

# IFRS News

Shedding light on the IASB's activities\*

IFRS News – Issue 47  
December 2006

## In this issue...

- 1 Issue of the month**  
IFRS 8
- 2 IFRIC 12**  
Scope and impact
- 4 Interview**  
Experts' views on  
IFRS application in  
2005 and 2006
- 7 IFRS/IFRIC update**  
What's mandatory/  
permitted in 2006
- 9 Crossword  
Contacts**

## Issue of the month

### Board publishes standard on segment reporting

The IASB published IFRS 8, Operating Segments, last month as part of the short-term convergence project with the FASB. This is a concrete achievement for the Roadmap, in which a timetable of 2009 was announced for the elimination of major differences between IFRS and US GAAP through a number of short-term convergence projects.

The boards compared IAS 14, Segment Reporting, and SFAS 131, Disclosures about Segments of an Enterprise and Related Information. IFRS 8 replaces IAS 14, Segment Reporting, and aligns the requirements of the two standards. It applies to the annual financial statements for periods beginning on or after 1 January 2009; earlier application is permitted.

IFRS 8 requires the 'management approach' to reporting on the financial performance of operating segments. The information to be reported is what management uses internally for evaluating segment performance and deciding how to allocate resources to operating segments. It may differ from what is used to prepare the income statement and balance sheet. Explanations are required about the basis on which the segment information is prepared and reconciliations to the amounts recognised in the income statement and balance sheet.

The IASB believes that adopting the management approach will improve financial reporting by allowing users to assess operations through the eyes of management. Switching to a reliance on management's internal information should also reduce costs for companies producing one set of information for disclosure and a second set for decision-making. It also means that interim reporting of segment information can be extended beyond the current requirements.

The standard brings an entity's key decision-makers into the IFRS reporting loop. The information they use to manage the business will determine the segment information reported in the financial statements. Read more about the business implications of the new standard in the January edition of *IFRS News*.



## Scope and impact of IFRIC 12

The IASB published IFRIC 12, *Service Concession Arrangements*, on 30 November 2006. Jan Buisman and Alain Lattafi explain the implications.



IFRIC 12 applies to companies that participate in service concession arrangements. It provides guidance on the accounting by operators in public-to-private service concession arrangements. IFRIC 12 is effective for accounting periods starting on or after 1 January 2008. Earlier application is permitted.

### What arrangements are within the scope of IFRIC 12?

IFRIC 12 applies to arrangements where the grantor controls or regulates what services the operator provides with the infrastructure, to whom it must provide them and at what price. The grantor also controls any significant residual interest in the infrastructure at the end of the term of the arrangement. Roads, bridges, tunnels, prisons, hospitals, airports, water distribution facilities, energy supply and telecommunication networks are examples of infrastructure frequently the subject of service concession arrangements.

Common features of service concession arrangements include:

- The grantor of the service agreement is a public sector entity or a private sector entity to which the responsibility for the service is delegated;
- The operator is not an agent acting on behalf of the grantor but responsible for at least some of the management of the infrastructure;
- The arrangement is governed by a contract that sets out performance standards, mechanisms for adjusting prices and arrangements for arbitrating disputes; and
- The operator is obliged to hand over the infrastructure to the grantor in a specified condition at the end of the period of the arrangement.

The IFRIC has clarified that arrangements in the scope of IFRIC 12 are outside of the scope of IFRIC 4. The table on p3 provides the references to the standards that apply to typical private-to-public arrangements not covered by IFRIC 12; there are no bright lines between the accounting requirements for public-to-private arrangements.

### Example

An arrangement relating to the construction and operation of a road tunnel by a third party may include the following characteristics:

- The contract is granted via a government agency that is responsible for the national network;
- The operator makes day-to-day decisions such as lane closure, staffing needs, etc.;
- There is a target operating capacity in on- and off-peak periods; and
- The tunnel reverts to the government agency after a specific term.

### What are the major implications?

#### Two different accounting models

IFRIC 12 specifies the accounting treatment an operator applies to recognise the rights received under a service concession arrangement. Two models exist under the interpretation, as follows:

- Financial asset – an operator with a contractual and unconditional right to receive specified or determinable amounts of cash (or other financial asset) from the grantor recognises a financial asset. The financial asset is within the scope of IAS 32, IAS 39 and IFRS 7; and

- Intangible asset – an operator with a right to charge the users of the public service recognises an intangible asset. There is no contractual right to receive cash when payments are contingent on usage. The licence is within the scope of IAS 38.

For example:

Financial asset	Intangible asset
The road authority pays the operator for drivers' use of the tunnel	The operator charges the driver for use of the tunnel

The appropriate accounting model is not always obvious. Arrangements should be analysed in detail and may give rise to both a financial asset and an intangible asset. In such cases, management accounts separately for each component of the consideration. One obvious result is that the landscape of the operator's balance sheet will change. Operators of service concession agreements will see their fixed assets change into financial and/or intangible assets.

#### Recognition and measurement of revenues – separation of different components

The operator that provides construction or upgrade services, such as building the tunnel or upgrading it to new requirements, must account for revenue and costs in accordance with IAS 11. Revenue from operation services, such as tolls from road users, is recognised in accordance with IAS 18.

When the operator performs the two types of service (construction/upgrade

services and operation services), such as building and operating the tunnel, IFRIC concluded that the recognition criteria should be applied separately for each type of service. This may give rise to different profit margins on each service.

### What remains unchanged?

#### Contractual obligation

IFRIC 12 refers to IAS 37 for management to determine whether or not a liability should be recorded – for example, maintaining the infrastructure to a specified level of serviceability, or

restoring it at the end of the arrangement.

#### Borrowing costs

The operator that is within the intangible asset model should comply with IAS 23 on capitalisation of interest. Capitalisation is permitted but not required. The Board may make capitalisation of interest mandatory when a revised IAS 23 is published in 2007.

#### Disclosure

The disclosure requirements set out in SIC-29 remain unchanged. Operators

will also have to disclose how the service concession arrangement has been classified – ie, intangible asset, financial asset or both.

### Adoption of IFRIC 12

Retrospective application is required for service concession arrangements within the scope of the interpretation, except in the rare circumstance when retrospective application is impracticable. The comparative period for most companies will cover all or a portion of 2007. Only 13 months until the live application of IFRIC 12 for a calendar year-end company!

## Standards applying to typical private-to-public arrangements not covered by IFRIC 12

Category	Lessee	Service provider			Owner	
Typical arrangement types	Lease (eg, operator leases asset from grantor)	Service and/or maintenance contract (specific tasks, eg, debt collection)	Rehabilitate, operate, transfer	Build, operate, transfer	Build, own, operate	100% divestment/ privatisation/ corporate
Asset ownership	Grantor				Operator	
Capital investment	Grantor		Operator			
Demand risk	Shared	Grantor	Operator and/or grantor		Operator	
Typical duration	8-20 years	1-5 years	25-30 years			Indefinite (or may be limited by licence)
Residual interest	Grantor				Operator	
Relevant IFRSs	IAS 17	IAS 18	IFRIC 12		IAS 16	

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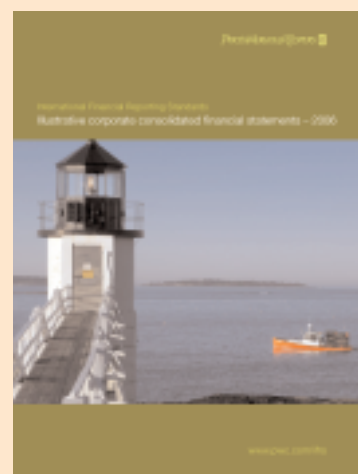
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# Expert views: IFRS application in 2005 and 2006

Key figures in the IFRS arena were interviewed for the 'IFRS 2006' conference organised by PwC France last month (see list of interviewees below). In the first of a three-part series, *IFRS News* publishes their responses to questions on the broader IFRS issues that arose in 2005 and what to look out for in preparing the 2006 financial statements. Subsequent instalments will cover views on 'European IFRS', consistency of application, convergence, governance, and IASB projects, including joint ventures, consolidation, business combinations, income taxes, financial instruments, fair value, impairment and pensions.

## *What lessons have been learned from the first round of IFRS financial statements in 2005?*

**SDP:** I believe the Trustees feel that the transition went well. Companies were prepared, reports were issued in a thoughtful way. But the real question is, have the standards been consistently interpreted within the principles? Are there answers being reached that are not logical? We must be prepared to study this for at least another year or two and be willing to reconsider standards, if the answers that have been developed are not what we expected.

**IB:** The level of compliance we have found is extremely good because of the hard work that's been put in. Maybe more of the detailed disclosures have been missed under IFRS than would have been the case under local GAAP, because IFRS is new and people are still coming to terms with it. But that's a detail. If we see these things, we point them out to companies and ask them to improve it in the next set of financial statements.

**PD:** It is too soon to answer this but we have seen a big effort on all sides in the preparation of financial statements. We have found the overall quality reassuring so far.

What we may have lost in immediate comparability we have gained in quality, transparency and depth of information; in other words, in this transitional phase, people have slightly lost their bearings. But I think that if they do the necessary analytical work and read the notes and accounting policies carefully, those seeking comparability will achieve it.

I think there is a degree of comparability between companies in the same sector.

There is some benchmarking between companies, a lot of contact within industries and a lot of dialogue.

## *What are the main IFRS issues discussed by management?*

**JP:** The most significant is the fair value concept, which has been controversial. Is it truly relevant to measure a company's performance against the market, or should fair value changes be part of the company's performance? Another issue is whether the fair value hierarchy always results in reliable answers. Also under discussion is whether non-financial items should be measured at fair value.

In the last year or maybe two years, in Germany, private partnerships became more interested in IFRS. They have a problem with equity/liability classification. In simple terms, most of these partnerships would have no equity, and everything that was previously shown in national GAAP accounts as capital would be presented as liability. But this isn't just an issue for private partnerships; it is also an issue for listed companies' group accounts when they have investments in such partnerships.

**PH:** One of the challenges that management in the UK has faced is 'nostalgic accounting'. Management has been used to reporting a particular item in a certain way under national GAAP, and they want to continue the old method because they're used to it. An example is where IFRS requires something to be measured, presented or disclosed in a certain way, but UK management sees no relevance as to how the business is run. They say IFRS is not picking up the right messages. The most obvious example is financial instruments: fair values, and the gains and losses make sense for banks or trading books; but non-financial businesses have struggled to explain what the fair values mean – what the value changes mean to gain and losses.

## *What were the main recurring issues raised during PwC's pre-issuance reviews of the first IFRS 2005 financial statements?*

**IW:** Almost every set of accounts had a different set of issues, although there were some common themes – for example, the format of the income statement. In the UK there is a tendency to have multiple columns; in France they

## Interviewees

- PwC global CEO, Sam DiPiazza (SDP);
- IASB chairman, Sir David Tweedie (DT);
- IASB member, Gilbert Gélard (GG);
- IASB member and formerly chief accountant at the AMF and French representative on CESR-Financial, Philippe Danjou (PD);
- IFRIC member and PwC global IFRS leader, Ian Wright (IW);
- FRRP deputy chairman, Ian Brindle (IB);
- Senior technical partner in PwC's SEC-FPI Services, Wayne Carnall (WC); and
- Members of PwC's Global Accounting Consulting Services management team: Jochen Pape (Eurofirm) (JP), Dave Kaplan (in the US) (DK) and Peter Holgate (in the UK) (PH).

tend to have operating profit before other items. There is a lot of difference between IFRS financial statements, but the number at the bottom is hugely consistent across Europe.

In terms of specific areas, financial instruments was one in which we were always going to have the biggest challenge. There was also revenue recognition, provisions and goodwill. We need to give explanations as to how we did impairment tests and the detail of the tests, the discount rates and the significant assumptions. That was an area that people seemed to be less familiar with and had to work harder to resolve. But my impression is that the end result has been a high degree of consistency, and a lot of issues were sorted out before the financial statements were published.

### IFRS and management

#### *Is there a risk of confusion between IFRS and the account headings used in press releases and other documents?*

**SDP:** Investors and users often want information that goes beyond the GAAP disclosures. The question is whether there is clarity as to what is disclosed in GAAP and what might be interpreted in some non-GAAP structures. We've seen some abuses in the US. The US regulator has been aggressive in limiting the disclosures around non-GAAP information, so we have to be careful. Transparency is important, but the real question is clarity around that transparency.

**PD:** The AMF and some regulators have generally had reservations about the use of so-called 'non-GAAP performance indicators', in other words non-accounting indicators. Nevertheless, they neither want nor have the power to prohibit this kind of communication, although it must be controlled. The AMF recommends reconciling one with the other; there must be an audit trail, coherence and year-on-year consistency of methods;

and the message must not be misleading otherwise it would be considered a market abuse. Subject to these reservations, why not permit a degree of linguistic freedom outside the context of the financial statements?

**IB:** It is only when companies talk about completely different numbers that don't reconcile or are impossible to reconcile to their IFRS numbers that we would get concerned.

#### *Do you support introducing the management approach to segment information when the financial statements do not take management views into account?*

**PD:** As regards ED 8, a good way to reconcile the management approach is to measure performance and the needs of users. Seeing the business through the eyes of the preparer can bring useful information. It includes sufficient controls in terms of overall reconciliations, there is an audit trail to avoid the risk of losing information in the process.

**GG:** First we need to define the boundaries between management information and the financial statements; segment information sits precisely between the two. I don't accept that it is permissible to include non-GAAP measures in segment information. I believe non-GAAP measures have no place in audited financial statements. They may, however, have a place in financial information that is clearly separate from the financial statements. The concept of management information is still at an exploratory stage. Let's take time to clarify the situation.

**PH:** This amounts to the IASB saying to companies that not only is it valid to tell a different story, but we're actually going to require you to tell a different story in the segment information than in the income statement. The income statement complies with GAAP, therefore it's comparable. The segment information may well be unique, there

may be no other company that does it the way you do, but that's fine. Comparability is not relevant here, but it gives an insight into the way the business is run. In many ways it's welcome for companies to be able to tell their own story. It may seem like a contradiction of principles, but I think they complement each other well.

#### *How is the project on the Framework progressing?*

**DT:** The Framework is deficient in certain places like measurement and presentation. We've published the chapters on objectives and qualitative characteristics [for comment]. There's disagreement on both of these in certain areas. There's a reaction against stewardship being admitted as an objective in the first. In the second, prudence will not come across as being over-conservative but as neutral. There's confusion between neutrality and excessive prudence. One of the problems with prudence is that it looks good in the balance sheet, but not in the income statement because you can manipulate income by being over-prudent. So it's not neutral.

Is the objective to have information for decision-making, or should the objective be stewardship? They're currently talking about the definitions of assets and liabilities. This is critical with liabilities/equity because we've always defined equity as the residual. Is that good enough? This will be the big area for discussion.

#### *Should management commentary be within the boundaries of IFRS?*

**DT:** I see accounting getting pretty rough for people. It will be a case of: "Tell us as it is; get rid of the smoothing devices". Management commentary is ideal for telling users what's happening and will be one of the most important parts of the financial reporting package. But should we make it a standard or best practice? That's going to be a big issue.

**In what ways might IFRS lead to managing a company with a short-term view?**

**JP:** I do not believe that this is an IFRS issue. If there's a short-term view, it's caused by the increasing demand for immediate information from investors and analysts. This might result in significant short-term impacts on the share price. Having said that, fair value changes – for example, in financial instruments – might impact on management. But I do not believe that decisions to buy, keep or sell financial instruments are truly based on the accounting impact.

**PH:** The question of 'short term-ism' is important, particularly in the US where they have quarterly earnings releases. There is pressure on companies to deliver a consistent trend of quarterly earnings. I don't think that's an IFRS issue: it exists under US GAAP; it existed under UK GAAP; it's still there. It's to do with accounting in general and conveying information to the markets.

**IW:** It's interesting that some people suggest that IFRS leads to a short-term view. Perhaps that's because, in some areas, IFRS has more of a focus on what something is worth today. It's a 'current value/fair value' notion. This means the accounts are portraying today's economics rather than smoothing the prior economics.

It does, however, seem that accounting should reflect what's going on and, as far as possible, what's happening today. It's management who's responsible for helping the market to think long term about their business. Some managements are very good at it, others less so. Whether management gives a picture of the long-term sustainability or not isn't about what the accounts say;

it's about how the management commentary deals with the amounts in the accounts.

**Preparation of 2006 accounts****What is your advice on preparing the 2006 IFRS accounts?**

**IB:** The best thing to do is sit down with your auditors well in advance of the year-end, take the lessons from the previous year-end, look at what competitors have been doing and see if there's something to learn from the way in which they word their accounting policies, make disclosures, etc. Everybody can improve, and you can always learn from somebody else.

**DK:** It makes sense to address as early as possible an accounting transaction that you haven't accounted for previously. You can also ensure that your auditors participate in those decisions so that they're on board as you encounter those transactions so you won't have surprises later.

It is productive for preparers/auditors to look at the US GAAP and IFRS solutions at the same time. That way we compare and contrast the two sets of standards to make sure that the advice we provide is correct the first time, as opposed to answering one set of accounting standards the first time and then, six months later, addressing the second set and by comparing the two answers, realising that we may have not answered the first set correctly.

My advice is to reach out to others who are experienced in these areas. IFRS is new for most people and, in many cases, there's a lot of 'legislative history' around their development. There are partners in our Global Accounting Consulting Services network who are very familiar

with that legislative history. Their input may present alternatives that you may not have otherwise thought about or may eliminate some alternatives that you believed were acceptable.

**WC:** I have two suggestions. Firstly, the New York Stock Exchange has issued a new rule this year that may impact how the financial statements are delivered in the US by implementing the concept of 'access equals delivery'. Instead of physically delivering the financial statements, companies can make them available on their websites. Companies should evaluate the implications as some may elect not to include all of the information that's required by the SEC in the annual report to shareholders.

Secondly, IFRS requires the disclosure of information within the financial statements that is presented outside of the financial statements in the US. Some of the information required by the SEC is incremental to that required by IFRS. My recommendation is to comply with the standards, put what is required in the financial statements but keep information that is not required outside of the financial statements. There are a number of reasons to make this distinction:

One is that some of the information is covered by a 'safe-harbour' protection, which is lost if the information is included in the financial statements – ie, there is greater liability risk if the information is included in the financial statements versus outside of the financial statements. Another is that, if the information is included in the financial statements, it is subject to reporting on internal controls over financial reporting. Finally, if there is an error in the information, the company and the auditor need to evaluate the impact to determine if the financial statements need to be restated.

**Solutions to crossword on page 9**

**Across:** 1 Sackbut; 5 Base fee; 9 Investment trust; 10 Car; 11 Half-holiday; 13 On cue; 16 Brand-name; 19 Framework; 21 Nudge; 22 Takeover bid; 26 SEC; 27 Stocks and shares; 28 Entitle; 29 Soliped.

**Down:** 1 Switch off; 2 Cover; 3 Bosch; 4 Tamil; 5 Benchmark; 6 Settled in; 7 Found; 8 Entry; 12 Aim; 14 Cha; 15 Eye socket; 16 Brokerage; 17 Aid; 18 Exercised; 20 Ria; 22 Taste; 23 Knout; 24 Bides; 25 D Phil; 26 Scrip.

# IFRS/IFRIC update – ‘mandatory’ and ‘permitted’ in 2006

*IFRS News* outlines the requirements of the recently published standards and interpretations that are mandatory for 2006 year-ends and those with early adoption permitted.

Standard/interpretation	Title	IASB effective date	New accounting treatment	Requirement to restate prior period(s)
<b>Mandatory adoption in 2006 (calendar year-end)</b>				
IAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures	1 Jan 2006*	<p>Before: actuarial gains and losses were recognised in the income statement based on the corridor approach or any other systematic method that results in faster recognition.</p> <p>Now: management has an option to immediately recognise actuarial gains and losses outside profit or loss in a statement of recognised income and expense (SoRIE). The amendment requires additional disclosures, such as details of the SoRIE, composition of assets, sensitivity analysis and five-year disclosure of the defined benefit obligation.</p>	Yes
IAS 21 Amendment	Net Investment in a Foreign Operation	1 Jan 2006	<p>Before: in the financial statements, including the foreign operation, the exchange differences on monetary items that formed part of the net investment and that were denominated in a currency, other than the functional currency of either the reporting entity or the foreign operation, were recognised in the income statement and not equity.</p> <p>Now: such exchange differences should be reclassified as equity, whether or not the monetary item is denominated in the functional currency of either the reporting entity or the foreign operation.</p> <p>An additional example is included to clarify that sister-company loans can form part of a group's net investment in a foreign operation.</p>	Yes
IAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions IAS39p80	1 Jan 2006	<p>Before: entities were not allowed to designate a forecast intragroup transaction as a hedged item in a cash flow hedge.</p> <p>Now: the entity may designate such intragroup transactions as hedged items provided: the transaction is denominated in a currency other than the functional currency of the entity entering into the transaction; and the transaction will affect consolidated profit or loss.</p>	No
IAS 39 Amendment	The Fair Value Option IAS39p9(b)	1 Jan 2006	<p>Before: there was no restriction on the use of the fair value option. Any financial instrument could be designated as at fair value through the income statement.</p> <p>Now: the use of the fair value option is restricted to certain circumstances: to eliminate accounting mismatch; for items in a portfolio that are managed and whose performance is evaluated on a fair value basis; and to hybrid instruments containing substantive embedded derivatives.</p>	Yes. See IAS39p105D for further guidance.
IAS 39 and IFRS 4 Amendment	Financial Guarantee Contracts IAS39p2(e)	1 Jan 2006	<p>Before: the issuer of a financial guarantee contract accounted it under IFRS 4, regardless of whether the entity was an insurance company or not.</p> <p>Now: management should account for the financial guarantee under IAS 39, unless it elects to apply IFRS 4. IFRS 4 should be applied only when the entity: (a) previously asserted explicitly that it regards such contracts as insurance contracts; and (b) used accounting specifically applicable to insurance contracts.</p> <p>Financial guarantees accounted for under IAS 39 are initially recognised at fair value and subsequently measured at the higher of: (a) the amount determined under IAS 37; and (b) the amount initially recognised less cumulative amortisation under IAS 18.</p>	Yes
IFRS 6	Exploration for and Evaluation of Mineral Resources	1 Jan 2006	<p>Before: no specific accounting treatment on extractive activities; it was covered in IAS 8p10 -12.</p> <p>Now: management should determine its own accounting policy for expenditures recognised as exploration and evaluation assets. Initially measure these at cost and subsequently adopt the cost or revaluation model. Impairment should be measured at cash-generating-unit level when carrying amount exceeds recoverable amount.</p>	Yes

IFRS 1 and IFRS 6 Amendment	IFRS 1 and IFRS 6 Amendment	1 Jan 2006	Entities that adopt IFRS 6 before 1 January 2006 are exempt from applying the recognition, measurement and disclosure requirements in IFRS 6 for comparative information in the first IFRS financial statements.	No. An entity that adopts IFRS before 1 January 2006 and has chosen to adopt IFRS 6 in its first IFRS financial statements before 1 January 2006 need not to apply IFRS 6 to the comparative period.
IFRIC 4	Determining whether an Arrangement contains a Lease	1 Jan 2006	Management should assess whether: a) fulfillment of the arrangement is dependent on the use of a specific asset; and b) the arrangement conveys a right to use the asset. If both criteria are met, the arrangement is, or contains, a lease.	Yes
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 Jan 2006	Management should recognise: a) an obligation to pay decommissioning costs as a liability; b) an interest in a fund under IAS 27, IAS 28, IAS 31 or SIC-12, depending on whether the contributor has control, joint control or significant influence over fund. In all other cases, it should be accounted for as a right to receive reimbursement from the fund under IAS 37 at the lower of amount of the decommissioning obligations recognised and contributor's share of the fair value of net assets of the fund.	Yes

**Early adoption permitted in 2006 (calendar year-end)\***

IFRIC 7	Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies	1 March 2006	There was no clear guidance on restatement on first-time application of IAS 29.  An entity first applying IAS 29 should restate the previous period's financial statements as if that entity had always applied IAS 29.	Yes
IFRIC 8	Scope of IFRS 2	1 May 2006	If the identifiable consideration given appears to be less than the fair value of the equity instruments granted or liability incurred, this means that unidentifiable consideration has been or will be received; IFRS 2 will therefore apply.	Yes
IFRIC 9	Reassessment of Embedded Derivatives	1 June 2006	Management should assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract. In this case, reassessment is required.	Yes
IFRIC 10	Interim Reporting and Impairment	1 Nov 2006**	Management should not reverse an impairment loss recognised in a previous interim period in respect of goodwill or investment in either an equity instrument or a financial asset carried at cost.	Yes. See IFRIC10p10 for further guidance.
IAS 1 Amendment	Presentation of Financial Statements: Capital Disclosures	1 Jan 2007	Disclosure of qualitative and quantitative information is required.	Yes
IFRS 7	Financial Instruments: Disclosures	1 Jan 2007	IAS 32 included disclosure requirements for financial instruments; IAS 30 described disclosure requirements for financial institutions.  All disclosure requirements for financial instruments are covered by IFRS 7 regardless of whether or not the reporting entity is a financial institution.	Yes
IFRIC 11	IFRS 2 – Group and Treasury Share Transactions	1 March 2007**	IFRS 2 was clear that an expense should be recognised by the entity receiving employee services; it was unclear exactly how it should be calculated where employees of a subsidiary received the shares of a parent.  IFRIC 11 clarifies that certain types of transaction are accounted for as equity-settled or cash-settled transactions under IFRS 2. It also addresses the accounting for share-based payment transactions involving two or more entities within one group.	Yes. See IFRIC11p13 for further guidance.
IFRS 8	Operating Segments	1 Jan 2009**	IFRS 8 supersedes IAS 14, under which segments were identified and reported on risk and return analysis. Items were reported on the accounting policies used for external reporting.  Under IFRS 8, segments are components of an entity regularly reviewed by an entity's chief operating decision-maker. Items are reported based on the internal reporting.	Yes
IFRIC 12	Service Concession Arrangements	1 Jan 2008**	It applies to companies that participate in service concession arrangements and provides guidance on the accounting by operators in public-to-private service concession arrangements.	Yes

\* All early adoption of the standards/interpretations require disclosure of that fact.

\*\* These new standards and interpretations have not yet been endorsed by the EU.

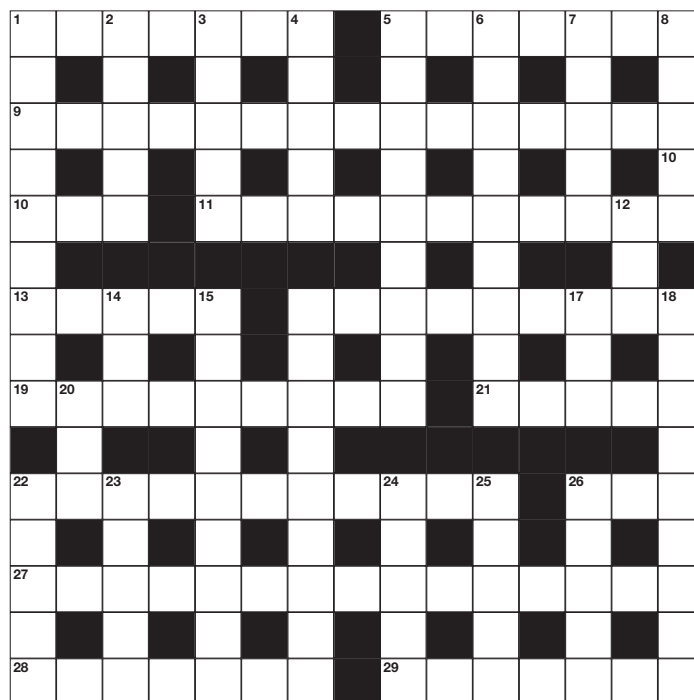
# IFRS News Crossword

## Across

- 1 Early wind instrument like a trombone (7)
- 5 Freehold estate of inheritance with a qualification (4,3)
- 9 An organisation that invests its funds in other companies and issues its own securities against these holdings (10,5)
- 10 Self-propelled vehicle designed to carry passengers (3)
- 11 50% of a working day for recreation (4-7)
- 13 At exactly the right moment (2,3)
- 16 Product identification mark that may have an indefinite useful life (5-4)
- 19 It was approved by the IASC Board in April 1989 for publication in July 1989 and adopted by the IASB in July 2001 (9)
- 21 Jog with the elbow – usually accompanies a wink (5)
- 22 These can often become hostile between rivals and or cross-border (8,3)
- 26 US regulator of capital markets (3)
- 27 Units of ownership of a company (6,3,6)
- 28 Give a right to another (7)
- 29 A mammal having a single hoof on each foot (7)

## Down

- 1 Cause electrical item to stop working (6,3)
- 2 Protection by insurance (5)
- 3 Carl \_\_\_\_, German chemist 1874-1940 (5)
- 4 Language spoken in Sri Lanka and southern India (5)
- 5 There used to be this type of treatment as well as 'allowed alternatives' in the accounting standards (9)
- 6 Adapted to new environment (7,2)
- 7 Cast metals by melting and allowing to harden (5)
- 8 Each one of these should balance (5)
- 12 Direct towards a target (3)
- 14 Common name for tea of Indian derivation (3)
- 15 Recess in skull where seeing organ is situated (3,6)
- 16 Commission for transacting business for others (9)



- 17 Assistance in defending an action (3)
- 18 Converted options to shares (9)
- 20 A long narrow inlet of a river (3)
- 22 Try by eating a little (5)
- 23 Whip formerly used as instrument of punishment in Russia (5)
- 24 \_\_\_ one's time, awaits a favourable moment (5)
- 25 Doctor of Philosophy (abbrev.) (1,4)
- 26 Preliminary certificate for 27 across allotted (5)

## For further help, please contact:

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