sound foundation for future standards that will be principles-based, internally consistent and internationally converged

Grant Thornton International comment

We welcome the publication of the first chapters of an updated conceptual framework. They should serve to help in eliminating differences between IFRSs and US GAAP.

The Conceptual Framework is essentially a tool which the IASB and FASB will use in setting future Standards. As such, companies are unlikely to be greatly affected by the publication of the first chapters of the new Framework, although they may be a useful reference point when forming accounting policies on topics that are not addressed by an IFRS. Future chapters of the Framework, dealing with issues such as the definition of a reporting entity, may have a more profound impact however.

IASB proposes amendments to IFRS 1

The IASB has published proposed amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards'.

For historic reasons, IFRS 1 contains two references to a fixed date of 1 January 2004:

- the financial instrument derecognition exception, and
- the exemption in relation to the initial fair value measurement of financial instruments.

The reason for these references is historic. They were introduced in advance of 2005, a time when many companies were adopting IFRS for the first time and were intended to put first-time IFRS adopters in the same position as existing users at that time (who were able to benefit from certain transitional reliefs contained in IAS 39 'Financial Instruments: Recognition and Measurement'). As time has passed, however, the 1 January 2004 date has become less relevant.

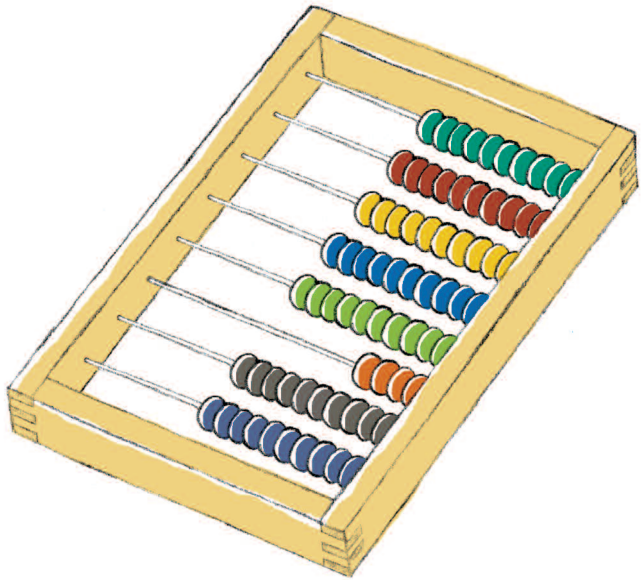
The Exposure Draft 'Removal of Fixed Dates for First-time Adopters' would amend IFRS 1 by replacing references to the fixed transition date of '1 January 2004' with 'the date of transition to IFRSs'.

As a result first-time adopters will no longer be required to:

- restate financial instrument derecognition transactions that occurred before the date of transition to IFRSs
- recalculate 'day 1' differences on initial recognition of financial instruments, where the transaction occurred before the date of transition to IFRSs.

Grant Thornton International comment

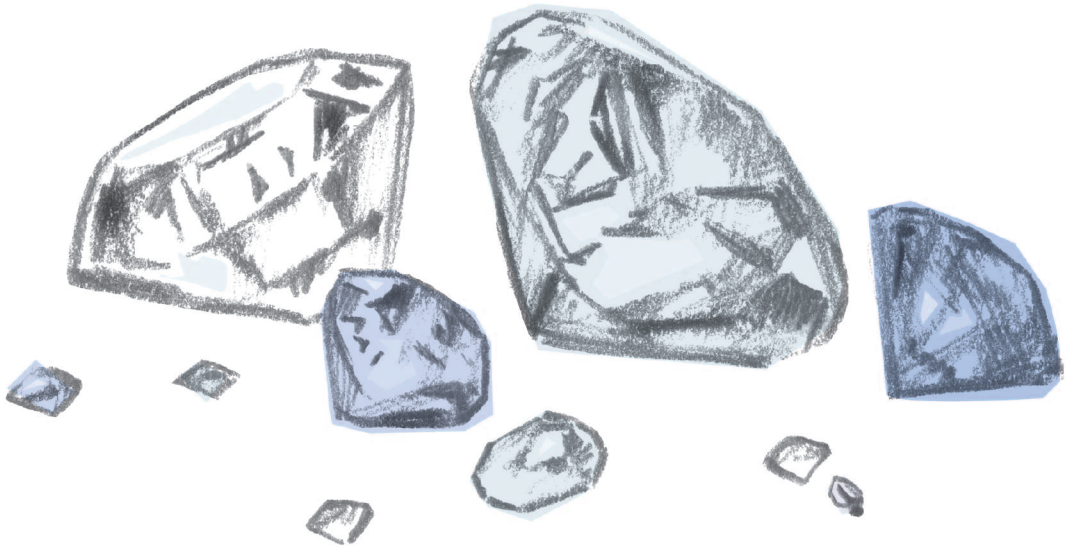
We agree with the proposal – the costs of retrospectively reconstructing transactions affected by the paragraphs in concern to 1 January 2004 is likely to exceed the benefits to be obtained from doing so. Replacing the fixed dates in those paragraphs with references to the date of transition to IFRSs will be more relevant to entities who are currently adopting IFRS 1 for the first time.



Draft IFRIC Interpretation on surface mining

The IFRS Interpretations Committee has published a Draft Interpretation 'Stripping Costs in the Production Phases of a Surface Mine'.

The Draft Interpretation aims to address the current divergence in practice over how to account for stripping costs (the process of removing waste from a surface mine in order to gain access to mineral ore deposits). It proposes that costs associated with a 'stripping campaign' should be accounted for as an additional component of an existing asset, and that this component should be written down over the reserves that directly benefit from the campaign.

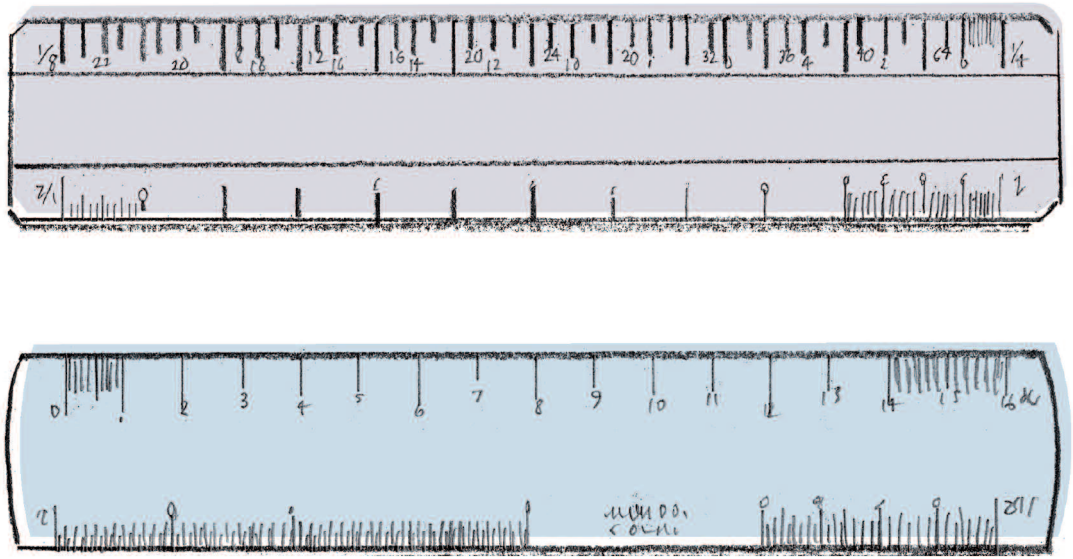


Staff drafts of IFRSs on fair value measurement and consolidation

The IASB has posted staff drafts of two forthcoming IFRSs on its website.

The first staff draft is on fair value measurement, and reflects the tentative decisions made to date by the IASB and the US Financial Accounting Standards Board on the project. Work continues however, and the tentative decisions may therefore be subject to change.

The second staff draft is on consolidation. The IASB's deliberations on this project are largely complete, apart from considering the effective date of the forthcoming IFRS. The tentative decisions reached may still be subject to change before the final standard is issued however.



Proposed amendments to IAS 12 Income Taxes

Amendment intended to provide a practical approach for measuring deferred tax when it is difficult to determine the expected manner of recovery of an asset

The IASB has published an Exposure Draft entitled 'Deferred Tax: Recovery of Underlying Assets'. The proposal would amend one aspect of IAS 12 'Income Taxes'.

Under IAS 12, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using the asset or by selling the asset. In some cases, it is difficult and subjective to assess whether recovery will be through use or through sale. The proposed amendments aim to provide a practical solution to this problem in certain specified circumstances by introducing a presumption that an asset is recovered entirely through sale unless the entity has clear evidence that recovery will occur in another manner.

This presumption would apply when the following assets are remeasured at fair value or revalued at fair value:

- investment property
- property, plant and equipment
- intangible assets.

Grant Thornton International comment

The proposed amendments are intended to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when it would be difficult and subjective to determine the expected manner of recovery. As such they will be welcomed by some preparers. It is however difficult to ascertain an underlying principle behind the proposed change, and there is a risk that it will be seen as introducing a rule into the Standard.

A new era for insurance accounting?

The IASB has published proposals that would radically change the financial reporting for insurance companies.

Current accounting practices for insurance contracts are diverse and differ from those used by other financial institutions. Although IFRS 4 addressed some issues in insurance accounting when it was issued in 2004, it was only a temporary solution and permitted a wide variety of existing accounting practices to continue. The Exposure Draft 'Insurance Contracts' would solve this problem by introducing a single Standard that all insurers, in all jurisdictions, could apply to all contract types on a consistent basis.

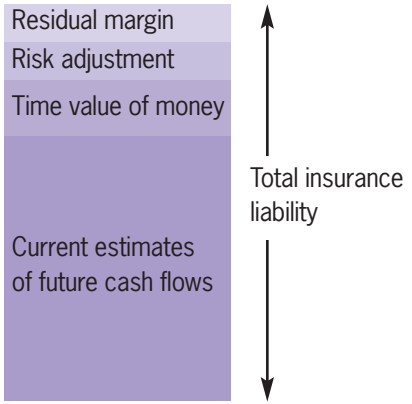
The Exposure Draft proposes that an insurer measure an insurance contract based on the present value of the cash flows to fulfil it and a residual margin that reports the profitability of the contract over its life. The proposed measurement model can be viewed in terms of the following 'building blocks':

- current estimates of future cash flows – the amounts the insurer expects to collect from premiums and pay out for claims, benefits and expenses, estimated using up-to-date information
- time value of money – an adjustment that uses an interest rate to convert future cash flows into current amounts
- risk adjustment – an adjustment to capture the effects of uncertainty about the amount of future cash flows
- residual margin – contract profit (reported over the life of the contract).

Grant Thornton International comment

The proposals would improve financial reporting for insurers by enhancing comparability across entities, jurisdictions and capital markets. They would also eliminate accounting mismatches that currently occur because assets reflect current market rates, while liabilities often reflect 'locked-in' rates.

The proposals would however radically change current accounting practices for insurers which are notoriously diverse. Widespread systems changes will be needed to meet the new requirements. Insurers will need to pay close attention to the Exposure Draft and evaluate how the proposals may affect them. For example, the discount rate to be used under the Exposure Draft will be lower than the asset-based rates that some insurers currently use, increasing the measurement of some insurance liabilities.



The bottom three building blocks in the diagram will be re-measured at each reporting period, with changes recorded in income. This provides the user with information about the changes in the insurance liability and its performance during the period.

The Exposure Draft also clarifies that all insurance contract liabilities shall be treated as monetary items under IAS 21. The treatment of a pre-claim liability as a monetary item will eliminate one of the accounting mismatches that exist under current IFRS.

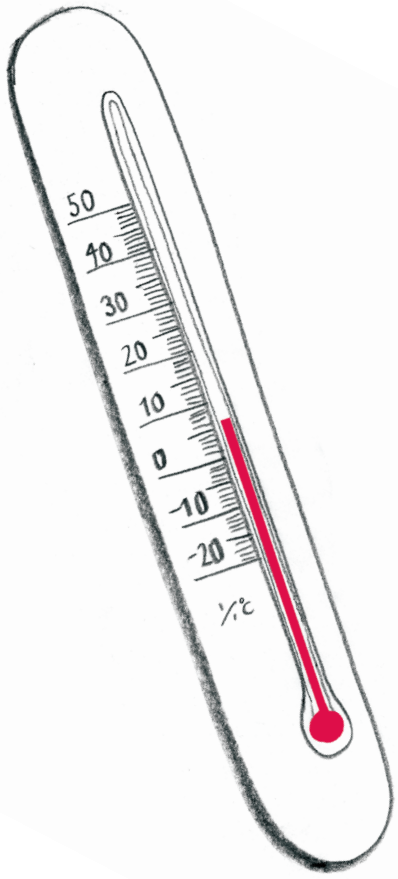
As well as measurement, presentation will also be very different. The Exposure Draft proposes that an insurance contract be presented in the Statement of Comprehensive Income under the 'summarised margin' approach. Under this approach, the face of the Statement of Comprehensive Income would include as a minimum five line items:

- underwriting margin
- gains and losses on initial recognition
- non-incremental acquisition expenses
- experience adjustments and changes in estimate
- interest expense on the insurance liabilities.

IASB proposes Severe Hyperinflation amendment to IFRS 1

The IASB has published proposed guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation.

The Exposure Draft 'Severe Hyperinflation' proposes adding an exemption to IFRS 1 that would allow such an entity to measure assets and liabilities at fair value and use that fair value as the deemed cost of those assets and liabilities in the opening IFRS statement of financial position.

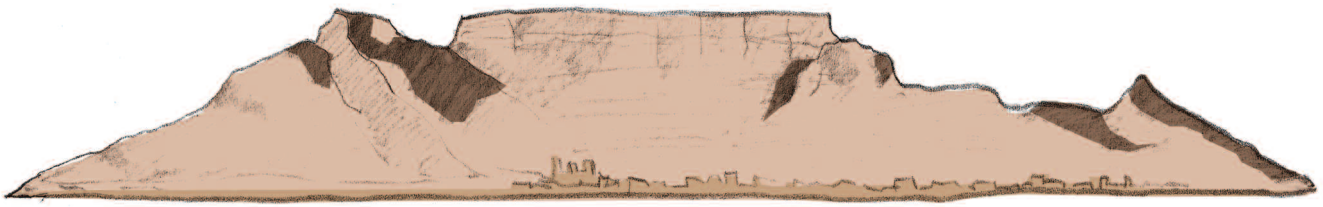


South African partner appointed to SMEIG

Frank Timmins, Head of Risk Management and Professional Standards in the Johannesburg office of Grant Thornton, has been appointed to the IASB's SME Implementation Group (SMEIG).

The mission of the SMEIG is to support the international adoption of the IFRS for SMEs and monitor its implementation. It has 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); and
- to consider, and make recommendations to the IASB on the need to amend the IFRS for SMEs for implementation issues that cannot be addressed by Q&As, and for new and amended IFRSs that have been adopted since the IFRS for SMEs was issued or last amended.

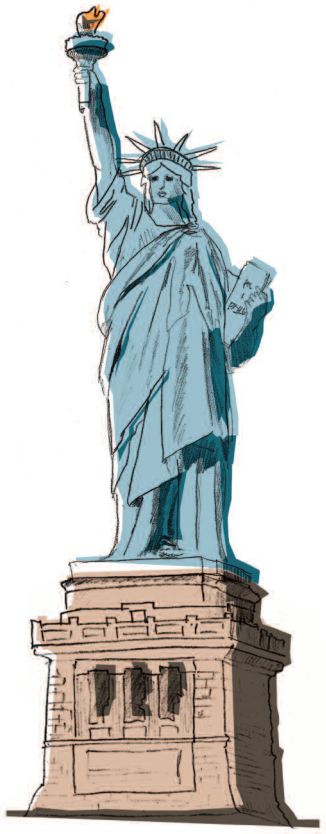


CEO of US member firm speaks on IFRS

Stephen Chipman, CEO of our US member firm Grant Thornton LLP, was recently interviewed by the US publication Accounting Today, as part of their survey on 'IFRS – Convergence or Adoption?'. Accounting Today's Top 100 Most Influential People in Accounting were asked the following question: "What do you think of the current attempts to create a single set of global accounting standards (whether through convergence or the adoption of IFRS world-wide)? Should they be pursued differently – or at all?"

Stephen Chipman's response to this question underlined Grant Thornton LLP's support for the ongoing movement toward one set of high-quality, globally accepted accounting standards, noting that "…as businesses continue to expand their international footprint, it is increasingly sub-optimal to be using different reporting standards, a situation which sometimes increases costs, while decreasing comparability." He also outlined in his response his concern that if the US does not now accelerate its move toward IFRS adoption, it will be increasingly less influential in the development of IFRS.

Chipman concluded his response by saying "Finally, at Grant Thornton, we support the SEC's perspective that there is more work to do and thus, the process requires more time. However, we also believe that by agreeing on a date certain, we could facilitate the process and make the ultimate agreed-upon standards more effective."



UK firm reiterates its support for the IFRS for SMEs

At the end of July, the UK Accounting Standards Board issued a request for responses to aid it in its development of the impact assessment of its proposals for the future of UK and Irish Financial Reporting. The standard setter is proposing to implement a three tier system in the UK under which:

- entities that have public accountability would use EU-adopted IFRS
- entities that do not have public accountability would use the IFRS for SMEs
- small entities would use a Standard that meets their specific needs.

Responding to this request, our UK member firm reiterated its support for replacing UK GAAP with a regime incorporating the IFRS for SMEs.

Grant Thornton UK commented that it considers that the complexity of the IFRS for SMEs has been overestimated by many commentators. The firm went on to state that its assessment is that for a company not undertaking any complex transactions, the impact of the transition will be minimal. It added that, for the majority of private entities affected, the introduction of a standard based on the IFRS for SMEs is likely to lead to the simplification of accounting requirements rather than complication, once the initial transition is completed.

Spotlight on our IFRS Interpretations Group

Grant Thornton's International 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 three times 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 month we focus on the UK's representative:

Brian Shearer, UK

Brian (pictured) is Grant Thornton UK's National Director of Financial Reporting. Brian joined Grant Thornton as an articled clerk in 1970, becoming Grant Thornton's National technical partner in 1983 following a two-year secondment to the IASC.

Brian has over 30 years experience as a specialist in financial reporting, and has been a member for more than 10 years of the ASB's Urgent Issues Task Force and the ICAEW's Financial Reporting Committee. He is also a member of EFRAG's SME working group.

Swedish partner in IFRS for SMEs workshop

The Nordic Foundation held a seminar on the IFRS for Small and Medium-sized Entities (IFRS for SMEs) in Helsinki on September 1 and 2 2010. Delegates came from the Nordic countries as well as the Baltic states and represented mainly governments (ministries) and local standard setters. Eva Törning, a partner in our Swedish member firm, attended the meeting on behalf of the Swedish Institute for Accountants.

The seminar focussed on the huge potential of the IFRS for SMEs. It is now one year after the IFRS for SMEs was published and it is already used in over 60 countries. In Europe there are approximately 25 million SMEs and in the US there are 20 million, so the potential for the IFRS for SMEs to provide a sound foundation for the financial reporting of those companies is enormous!

Grant Thornton representatives appointed to the new International Integrated Reporting Committee

A new body, the 'International Integrated Reporting Committee' is seeking to undertake a radical review of reporting in the wake of the financial crisis. The Committee will not only address companies' financial statements but will also consider management commentary, governance, remuneration and environmental and social issues.

The IIRC brings together a cross section of representatives from civil society and the corporate, accounting, securities, regulatory, non-governmental organisations, inter-governmental organisations and standard-setting sectors. It comprises a Steering Committee and a Working Group. Grant Thornton International CEO Ed Nusbaum will represent Grant Thornton on the Steering Committee, while UK partner Steve Maslin has been appointed to the Working Group.

The committee intends to publish a framework this year for a global integrated reporting model that would make annual reports comparable across borders. The framework would be presented at the G20 intergovernmental summit in 2011.

US GAAP and IFRS comparison guide updated

Our US member firm has updated its publication 'Comparison between U.S. GAAP and International Financial Reporting Standards'.

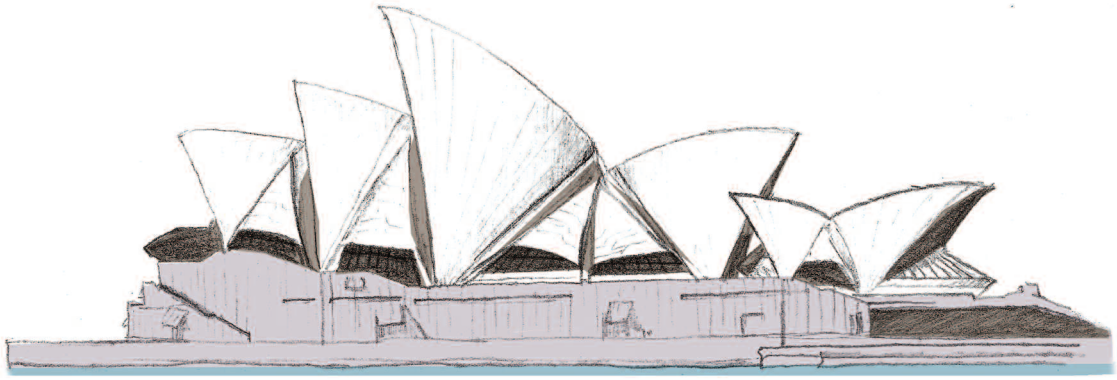
Edition 1.5 has been updated and revised for standards issued up to the end of 31 August 2010. The publication highlights some of the more significant U.S. GAAP and IFRS requirements as well as the major similarities and differences between current U.S. GAAP and IFRS that our US member firm believes are most commonly encountered in practice. It is available on the US firm's website (www.grantthornton.com).

Australian Partner warns on lease proposals

Keith Reilly, National Head of Professional Standards at Grant Thornton Australia has advised companies to start thinking now about the potential effects of the IASB's proposals to recognise all leases on balance sheet (see our lead article).

In an interview with SmartCompany.com.au, a news, information and resource site for Australia's entrepreneurs, small and medium business owners and business managers, he warns that "companies need to start thinking now about how the change may affect them, particularly if it leads to an increase in debt ratios or a decrease in earnings per assets".

Reilly also warns that Australia's refusal to adopt the IFRS for Small and Medium-sized Entities could mean that smaller firms may also be forced to adopt the new lease rules.



UK member firm in shortlist for 2010 Accountancy Age Awards

Grant Thornton UK has been shortlisted in four categories of Accountancy Age magazine's 2010 Awards, a key industry event for accountancy firms:

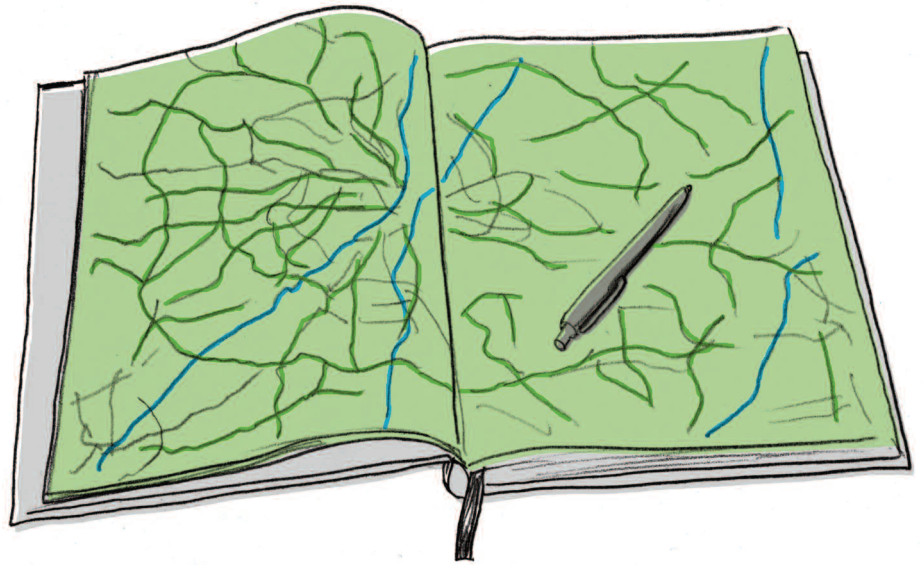
- Global Firm of the Year
- Audit Team of the Year – National Not-For-Profit Audit Team
- Tax team of the Year – National Recovery and Reorganisation Tax and Pensions Team
- AAT Accounting Technician of the Year.

The awards ceremony will take place on 17 November in London.

US firm issues guide to revenue recognition

Our US member firm has released 'Revenue recognition: A guide to navigating through the maze'.

The complexity in the authoritative guidance on revenue recognition under US GAAP makes it difficult to know when and how to appropriately record revenue. The US firm's guide is intended to provide a road map to assist users in navigating through the maze of accounting literature related to revenue recognition. Some IFRS preparers refer to US GAAP in developing detailed revenue recognition policies in areas where IFRS lacks specific guidance. The guide can be viewed on the US firm's website (www.grantthornton.com).



Round-up

IASB Roundtables

The IASB will hold a series of roundtables in November, December and January on their revenue recognition, insurance contracts and leases projects as part of their efforts to reach out to the public. The meetings will be held in various locations in the United States, the Far East and the United Kingdom.

New IASB Chairman announced

Hans Hoogervorst will succeed the IASB's current chairman, Sir David Tweedie, on his retirement as chairman of the IASB at the end of June 2011. Mr Hoogervorst is currently chairman of the Netherlands Authority for the Financial Markets (AFM), the Dutch securities and market regulator, chairman of the Technical Committee of the International Organization of Securities Commissions (IOSCO) and co-chair of the Financial Crisis Advisory Group (FCAG). He will step down from all his present positions in order to join the IASB.

The Trustees of the IFRS Foundation have also announced the appointment of Ian Mackintosh as vice-chairman of the IASB. Mr Mackintosh is currently chairman of the UK Accounting Standards Board and chairman of the group of national accounting standard-setters.

IFRS Taxonomy

The IFRS Taxonomy 2010 has been updated for the latest (May 2010) annual 'Improvements to IFRSs'. In a separate development, the IFRS Foundation has also published illustrative examples in eXtensible Business Reporting Language (XBRL) for the IFRS Taxonomy 2010.

EFRAG-IASB Joint Meeting

The IASB held one of its regular joint public meetings with the European Financial Reporting Advisory Group (EFRAG) in August. During the meeting, EFRAG expressed support for the IASB's plans to complete their financial instruments and insurance projects by June 2011. EFRAG questioned the need for the IASB to complete their revenue recognition and leases projects in the same timescale however.

The IFRS Foundation seeks views on criteria for annual improvements process

The IFRS Foundation has published proposed enhancements to the criteria for determining whether a matter relating to the clarification or correction of IFRSs should be addressed using the annual improvements process (the mechanism used for making non-urgent but necessary amendments to IFRSs).

IASB revenue recognition webcasts

The IASB has broadcast two webcasts on the potential effects of the proposals in its Exposure Draft 'Revenue from Contracts with Customers'. The first webcast looked at the potential effects on the technology industry, while the second looked at the effects on the construction industry. Both webcasts can be viewed on the IASB website.

CESR Activity Report on IFRS enforcement 2009

The Committee of European Securities Regulators (CESR) has published its eighth batch of extracts from its database of enforcement decisions taken by EU national enforcers of financial information.

Issues discussed arose from the full range of IFRSs. Some areas, however, attracted more interest than others – either because of their heightened significance when reporting during an economic crisis or because they represent the most challenging requirements to apply when accounting for complex transactions and arrangements. These issues included, for example, various aspects of financial instrument reporting; impairment of non-financial assets and business combinations.

IVSB issues discussion paper on valuation uncertainty

The International Valuation Standards Board (IVSB) has released a Discussion Paper 'Valuation Uncertainty' for public comment. The Discussion Paper is a reaction to the financial crisis and the feeling that many investors had placed unwarranted confidence in valuations that were produced against a background of an inactive or dysfunctional market.

Canadian Securities Administrators publishes review of IFRS transition disclosures

The Canadian Securities Administrators (CSA) has published a review of Canadian companies' IFRS transition disclosures ahead of Canada's upcoming transition to IFRS. The review was based on companies' 2009 annual Management's Discussion & Analysis and found:

- 95 per cent of companies disclosed their IFRS changeover plan
- 60 per cent of companies described milestones and anticipated timelines associated with key elements of their changeover plan
- 82 per cent of companies identified significant accounting policy differences between current Canadian GAAP and IFRS.

EFRAG updates its 'endorsement status report'

The European Financial Reporting Advisory Group (EFRAG) has updated its report on the status of endorsement, under the EU IAS Regulation, of individual IFRSs and IFRIC Interpretations. The report is available on the EFRAG website (www.efrag.org).

IFRS Advisory Council recommendations on IASB's post-2011 work plan

In September, the IFRS Advisory Council (the formal advisory body to the IASB and the Trustees of the IFRS Foundation) issued a recommendation paper on the IASB's post-2011 work plan. Included in the paper are recommendations that the IASB should:

- focus on serving those who have adopted or wish to adopt IFRS (convergence is no longer considered a prime consideration)
- provide a period of calm in issuing new standards to bed down the numerous new and revised standards coming into effect
- stand ready to assist in resolving implementation issues.

Convergence

Nigeria to adopt IFRS in 2012

The Nigerian Minister for Commerce and Industry has announced that Nigerian publicly listed entities and significant public interest entities will be required to prepare their financial statements using applicable IFRS guidelines by 1 January 2012, while other public interest entities will have to adopt IFRS for statutory purposes by 1 January 2013.

Convergence between Japanese GAAP and IFRS continues

The IASB and the Accounting Standards Board of Japan met in September to share their updates of recent developments in their respective convergence projects. The Boards remain committed to the convergence of Japanese GAAP and IFRS by June 2011, as described in their Memorandum of Understanding, known as the Tokyo Agreement.

IASB and FASB consult on effective dates for new accounting standards

The IASB has published a Request for Views entitled 'Effective Dates and Transition Methods' to gather views from interested parties on when the new Standards it expects to issue next year should become effective. The US FASB has also published a paper inviting comments on the issues being raised, as some of the new Standards are being developed jointly by the two boards.

Projects covered by the request for views include financial instruments, revenue, insurance contracts and leases.

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	Revenue from Contracts with Customers	22 October 2010
Exposure Draft	Removal of Fixed Dates for First-time Adopters (Proposed amendments to IFRS 1)	27 October 2010
Exposure Draft	Deferred Tax: Recovery of Underlying Assets	9 November 2010
Exposure Draft	Insurance Contracts	30 November 2010
Draft IFRIC	Stripping Costs in the Production Phase of a Surface Mine	30 November 2010
Due Process document	The annual improvement process: Proposals to amend the Due Process Handbook for the IASB	30 November 2010
Exposure Draft	Severe Hyperinflation (Proposed amendment to IFRS 1)	30 November 2010
Exposure Draft	Leases	15 December 2010
Request for Views	Effective Dates and Transition Methods	31 January 2011

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)
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)
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
Various	Annual Improvements 2009	1 January 2010 unless otherwise stated (some are effective from 1 July 2009)	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	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
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 (Revised 2008)	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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